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(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name “东方证券股份有限公司” and carrying on business in Hong Kong as “東方證券” (in Chinese) and “DFZQ” (in English))

(Stock Code: 03958)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the “**Board**”) of 東方證券股份有限公司 (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2017. This announcement, containing the full text of the 2017 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.dfzq.com.cn).

The Company's 2017 interim report will be despatched to holders of H shares and published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

By order of the Board of Directors

PAN Xinjun

Chairman

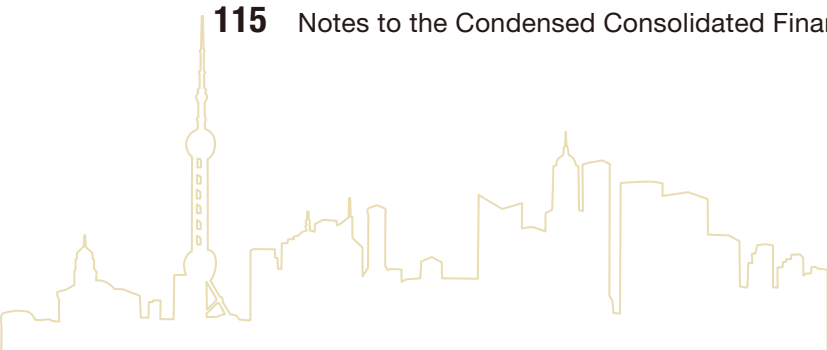
Shanghai, PRC
August 27, 2017

As at the date of this announcement, the Board of Directors comprises Mr. PAN Xinjun and Mr. JIN Wenzhong as executive Directors; Mr. WU Jianxiong, Mr. ZHANG Qian, Mr. WU Junhao, Mr. CHEN Bin, Mr. LI Xiang, Mr. XU Jianguo, Ms. HUANG Laifang and Mr. ZHOU Yao as non-executive Directors; and Mr. LI Zhiqiang, Mr. XU Guoxiang, Mr. TAO Xiuming, Mr. WEI Anning and Mr. XU Zhiming as independent non-executive Directors.

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Important Notice

- I. The Board of Directors, the supervisory committee of the Company and its directors, supervisors and senior management warrant that the information contained herein is true, accurate and complete and there are no false representations, misleading statements contained in or material omissions from this interim report, and severally and jointly accept legal liability.
- II. This report has been approved in the 33rd meeting of the 3rd session of the Board of the Company.

Position of absent director	Name of absent director	Reason for being absent	Name of proxy
Executive director	Jin Wenzhong	Due to official affairs	Pan Xinjun
Non-executive director	Chen Bin	Due to official affairs	Pan Xinjun
Non-executive director	Zhou Yao	Due to official affairs	Wu Junhao
Independent non-executive director	Wei Anning	Due to official affairs	Xu Guoxiang

There was no objection from the Directors or supervisors to this report.

- III. The 2017 interim financial report of the Company, prepared in accordance with the International Financial Reporting Standards ("IFRS"), was reviewed by Deloitte Touche Tohmatsu. Unless otherwise stated, all information is denominated in RMB.
- IV. Mr. Pan Xinjun, the chairman of the Company, and Mr. Zhang Jianhui, the accounting chief and person-in-charge of the accounting department (head of the accounting department), warrant the truthfulness, accuracy and completeness of the financial report set out in the interim report.
- V. The profit distribution proposal or proposal on transfer of capital reserve fund into share capital for the Reporting Period reviewed by the Board
The Company did not propose any profit distribution proposal or proposal on transfer of capital reserve into share capital during the first half of 2017.
- VI. Risk statement for forward-looking statements
Forward-looking statements, including future plans and development strategies, may be contained in this report. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Neither the Company nor any of its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information. Investors are advised to pay attention to such investment risks involved and not place undue reliance on forward-looking statements.
- VII. Were there any non-operational funds appropriated by controlling shareholders and their related parties?
No
- VIII. Did the Company provide third-party guarantees in violation of the decision-making procedures?
No
- IX. Material Risk Warnings
The business of the Company is highly dependent on economic and market conditions in China and other jurisdictions where it operates. General economic and political conditions, such as macroeconomic and monetary policies, laws and regulations on the financial and securities industries, upward and downward trends in the market, business and financial sectors, currency and interest rate fluctuations, availability of short-term and long-term market funding sources and financing cost, could affect the business of the Company. As a securities firm, the business of the Company is directly affected by the inherent risks associated with the securities markets, including market volatility, changes in investment sentiment, fluctuations in trading volume, liquidity changes, and the creditworthiness or the

Important Notice

perceived creditworthiness of the securities industry in the marketplace. Downturns in general economic conditions and adverse market conditions could materially and adversely affect the Company's business, results of operations, financial conditions and prospects in various ways, for example, the demand of its clients for securities trading could decrease, resulting in a decline in its revenue from the securities brokerage; the value and returns on financial assets the Company holds for securities trading and investment and the value of investment portfolio for the asset management products of the Company may be adversely affected by market volatility; the Company may face increased default risks that a client or counterparty may fail to perform his contractual obligations; the financing cost of the Company may increase due to the limited access to liquidity and the capital markets, and therefore restricting its ability to raise funds to develop its business; the Company may not be able to effectively implement its business plans and strategies.

In addition to the extensive competition in the securities industry in the PRC, the Company also faces intense competition from other financial institutions, such as commercial banks, fund management companies, insurance companies, trust companies, futures companies and asset management companies. Some of the competitors of the Company may have certain competitive advantages over it, including greater financial resources, stronger brand recognition, broader product and service offerings and wider branch network coverage. Failure by the Company to effectively compete may have a material and adverse effect on the Company's business, financial conditions, results of operations and prospects.

The Company relies on banks and other external financing channels and bond issuances to fund a significant portion of its working capital requirements. The financial conditions, liquidity and business operations of the Company will be adversely affected to the extent the Company is not able to service or repay its debt in a timely manner due to lack or unavailability of internal resources or inability to obtain alternative financing. Even if the Company is able to meet its debt service obligations, the amount of debt the Company borrows could also adversely affect it in a number of ways, for example, limiting the ability of the Company to obtain any necessary financing in the future for working capital, strategic investment, debt service requirement, or other purposes; limiting the flexibility of the Company in planning for, or reacting to, changes in its business; placing the Company at a competitive disadvantage relative to its competitors who have lower levels of debt; affecting the credit ratings of the Company and increasing its financial cost; making the Company more vulnerable to a downturn in its business or the economy generally; subjecting the Company to the risk of being forced to refinance at higher interest rates.

The Company has described the risks such as market risk and credit risk in detail in this report. Please refer to the contents of the Potential Risks and Prevention Measures under the Discussion and Analysis on the Company's Future Development in the section entitled Discussion and Analysis on Operations for details.

X. Others

Chinese and English versions of this report are provided by the Company. In the event of any discrepancy between the Chinese and English versions, the Chinese shall prevail.

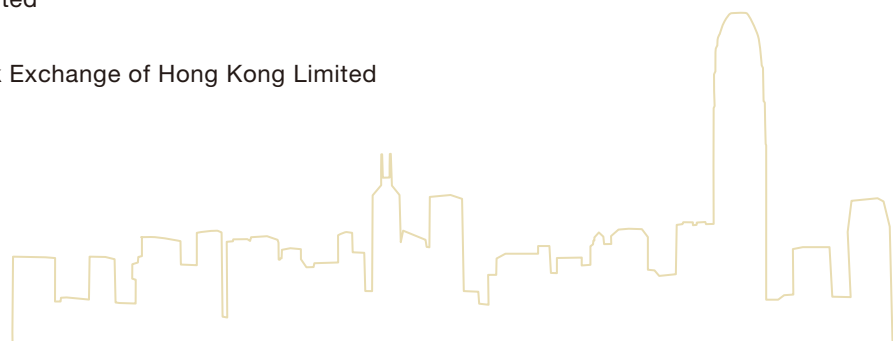
Unless otherwise specified, the analysis and explanation provided in this report are all based on the consolidated accounting statement.

Section I Definitions

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

Definitions of the frequently used terms

“A Share(s)”	the domestic shares of the Company with a nominal value of RMB1 each, which are listed and traded on the SSE
“Articles of Association”	the articles of association of 東方證券股份有限公司
“BDO”	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)
“Board” or “Board of Directors”	the board of directors of DFZQ
“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
“China Universal”	China Universal Asset Management Company Limited (匯添富基金管理股份有限公司), an investee company of the Company
“Citi Orient”	Citi Orient Securities Co., Ltd. (東方花旗證券有限公司), a controlling subsidiary of the Company
“Company” or “the Company” or “Parent Company” or “DFZQ”	東方證券股份有限公司
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Group” or “the Group” or “We”	東方證券股份有限公司 and its subsidiaries
“H Share(s)”	the ordinary shares of the Company with a nominal value of RMB1 each, which are listed and traded in Hong Kong dollars on the Hong Kong Stock Exchange
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited



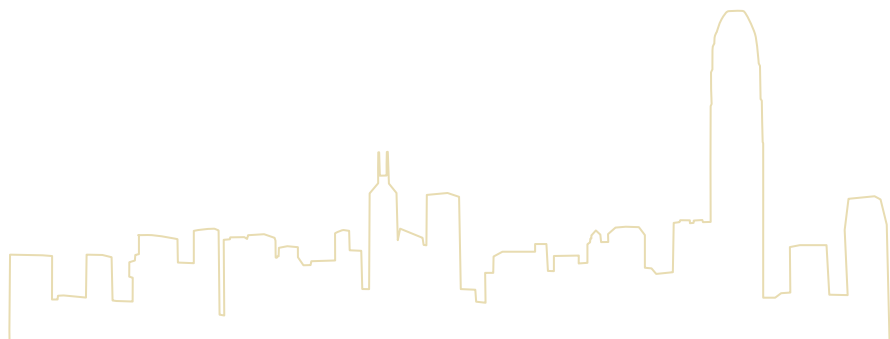
Section I Definitions

“Hong Kong”	the Special Administrative Region of Hong Kong of the PRC
“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
“Orient Hong Kong”	Orient Finance Holdings (Hong Kong) Limited (東方金融控股(香港)有限公司), a wholly owned subsidiary of the Company
“Orient Securities Asset Management”	Shanghai Orient Securities Asset Management Co., Ltd. (上海東方證券資產管理有限公司), a wholly-owned subsidiary of the Company
“Orient Securities Capital Investment”	Shanghai Orient Securities Capital Investment Co., Ltd. (上海東方證券資本投資有限公司), a wholly-owned subsidiary of the Company
“Orient Securities Futures”	Shanghai Orient Securities Futures Co., Ltd. (上海東證期貨有限公司), a wholly owned subsidiary of the Company
“Orient Securities Innovation Investment”	Shanghai Orient Securities Innovation Investment Co., Ltd. (上海東方證券創新投資有限公司), a wholly-owned subsidiary of the Company
“Reporting Period”	January 1, 2017 to June 30, 2017
RMB, RMB'000, RMB'0000, RMB100 million	Renminbi Yuan, Renminbi '000, Renminbi '0000, Renminbi 100 million (unless otherwise specified)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Bureau of the CSRC”	the Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission
“Shanghai Haiyan Investment”	Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司)



Section I Definitions

“Shenergy Group”	Shenergy (Group) Company Limited (申能(集團)有限公司)
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange
“SSE”	Shanghai Stock Exchange
“SSE Composite Index”	Shanghai Stock Exchange Composite Index
“SZSE Component Index”	Shenzhen Stock Exchange Component Index



Section II Company Profile and Key Financial Indicators

I. COMPANY INFORMATION

Chinese name of the Company	東方證券股份有限公司
Chinese abbreviation of the Company	東方證券
English name of the Company	ORIENT SECURITIES COMPANY LIMITED
English abbreviation of the Company	DFZQ
Legal representative of the Company	Pan Xinjun
General manager of the Company	Jin Wenzhong
Authorized representatives of the Company	Pan Xinjun, Jin Wenzhong
Joint company secretaries	Yang Yucheng, Leung Wing Han Sharon

Registered capital and net capital of the Company

Unit: RMB

	As at the end of this Reporting Period	As at the end of last year
Registered capital	6,215,452,011.00	6,215,452,011.00
Net capital	35,250,682,566.68	33,890,090,462.99

Each individual business qualification of the Company

No.	Name of business qualification	Approval authority and approval number
1	Permit to operate securities and futures business	CSRC (No.: 913100001322947763)
2	Entry qualification for national inter-bank lending market and bonds market to conduct lending, bonds purchase, spot transaction of bonds and bonds repurchase business	Monetary Policy Department of the People's Bank of China (Yin Huo Zheng [2000] No. 108)
3	Qualification for conducting online securities commissioning	CSRC (Zheng Jian Xin Xi Zi [2001] No. 8)
4	Qualification for conducting distribution business of open-ended securities investment funds	CSRC (Zheng Jian Ji Jin Zi [2004] No. 50)
5	Qualification for conducting SSE Fund Connect business	SSE Membership Department (SSE [2005])
6	Qualification for conducting underwriting business of short term financing bills	People's Bank of China (Yin Fa [2005] No. 275)
7	Pilot securities companies conducting relevant innovative businesses	Securities Association of China (Review Notice No. 2 on Securities Companies Engaging in Innovation Businesses Issued by Securities Association of China)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
8	Qualification for conducting share transfer agency business	Securities Association of China (Zhong Zheng Xie Han [2006] No. 158)
9	Qualification for conducting quotation and transfer business	Securities Association of China (Zhong Zheng Xie Han [2006] No. 173)
10	Dealer qualification for Integrated Electronic Platform of Fixed-income Securities of SSE	SSE (Shang Zheng Hui Zi [2007] No. 45)
11	Approval of brokerage business qualification on financial futures	CSRC (Zheng Jian Qi Huo Zi [2007] No. 351)
12	Qualification of Type A clearing participants of China Securities Depository and Clearing Corporation Limited	China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2008] No. 25)
13	Qualification for clearing business of financial futures transaction	CSRC (Zheng Jian Xu Ke [2008] No. 684)
14	Qualification for trial operation of direct investment business	CSRC (Ji Gou Bu Bu Han [2009] No. 475)
15	Qualification for provision of intermediary and referral services to futures companies	CSRC (Hu Zheng Jian Ji Gou Zi [2010] No. 132)
16	Establishment of wholly-owned subsidiary, Shanghai Orient Securities Asset Management Co., Ltd. and qualification for conducting securities assets management business	CSRC (Zheng Jian Xu Ke [2010] No. 518)
17	Qualification for conducting margin financing and securities lending business	CSRC (Zheng Jian Xu Ke [2010] No. 764)
18	Type 1 Licence – Dealing in securities	Securities and Futures Commission of Hong Kong (CE No. AVD362)
19	Type 4 Licence – Advising on securities	Securities and Futures Commission of Hong Kong (CE No. AVH864)
20	Type 9 Licence – Asset management	Securities and Futures Commission of Hong Kong (CE No. AVH864)
21	Qualification for implementation of the securities broker system	CSRC (Hu Zheng Jian Ji Gou Zi [2010] No. 514)
22	Type 2 Licence – Dealing in futures contracts	Securities and Futures Commission of Hong Kong (CE No. AWD036)
23	Establishment of Citi Orient Securities Co., Ltd., qualification for conducting investment banking business	CSRC (Zheng Jian Xu Ke [2011] No. 2136)
24	Qualification for trial operation of dealer-quoted collateralized bond repurchase business	CSRC (Ji Gou Bu Bu Han [2012] No. 20)
25	Qualification for provision of integrated services to insurance institutional investors	China Insurance Regulatory Commission (Zi Jin Bu Han [2012] No. 4)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
25	Qualification for conducting securities repurchase agreement transaction business	CSRC (Ji Gou Bu Bu Han [2012] No. 481) SSE (Shang Zheng Hui Zi [2012] No. 167) Shenzhen Stock Exchange (Shen Zheng Hui [2013] No. 15)
26	Qualification for investment manager of insurance funds	Announcement of the China Insurance Regulatory Commission
27	Qualification of pilot margin refinancing	China Securities Finance Corporation Limited (Zhong Zheng Jin Han [2012] No. 149 and Zhong Zheng Jin Han [2012] No. 153)
28	Qualification for assets management business	CSRC (Zheng Jian Xu Ke [2012] No. 1501)
29	Qualification for conducting special institutional client business of insurance institutions	China Insurance Regulatory Commission (Notice on Conducting Special Institutional Client Business of Insurance Institutions)
30	Qualification of sponsor	CSRC (Zheng Jian Xu Ke [2013] No. 33)
31	Permit to operate futures business	CSRC (No.: 31350000)
32	Qualification for financial products distribution business	Shanghai Bureau of the CSRC (Hu Zheng Jian Ji Gou Zi [2013] No. 52)
33	Qualification for conducting brokerage business in NEEQ as host broker	National Equities Exchange and Quotations Co., Ltd. (Gu Zhuan Xi Tong Han [2013] No. 44)
34	Conducting comprehensive custodian business for private equity fund (limited partnership)	CSRC (Ji Gou Bu Bu Han [2013] No. 174)
35	Qualification for conducting pilot consumption and payment service of securities funds of clients	CSRC (Ji Gou Bu Bu Han [2013] No. 207)
36	Permit to operate securities investment business	CSRC (RQF2013HKS015)
37	Qualification for collateralized stock repurchase business	SSE (Shang Zheng Hui [2013] No. 77) Shenzhen Stock Exchange (Shen Zheng Hui [2013] No. 60)
38	Qualification for conducting securities pledge registration agency business	China Securities Depository and Clearing Corporation Limited (Confirmation on Qualification for Securities Pledge Registration Agency Business)
39	Qualification for management business of publicly offered securities investment fund	CSRC (Zheng Jian Xu Ke [2013] No. 1131)
40	Qualification for equity-based return swaps and OTC options business	Securities Association of China (Zhong Zheng Xie Han [2013] No. 923)
41	Qualification for conducting pilot securities refinancing business	China Securities Finance Corporation Limited (Zhong Zheng Jin Han [2013] No. 227)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
42	Qualification for conducting securities underwriting business (limited to government bonds, financial bonds of policy banks, short-term financing bills and medium-term notes)	Shanghai Bureau of the CSRC (Hu Zheng Jian Xu Ke [2013] No. 265)
43	Permit to operate securities and futures business	CSRC (No.: 91310000555998513B)
44	Qualification for brokerage business of marketable securities in foreign currencies	Shanghai Bureau of State Administration of Foreign Exchange (Shang Hai Hui Fu [2014] No. 15)
45	License of Securities Business in Foreign Currency	State Administration of Foreign Exchange (SC201102)
46	Qualification for conducting market maker business in NEEQ as host broker	National Equities Exchange and Quotations Co., Ltd. (Gu Zhuan Xi Tong Gong Gao [2014] No. 54, Gu Zhuan Xi Tong Han [2014] No.707)
47	Qualification of first batch of quotation and service participants of private fund products trading between companies	China Securities Capital Market Development Monitoring Centre Company Limited (List of Participants of Quotation System [First Batch])
48	Type 6 Licence – Advising on corporate finance	Securities and Futures Commission of Hong Kong (CE No. BDN128)
49	Permit to conduct Shanghai-Hong Kong Stock Connect business	SSE (Shang Zheng Han [2014] No. 626)
50	Qualification for pilot OTC market business	Securities Association of China (Zhong Zheng Xie Han [2014] No. 632)
51	Qualification for pilot proprietary business of gold spot contract	CSRC (Ji Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 1876)
52	Pilot online securities business	Securities Association of China (Announcement on List of Securities Companies Conducting Pilot Online Securities Business (No. 3))
53	Qualification for underwriting business of debt financing instruments of non-financial institutions	National Association of Financial Market Institutional Investors (Announcement of National Association of Financial Market Institutional Investors [2014] No. 16)
54	Qualification of options transaction participants of SSE and permit to operate stock and options brokerage and proprietary business and qualification for options clearing business	SSE (Shang Zheng Han [2015] No. 61) China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2015] No. 11)

Section II Company Profile and Key Financial Indicators

No.	Name of business qualification	Approval authority and approval number
55	Qualification for conducting transfer and deposit service of clients' deposits	China Securities Investor Protection Fund Corporation (Zheng Bao Han [2015] No. 67)
56	Qualification for stock and options market making business	CSRC (Zheng Jian Xu Ke [2015] No. 163)
57	Qualification of general market maker for SSE 50 ETF Options	SSE (Shang Zheng Han [2015] No. 433)
58	Qualification for conducting quotation business for debt financing instruments of non-financial institutions	National Association of Financial Market Institutional Investors (Zhong Shi Xie Bei [2015] No. 32)
59	Qualification for sales of securities investment fund	Shanghai Bureau of the CSRC (Hu Zheng Jian Xu Ke [2015] No. 61)
60	Qualification for company conducting pilot market making business for quotation system	China Securities Internet System Co., Ltd.
61	Permit to operate securities business, with business scope of underwriting and sponsoring of securities (excluding government bonds, financial bonds of policy banks, short-term financing bills and medium-term notes)	CSRC (No.: 13790000)
62	Qualification for funds sales business	CSRC (No.: 000000519)
63	Contractor of service in relation to private equity fund business	Asset Management Association of China
64	Qualification for issue of short-term financing bills	CSRC (Ji Gou Bu Han [2015] No. 3337)
65	License of Money Lenders	Eastern Magistrates' Courts of Hong Kong (No. 0066/2017)
66	Permit to conduct Southbound Trading business under the Shenzhen-Hong Kong Stock Connect	Shenzhen Stock Exchange (Shen Zheng Hui [2016] No. 326)
67	Qualification for inter-bank Gold Price Asking Transactions	Shanghai Gold Exchange (Shang Jin Jiao Fa [2017] No. 81)
68	Qualification of options transaction participants of SEE	SEE (Shang Zheng Han [2017] No. 165)

In addition, the Company is a member of the Securities Association of China, SSE, Shenzhen Stock Exchange, National Debt Association of China and Shanghai Gold Exchange. It is also a clearing participant of China Securities Depository and Clearing Corporation Limited and a member of the Asset Management Association of China.



Section II Company Profile and Key Financial Indicators

II. CONTACT PERSONS AND CONTACT METHODS

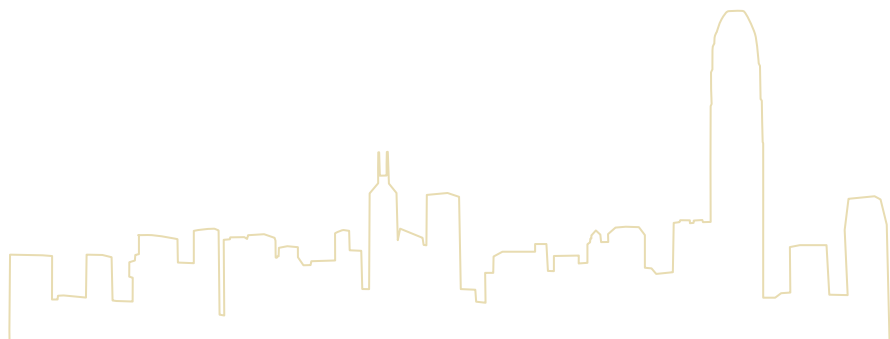
	Secretary to the Board	Representative of securities affairs
Name	Wang Rufu	Li Tingting
Correspondence address	23/F, Building 2, No. 318 Zhongshan South Road, Shanghai, the PRC	23/F, Building 2, No. 318 Zhongshan South Road, Shanghai, the PRC
Tel	+86-021-63325888	+86-021-63325888
Fax	+86-021-63326010	+86-021-63326010
E-mail	wangrf@orientsec.com.cn	litingting@orientsec.com.cn

III. CHANGES IN BASIC COMPANY INFORMATION

Registered address	22/F, 23/F and 25-29/F, Building 2, No. 318 Zhongshan South Road, Huangpu District, Shanghai, the PRC
Postal code of registered address	200010
Business address	13/F, 21-23/F, 25-29/F, 32/F, 36/F, 39/F and 40/F, Building 2, No. 318 Zhongshan South Road, Huangpu District, Shanghai, the PRC
Postal code of business address	200010
Place of business in Hong Kong	28-29/F, 100 Queen's Road Central, Central, Hong Kong
Internet website	www.dfzq.com.cn
E-mail	ir@orientsec.com.cn

IV. CHANGES IN INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Newspapers designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by CSRC for publication of interim reports	www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publication of interim reports	www.hkexnews.hk
Place where the interim reports of the Company are available	23/F, Building 2, No. 318 Zhongshan South Road, Huangpu District, Shanghai, the PRC



Section II Company Profile and Key Financial Indicators

V. BRIEF INFORMATION ON SHARES OF THE COMPANY

Type of shares	Stock exchange on which shares are listed	Stock abbreviation	Stock code
A Shares	SSE	DFZQ	600958
H Shares	Hong Kong Stock Exchange	DFZQ	03958

VI. OTHER RELEVANT INFORMATION

Domestic accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Office address	30/F, 222 Yan An Road East, Huangpu District, Shanghai, the PRC
	Name of the signing accountants	Ma Qinghui, Shi Man
Overseas accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu
	Office address	35/F, One Pacific Place, No. 88 Queensway, Hong Kong
	Name of the signing accountants	Ma Qinghui
Sponsor performing continuous supervisory duty during the Reporting Period	Name	Everbright Securities Company Limited
	Office address	No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC
	Name of the signing sponsor representatives	Zhou Ping, Yu Jian
	Period of continuous supervision	March 23, 2015 to April 18, 2017
	Name	Guotai Junan Securities Co., Ltd.
	Office address	No. 618 Shangcheng Road, China (Shanghai) Pilot Free Trade Zone
	Name of the signing sponsor representatives	Miao Tao, Jin Licheng
	Period of continuous supervision	April 19, 2017 to December 31, 2017

Section II Company Profile and Key Financial Indicators

	Name	Citi Orient Securities Co., Ltd.
	Office address	24/F, Building 2, No. 318 Zhongshan South Road, Huangpu District, Shanghai, the PRC
	Name of the signing sponsor representatives	Su Yuexing, Sun Xiaoqing
	Period of continuous supervision	April 19, 2017 to December 31, 2017
Chief Risk Officer and Compliance Controller	Yang Bin	
Legal Advisor to the Company as to the PRC law	Grandall Law Firm (Shanghai)	
Legal Advisor to the Company as to Hong Kong law	Clifford Chance	
Compliance Advisor	Anglo Chinese Corporate Finance, Limited	
A Share Registrar	Shanghai Branch of China Securities Depository and Clearing Corporation Limited	
H Share Registrar	Computershare Hong Kong Investor Services Limited	

Note: On April 14, 2017, the Company held the first Extraordinary General Meeting of 2017, the first A Shares Class Meeting of 2017 and the first H Shares Class Meeting of 2017 to consider and approve the resolutions such as “The resolution in relation to the proposed non-public issuance of A shares by the Company”. On April 19, 2017, the Company entered into an agreement with Guotai Junan Securities Co., Ltd. (“GTJA”) and Citi Orient, pursuant to which, GTJA and Citi Orient would be the sponsors of the non-public issuance of A shares by the Company. Accordingly, the sponsorship agreement for Initial Public Offerings and Listing of Shares (between Everbright Securities Company Limited (“Everbright Securities”) and the Company dated March 29, 2012) was terminated at the same date of entering into the new sponsorship agreement, since the Company has appointed new Sponsors for re-applying of the issuing of new shares. Therefore, the unfinished continuous supervision work of Everbright Securities would be taken over by GTJA and Citi Orient.

Section II Company Profile and Key Financial Indicators

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key Accounting Data

(Unless otherwise indicated, all accounting data and financial indicators set out in this report are prepared in accordance with IFRS.)

Items	From January to June 2017	From January to June 2016	Change compared with previous period
Operating results (RMB'000)			
Revenue and other income	7,701,597	5,749,448	33.95%
Profit before income tax	2,182,277	1,560,604	39.84%
Profit of the period attributable to shareholders of the Company	1,755,242	1,283,432	36.76%
Net cash used in operating activities	(14,113,351)	(375,185)	N/A
Earnings per share (RMB/share)			
Basic earnings per share	0.28	0.24	16.67%
Diluted earnings per share	0.28	0.24	16.67%
Indicator of profitability			
Weighted average returns on net assets	4.27%	3.71%	Increase by 0.56 percentage points

Items	As at June 30, 2017	As at December 31, 2016	Changes as at the end of the Reporting Period over the previous year (%)
Indicators of scale (RMB'000)			
Total assets	212,457,124	212,411,087	0.02%
Total liabilities	171,088,739	171,473,262	-0.22%
Accounts payable to brokerage clients	29,403,782	35,651,787	-17.53%
Equity attributable to owners of the Company	40,872,783	40,482,898	0.96%
Total share capital ('000)	6,215,452	6,215,452	0.00%
Net assets per share attributable to owners of the Company (RMB/share)	6.58	6.51	1.08%
Gearing ratio ^{Note}	77.40%	76.76%	Increase by 0.64 percentage points

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

Section II Company Profile and Key Financial Indicators

(II) Description of Key Financial Data

During the Reporting Period, while maintaining sound operation and adhering to the bottom line of compliance, the Company grasped the market opportunities precisely to constantly improve its income level and made big breakthroughs in its primary business such as securities investment and asset management, achieving good operating results. Revenue and other income and net profit attributable to owners of the Company in the first half of 2017 increased by 33.95% and 36.76% as compared with the corresponding period of last year, respectively.

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

As at the end of the Reporting Period, net capital of the Company was RMB35.251 billion, increased by RMB1.361 billion or 4.01% from RMB33.890 billion at the beginning of the year. During the Reporting Period, major risk control indicators of the Company, including net capital, were in compliance with the standards as stipulated in the Administrative Measures of Risk Control Indicators for Securities Companies. Major risk control indicators of the Company as at the end of the Reporting Period, including net capital, were set out as follows:

Unit: RMB'000

Items	As of the end of the Reporting Period	As of the end of last year
Net capital	35,250,682.57	33,890,090.46
Net assets	38,530,727.88	38,530,671.53
Risk coverage rate (%)	231.45	221.73
Capital gearing ratio (%)	14.99	16.06
Liquidity coverage ratio (%)	233.43	190.68
Stable funding ratio (%)	123.73	112.44
Net capital/net assets (%)	91.49	87.96
Net capital/liabilities (%)	27.37	27.62
Net assets/liabilities (%)	29.92	31.40
Proprietary equity-based securities and securities derivatives/ net capital (%)	51.01	51.26
Proprietary fixed income securities/net capital (%)	221.34	204.45

Notes: All data above have been calculated based on the financial information prepared in accordance with the China Accounting Standards for Business Enterprises

VIII. DIFFERENCES BETWEEN IFRS AND PRC GAAP

Net profits for January to June 2017 and January to June 2016, and net assets as at June 30, 2017 and December 31, 2016 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.

Section III Summary of the Company's Business

I. EXPLANATIONS ON THE PRINCIPLE BUSINESSES ENGAGED BY THE COMPANY, OPERATIONAL MODELS AND INDUSTRIAL CONDITIONS DURING THE REPORTING PERIOD

The Company holds full licenses of the businesses that securities firms in the PRC are permitted to conduct, and it primarily engages in the following five businesses during the Reporting Period:

- **Securities Sales and Trading**

The Company conducts securities sales and trading business with its own capital, including equity investment and trading, fixed income investment and trading, financial derivatives trading business, NEEQ market-making business, alternative investment and securities research services.

- The Company engages in professional equity investment and trading business and fixed income investment and trading business, which includes various stocks, funds, bonds, derivatives and others. In the meantime, it actively expands FICC business.
- The Company conducts financial derivatives trading business by means of arbitrage trading to obtain absolute income with low risk exposure.
- The Company actively conducts NEEQ market-making business through the difference between the purchase price and the selling price of the Company's inventory stocks as well as the bid-ask spread the Company collects when facilitating trading in shares to obtain income.
- The Company engages in alternative investment business through Orient Securities Innovation Investment, a wholly-owned subsidiary of the Company, and its investment products include structured products in secondary market, banks' non-performing assets backed securitization products and others.
- The Company provides its institutional clients with research services. The clients allocate funds to the seats through the Company, and determine to lease special unit trading seats from the Company, and determine the trading volume allocated based on the quality of the research services provided by the Company.

- **Investment Management**

The Company provides its clients with asset management scheme, fund management products and direct investment funds.

- The Company conducts asset management business through Orient Securities Asset Management, a wholly-owned subsidiary of the Company, providing a complete product line of asset management business including collective asset management, targeted asset management, specialized asset management and mutual funds raised by securities firms.

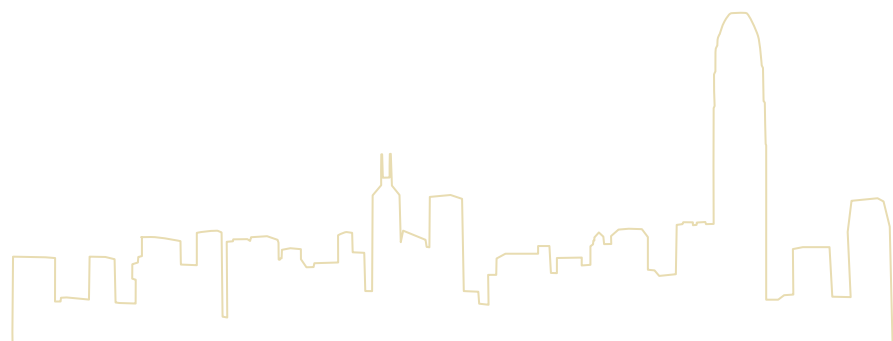
Section III Summary of the Company's Business

- The Company conducts fund management business for its clients through China Universal, an associate in which the Company is the largest shareholder with a shareholding of 35.412%.
- The Company engages in private equity investment fund management business through Orient Securities Capital Investment.

- **Brokerage and Securities Financing**

The Company conducts securities brokerage business and futures brokerage business, and provides its clients with securities financing services including margin financing and securities lending, collateralized stock repurchase and repurchase agreement transactions.

- The Company's securities brokerage business primarily focuses on trading stocks, funds and bonds on behalf of its clients according to the instructions given to the authorized branches.
- The Company conducts futures brokerage business through Orient Securities Futures, a wholly-owned subsidiary of the Company as well as a member of Shanghai Futures Exchange, Zhengzhou Commodity Exchange, Dalian Commodity Exchange and China Financial Futures Exchange, who provides the clients with commodity futures brokerage, financial futures brokerage, futures investment consultancy and other services.
- The Company's margin financing and securities lending business mainly refers to a transaction in which an investor provides the Company with collateral to borrow funds and purchase securities (margin financing transaction) or borrow and sell securities (securities lending transaction). The Company helps its clients to utilize financial leverage and capture potential opportunities in the market with a view to enhancing investment returns for clients.
- The Company's collateralized stock repurchase transaction business refers to a transaction in which qualified borrowers pledge their stocks or other securities as collateral to obtain financing from the Company and agree to repay the funds on a future date to release such pledge.
- The Company's repurchase agreement transaction refer to a transaction in which qualified clients sell subject securities to the Company at an agreed-upon price, and agree to repurchase the subject securities from the Company at another agreed-upon-price on a specific date in the future.



Section III Summary of the Company's Business

- **Investment Banking**

The Company carries out investment banking business mainly through its relevant business departments and Citi Orient, a subsidiary in which the Company holds 66.67% equity interests.

- The Company provides equity underwriting and sponsorship services, including initial public offerings, and refinancing projects including non-public offerings and rights issue.
- The Company provides debt underwriting business, including underwriting services for corporate bonds, enterprise bonds, treasury bonds, financial bonds and others.
- The Company provides corporate clients in the PRC with financial advisory services in areas such as mergers & acquisitions and restructuring, NEEQ securities recommendation and listing as well as enterprise reform.

- **Headquarters and Others**

The Company's headquarters and others businesses mainly include headquarters' treasury business and overseas business.

- Headquarters' treasury business mainly includes headquarters financing business and liquidity reserves investment.
- The Company conducts internationalization business through Orient Hong Kong, a wholly-owned subsidiary of the Company with its business place in Hong Kong. Orient Hong Kong conducts securities trading, financing business, securities underwriting, asset management and other business through its wholly-owned subsidiaries.

II. EXPLANATIONS ON MATERIAL CHANGE IN MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

Please refer to "Section IV. I. (I) Overview of Operations", "Section IV. I. (II) Analysis of Principal Businesses" and "Section IV. I. (II) Analysis on Principal Components of Consolidated Statement of Financial Position" for details.

In particular: offshore assets amounted to RMB11.671 billion, accounting for 5.49% of the total assets.



Section III Summary of the Company's Business

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the Reporting Period, the Company constantly deepened its strategic transformations by actively promoting the transformation from traditional brokerage business to wealth management business, from business through traditional channels to comprehensive financial services, from traditional trading business to capital intermediary business, and from traditional investment business to sales trading business, with a view to making the Company a modern investment bank which has the domestic first-class core competitiveness and provides comprehensive financial services for clients. Through strategic transformations, the Company witnessed an overall improvement in its capital strength, client management, products pricing and sales, investment and trading, liquidity management and other capabilities, as well as a continuous enhancement in its strength in areas such as serving real economy and social wealth management, and it also formed the core competitiveness in the following five aspects:

1. Significant Improvement in Capital Strength

Over the past three years, the Company seized the market opportunities and strengthened its capital strength rapidly and improved its market competitiveness, profitability, anti-risk capability through the issue and listing of A+H Shares, multi-species and multi-type bonds financing and its own growth in profits, which provided a solid capital protection for its business transformation, innovation and development. During the Reporting Period, the Company completed the issuance of corporate bonds and subordinated bonds with a total amount of RMB11.0 billion.

2. Distinguished Investment Management Capability

Leveraging on its distinguished investment management capability, the Company is situated at the leading position in the industry in securities investment, asset management and fund management fields.

For securities investment, the Company always sticks to an investment ideal of “value investment and active risk management”, and has developed an investment and research capacity which is well recognized in the industry. The securities investment business has kept its leading position in the industry in terms of scale and performance.

During the Reporting Period, the asset under management (“AUM”) of the entrusted assets of Orient Securities Asset Management, a wholly-owned subsidiary of the Company, saw a steady growth, with a further enhancement in discretionary management advantage. As at the end of the Reporting Period, the AUM of the entrusted assets of Orient Securities Asset Management has exceeded RMB170.0 billion, recording excellent medium- and long-term results, and the proportion of the AUM of discretionary management in the AUM of entrusted assets amounted up to 96%.

China Universal, of which the Company is the largest shareholder, conducts fund management business. During the Reporting Period, the AUM and ranking of China Universal maintained stable, with continuous excellent medium- and long-term results. As at the end of the Reporting Period, the AUM of China Universal has exceeded RMB500.0 billion, ranking top 10 in terms of AUM in the mutual funds industry. The discretionary management equity mutual funds of China Universal recorded the best five-year performance among top ten fund companies and have been awarded as “Star Fund Company for Three-Year Continuous Return (三年持續回報明星基金公司)” by the 12th China Fund Industry Star Fund Award.

Section III Summary of the Company's Business

3. Sound and Effective Compliance and Risk Management System

“Compliance creates value” and “Risk management is the responsibility of every employee” are the core concepts of the risk management of the Company. The Company is leading in the industry in terms of risk management. The Company has received AA or A rating for nine consecutive years (AA rating being the highest rating ever received by the PRC securities companies).

During the Reporting Period, the Company has practically and effectively implemented the newly revised Norm for the Comprehensive Risk Management of Securities Firms (《證券公司全面風險管理規範》) and other statutory documents, and amended, improved and implemented the basic risk management system of the Company, risk management measures for its subsidiaries, credit risk management measures, operational risk management measures and other rules and regulations. The Company has further established a sound and comprehensive risk management system and an effective internal control system, and achieved an organic integration among risk management, compliance management and internal control, which covered all subsidiaries, departments, branches and all staff, throughout all links of decision-making, implementation, monitoring and feedback.

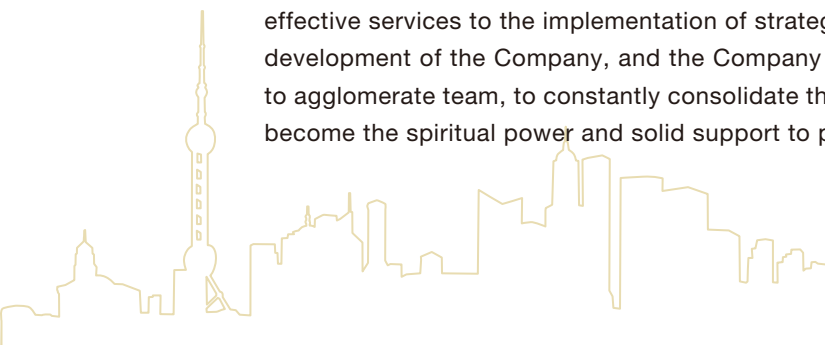
4. Stable Management Team and Established Personnel System

Stable and experienced management team is the key to maintain continuous rapid development for the Company. The experienced senior management of the Company has a deep understanding of the development and characteristics of the securities and financial industries in China. The core management team has over ten years of management experience in the securities and financial industries on average, which ensures the consistent implementation of the strategies.

A professional, high caliber and stable talent team constitutes an integral part of the Company's core competitiveness. The Company further promotes the lean management for talent, focusing on creating an all-staff learning organization, strengthening the construction of the incentive and restraint mechanism, constantly improving the performance-based payment management system, adhering to the combination of internal mining and external introduction, which cultivates a large number of professional key staff with relatively strong competitiveness.

5. Outstanding Corporate Party Building and Corporate Culture Construction

The Company places great emphasis on corporate party building and corporate culture construction, insists on combining the leadership of the party with financial services, promotes the construction of the party building organization, team and system at grassroots, continuously consolidates and deepens the advantages of corporate culture and mass organizations, so as to leverage on the core role of the leadership of the party committee, the political core role and the role of fighting fortress of party organizations at grassroots, with effective services to the implementation of strategies of the Company. Corporate culture is the soul for the development of the Company, and the Company relies on people-oriented cultural philosophy of “Home”, to agglomerate team, to constantly consolidate the core competing strengths of corporate culture, so as to become the spiritual power and solid support to promote the development of the Company.



Section IV Directors' Report

I. DISCUSSION AND ANALYSIS ON OPERATIONS

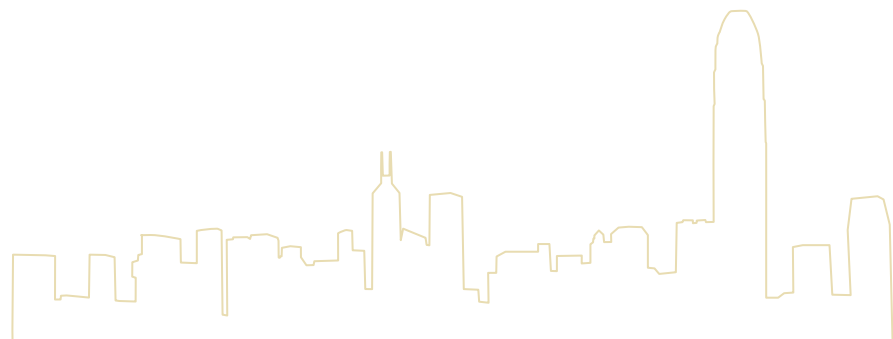
(I) Overview of Operations

In the first half of 2017, China's GDP maintained steady growth while its foreign exchange reserves increased slightly. The securities industry has entered into a period of "deleveraging and risk prevention". The A share market in China fluctuated with an upward trend. The SSE Composite Index and Shenzhen Composite Index closed at 3192.43 points and 10529.61 points, respectively, both representing an increase of approximately 3%, the CSI 300 Index rose by 10.78% on aggregate and the Growth Enterprise Index declined by 7.34%.

During the Reporting Period, despite the occurrence of unfavorable market factors, the Company achieved good overall performance with operating revenues and net profits which were significantly higher than industry average. The Company successfully got rated by Moody's, which is conducive to boosting the development of its overseas business.

During the Reporting Period, the Company actively promoted the offering of A Shares to further improve its capital strength. Regulatory requirements were fully implemented and the bottom line for compliance and risk control was set, so as to comply with the new regulatory policies and requirements on compliance, risk control and customer appropriateness. The Company amended its rules and regulations in a timely manner and made sure that all measures taken were implemented. Focusing on key areas and supported by management and control measures, the Company monitored major aspects of its operation to ensure compliance. The Plan for the Overall Risk Management (《全面風險管理工作方案》) was formulated, organizational structure was optimized, the policy systems and the platform for the overall risk management were improved, and more efforts were put on the risk management of subsidiaries. All this have strengthened the Group's risk management effectively.

During the Reporting Period, the Company continued to promote the innovation, transformation and development of various businesses based on the master plan of operation determined at the beginning of the year. The proprietary trading business achieved good results. The innovative business strove to rank top in the industry, the "Shanghai State-owned Enterprises ETF (上海國企ETF)" project of China Universal won the first place of the Shanghai Financial Innovation Award and the Company was among the first four quotation brokers which were selected for the "Bond Connect". The wealth management business continued to speed up its pace of transformation and the comprehensive financial service capabilities were further improved. The subsidiaries of the Company actively carried out quality improvement and efficiency enhancement and continued to become stronger and more competitive with their revenues up by 24% year on year. The investment management business recorded outstanding performance. In particular, the performance of Orient Securities Asset Management and China Universal outperformed their industry peers, and the net value of the Dong Fang Hong series products hit a record high, which further improved its brand influence.



Section IV Directors' Report

As at the first half of 2017, the total assets of the Group amounted to RMB212.457 billion, representing an increase of 0.02% as compared with the beginning of the year; equity attributable to owners of the Company was RMB40.873 billion, representing an increase of 0.96% as compared with the beginning of the year; net capital of the Company was RMB35.251 billion, representing an increase of 4.01% as compared with the beginning of the year; net profit attributable to owners of the Company was RMB1.755 billion, representing an increase of 36.76% as compared with the corresponding period of last year. The Group realized revenue and other income of RMB7.702 billion, in which securities sales and trading business contributed RMB2.375 billion, accounting for 30.62%; investment management business contributed RMB891 million, accounting for 11.49%; brokerage and securities financing business contributed RMB2.613 billion, accounting for 33.69%; investment banking business contributed RMB791 million, accounting for 10.19%. (Consolidation and elimination were not considered when calculating segment revenue and other income and segment expense and their proportions. This applies to the below section)

Table of Principle Businesses of the Group

Unit: RMB'000

Principal businesses by segments						
Business segment	Segment revenue and other income	Segment expense	Profit margin (%)	Change in segment revenue and other income over the same period last year (%)	Change in segment expense over the same period last year (%)	Change in profit margin over the same period last year
Securities sales and trading	2,375,468	879,791	62.96	391.06	35.47	Up by 97.22 percentage points
Investment management	891,395	540,853	55.98	31.73	133.18	Down by 29.36 percentage points
Brokerage and securities financing	2,613,305	1,353,644	48.20	-8.72	-23.08	Up by 9.67 percentage points
Investment banking	790,822	370,889	53.10	-1.24	17.45	Down by 7.46 percentage points
Headquarters and others	1,087,186	2,581,470	-137.45	-0.31	80.95	Down by 106.63 percentage points



Section IV Directors' Report

(II) Analysis of Principal Businesses

1. Principal businesses of the Company

(1) Securities Sales and Trading

The Company conducts securities sales and trading business with its own capital, including proprietary trading (equity trading, fixed income proprietary trading, derivatives trading business), NEEQ market-making business, innovative investment and securities research services. During the Reporting Period, the securities sales and trading business realized segment revenue and other income of RMB2.375 billion, taking up 30.62% of the total. (Consolidation and elimination were not considered when calculating segment revenue and other income and segment expense and their proportions. This applies to the below section)

Proprietary trading

The Company has been focusing on the development of proprietary trading business since its establishment. During the past two decades, the Company continued to cultivate investment teams and accumulate market experience. Pursuing value investing and active risk management, the Company's investment and research capabilities are now well recognized in the industry. The scale and performance of the proprietary trading business maintains a leading position in the industry.

The following table sets forth the balance by asset class of our proprietary trading business

(In RMB million)	As at December 31, 2016	As at June 30, 2017
Stocks	7,914.2	11,945.5
Funds	2,743.5	3,003.1
Bonds	40,529.5	52,809.2
Others ^(Note)	4,294.7	2,574.9
Total	55,481.9	70,332.7

Note: Primarily include investment in asset management schemes and wealth management products using our own capital.

Section IV Directors' Report

During the Reporting Period, the Company followed the concept of value investment when conducting equity proprietary trading business and intensively penetrated into the A share market. The Company carefully selected individual shares with long-term investment value and made prudent investment decisions based on its judgments on macroeconomic conditions and regulatory environment, as well as detailed industrial analysis and market cycle analysis. Meanwhile, as the strategy of financial globalization was further promoted and policies such as the “Shanghai-Hong Kong Stock Connect” and “Shenzhen-Hong Kong Stock Connect” were implemented, the Company focused on strengthening its coverage and asset allocation in the global market to diversify investment risks and ward off the volatilities of investment portfolio caused by domestic systemic risks, thus accumulating returns from overseas investments. During the Reporting Period, in terms of net growth rate, the investment portfolios of the Company were among 10% of the common equity and equity-focused funds with AUM of more than RMB5.0 billion.

During the Reporting Period, the Company's fixed income proprietary trading business kept sound development. The Company realized a total bond settlement of RMB2.43 trillion on interbank market, ranking the top among the securities firms. Bond transactions of RMB576.341 billion were conducted via stock exchanges. The Company was awarded Excellent Issuer, Excellent Dealer and Excellent Underwriter of the PRC Bond Market by China Central Depository & Clearing Co., Ltd. in 2014, 2015 and 2016.

The interbank bond market-making business once again delivered impressive results. In the first half of 2017, the interbank market-making business ranked the first in the interbank market. The Company was among the first four securities firms that obtained the qualifications to quote in the “Bond Connect”. The Company continued to promote the FICC business, forming three business segments, namely gold investment, interbank lending and gold-linked investment products. The Company actively prepared for the foreign currency business.

During the Reporting Period, the derivatives trading business proactively carried out transformation and diversified revenue sources. During the Reporting Period, the trading products of the derivatives trading business were gradually enriched. The Company, adhering to the strategic direction of transforming from traditional proprietary trading to sales trading and from traditional stock investment to FICC business, promoted the transformation of the derivatives trading business from traditional alpha strategic investments to options, treasury bonds futures, commodity futures and other on-exchange transactions and the sales and trading of OTC derivatives, and as a result, its revenue gradually increased with diversified revenue sources.



Section IV Directors' Report

NEEQ market making

In the first half of 2017, NEEQ Market Making Component Index accumulated a decline of 4.24%. Facing a gloomy market, the Company continued to implement its refined market making strategy, enhanced post-investment management of existing shares under its scope, and further optimized share investment portfolio. When selecting new targets, the Company assessed potential, industry development, business scale and valuation safety margin more carefully. As a result, the NEEQ market making business remained at a leading position in the market.

In the first half of 2017, according to the “Monthly Quality Rating for Sponsors (主辦券商執業質量月度評價)” published by NEEQ listed companies, the Company came into the fourth place among 92 market makers in terms of transaction volume and timeliness. As at the end of the Reporting Period, the Company offered the NEEQ market making service for 114 enterprises, among which 5 enterprises have successfully applied for IPO. The balance of the Company's market-making business amounted to RMB2.879 billion.

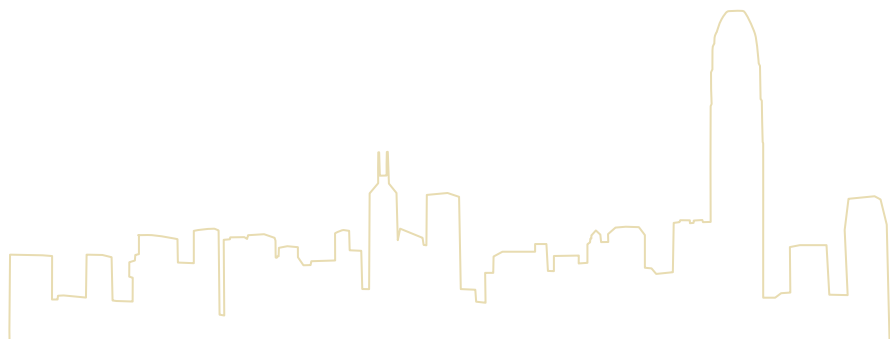
During the Reporting Period, the Company was recognized as one of the “2016 China's Best Ten NEEQ Market Maker (2016中國新三板十大最佳做市商)” at the NEEQ Market Maker Conference of China, and was awarded the “2017 Junding Award for NEEQ Market Maker in China (2017中國區新三板做市商君鼎獎)” by Securities Times.

Innovative investment

The Company engages in alternative investment business through its wholly-owned subsidiary Orient Securities Innovation Investment, which focuses on innovative businesses including acquisition and disposal of bank asset package and actively explores various structured financial business. As at the end of the Reporting Period, Orient Securities Innovation Investment has invested in 82 projects with an investment amount of RMB3.195 billion, up by 10% as compared with the beginning of the year.

Securities research

During the Reporting Period, the securities research business of the Company continued to intensively penetrate into the mutual fund market, achieving a commission income of RMB128 million in total, of which RMB119 million were the commission income from mutual fund research, representing a market share of 3.14%. The ranking of the Company's mutual fund research continued to rise and the Company was a top ten among 15 mutual fund research institutions. The Company actively developed its non-mutual fund clients, carefully analyzed client demands and organized about 70 specific research sessions, winning support and recognition from clients, which in turn helped mould the Company's brand image.



Section IV Directors' Report

(2) Investment Management

The Company provided clients with asset management schemes, mutual fund products and private equity investment business. During the Reporting Period, the investment management business realized segment revenue and other income of RMB891 million, accounting for 11.49% of the total segment revenue and other incomes.

Asset management

The Company mainly engages in asset management business through its wholly-owned subsidiary Orient Securities Asset Management. As at the end of the Reporting Period, 160 investment portfolios were under the management of the Company, and the AUM of entrusted assets reached RMB177.667 billion, up by 15.29% as compared with the beginning of the year. The AUM of discretionary management assets was RMB170.805 billion, accounting for 96.14% of the AUM of entrusted assets, which further highlighted the advantages of discretionary management. According to the Securities Association of China, Orient Securities Asset Management ranked 5th in the industry in terms of the net income from entrusted asset management business during the Reporting Period.

The following table sets forth the AUM of the Company by product type:

(In RMB million)	As at December 31, 2016	As at June 30, 2017
Collective asset management scheme	29,202.1	41,709.6
Targeted asset management scheme	77,909.9	77,861.0
Specialized asset management scheme	10,723.3	9,604.1
Mutual funds	36,273.0	48,492.1
Total	154,108.3	177,666.8

The following table sets forth the AUM of discretionary management products and non-discretionary management products:

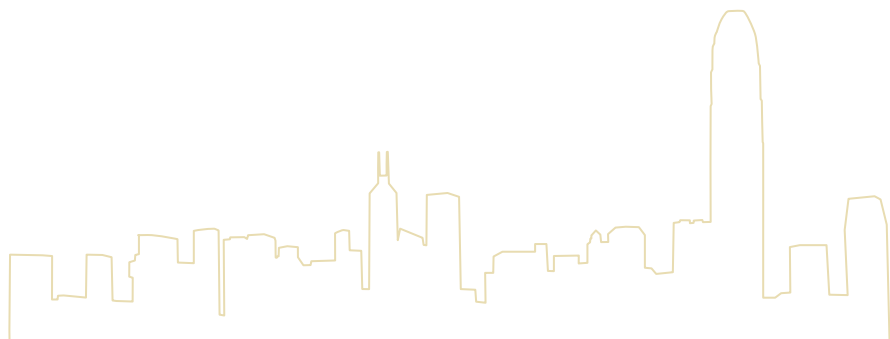
(In RMB million, except for percentage)	As at December 31, 2016		As at June 30, 2017	
	AUM	Percentage	AUM	Percentage
Discretionary management products	142,798.8	92.66%	170,804.6	96.14%
Non-discretionary management products	11,309.5	7.34%	6,862.2	3.86%
Total	154,108.3	100.00%	177,666.8	100.00%

Section IV Directors' Report

As the first asset management company established by a securities firm in China, Orient Securities Asset Management always sticks to professional and diversified development and discretionary management mode, and together with the advantages of the asset management of securities firm and mutual fund business, has formed its unique core competitiveness. Currently, the asset management business has established a diversified investment and financing business layout covering equity investment, fixed income investment, quantitative investment and alternative financing areas. During the Reporting Period, the asset management business maintained good development momentum, with the total AUM and the AUM of discretionary management continuing their growth. The numbers and types of the products managed gradually enriched, which was conducive to the high relevant business incomes.

The outstanding middle and long-term results of Orient Securities Asset Management have attracted wide attention from the market. From 2005 to the end of the Reporting Period, the average annualized return of the discretionary management equity products of Orient Securities Asset Management was 24.20%. During the same period, the average annualized return of CSI 300 Index was 12.47%. In the first half of 2017, the average annualized return of the discretionary management equity products of Orient Securities Asset Management was 27.18%. During the same period, the average annualized return of CSI 300 Index was 10.78%.

The brand influence of Orient Securities Asset Management continued to grow, and has been widely recognized by the market. During the Reporting Period, DFH Asset Management (東方紅資產管理) won over 10 awards, including “Golden Bull-Collective Asset Management Securities Firm (for three-year period) (三年期金牛券商集合資產管理人)” by China Securities Journal, “2016 Golden Fund Growing Company Award (2016年度金基金 • 成長基金管理公司)” by Shanghai Securities News, and “2017 Jun Ding Award for Wealth Management Brand (2017中國財富管理品牌君鼎獎)” and “2016 Stock Investment Star Team (2016年度股票投資明星團隊)” by Securities Times.



Section IV Directors' Report

Fund management through China Universal

The Company mainly conducts fund management business through China Universal, an associate in which the Company is the largest shareholder with 35.412% equity interest.

During the Reporting Period, China Universal continued to keep excellent middle and long-term investment performance. According to the Fund Research Center of China Galaxy Securities, as at the end of the Reporting Period, the average return of China Universal's discretionary management equity mutual funds in the last five years was 152.14%, ranking 1st among the top 10 fund companies. During the Reporting Period, the return of China Universal Consumption Industry (匯添富消費行業) and China Universal Blue Chip Steady (匯添富藍籌穩健) was 24.21% and 22.35%, ranking 1st and 2nd among similar funds, respectively. Fixed income funds also achieved excellent results. The results of Industrial Bond (實業債) and Convertible Bond (可轉債) both ranked top 10 among similar products. The results of guaranteed funds such as Yingxin (盈鑫) and Yingan (盈安) ranked top 5% among similar funds. During the Reporting Period, China Universal has won various awards, including "Star Fund Company for Three-Year Continuous Return (三年持續回報明星基金公司)", "Best Bonds Investment Company (最佳債券投資公司)" and "Best Fund Company (最佳基金公司)"; China Universal Private Businesses Vitality (匯添富民營活力) and China Universal Value Selection (匯添富價值精選) have won "Golden Bull Fund" awards. For overseas investment, the Hong Kong subsidiaries of China Universal continued to achieve good investment performance. As at the end of the Reporting Period, the results of CUAM China-Hong Kong Strategy Fund in the past one and three years both ranked 1st among similar funds. The results of CUAM Hong Kong Dollar Bond Fund ranked 1st among 17 similar funds from the date of setting up to the end of the Reporting Period. Both of the funds have been rated as five-star funds (for three-year period) by Morningstar.

During the Reporting period, the AUM of China Universal remained stable. More efforts were put on the product distribution in relation to QDII, equity, bond and index funds. As at the end of the Reporting Period, the total AUM of China Universal was RMB501.1 billion. China Universal had 85 mutual fund products with AUM of RMB289.9 billion, ranking 10th in the industry. China Universal was the largest fund company in Shanghai area in terms of the AUM of its mutual funds.

During the Reporting Period, the project named "ETF for State-owned Enterprises in Shanghai – Financial Innovation Supporting the Reform of State-owned Assets and State-owned Enterprises", which was jointly applied for by China Universal and Guosheng Group, was awarded the "Frist Prize for 2016 Shanghai Financial Innovation Achievements" by the Shanghai government.



Section IV Directors' Report

Private equity investment

The Company mainly conducts private equity investment and management business through its wholly-owned subsidiary Orient Securities Capital Investment. Orient Securities Capital Investment carries out its business mainly through private equity fund management. Orient Securities Capital Investment and its fund management subsidiaries act as fund managers to receive management fees and/or bonuses for excess returns as agreed in the fund contracts and based on actual results. At the same time, Orient Securities Capital Investment also acted as one of the private equity fund investors to share investors' profits. During the Reporting Period, Orient Securities Capital Investment launched and completed the fund raising of 6 new direct investment funds. Its AUM saw an increase of approximately RMB1.174 billion and 13 projects were newly invested. As at the end of the Reporting Period, the AUM of Orient Securities Capital Investment and the funds managed by it amounted to approximately RMB23,871 million, 79 projects have been invested accumulatively with an investment amount totaling RMB9,675.9622 million and USD1,077.55 million, a total of 71 investment projects continued and 14 projects were under preparation.

(3) *Brokerage and securities financing*

The Company's brokerage and securities financing segment primarily comprises securities brokerage business, futures brokerage business and securities financing business including margin financing and securities lending and collateralized stock repurchase. Focusing on customer service is the core of the business. The Company seeks to build a full-pledged diversified financial platform by opening capital-light branches with low cost and high efficiency and expanding its online service platform and focusing on catering to the needs of its clients to provide them with customized value-added services, thus promoting the transformation from traditional brokerage business to wealth management business. During the Reporting Period, the brokerage and securities financing business achieved segment revenue and other income of RMB2.613 billion, accounting for 33.69% of the total segment revenue and other income.

The brokerage business is mainly conducted through the Company's securities branches. During the Reporting period, taking advantage of market opportunities, the Company continued to expand its securities brokerage business network while the securities branches has covered all provinces in China, which laid a solid foundation for the sustainable development of securities brokerage business and relevant business linkage. As at the date of this report, the Company had 153 securities branches in total, covering 76 cities in 31 provinces, autonomous regions and municipalities directly under the central government, which makes it the fourth securities firm in the industry and the first securities firm in Shanghai that achieves full coverage of all provinces, autonomous regions and municipalities directly under the central government in China. A securities branches network across the country has been initially established. As at the date of this report, the Company had 24 futures branches in total.

Section IV Directors' Report

During the Reporting Period, the Company continued to improve its online trading platform, and optimize the business functions and user experience of its mobile internet platform. The Company updated mobile APP, online sales shops and Wechat platform to create a 7X24 integrated financial service platform. Based on wealth account, the Company provided customers with one-stop investment services on the Internet using unified account systems. The Company enhanced marketing accuracy and provided personalized service using ways of the internet operation. Smart services such as smart customer service and smart investment consultant were developed to improve the coverage and effectiveness of investment service. During the Reporting Period, the trading volume of stocks and funds completed through the Internet and mobile devices accounted for 86% of the total trade volume of stocks and funds. As at the end of the Reporting Period, the number of clients who had carried out transactions through the Internet and mobile phones accounted for 94% of the total number of the stock and fund brokerage clients and the number of accounts opened online accounted for 89% of the total number of accounts opened during the corresponding period.

Securities brokerage

In the first half of 2017, the accumulated average daily trading volume was RMB476.08 billion, representing a year-on-year decline of 17.49%. During the Reporting Period, the Company's trading volume of securities on behalf of its clients reached 7,685.4 billion, ranking 17th in the industry with a market share of 2.08%, in which the trading volume of stocks and funds amounted to RMB1,553.0 billion, ranking 20th in the industry with a market share of 1.38% (according to the statistics of WIND), the average stock and fund brokerage commission rate (including seats) was 0.38%.

The following table sets forth the trading volume of our securities brokerage business by product type for the periods indicated (according to the statistics of WIND):

(In RMB million)	For the six months ended June 30,	
	2016	2017
Stocks and funds		
Stocks	1,645,517.2	1,330,494.0
Funds	140,493.2	222,528.4
Sub-total	1,786,010.4	1,553,022.4
Bonds	4,559,754.7	6,132,395.1
Total	6,345,765.1	7,685,417.5

During the Reporting Period, the Company distributed wealth management products through its extensive securities branch network and the Internet platforms, which further improved its capabilities in distributing financial products.

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The following table sets forth the type and amount of all the financial products we distributed for the periods indicated, including OTC products:

(In RMB million)	For the six months ended June 30,	
	2016	2017
Mutual funds	60,857.6	53,804.5
Collective asset management products	714.2	705.5
Private equity fund products	224.2	487.3
Other financial products	3,889.5	16,794.4
Total	65,685.5	71,791.7

Futures brokerage

The Company conducts futures brokerage business through its wholly-owned subsidiary Orient Securities Futures. In the first half of 2017, China's futures market saw a decline in trade volume as compared with the same period in the previous year. While engaging in traditional brokerage business, Orient Securities Futures proactively developed innovative business including fund sales, capital intermediary and equity pledge, and boosted the development of the brokerage business focusing on small and medium retail clients through developing mobile financial platforms. Orient Securities Futures continued to develop institution business, and maintained the largest market share in the field of mutual fund clients. More efforts were put on developing banking, insurance and private equity institutions. In addition, Orient Securities Futures diversified its operating income sources by cooperating with its parent company and external institutions to launch products. During the Reporting Period, the trading turnover on behalf of clients was 86.23 million lots with a trading volume of RMB5,373.730 billion, in which the trading volumes of commodity futures (including commodity options) and financial futures were RMB4,517.057 billion and RMB856.672 billion, respectively.

During the Reporting Period, Orient Securities Futures and Orient Securities Research Institute jointly established Orient Securities Derivative Research Institute (東證衍生品研究院). The institute aims to provide diversified and professional derivative services such as stock index, treasury bonds, foreign exchange, commodity, financial engineering and index for clients with demands for derivative research in different areas. The establishment of the institute has followed the development trend of securities and futures integration, which will not only promote the complementary and joint development of securities and futures research and constantly improve the derivative research level in the futures industry, but will also provide talents for Orient Securities Futures to maintain its leading position in the industry.

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During the Reporting Period, Orient Securities Futures received many awards, including “China’s Best Futures Company for the Year (年度中國最佳期貨公司獎)”, “China’s Gold Futures Research Institute for the Year – Orient Securities Futures Research Institute (年度中國金牌期貨研究所 – 東證期貨研究所)” and “Gold Management Team in China’s Futures Companies for the Year (年度中國期貨公司金牌管理團隊獎)” awarded by Futures Daily and Securities Times.

Securities financing

The Company was among the second batch of companies qualified to engage in margin financing and securities lending business in June 2010, and received the qualifications to conduct collateralized stock repurchase transaction business in July 2013. Meanwhile, the Company is one of the earliest players developing securities financing business in the industry. The Company also constantly made innovations and breakthroughs in resources obtaining business such as credit asset securitization, income right transfer, refinancing. Currently, a securities financing business system that can obtain and provide financing has been established. After the Company successfully completed its A share listing in 2015 and H share listing in 2016, the replenished net capital of the Company fuels the further development of its securities financing business, which has gradually become one of the important source of revenue and profit of the Company. The collateralized stock repurchase and other business always ranks top in the industry. With its knowledge of the stock market and its pricing ability, the Company has established its competitive advantages characterized with “high business efficiency, flexible financing plan and high quality customer service”, and gradually built its business brand of “Financing in Orient Securities (融在東方)”, which allows it to meet the funding requirements of different clients in a timely manner and won it a rate of return higher than the average level in the industry.

The total value of the securities financing business amounted to RMB46.177 billion as at the end of the Reporting Period, representing an increase of 2.14% as compared with the beginning of the year. The balance of margin financing and securities lending was 10.854 billion, representing an increase of 5.30% as compared with the beginning of the year, and ranking 21st in the industry with a market share of 1.23%, a rise of 0.13 percentage points as compared with the beginning of the year (according to the statistics of WIND). The number of margin financing and securities lending clients was 26,452, up by 2.57% as compared with the beginning of the year.

As at the end of the Reporting Period, the total value of the collateralized stock repurchase transaction business amounted to RMB35.282 billion, representing an increase of 1.22% as compared with the beginning of the year, and ranking 13th in the industry with a market share of 2.41%. The total value of the repurchase agreement transaction business amounted to RMB41 million.

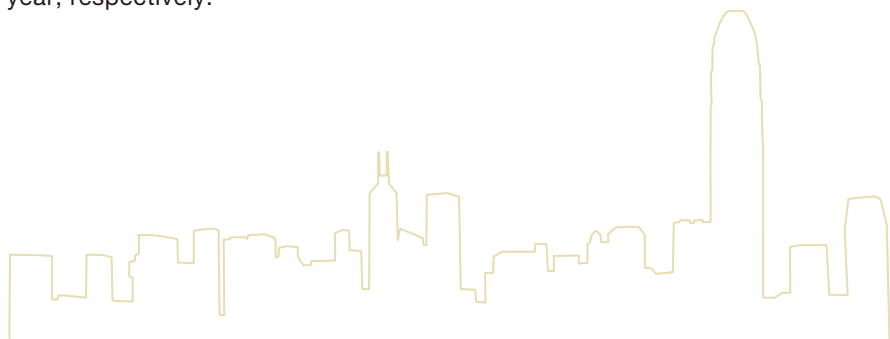


Section IV Directors' Report

Others

The Company's OTC business develops rapidly with its innovative ability leading the industry. The Company is one of the earliest securities firms implementing interaction and intercommunication with inter institutional market. In August 2014, the Company obtained qualifications for conducting five types of interinstitutional business for price quotation for private equity products and services system. The Company obtained the qualification for pilot OTC market business in October 2014. The Company was also the first market maker owning a quotation system, the first market-maker whose quotation system making market for external products and the first securities firm that issued the income certificates of its subsidiaries. Currently, the Company's OTC business has established a relatively complete business chain, and completed the connection of products with market, trading system, registration and clearing and the daily management of matching system and the management of product settlement, covering the front, middle and back office, which can flexibly meet its demand and provide high efficient services for clients. The Company has comprehensive OTC functions, including launching new product, listing and transfer, market-making service, connectivity, investment function, financing function and collateralized repo function and its OTC products cover income certificate, private fund, asset management scheme, private equity financing and trust schemes. Meanwhile, the Company has actively explored its business to OTC derivatives, private bonds, asset securitization, collateralized repurchase and etc., with all operation indicators and innovation capabilities heading the list among the peers. During the Reporting Period, the total value of the Company's OTC business amounted to RMB18.977 billion, representing an increase of 180.56% as compared with the same period last year. In particular, the total value of product issuance (sales) and subscription (sales) increased significantly from RMB4.849 billion last year to RMB17.181 billion, representing a year-on-year increase of 254.32%; the total value of the transfer of product agreement and market-making transactions increased greatly from RMB54 million in the corresponding period last year to RMB535 million in line with a much more active market. As at the end of the Reporting Period, the total value of the Company's OTC business was approximately RMB21.627 billion.

During the Reporting Period, the Company strove to develop prime brokerage business, promoted private equity fund custody and comprehensive operation outsourcing service in an all-round manner and proactively prepared for mutual fund custody business, which all contributed to the strong growth momentum of its business. As at the end of the Reporting Period, there were 683 product portfolios whose operations were trusted online or outsourced, representing an increase of 64.18% and 324.2% as compared with the beginning of the year and the same period last year, respectively; the total value amounted to RMB44.942 billion, representing an increase of 88.3% and 508.6% as compared with the beginning of the year and the same period last year, respectively.



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(4) Investment banking

The Company mainly conducts investment banking business through Citi Orient (a subsidiary in which the Company holds 66.67% equity interest) and the Fixed Income Department. Citi Orient is engaged in underwriting and acting as sponsor of corporate stocks and debentures, underwriting of corporate bonds and asset backed securities, merger and restructuring, and financial advisory services relating to NEEQ listing and corporate restructuring. The Fixed Income Department is engaged in underwriting services for government bonds and financial bonds. During the Reporting Period, investment banking business realized RMB791 million of segment revenue and other income, accounting for 10.19% of the total.

Stock underwriting

In the first half of 2017, 247 IPO projects were issued in the whole market, with proceeds of RMB125.4 billion raised, and the scale of issue has accounted for 84% of last full year. The progress of secondary offering has been significantly slowed down. 259 secondary public offering transactions have been completed in the whole market, with proceeds of RMB673.7 billion raised, and the number and scale have significantly decreased as compared with last year.

During the Reporting Period, Citi Orient completed 9 equity financing projects with a total lead underwriting amount of RMB6.411 billion. The Company ranked 13th in the industry and 1st among joint venture securities companies in terms of number of lead underwriting transactions (according to the statistics of WIND), with a successful ratio for projects of 100%. As at the end of the Reporting Period, ten equity financing projects of Citi Orient has been approved, and 18 projects were under review.

The table below sets forth the breakdown of equity financing transactions with the Company acting as a lead underwriter:

(In RMB million)	For the six months ended June 30,	
	2016	2017
IPO:		
Number of issuance	1	7
Lead underwriting amount	364.5	3,281.3
Secondary offering:		
Number of issuance	9	2
Lead underwriting amount	9,135.1	3,130.0
Total:		
Number of issuance	10	9
Lead underwriting amount	9,499.6	6,411.3

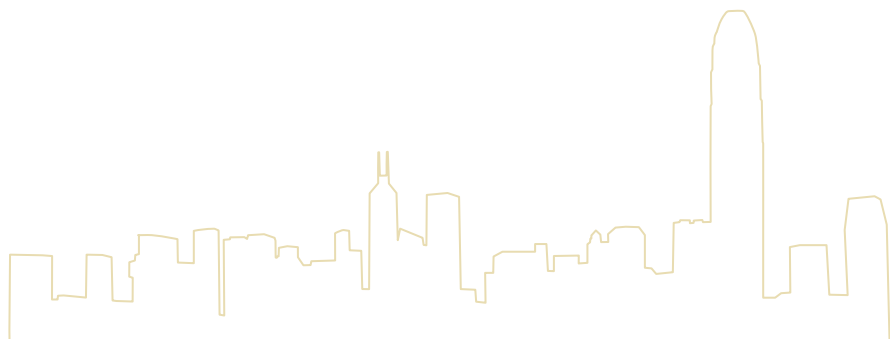
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Debt underwriting

In the first half of 2017, the debt market continued its weakness in the fourth quarter of last year, the market funds were relatively tight, corporate bonds of RMB410.7 billion and enterprise bonds of RMB325.7 billion were issued, both down by over 70% over the same period of last year. However, due to significant growth in scales of underwriting for financial bonds, ABS and convertible bonds, the total amount of bond underwriting remained generally stable, only down slightly over the same period of last year.

During the Reporting Period, the debt underwriting business of the Company has completed a lead underwriting amount of RMB27.38 billion. In particular, Citi Orient ranked 18th in the industry and 1st among joint venture securities companies in terms of times of bond lead underwriting; and ranked 18th in the industry and 1st among joint venture securities companies in terms of lead underwriting amount (according to the statistics of WIND). As at the end of the Reporting Period, 32 bond underwriting projects of Citi Orient has been approved, and 17 projects were under review.

The Fixed Income Department is responsible for such underwriting businesses as corporate bonds, financial bonds and debt financing instruments for non-financial enterprises in inter-bank market. On underwriting of treasury bonds, the Company became a member of book-entry treasury bonds underwriting syndicates in 2003. On underwriting of financial bonds, the Company joined in the financial bonds underwriting syndicates of China Development Bank in 2005, and became a Class A syndicate member in the next year; the Company joined in financial bonds underwriting syndicates of Agricultural Development Bank of China in 2010. Currently, the Company's underwriting scale for CDB bonds and ADBC bonds both ranked top 3 among peers, and the scale of lead underwriting and distribution of debt financing instruments issued by non-financial enterprises in inter-bank market also recorded rapid growth. During the Reporting Period, the Company ranked 9th among securities companies acting as lead underwriters of debt financing instruments issued by non-financial enterprises, and the 17 BEW ABN001 underwritten by the Company was the first green ABN project in the whole city, and received repeated promotions by the National Association of Financial Market Institutional Investors.



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The table below sets forth the breakdown of debt underwriting with the Company acting as a lead underwriter:

		For the six months ended June 30,	
(In RMB million)		2016	2017
Corporate bonds:			
Times of lead underwriting	14		17
Lead underwriting amount	19,040.0		16,540.0
Enterprise bonds:			
Times of lead underwriting	8		2
Lead underwriting amount	9,646.0		1,200.0
Financial bonds:			
Times of lead underwriting	0		4
Lead underwriting amount	0.0		3,320.0
Asset backed securities:			
Times of lead underwriting	5		4
Lead underwriting amount	8,242.0		4,889.0
Debt financing instruments issued by non-financial enterprises:			
Times of lead underwriting	4		4
Lead underwriting amount	2,057.0		1,433.3
Total:			
Times of lead underwriting	31		31
Lead underwriting amount	38,985.0		27,382.3

Financial advisory services

During the Reporting Period, Citi Orient's financial advisory services achieved steady progress and Citi Orient completed 3 merger and restructuring projects, with a total transaction amount of RMB9.058 billion. Citi Orient acted as an independent financial advisor for 2 major assets restructuring projects. Citi Orient was listed among the 11 securities companies which were rated by the Securities Association of China for three consecutive year as Class A financial advisory services for merger and restructuring of listed companies. As at the end of Reporting Period, one project was under review for financial advisory services, and two projects were approved.



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During the Reporting Period, Citi Orient completed 8 listing recommendation projects, which involved 886 million shares. It accomplished private placement of shares for 11 listed companies with an accumulated amount of RMB1.06 billion. As at the end of the Reporting Period, Citi Orient supervised 68 listing companies accumulatively. During the Reporting Period, Citi Orient was honored four awards including “Jun Ding Award for Equity Refinancing in Investment Banking in China Region (中國區股權再融資投行君鼎獎)” by Securities Times, four awards including “Vanguard Investment Banks for Mergers and Acquisition (併購重組先鋒投行)” by International Finance News and three honors including “Best Overseas Project (最佳海外項目)” by the 10th New Fortune Best Investment Bank.

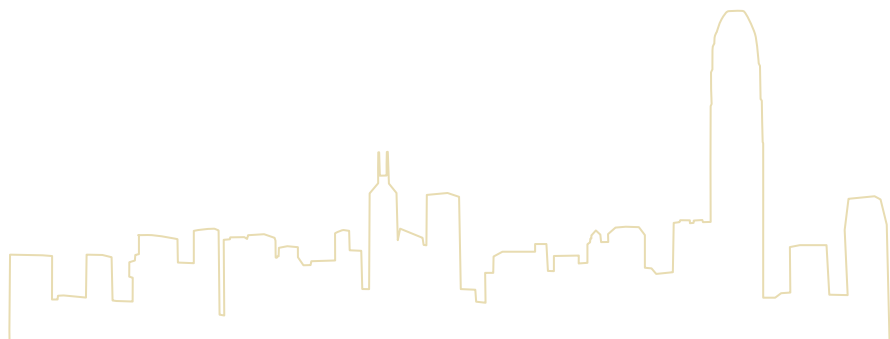
(5) *Headquarters and others*

Headquarters and others business of the Company mainly include the headquarters' treasury business and overseas business. During the Reporting Period, the headquarters and others business realize RMB1.087 billion of revenue and other income, accounting for 14.01% of the total.

Treasury business and others

Treasury business is aimed to enhance the comprehensive capital management of the Company, mainly including liquidity risk management, liabilities management and liquidity reserve investment business. During the Reporting Period, the Company kept improving liquidity management system to improve comprehensive liquidity management capability, to enrich margin of safety, continuously expand channel of financing, optimize liability structure, and actively carry out capital operation, thus its capital efficiency was further improved. During the Reporting Period, the Company received the Long-term Issuer Rating of Baa3 and Short-term Issuer Rating of P-3 from Moody's Investor Service, Inc., with a stable outlook. The Company's overseas credit rating and successful bond issuance record is a reflection of the Company's good reputation, which will greatly enhance the Company's international image, international influence and popularity, bringing a positive impact to the Company's overseas business.

As at the end of the Reporting Period, the Company had sufficient liquidity, and liquidity coverage ratio and net stable funding ratio of the Parent Company stood at 233.43% and 123.73%, respectively, in line with regulatory requirements.



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Overseas business

The Company conducts overseas business through Orient Hong Kong, a wholly-owned subsidiary of the Company and its subsidiaries, with their place of business located in Hong Kong. Upon listing of H Shares, the Company further pushed forward its global strategy relying on Orient Hong Kong. Orient Hong Kong, through its wholly-owned subsidiaries, holds business licenses for dealing in securities, advising on securities, dealing in futures contracts, asset management, advising on corporate finance and lending. It has set up a comprehensive overseas business platform. During the Reporting Period, Orient Hong Kong took advantage of resources and strengths of the Parent Company, seized the opportunities of cross-border business including “Shanghai-Hong Kong Stock Connect”, “Shenzhen-Hong Kong Stock Connect”, “Bond Connect” and the policy dividend from Greater Bay Area, reinforced its business operation capabilities, expanded customer base and business scope, and improved business platform, so as to enhance its comprehensive financial service capabilities.

2. Major items in consolidated statement of profit or loss

(1) Revenue and other income

During the Reporting Period, the Company was determined to maintain stable operation and ensure compliance operation. By grasping market opportunities and enhancing its profitability, the Company made significant breakthroughs in its competitive business such as securities investment and asset management and realized RMB7.702 billion of revenue and other income during the Reporting Period, up by RMB1.952 billion or 33.95% over the same period of last year. Details were as follows:

Commission and fee income amounted to RMB2.304 billion, accounting for 29.92% of the total and representing an increase of 1.50% over the same period of last year. The main reason was that asset management fee income and fund management fee income recorded an increase over the same period of last year as a result of the increase in performance-based rewards provided for collective asset management products by Orient Securities Asset Management and the increase in the total value of mutual fund products. Meanwhile, due to the downturn of domestic securities market, with reducing transaction volume of stocks and funds and declining commission rate, its securities transaction, brokerage commission and fee income decreased as compared with the same period of last year.

Interest income declined by 11.33% over the same period of last year to RMB1.953 billion, accounting for 25.36% of the total. It was mainly due to a decrease in interest generated from self-owned capital of the Company and interbank deposit of settlement balance of client transaction which were reduced in size during the Reporting Period, a decrease in interest income from margin financing and securities lending business as a result of a decrease in the average balance of capital lent and a decrease in interest income from entrusted loans to subsidiaries.

Net investment gains increased by 210.26% over the same period of last year to RMB3.110 billion, accounting for 40.37% of the total, which was mainly attributable to a significant growth in securities investment business initiated with self-owned capital of the Company during the Reporting Period.

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Other income and gains grew 21.91% over the same period of last year to RMB335 million, accounting for 4.35% of the total, which was mainly attributable to increased government grant received during the Reporting Period.

Components of the Group's revenue and other income for the Reporting Period are set out below:

Item	From January to June 2017		From January to June 2016		Changes	
	Amount (RMB'000)	Percentage	Amount (RMB'000)	Percentage	Amount (RMB'000)	Percentage
Commission and fee income	2,304,131	29.92%	2,269,990	39.48%	34,141	1.50%
Interest income	1,953,134	25.36%	2,202,655	38.31%	(249,521)	-11.33%
Net investment gains	3,109,642	40.37%	1,002,260	17.43%	2,107,382	210.26%
Other income and gains	334,690	4.35%	274,543	4.78%	60,147	21.91%
Total revenue and other income	7,701,597	100.00%	5,749,448	100.00%	1,952,149	33.95%

(2) Total expenditure

During the Reporting Period, total expenditure of the Company reached RMB5.668 billion, up by RMB1.346 billion or 31.15% over the same period of last year, which was mainly attributable to increase in employee cost, interest expenditure, depreciation and amortization, and other expenses. Details were as follows:

Staff costs were RMB1.821 billion, up by 120.55% over the same period of last year, mainly attributable to the corresponding increase of salary expenditure due to outstanding operating performances of certain business segments of the Company during the Reporting Period.

Interest expenses grew 6.87% over the same period of last year to RMB2.740 billion. Increase of interest expenses was caused by the increase in size of long-term subordinated bonds to enhance the level of net capital and liquidity and to improve the liability structure of the Company. Interest expenses of borrowings of subsidiaries increased as compared with the same period of last year.

Commission and fee expenses dropped 16.67% over the same period of last year to RMB174 million, which was mainly attributable to decreased securities brokerage service charge expenditure because of contraction in stock fund transaction volume.

Depreciation and amortization grew 7.18% over the same period of last year to RMB90 million, which was mainly attributable to increase in intangible assets which led to increase in amortization.

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Other expenses, including operation expense, tax and surcharges, and impairment loss of asset increased 31.79% over the same period of last year to RMB842 million. Reasons for such increase included increased relevant operation expenses because of expanded business volume.

Expenditure components of the Group in the first half of 2017 are set out as follows:

Unit: RMB'000

Item	From January to June 2017	From January to June 2016	Changes	
			Amount	Percentage
Staff costs	1,821,365	825,817	995,548	120.55%
Interest expenses	2,740,412	2,564,280	176,132	6.87%
Commission and fee expenses	173,547	208,255	(34,708)	-16.67%
Depreciation and amortization	90,416	84,362	6,054	7.18%
Other expenses	842,021	638,900	203,121	31.79%
Total	5,667,761	4,321,614	1,346,147	31.15%

3. Input in social welfare

In the first half of 2017, the Group input a total of RMB9,157 thousand in charitable donations and other public welfare events.

4. Cash flows

During the Reporting Period, the Company recorded RMB5.605 billion of net decrease in cash and cash equivalents, including:

- (1) Net cash used in operating activities amounted to RMB14.113 billion, which includes:
 - i. RMB6.804 billion of net cash inflow was attributable to decrease in restricted cash or cash held on behalf of customers and clearing settlement funds;
 - ii. RMB18.383 billion of net cash outflow was attributable to increase in financial assets and derivatives at fair value through profit or loss;
 - iii. RMB6.248 billion of net cash outflow was attributable to decrease in amount of securities trading on behalf of clients;

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- iv. RMB2.014 billion of net cash outflow was attributable to decrease in financial liabilities and derivatives at fair value through profit or loss;
 - v. RMB4.193 billion of cash inflow was attributable to increase in amount of financial assets sold under repurchase agreements.
- (2) Net cash used in investment activities was RMB8.371 billion, which was primarily attributable to RMB6.781 billion of net increase caused by disposal of available-for-sale financial assets, held-to-maturity investments, loans advances to customers and other investments.
- (3) Net cash from financing activities amounted to RMB138 million, which was mainly attributable to RMB1.339 billion of net cash inflow from issuance of debentures, short-term financing bonds and etc.

5. Others

(1) *Details of material changes in the composition or sources of profit of the Company*

During the Reporting Period, the Company achieved a significant year-on-year increase in revenue and other income and net profit, primarily because the performance of the Company's business such as securities investment achieved big breakthroughs during the Reporting Period, leading to the significant increase in relevant business segments' percentage of the Company's indicators such as revenue and other income and net profit.

(2) *Analysis and description on progress of previous financing and major assets restructuring events of the Company*

① On May 25, 2016, the Proposal on Issue of Subordinated Bonds (Including Perpetual Subordinated Bonds) by the Company was considered and approved at the 2015 annual general meeting of the Company. The Letter of No Objection on Listing and Transfer of 2016 Subordinated Bonds by 東方證券股份有限公司 (Shang Zheng Han [2016] No. 2057) issued by the SSE was received. The issue of the 2017 first tranche subordinated bonds was completed on April 26, 2017. Two types of bonds were available for the 2017 first tranche subordinated bonds. The issuing size of type one bonds was RMB1.5 billion, with a term of 3 years and final coupon rate of 4.90%, while the issuing size of type two bonds was RMB1.5 billion, with a term of 5 years and final coupon rate of 5.10%.

② On May 25, 2016, the Proposal on Issue of Subordinated Bonds (Including Perpetual Subordinated Bonds) by the Company was considered and approved at the 2015 annual general meeting of the Company. The Letter of No Objection on Listing and Transfer of 2016 Subordinated Bonds by 東方證券股份有限公司 (Shang Zheng Han [2016] No. 2057) issued by the SSE was received. The issue of the 2017 second tranche subordinated bonds was completed on May 15, 2017. Two types of bonds were available for the 2017 second tranche subordinated bonds. The issuing size of type one bonds was RMB1.5 billion, with a term of 3 years and final coupon rate of 5.15%, while the issuing size of type two bonds was RMB1.5 billion, with a term of 5 years and final coupon rate of 5.35%.

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- ③ On April 14, 2017, the Proposal on General Mandate to Issue Domestic Debt Financing Instruments by the Company was considered and approved at the 2017 first extraordinary general meeting of the Company. The Letter of No Objection on Listing and Transfer of Non-public Issued Bonds by 東方證券股份有限公司 (Shang Zheng Han [2017] No. 491) issued by the SSE was received. The non-public issue of first tranche 2017 bonds of the Company was completed on June 9, 2017. Two types of bonds were available for the non-public issue of first tranche 2017 bonds. The issuing size of type one bonds was RMB4.0 billion, with a term of 3 years and final coupon rate of 5.30%, while the issuing size of type two bonds was RMB1.0 billion, with a term of 5 years and final coupon rate of 5.50%.
- ④ Non-public issuance of A Shares of the Company in 2017
On April 14, 2017, the Company held the 2017 first extraordinary meeting, the 2017 first A Share class meeting and the 2017 first H Share class meeting and considered and approved the Proposal on Non-public Issue of A Shares of the Company.

On July 24, 2017, the First Feedback Notice of Examination on Administrative Projects from CSRC (No. 171003) issued by CSRC was received. CSRC has examined the application materials for administrative approval of Approval of Non-public Issue of New Shares of Listed Company 東方證券股份有限公司 submitted by the Company according to the law and now requests the Company to give written description and explanation regarding the related questions. The Company has disclosed related feedback opinions in the form of interim announcement published on SSE website and Hong Kong Stock Exchange website on August 7, 2017, and has submitted written response and opinion to department accepting administrative approval of CSRC on August 8, 2017.

On August 7, 2017, the Company held the 32th meeting of the third session of the Board and considered and approved Resolution of Adjusting the Proposal of Non-public Issue of A Shares of the Company. According to the mandates granted to the Board in the 2017 first extraordinary meeting, the 2017 first A Share class meeting and the 2017 first H Share class meeting, the Company adjusted the number of shares and amount of cash for subscription proposed by Shanghai Haiyan Investment under the non-public issue of shares according to the Proposal of Non-public Issue of A Shares of the Company, and further clarified the use of proceeds arising from non-public issue. For details, please refer to Proposal of 2017 Non-public Issue of A Shares of 東方證券股份有限公司 (3rd edition) disclosed on August 7, 2017 and related announcements.



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Unit: RMB100 million

Type of shares and their derivative securities	Issuing date	Issuing price (or interest rate)	Number of shares issued	Date of listing	Number of shares permitted to be listed for trading	Date of termination of the trading
Ordinary shares						
A Shares	March 11, 2015	RMB10.03	10	March 23, 2015	10	-
H Shares	June 22, 2016	HK\$8.15	9.57	July 8, 2016	9.57	-
H Shares (over-allotted)	July 28, 2016	HK\$8.15	0.7	August 3, 2016	0.7	-
Convertible corporate bonds, detachable convertible bonds, corporate bonds						
Short-term commercial papers	May 19, 2016	3.40%	90	June 7, 2016	90	May 19, 2017
Short-term commercial papers	December 16, 2016	4.00%	40	December 22, 2016	40	December 16, 2017
Bonds of securities companies	August 26, 2014	6.00%	60	September 23, 2014	60	August 26, 2019
Corporate bonds	November 26, 2015	3.90%	120	December 18, 2015	120	November 26, 2020
Subordinated bonds	November 15, 2013	6.70%	36	November 29, 2013	36	November 15, 2017
Subordinated bonds	November 17, 2014	5.50%	14	December 9, 2014	14	November 17, 2018
Subordinated bonds	May 29, 2015	5.60%	60	July 2, 2015	60	May 29, 2020
Subordinated bonds	June 18, 2015	6.82%	6	August 27, 2015	6	June 17, 2018
Subordinated bonds	November 14, 2016	3.45%	40	November 25, 2016	40	November 14, 2021
Subordinated bonds	April 26, 2017	4.90%	15	May 11, 2017	15	April 26, 2020
Subordinated bonds	April 26, 2017	5.10%	15	May 11, 2017	15	April 26, 2022
Subordinated bonds	May 15, 2017	5.15%	15	May 31, 2017	15	May 15, 2020
Subordinated bonds	May 15, 2017	5.35%	15	May 31, 2017	15	May 15, 2022
Corporate bonds	June 9, 2017	5.30%	40	July 19, 2017	40	June 9, 2020
Corporate bonds	June 9, 2017	5.50%	10	July 19, 2017	10	June 9, 2022
Offshore RMB bonds	November 26, 2014	6.50%	9	November 27, 2014	9	November 26, 2017
Offshore RMB bonds	August 5, 2015	6.50%	6.2	August 6, 2015	6.2	November 26, 2017
Offshore RMB bonds	April 15, 2016	5.00%	5	unlisted	5	April 10, 2017
USD bonds	May 8, 2015	4.20%	USD200 million	unlisted	USD200 million	May 8, 2018
USD bonds	August 25, 2015	4.09%	USD150 million	unlisted	USD150 million	August 25, 2018

Section IV Directors' Report

(III) Analysis on Principal Components of Consolidated Statement of Financial Position

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

During the Reporting Period, the total assets of the Company amounted to RMB212.457 billion, remaining stable as compared with the beginning of the year, while the total liabilities amounted to RMB171.089 billion, representing a decrease of RMB385 million, or 0.22%, as compared with the beginning of the year. Among the current assets of the Company, available-for-sale financial assets, held-to-maturity investments, financial assets at fair value through profit or loss, derivative financial assets and other financial assets represented 48.84% of its total assets; advances to customers and financial assets held under resale agreements represented 15.62% of its total assets; clearing settlement funds, cash and bank balances and restricted deposit represented 20.28% of its total assets. Among the non-current assets, property and equipment represented 0.87% of its total assets. The assets of the Company were under reasonable structure with strong liquidity.

Analysis on items of consolidated statement of financial position of the Company:

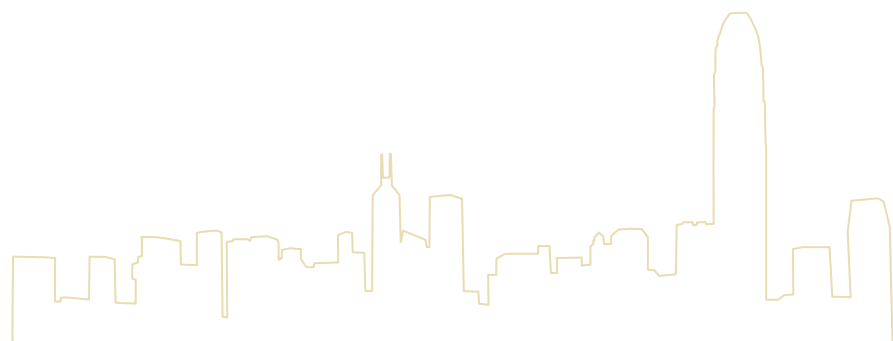
Unit: RMB'000

Item	June 30,		December 31,		Changes	
	2017	Percentage	2016	Percentage	Amount	Percentage
Non-current assets	27,961,067		32,288,003		(4,326,936)	-13.40%
Property and equipment	1,841,270	0.87%	1,844,486	0.88%	(3,216)	-0.17%
Goodwill	32,135	0.02%	32,135	0.02%	–	0.00%
Other intangible assets	107,478	0.05%	114,884	0.05%	(7,406)	-6.45%
Investments in associates	3,423,317	1.61%	3,514,660	1.65%	(91,343)	-2.60%
Other receivables and prepayments	–	0.00%	218,458	0.10%	(218,458)	-100.00%
Available-for-sale financial assets	9,293,191	4.37%	10,712,807	5.04%	(1,419,616)	-13.25%
Held-to-maturity investments	37,500	0.02%	140,500	0.07%	(103,000)	-73.31%
Financial assets held under resale agreements	13,081,440	6.16%	15,456,170	7.28%	(2,374,730)	-15.36%
Deferred tax assets	144,736	0.07%	253,903	0.12%	(109,167)	-43.00%



Section IV Directors' Report

Item	June 30, 2017		December 31, 2016		Changes	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Current assets	184,496,057		180,123,084		4,372,973	2.43%
Advances to customers	11,145,018	5.25%	10,651,586	5.01%	493,432	4.63%
Accounts receivable	572,555	0.27%	737,500	0.35%	(164,945)	-22.37%
Other receivables and prepayments	3,901,964	1.83%	3,837,759	1.81%	64,205	1.67%
Available-for-sale financial assets	60,604,745	28.53%	66,549,121	31.33%	(5,944,376)	-8.93%
Held-to-maturity investments	85,609	0.04%	71,560	0.03%	14,049	19.63%
Financial assets held under resale agreements	22,035,827	10.37%	19,102,771	8.99%	2,933,056	15.35%
Financial assets at fair value through profit or loss	43,028,098	20.25%	23,329,193	10.98%	19,698,905	84.44%
Derivative financial assets	39,006	0.02%	70,509	0.03%	(31,503)	-44.68%
Deposits with exchanges and financial institutions	920,583	0.43%	1,099,849	0.52%	(179,266)	-16.30%
Clearing settlement funds	10,053,496	4.73%	10,504,501	4.95%	(451,005)	-4.29%
Cash and bank balances	31,659,256	14.90%	43,718,835	20.58%	(12,059,579)	-27.58%
Restricted deposit	449,900	0.21%	449,900	0.21%	–	0.00%
Total assets	212,457,124		212,411,087		46,037	0.02%



Section IV Directors' Report

Item	June 30, 2017		December 31, 2016		Changes	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Current liabilities	117,619,636		123,973,035		(6,353,399)	-5.12%
Borrowings	1,321,799	0.77%	480,727	0.28%	841,072	174.96%
Amount due to banks and other financial institutions	6,985,000	4.08%	5,100,000	2.97%	1,885,000	36.96%
Accounts payable to brokerage clients	29,403,782	17.19%	35,651,787	20.80%	(6,248,005)	-17.53%
Accrued staff costs	1,212,448	0.71%	1,377,921	0.80%	(165,473)	-12.01%
Other account payable, other payable and accruals	3,879,257	2.27%	3,591,833	2.09%	287,424	8.00%
Current tax liabilities	185,693	0.11%	237,925	0.14%	(52,232)	-21.95%
Bond payables	14,768,482	8.63%	24,020,769	14.01%	(9,252,287)	-38.52%
Short-term financing bills payables	4,266,042	2.49%	4,942,779	2.88%	(676,737)	-13.69%
Financial liabilities at fair value through profit or loss	5,118,384	2.99%	7,471,177	4.36%	(2,352,793)	-31.49%
Derivative financial liabilities	856,417	0.50%	419,177	0.24%	437,240	104.31%
Financial assets sold under repurchase agreements	49,622,332	29.00%	40,678,940	23.72%	8,943,392	21.99%
Net current assets	66,876,421		56,150,049		10,726,372	19.10%
Non-current liabilities	53,469,103		47,500,227		5,968,876	12.57%
Borrowings	437,073	0.26%	859,034	0.50%	(421,961)	-49.12%
Financial assets sold under repurchase agreements	970,000	0.57%	5,720,000	3.34%	(4,750,000)	-83.04%
Derivative tax liabilities	230,333	0.13%	357,851	0.21%	(127,518)	-35.63%
Bond payables	51,831,697	30.30%	40,563,342	23.66%	11,268,355	27.78%
Total liabilities	171,088,739		171,473,262		(384,523)	-0.22%
Total equity	41,368,385		40,937,825		430,560	1.05%

Note: Percentages for assets and liabilities refer to the share in total assets and the share in total liabilities respectively

Section IV Directors' Report

2. *Non-current assets*

As at the end of the Reporting Period, the Company's non-current assets were RMB27.961 billion, representing a decrease of RMB4.327 billion, or 13.40%, as compared with the beginning of the year, mainly due to the decrease in funds from financial assets held under resale agreements and available-for-sale financial assets.

3. *Current assets and liabilities*

As at the end of the Reporting Period, the Company's net current assets were RMB66.876 billion, representing an increase of RMB10.726 billion, or 19.10%, as compared with the beginning of the year, mainly due to the increase in financial assets at fair value through profit or loss as compared with the beginning of the year.

4. *Non-current liabilities*

As at the end of the Reporting Period, the Company's non-current liabilities were RMB53.469 billion, representing an increase of RMB5.969 billion, or 12.57%, as compared with the beginning of the year, mainly due to the increase in the size of bond payables.

5. *Borrowings and bond financing*

As at the end of the Reporting Period, the Company's total borrowings and bond financing were RMB79.61 billion. Set out below is the breakdown of borrowings and bond financing of the Company at the end of the Reporting Period:

Unit: RMB'000

Items	June 30, 2017	December 31, 2016
Bond payables	66,600,179	64,584,111
Borrowings	1,758,872	1,339,761
Short-term financing bills payables	4,266,042	4,942,779
Amount due to banks and other financial institutions	6,985,000	5,100,000
Total	79,610,093	75,966,651

For details of interest rate and maturity profiles of borrowings and bonds financing, please refer to the notes to the appended interim financial report.

As at the end of the Reporting Period, the Company's borrowings, amount due to banks and other financial institutions, short-term financing bills payables and bonds due within one year amounted to RMB27.341 billion, and the Company's net current assets amounted to RMB66.876 billion. There is no liquidity risk in bond payables, borrowings, amount due to banks and other financial institutions and other interest-bearing liabilities due after one year.

Except for the liabilities disclosed in this report, as at the end of the Reporting Period, the Company had no outstanding mortgage, charges, bonds, other debt capital, liabilities under acceptance or other similar indebtedness, lease purchase and finance lease commitment, guarantee or other material contingent liabilities.

Section IV Directors' Report

(IV) Analysis on Investments

1. Overall analysis on external equity investment

As at the end of the Reporting Period, the Group's long-term equity investments amounted to RMB3.423 billion, representing a decrease of RMB91 million, or 2.60%, as compared with the beginning of the year. Main reason of the change was that the subsidiaries of Orient Securities Capital Investment and Orient Securities Innovation Investment withdrew from part of the investment projects, with a total of RMB100 million lesser in investment. Annual dividends receivable from China Universal amounted to RMB143 million and equity in China Universal recognized by equity method amounted to RMB151 million.

(1) Material equity investments

Unit: RMB

Name of targets to be held	Percentage of the equity of the company	Carrying value as at the end of the Reporting Period	Profit or loss during the Reporting Period	Changes in owners' equity interest, during the Reporting Period
China Universal Asset Management Company Limited	35.412%	1,556,468,558.57	145,048,525.56	6,274,943.59

(2) Material non-equity investments

During the Reporting Period, the Company had no material non-equity investments.

(3) Financial assets at fair value

Unit: RMB

Items	Investment cost as at the end of the Reporting Period	Book value as at the end of the Reporting Period	Net amount purchased from or sold during the Reporting Period	Changes of fair value during the Reporting Period	Investment income during the Reporting Period
1. Financial assets at fair value through profit or loss	41,599,830,520.59	43,028,098,415.44	18,669,315,154.43	1,051,124,868.11	345,823,582.81
2. Available-for-sale financial assets	69,732,391,050.40	69,897,935,856.19	(6,966,018,969.04)	(397,973,009.58)	1,568,341,857.95
3. Derivative financial instruments	(592,761,319.93)	(817,410,410.64)	(599,669,292.13)	232,881,546.30	(121,815,163.39)

Section IV Directors' Report

2. Analysis on principal subsidiaries and investees

- (1) The registered capital of Shanghai Orient Securities Futures Co., Ltd. was RMB1.0 billion and the Company held 100% of its equity. As at June 30, 2017, the total assets and net assets of Shanghai Orient Securities Futures Co., Ltd. amounted to RMB13,942,671.4 thousand and RMB1,530,609.0 thousand, respectively. In the first half of 2017, its operating income and net profit amounted to RMB303,323.0 thousand and RMB51,690.2 thousand, respectively.

Principal business: commodities futures brokerage, financial futures brokerage, futures investment consultancy, assets management, funds sale.

- (2) The registered capital of Shanghai Orient Securities Capital Investment Co., Ltd. was RMB4.0 billion and the Company held 100% of its equity. As at June 30, 2017, the total assets and net assets of Shanghai Orient Securities Capital Investment Co., Ltd. amounted to RMB4,702,395.7 thousand and RMB3,800,435.7 thousand, respectively. In the first half of 2017, its operating income and net profit amounted to RMB160,925.0 thousand and RMB57,462.3 thousand, respectively.

Principal business: equity investments or bond investments with its own capital or through the establishment of direct investment funds, or investment in other investment funds in relation to equity investments and bond investments; provision of financial advisory services on equity investments and bond investments to clients; and other businesses permitted by CSRC.

- (3) The registered capital of Shanghai Orient Securities Assets Management Co., Ltd. was RMB300 million and the Company held 100% of its equity. As at June 30, 2017, the total assets and net assets of Shanghai Orient Securities Assets Management Co., Ltd. amounted to RMB1,757,351.7 thousand and RMB1,211,437.5 thousand, respectively. In the first half of 2017, its operating income and net profit amounted to RMB690,165.7 thousand and RMB173,929.9 thousand, respectively.

Principal business: securities assets management business, publicly raised securities investment funds management business.

- (4) The registered capital of Citi Orient Securities Co., Ltd. was RMB800 million, and it is owned as to 66.67% by the Company. As at June 30, 2017, the total assets and net assets of Citi Orient Securities Co., Ltd. amounted to RMB1,613,665.9 thousand and RMB1,244,194.1 thousand, respectively. In the first half of 2017, its operating income and net profit amounted to RMB492,368.5 thousand and RMB137,583.3 thousand, respectively.

Principal business: securities (excluding treasury bonds, financial bonds of policy banks, short-term financing bills and medium-term notes) underwriting and sponsoring; other businesses permitted by CSRC.

Section IV Directors' Report

- (5) The registered capital of Shanghai Orient Securities Innovation Investment Co., Ltd. was RMB2.0 billion and the Company held 100% of its equity. As at June 30, 2017, the total assets and net assets of Shanghai Orient Securities Innovation Investment Co., Ltd. amounted to RMB3,527,828.5 thousand and RMB2,571,716.5 thousand, respectively. In the first half of 2017, its operating income and net profit amounted to RMB138,102.9 thousand and RMB75,395.0 thousand, respectively.

Principal business: financial products investment, securities investment, investment management and investment consultancy.

- (6) The registered capital of Orient Finance Holdings (Hong Kong) Limited was HK\$2.1 billion and the Company held 100% of its equity. As at June 30, 2017, the total assets and net assets of Orient Finance Holdings (Hong Kong) Limited amounted to HK\$13,447,786.0 thousand and HK\$1,800,763.2 thousand, respectively. In the first half of 2017, its operating income and net profit amounted to HK\$125,082.1 thousand and HK\$17,526.9 thousand, respectively.

Principal businesses: Investment holding, in particular, operation of brokerage business, corporate financing and asset management business as permitted by the relevant securities regulation rules in Hong Kong through establishment of various subsidiaries.

- (7) The registered capital of China Universal Asset Management Company Limited was RMB132,724.224 thousand, and it is owned as to 35.412% by the Company. As at June 30, 2017, the total assets and net assets of China Universal Asset Management Company Limited amounted to RMB5,638,777.0 thousand and RMB4,395,562.2 thousand, respectively. In the first half of 2017, its operating income and net profit amounted to RMB1,310,840.6 thousand and RMB409,623.8 thousand, respectively.

Principal businesses: fund raising, fund sales, asset management and other businesses permitted by CSRC.

3. *Structured Entities Controlled by the Company*

For the structured entities with subsidiaries acting as managers, the Company has considered in overall that companies within the scope of our consolidated statements are entitled to realizable returns from those structured entities and are subject to the risks. Thus, the Company has included 23 structured entities into its consolidated statements. During the Reporting Period, the one newly-added structured entity was included in the consolidation scope. Four structured entities were excluded due to changes in shareholding or other reasons of loss of controlling right or liquidation.



Section IV Directors' Report

Interests in consolidated structured entities of the Reporting Period:

Unit: RMB'0000

	At the end of the Reporting Period or in the Reporting Period
Interests in consolidated structured entities	
Total assets	516,823.00
Total liabilities	26,477.77
Total net assets	490,345.23
Operating income	5,775.07
Net profit	3,632.09

4. Application of proceeds

(1) The general application of proceeds raised through A shares

As approved by CSRC through issuance of the Formal Reply Relating to Authorization of the Initial Public Offering of 東方證券股份有限公司 (Zheng Jian Xu Ke [2015] No.305), the Company made an initial public offering of 1,000,000,000 A Shares, which were RMB denominated ordinary shares, on March 23, 2015 with the issuance price of RMB10.03 per share. The total proceeds from the issuance of such A Shares was RMB10,030,000,000.00, and the net proceeds from the same was RMB9,799,724,000.00 after deducting the relevant underwriting expense of RMB230,276,000.00. The aforesaid proceeds from such issuance of A Shares were all deposited with the special proceeds account opened by the Company on March 16, 2015, for which, BDO has reviewed and verified with issuance of the capital verification report numbered as Xin Kuai Shi Bao Zi [2015] No. 111076. As at June 30, 2015, the proceeds from this offering of A Shares by the Company has been utilized in full, and the special proceeds account was also closed accordingly.

(2) The general application of proceeds raised through H shares

As approved by the CSRC, the Company issued the overseas listed foreign shares (H Shares) in the Hong Kong Stock Exchange on July 8, 2016, and exercised the over-allotment option on August 3, 2016. Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) has verified the proceeds from this offering of H shares by issuance of the capital verification report (De Shi Bao (Yan) Zi (16) No. 1082). Based on this capital verification report, it was noted that the Company made a public offering of 933,709,090 overseas listed foreign shares (H Shares) and the selling shareholders sold 93,370,910 H Shares, representing a total listing of 1,027,080,000 H Shares. Since the issue price of H Shares was HK\$8.15 per share with nominal value of

Section IV Directors' Report

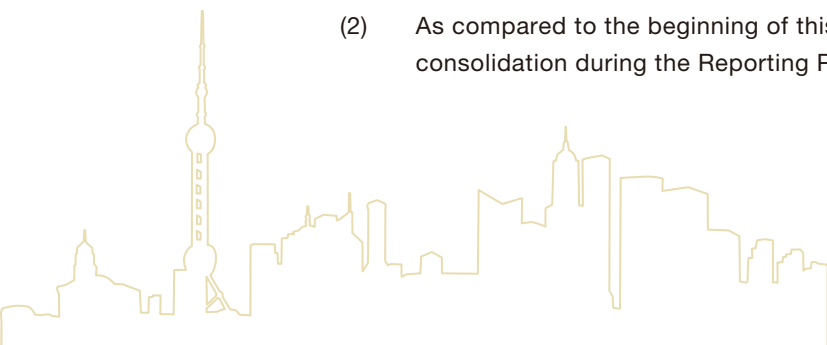
RMB1.0 each, the total proceeds from this offering amounted to HK\$8,370,702,000.00 which shall be paid in cash in Hong Kong dollars. After deduction of the transaction expense and other related expenses of HK\$145,045,025.30 in aggregate, the remaining HK\$8,225,656,974.70 has been deposited with the H share proceeds account and converted into RMB7,083,154,510.65 (including the interest income received) based on the median exchange rate for conversion from HK\$ into RMB as published by the People's Bank of China on the date when the proceeds were actually remitted into the aforesaid account. The net proceeds from this offering of H Shares by the Company was HK\$7,417,133,357.56 after deduction of such proceeds as transferred to the National Council for Social Security Fund and other expenses totaling HK\$808,523,617.14 related to the issuance.

As undertaken in the prospectus of the H Shares, approximately 35% of proceeds shall be used to further develop our brokerage and securities financing business, approximately 30% for developing our foreign operation, approximately 15% for expansion of our investment management business, approximately 10% for developing the securities sales and trading business, approximately 5% for capital expenditure to improve IT systems and expand our capital-light branches network, and approximately 5% for working capital and other general corporate purposes. Calculated by using the exchange rate for proceeds raised through H Shares in RMB based on actual exchange rate for settlement, calculated by using the exchange rate for proceeds raised through H Shares in HK dollars based on actual exchange rate at the end of month, calculated by not using the exchange rate for proceeds raised through H Shares based on the exchange rate as at December 30, 2016, the net amount of proceeds raised through H Shares through the above exchange rates shall be equivalent to RMB6,600,663,061.35. As at the end of the Reporting Period, the proceeds raised through H Shares used for the undertaken items in the prospectus shall be equivalent to RMB5,390,842,005.72, and the proceeds raised through H Shares undertaken but not yet used shall be equivalent to RMB1,209,821,055.63.

As at the end of the Reporting Period, there was no change in the planned use of the proceeds from the offering of H Shares as compared to that as disclosed in the Company's prospectus. The Company will arrange utilization of such proceeds in due course based on its actual operation needs to maximize the shareholders' interests.

5. *Explanations on Change in the Scope of Consolidation of the Statements*

- (1) As compared to the beginning of this year, the Group added two entities into its scope of consolidation during the Reporting Period, which included one newly established subsidiary, and one structured entity newly consolidated.
- (2) As compared to the beginning of this year, the Group excluded four entities from its scope of consolidation during the Reporting Period, which was four structured entities.



Section IV Directors' Report

II. OTHER DISCLOSURES

(I) Profit warning and explanation of expected accumulated net loss from the beginning of the year to the end of the next Reporting Period or significant changes over the same period of last year

✓ Not Applicable

(II) Potential risks and risk prevention measures

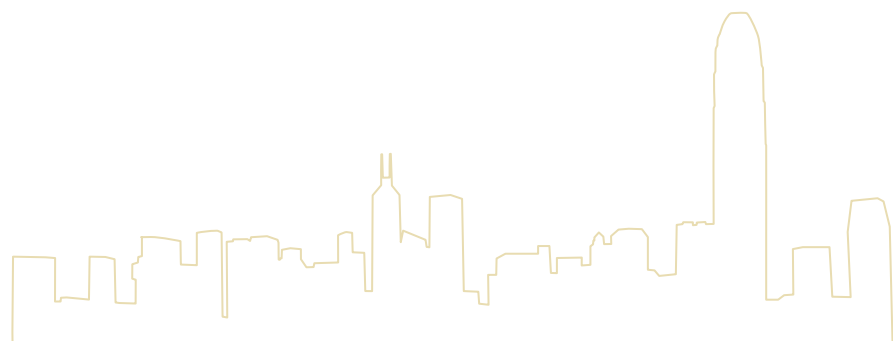
The Company is exposed to risks in respect of its operations mainly associated to market risk, credit risk, liquidity risk, operational risk and technology risk. Specifically, such risks and respective countermeasures are represented in the following aspects:

(1) Market Risk

The Company has established a system covering the Group's allocation of assets and liabilities and risk limits, reflecting the Company's overall market risk appetite and risk tolerance. Under the Company's overall business authority framework, each business segment operates within different levels of authorized risk limits to implement effective controls over various businesses and products so as to ensure the risk level to be within risk appetite set by the Company. The Company's business departments, branches and subsidiaries are the first line of defense against market risk. Overall market risk management is part of the duties and functions of risk management function department of the Company.

The Company adopts daily mark-to-market, concentration analysis, impact cost analysis and quantitative risk model and optimization technology, to manage scale, leverage, risk exposure, duration and to establish dynamic-tracking stop-loss mechanisms, identifies the key factors affecting portfolio returns through sensitivity analysis, and evaluates the tolerance of investment portfolios to extreme market fluctuations by using scenario analysis and stress-testing.

The Company closely monitors the macroeconomic indicators and trends and major development in economic policies, evaluates the systematic risks on investment that may arise from changes in macro factors, regularly monitors the market risk control indicators, and adjusts investment strategy, while, setting up an organization for crisis decision-making, implementation and delegation of responsibility, developing contingency plans under various projected extreme circumstances, and grading and managing such crisis by their severity.



Section IV Directors' Report

(2) Credit Risk

The Company assesses the credit ratings of debtors or counterparties through its internal credit rating systems, grants reasonable credit by reference to the result thereof, and measures its credit risk by means of sensitivity analysis and stress test, so as to achieve quota management, tracking on the credit risk situation of debtors or counterparties, risk warnings and issuing reports through information management systems.

- 1) Direct credit risk: Credit risks from the credit products investment business and the securities financing business.

For credit products investment, in respect of publicly raised investment, the Company has set corresponding investment quota by reference to the internal and external credit rating of debtors; and in respect of private equity investment, the Company has established the entrance levels and investment caps for its products and controls the credit risks from these businesses through risk assessment, risk reminders and judicial recourse.

Credit risks from the securities financing business primarily include failure to make full repayment for liabilities on time, failure to make up the collateral according to the contract, failure to make full repayment for liabilities after forced closure of positions, etc. Credit risk arising from such kind of business is mainly controlled through risk education, credit reference checks, credit approval, daily mark-to-market, risk reminders, forced closure of positions, judicial recourse and other means.

- 2) Counterparty risk: The credit risks from OTC derivative transactions primarily include failure to make payment on time, failure to cover the security deposits in a timely manner when the losses are made on investments and discrepancy between amounts calculated by the parties, etc. The counterparties are primarily financial institutions or other professional institutions. The Company sets the deposit ratio for margin and restrictions on the transaction size, controls the credit risk exposure through daily mark-to-market, margin calls, forced closure of positions and judicial recourse and other means.
- 3) Settlement risk: Security brokerage business transactions in the mainland China are all required to be settled in full by security deposit, which has largely controlled risks relating to trading settlement.



Section IV Directors' Report

(3) *Liquidity Risk*

The Company has established an appropriate early warning indicator system, including benchmarks for liquidity coverage and net stable funding ratios, to monitor the particular circumstances or events that could possibly lead to a liquidity crisis on a daily basis. The Company has established a net capital supplementary mechanism to supplement the net capital or short-term working capital according to the demand for business development through issuing corporate bonds, subordinated bonds, income receipts, inter-banking lending and other forms. The Company also conducted regular or non-regular stress-testing to test the risk control indicators of the net capital and liquidity to predict and control liquidity risk in advance.

(4) *Operational risk*

In respect of compliance, legal and operational risk management and control, in combination with internal control and management this year, the Company set up the operational management system, selected the pilot department to gradually carry out operational risk analysis, to assess and monitor relevant work, and to establish the reporting system for the loss event in respect of operational risk; steadily proceeded to complete the establishment of internal control in phases this year, integrated the management and control of compliance risk and operational risk, comprehensively combed the working procedures and systems of each module; actively and steadily carried out the key works such as staff practice management, product management, client suitability management, information firewall management, anti-money laundering management, etc., to further enhance the efficiency of management and quality of work; actively promoted establishment of company rules, effectively implemented legal review, judicial assistance, legal support and other legal management responsibilities, made efforts to improve professional standards; implemented the functions of compliance assessment, promotion, inspection, and accountability etc., and strengthened the establishment of risk control team, and safeguard measures for compliance management. No material compliance, operational or legal risk events occurred during the Reporting Period.

(5) *Technology Risk*

The Company attaches high importance to technology risk management, and specifically sets up IT governance committee, which is responsible for information technology management. Under the guidance from the senior management of the Company, the Company carries out specific information technology risk management in a solid and orderly manner. However, with the rapid development in information technology today, due to such problems as equipment errors, deficiencies in software design, network line connection problems, the technical means may not be able to keep up with the changes, which practically cannot be entirely eliminated, so there still exist certain technology risks.

In addition, like other financial institutions, the Company may inevitably face a certain degree of compliance risk, legal risk, reputation risk and moral hazard in its operations and management. To cope with such types of risks, the Company has implemented a comprehensive risk management system which has fully covered the above risks, and designated the corresponding in-charge departments, established a corresponding management system and implemented appropriate technical measures.

Section IV Directors' Report

With respect to the above risks, the Company has formulated corresponding risk management policies and measures to identify and assess these risks and has set up appropriate risk limits and internal control processes to monitor such risks through reliable management and information system, thereby striving to ensure the overall risk of the Company is measurable, controllable and tolerable.

(III) Other disclosures

✓ Not Applicable



Section V Significant Events

I. GENERAL MEETINGS OVERVIEW

Session of the meeting	Date of convening	Reference of the website specified for Information disclosure	Publication date of resolutions
2017 first extraordinary general meeting, 2017 first A Share class meeting and 2017 first H Share class meeting	2017/04/14	http://www.sse.com.cn http://www.hkexnews.hk	2017/04/15 2017/04/14
2016 annual general meeting	2017/06/05	http://www.sse.com.cn http://www.hkexnews.hk	2017/06/06 2017/06/05

Explanation on general meetings:

During the Reporting Period, the Company convened the 2017 first extraordinary general meeting, 2017 first A Share class meeting and 2017 first H Share class meeting at Pine City Hotel, No. 777 Zhaojiabang Road, Xuhui District, Shanghai, the PRC on April 14, 2017. At the 2017 first extraordinary general meeting of the Company, 2 special resolutions the “Resolution in Relation to the Non-public Issuance of A Shares by the Company” and the “Resolution in Relation to the Proposal in Respect of the Non-public Issuance of A Shares (Revised)” and 9 ordinary resolutions the “Resolution in Relation to the Satisfaction of the Criteria for Non-public Issuance of A Shares by the Company”, the “Resolution in Relation to the Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares”, the “Resolution in Relation to the Utilisation of Proceeds from Previous Fund Raising”, the “Resolution in Relation to the Related-party’s Transactions and Connected Transaction Involved in the Non-public Issuance of A shares”, the “Resolution in Relation to the Execution of the Subscription Agreements with Conditions Precedent with Specific Subscribers”, the “Resolution in Relation to the Authorization by the Extraordinary General Meeting, the A Share Class Meeting and H Shares Class Meeting to the Board of Directors to Deal With Relevant Matters of the Company Involved in the Non-public Issuance of A shares”, the “Resolution in Relation to the Dilution by the Non-public Issuance of A Shares on Current Returns and the Remedial Measures”, the “Resolution in Relation to the Shareholders’ Returns in the Next Three Years (2017-2019)” and the “Proposal Regarding the General Mandate to Issue Onshore Debt Financing Instruments of the Company” were considered and passed. At the 2017 first A Share class meeting of the Company, the “Resolution in Relation to the Non-public Issuance of A Shares by the Company”, the “Resolution in relation to the Proposal in respect of the Non-public Issuance of A Shares (Revised)”, the “Resolution in Relation to the Execution of the Subscription Agreements with Conditions Precedent with Specific Subscribers” and the “Resolution in Relation to the Authorization by the Extraordinary General Meeting, the A Share Class Meeting and H Shares Class Meeting to the Board of Directors to Deal With Relevant Matters of the Company Involved in the Non-public Issuance of A shares” were considered and passed. The relevant poll results were published on the website of the SSE (<http://www.sse.com.cn>), the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website (<http://www.dfzq.com.cn>) at the date of the meetings and on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on April 15, 2017.

Section V Significant Events

During the Reporting Period, the Company convened the 2016 annual general meeting at Pine City Hotel, No. 777 Zhaojiabang Road, Xuhui District, Shanghai, the PRC on June 5, 2017, at which 9 ordinary resolutions were considered and passed, including the “Report of the Board of Directors of the Company for the Year 2016”, the “Report of the Supervisory Committee of the Company for the Year 2016”, the “Final Accounts Report of the Company for the Year 2016”, the “Profit Distribution Proposal of the Company for the Year 2016”, the “Annual Report of the Company for the Year 2016”, the “Proposal Regarding the Proprietary Business Scale of the Company in 2017”, the “Proposal Regarding the Engagement of Auditing Firms for the year 2017”, the “Proposal Regarding the Projected Daily Related Party Transactions/Connected Transactions of the Company in 2017” and the “Proposal Regarding the Provision of Guarantees by the Company in 2017”. The relevant poll results were published on the website of the SSE (<http://www.sse.com.cn>), the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website (<http://www.dfzq.com.cn>) at the date of the meeting and on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on June 6, 2017.

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

The Company did not propose any profit distribution proposal or proposal on transfer of capital reserve into share capital during the first half of 2017.



Section V Significant Events

III. PERFORMANCE OF UNDERTAKINGS

Undertakings by the Company's de facto controller, shareholders, related parties, acquirers, the Company and other parties during the Reporting Period or subsisting to the Reporting Period

Background of undertaking	Type of undertaking	Covenantor	Content of undertaking	Time and validity period of undertaking	Subject to expiry	Timely and strictly performed	Reasons for failure to perform if failed to perform timely	Follow up plan for failure to perform timely
Undertakings in relation to initial public offering	To solve the problem of business competition	Shenergy Group	Shenergy Group has issued the Commitment Letter of Avoiding Business Competition to the Company and undertook that it and the companies and enterprises under its direct or indirect control would not participate in any form of business or operation that compete or might compete with the Company and its subsidiaries.	After the public offering and listing of shares of the Company	Yes	Yes	-	-
	Shares subject to lock-up	Shenergy Group	Shenergy Group undertook that, during the 36 months from the listing and trading of such shares on the stock exchange, it would not transfer or entrust other parties to manage the shares of the Company held by it directly and indirectly.	Within 36 months from the public offering and listing of shares of the Company	Yes	Yes	-	-

Section V Significant Events

Background of undertaking	Type of undertaking	Covenantor	Content of undertaking	Time and validity period of undertaking	Subject to expiry	Timely and strictly performed	Reasons for failure to	
							perform if failed to perform timely	Follow up plan for failure to perform timely
	Others	Listed company	The Company undertook that, during the three years from the listing of A Shares, in the event that the closing price of shares falls below the latest audited net assets per share for 20 consecutive trading days, the Company would stabilize the price of share through share repurchase.	Within 36 months from the public offering and listing of shares of the Company	Yes	Yes	-	-
	Shares subject to lock-up	Shenergy Group	Shenergy Group undertook that, during the two years from the expiry of the lock-up period, its disposal of shares in the issuer every year shall not exceed 5% of the total shares of the issuer, and the disposal shall not be conducted at a price lower than the offering price.	Within 24 months from the expiry of the lock-up period	Yes	Yes	-	-
	Shares subject to lock-up	Shanghai Haiyan Investment	Shanghai Haiyan Investment undertook that it had no intention to dispose of shares during the two years from the expiry of lock-up period, save for disposal due to material changes in national policy and external environment.	Within 24 months from the expiry of the lock-up period	Yes	Yes	-	-

Section V Significant Events

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTANT

During the Reporting Period, due to the term of the existing domestic and offshore auditors of the Company, BDO and Deloitte & Touche LLP (Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) and Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (Special General Partnership)) (“Deloitte & Touche”) have been expired, the Company agreed to appoint Deloitte & Touche as the domestic and offshore auditor for 2017 for a term of one year at the 2016 annual general meeting of the Company through tender invitation according to the relevant requirements of the Administrative Measures for the Appointment of Accounting Firms by Financial Enterprises (《金融企業選聘會計師事務所管理辦法》), who was responsible for provision of relevant domestic audit service and internal control audit service in accordance with the PRC GAAP and provision of relevant audit services in accordance with the International Financial Reporting Standards.

V. MATTERS RELATED TO BANKRUPTCY AND RESTRUCTURING

There were no matters related to bankruptcy or restructuring of the Company during the Reporting Period.

VI. MATERIAL LITIGATION, ARBITRATION AND ISSUES COMMONLY QUESTIONED BY MASS MEDIA

During the Reporting Period, the Company had no material litigation, arbitration or issues commonly questioned by the mass media.

VII. PUNISHMENT ON AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER, DE FACTO CONTROLLER AND ACQUIRER

1. On May 10, 2017, Orient Securities Asset Management, a wholly-owned subsidiary of the Company, received the Decision on Imposing the Order of Rectification on Shanghai Orient Securities Asset Management Co., Ltd. (Hu Zheng Jian Jue [2017] No. 44) from the Shanghai Bureau of the CSRC. As Orient Securities Asset Management faces weak internal control in investment research management, trading positions management control lax, poor personnel behavior management in operations and other issues, which was against the Management Rules for Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》) and other laws and regulations. Orient Securities Asset Management was ordered by the Shanghai Bureau of the CSRC to rectify the above issues, further streamline relevant processes, strengthen the compliance consciousness of relevant personnel and submit a written report before May 22, 2017. The management of Orient Securities Asset Management paid close attention, requiring all departments to concentrate efforts on the implementation of rectification and sort out specific issues identified during inspection and implement rectification by item. Orient Securities Asset Management submitted a rectification report to the Shanghai Bureau of the CSRC in accordance with the requirements on May 19, 2017.

Section V Significant Events

Regarding to issues proposed by the regulatory authority, Orient Securities Asset Management has rectified the issues identified in areas such as related party transaction management, unusual transaction management, investor management and bond price inquiry management and implemented the rectifications on a case-by-case basis. The overall risk prevention and control was strengthened and internal control mechanism and compliance and risk management systems were improved through streamlining the process of relevant business. The main rectification measures adopted by Orient Securities Asset Management are as follows:

- (1) For corporate governance, the compliance and risk management committee system was improved, more efforts were put on related party transaction management and Orient Securities Asset Management started to amend the Articles of Association to better adapt to the Norm for the Comprehensive Risk Management of Securities Firms (《證券公司全面風險管理規範》).
 - (2) For investment research, the requirements of the Management System for the Research Work of the Research Department of Shanghai Orient Securities Asset Management Co., Ltd. (《上海東方證券資產管理有限公司研究部研究工作管理制度》) and the Administrative Measures for the Research Equity Securities of Shanghai Orient Securities Asset Management Co., Ltd. (《上海東方證券資產管理有限公司權益類證券研究庫管理辦法》) were strictly complied with, the protection of research files was strengthened and the management of equity pool was improved.
 - (3) For investment management, Orient Securities Asset Management optimized the staff structure of fixed income research departments and put more human resources into credit analysis to strengthen the supervision and management of credit risk.
2. On May 5, 2017, the Hubei Bureau of the CSRC issued Decision on Issuing a Warning Letter ([2017] No. 6) to Citi Orient Securities Co., Ltd. to its applicant, Citi Orient. It was because Citi Orient, our subsidiary, had not complied with the auditing procedures for related parties and related party transactions, had not adopted effective investigation measures for abnormal gross profit margin, had not verified with abnormal clients, had not disclosed incompliances in time and other issues when performing its duties as the host broker of listing on NEEQ by way of introduction of 武漢銀都文化傳媒股份有限公司. Citi Orient was contrary to the Administrative Measures of Supervising Unlisted Companies and other related laws and regulations. The Hubei Bureau issued warning letter and requested Citi Orient to take it as a warning, to perform due diligence when carrying out business, and to submit a written report before June 5, 2017.

Regarding to issues proposed by the regulatory authority, Citi Orient held personnel in charge accountable for the issues. In addition, Citi Orient has commenced a comprehensive self-investigation and rectification of listing on NEEQ by way of introduction business, to further inspect and identify the problems and potential risks of listing on NEEQ by way of introduction business. Regarding to insufficient audit and irregular documents found in certain projects of 銀都傳媒, the quality control department of Citi Orient has requested all project groups to rectify and all related project groups have completed rectification.

Section V Significant Events

Meanwhile, for projects that are recommended to list on NEEQ, Citi Orient requires relevant parties to adopt more comprehensive methods of due diligence as possible as they can and recommend listing companies more carefully. For continuous supervision on the NEEQ projects, relevant parties are required by Citi Orient to communicate with and report to the local bureaus of the CSRC where listed companies operate as required and adopt more ways to identify and check the potential risks of listed companies and conduct more on-site checks as appropriate based on their actual operations and risk factors. A risk alert announcement should be issued for risks identified in a timely manner.

The Company has no controlling shareholder or *de facto* controller. Save as disclosed above, during the Reporting Period, none of the Company, its Board, directors, supervisors and senior management was 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, or 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.

VIII. EXPLANATIONS ON CREDITWORTHINESS OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

The Company's largest shareholder was Shenergy Group. During the Reporting Period, the Company maintained excellent creditworthiness and there were no cases such as non-performance of an effective court judgment or any large obligation or liability remaining unpaid past their maturity date.

IX. EQUITY INCENTIVE SCHEME, EMPLOYEE INCENTIVE SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY AND THEIR IMPACTS

During the Reporting Period, the Company did not implement any equity incentive scheme, employee incentive scheme and other employee incentive measures.

X. MATERIAL RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group had no material related party transactions nor non-operating debts and indebtedness with related parties.

XI. MATTERS RELATED TO ASSET TRANSACTIONS AND CORPORATE MERGERS

There were no matters related to asset transactions or corporate merger of the Company during the Reporting Period.

XII. MATERIAL CONTRACTS AND PERFORMANCE

1. Custodian, contracting and leasing matters

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



Section V Significant Events

2. Guarantees

Unit: RMB100 million

External guarantees provided by the Company (excluding guarantees for subsidiaries)		
Total amount of guarantees provided during the Reporting Period (excluding guarantees for subsidiaries)		
Total balance of guarantees provided at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)		
Guarantees provided by the Company for subsidiaries		
Total amount of guarantees provided for subsidiaries during the Reporting Period		4.45
Total balance of guarantees provided for subsidiaries at the end of the Reporting Period (B)		47.83
Total amount of guarantees provided by the Company (including those provided for subsidiaries)		
Total amount of guarantees (A+B)		47.83
Percentage of total guarantees over net assets of the Company (%)		11.70
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 gearing ratio exceeding 70% (D)		41.89
Amount of total guarantees exceeding 50% of net assets (E)		
Total amount of the above three types of guarantees (C+D+E)		41.89
Explanations on guarantees	(1)	During the Reporting Period, overseas wholly-owned subsidiaries of the Company have provided guarantees for its subsidiaries, relating to the issue of offshore RMB bonds and US bonds. As at June 30, 2017, the guarantees amounted to approximately RMB3.891 billion.
	(2)	During the Reporting Period, wholly-owned subsidiaries of the Company have provided guarantee for its wholly-owned subsidiaries, mainly relating to a guarantees for granting loans for its subsidiaries for their business development. As at June 30, 2017, the guarantees amounted to approximately RMB892 million.

Note: The amount of guarantees provided for the US bonds of the Company was all converted at the spot exchange rate of USD/RMB1 : 6.7744 as at June 30, 2017; the amount of guarantees provided for the HKD bonds of the Company was all converted at the spot exchange rate of HKD/RMB1 : 0.86792 as at June 30, 2017.

Section V Significant Events

3. Other material contracts

During the Reporting Period, there were no other discloseable material contracts or transactions of the Company that have not yet been disclosed.

XIII. POVERTY ALLEVIATION WORKS OF THE LISTED COMPANY

1. Precise poverty alleviation plan

1) Basic strategies and overall objectives

Closely centering on a basic strategy of “precise poverty alleviation and precise poverty removal”, the Company has been endeavoring to promote the economic and social development in Daur Autonomous Banner of Morin Dawa (hereinafter referred to as “Morin Banner”), Hulun Buir, Inner Mongolia, and accurately meeting its industrial development needs with a view to laying a solid foundation for the poverty alleviation of Morin Banner.

2) Major tasks

- ① Leveraging the Company’s professional advantages in the capital market, to deeply seek financial professionals to establish a poverty alleviation system which is line with the actual conditions of Morin Banner;
- ② Fully utilizing the professional financial capability and advantages, to provide full-spectrum comprehensive financial services;
- ③ Based on the resources and industrial base of Morin Banner, to deepen such mutual cooperation to help Morin Banner build a characteristic industrial brand, which could drive the population in poverty to get rid of poverty;
- ④ Conducting through research on the educational conditions of recorded poor families in Morin Banner, to formulate educational aid plans for those recorded families in poverty and implement such plans so as to reduce the number of families in poverty caused by their children’ education;
- ⑤ Based on the natural ecological products in Morin Banner and by combination of “Internet+” model, to expand the promotion and sales channels of their characteristic agricultural products, and to facilitate those in poverty to get a stable job through consumption of their products;
- ⑥ Through taking full advantages of the Company’s Xindeyizhang Public Welfare Foundation (心得彰公益基金會) and combining the intangible cultural heritages in Morin Banner, to carry out inheritance protection and promotion of those intangible cultural heritages, so as to amplify the social influence of Morin Banner and promote the local economic development.

Section V Significant Events

3) *Guarantee measures*

- ① The Company and Morin Banner have jointly established a leading team in charge of poverty alleviation works to together determine and resolve material cooperation matters and actively promote the implementation of such matters.
- ② The Company and Morin Banner have established a liaison mechanism to link each department for the implementation of ordinary communications and coordination and other works, so as to guarantee the successful carrying out of each poverty alleviation project.
- ③ The Company carried out visiting and investigation research for its poverty alleviation projects to provided first-hand information on the implementation of those projects.
- ④ The Company arranged inter-group financial experts to organize special lectures of financial knowledge for all levels of local leaders and enterprises, in order to enhance the ability of local government and enterprise to utilize capital market for development through multi-channels.

2. Summary of precise poverty alleviation during the period

1) *Newly added pair-up assistance to national poverty county*

During the Reporting Period, the Company also signed “One Company to One County” pair-up assistance agreements with three national poverty counties, i.e. Jingle County, Shanxi, Tongyu County, Jilin and Muchuan County, Sichuan based on last year’s agreement with Morin Banner.

2) *Concrete implementation of precise poverty alleviation*

During the Reporting Period, the Company launched the following poverty alleviation works by centering on industrial poverty alleviation, financial poverty alleviation, public welfare poverty alleviation and poverty alleviation through consumption:

① *Sound development of industrial poverty alleviation project*

On March 7, 2017, the Company’s poverty alleviation group and Morin Banner Guniang farmers talked about the key issues of industrial development, such as planting processes, sorting, purchase and sale prices.

On March 8, 2017, the Company’s poverty alleviation group talked with the secretary of Xiwa’ertu Town, Morin Banner and the town chief of Baoshan on the recent development of Guniang and the 2017 Guniang industrial development plan.

On March 13, 2017, the Company’s poverty alleviation group visited the Changxing Village of Xiwa’ertu Town and the Taiyuchun Village of Baoshan Town and talked with local farmers on the planting environment, cultivated varieties, pest control, fertilization and pesticide use for Guniang.

Section V Significant Events

On March 14, 2017, the Company held a training seminar on building the Guniang brand in Morin Banner, invited experts from Benlai.com to give trainings to about 100 Guniang farmers from Morin Banner.

On April 30, 2017, the Company signed a strategic agreement with Benlai.com, the domestic leading e-commerce brand of fresh food, to jointly create “Orient Guniang” brand in a pattern combined with “industry reshaping, promoting and brand co-building.”

On May 11-16, 2017, the Company, together with the experts from Benlai.com investigated the Guniang industrial development of seven natural villages of three towns in Morin Banner by sample, so as to provide key bases for the construction of the “Oriental Securities Industrial Poverty Alleviation Base”.

On June 5, 2017, under the Company’s co-ordination, the domestic leading e-commerce brand of fresh food and the leading Guniang planting and processing enterprise in Morin Banner, Mengyuan Food Limited Liability Company (蒙源食品有限責任公司) signed the “2017 Morin Banner Guniang Fresh Fruit Purchase Agreement”.

On June 12, 2017, the Company established the “Oriental Securities Industrial Poverty Alleviation Project – Morin Banner Guniang Standardized Planting Demonstrative Base” in Morin Banner with an area of 1,100 acres.

On June 21, 2017, the leaders of the Company conducted a fieldwork on the construction of “Oriental Securities Industrial Poverty Alleviation Project – Morin Banner Guniang Standardized Planting Demonstrative Base”.

② *Financial poverty alleviation to strengthen local wealth-generating capacity*

The Company organized financial experts to visit Hulun Buir and held a financial knowledge lecture for local inhabitants, which aims to enhance the ability and quality of leading officials at all levels to promote the economic innovation and development by sharing financial knowledge. Over 700 persons from four leading bodies such as the Hulun Buir Municipal Committee, the Municipal People’s Congress Standing Office, the Municipal Government Office and the Municipal Political Consultative Conference Office; 62 municipal departments such as the Municipal Development and Reform Commission, the Finance Office and the Finance Bureau; 30 executives of financial institutions and enterprises such as the People’s Bank Hulun Buir Central Branch, China Banking Regulatory Commission Hulun Buir Branch and the Insurance Association; as well as the related persons from all cities of each Banners within the jurisdiction involved in the training. The local government concluded that the training enhanced the awareness of local government and enterprises on China’s capital market, broadened their vision to utilise capital market for economic development, improved the participants’ work ability to apply financial knowledge and inspired the government and enterprises to find various ways in applying capital market for economic development.

Section V Significant Events

③ *Public welfare poverty alleviation demonstrated our love*

During the Reporting Period, the Company donated RMB379,400 to 77 students from the recorded poor family to fund their living expenses and school supplies, which makes them free from additional worries and avoids their families to be in poverty due to their educations.

The leaders of the Company presented the launching ceremony of national intangible cultural heritages, Lurigele dancing-national folk dance successor training courses in Morin Banner. Totalling about 120 Lurigele dancing successors were involved in the training (of which 43 students were from the recorded poor family), all of whom were from Morin Banner grassroots cultural stations and community cultural stations. The heritage training was designed to enhance their transmission skills, so that they can promote more people to participate in the promotion and cultivation of Lurigele dancing when returned to grassroots. It is expected to benefit up to 1,000 people.

The leaders of the Company visited 3 recorded poor families from Morin Banner, offered solatium and cereals amounting to RMB5,000. They greeted those poor families, listened to their voices, and encouraged farmers to build up confidence and overcome difficulties, so as to accomplish poverty alleviation as soon as possible.

During the Reporting Period, the Company and its subsidiary Orient Securities Futures donated RMB240,000 to Peizhi School in Tongyu County, Jilin, new clothes and books, etc. to 22 students of Jianhe Primary School in Muchuan County, Sichuan, RMB100,000 to the Day Care Center in Jingle County, Jilin and a library in Tongyu County, Jilin, respectively, as well as TVs to Home for the Elderly in Xihegou, Jingle County, Shanxi.

In April 2017, the Company's Xindeyizhang Foundation cooperated with the Beijing Women and Children's Development Foundation, namely, the Zeng Minjie & Yang Hao Mutual Development Foundation (曾敏傑楊浩聯愛基金) to launch a social worker companion project in a national poverty county, Maigaiti, Xinjiang. The project is expected to last for ten years, with a donation of RMB650,000 for the first year and consequently RMB480,000 for each year. The project is based on the local boarding center school – Xiyitidun Township Bilingual Primary School in Maigaiti County, Xinjiang, covering four major services, such as social worker classes, medical corners, health habits small plan, psychological companion plan. It aims to promote multi-unite concept and implement “growth accompany social workers” in both dimensions of physiology and psychology. Services are mainly provided to about 500 students, of whom about 200 are boarders and 34 are faculty group.



Section V Significant Events

④ Smooth implementation of poverty alleviation through consumption project

The Company purchased and recommended to purchase six featured products amounting to RMB720,000 from Morin Banner, including soybeans, black beans, green beans, red beans, white beans and rice. In 2017, the Company is estimated to help 19 persons in total from 8 recorded poor families to get rid of poverty.

In addition, the Company has signed a Platform Service Agreement on Poverty Alleviation Through Consumption in Securities Industry with Central Orient Interconnect Co. Ltd. (中證互聯股份有限公司) and those enterprises under assistance, which will actively broaden the selling channels of Morin Banner's featured agricultural products.

The Company was awarded the "Best Product Recommendation Award" by Central Orient Interconnect Co. Ltd. for its outstanding performance in supporting national poverty county to alleviate poverty through consumption via "One Company to One County" Pair-up Assistance as securities companies.

3. Table of precise poverty alleviation work of the Company during the Reporting Period

Unit: RMB'0000

Indicator	Amount and details
I. Overall situation	
Including: 1. Funds	112
2. Worth of materials	
3. Number of beneficiaries in recorded poor family (person)	19

Section V Significant Events

Indicator	Amount and details
II. Contribution to segments	
1. Poverty alleviation by industrial development	
Including: 1.1 Type of industrial poverty alleviation project	☒ Agriculture and forestry ☐ Tourism ☒ E-commerce ☐ Assets income ☐ Science and technology ☒ Others
1.2 Number of industrial poverty alleviation projects (unit)	3
1.3 Contribution to industrial poverty alleviation projects	1.56
1.4 Number of beneficiaries in recorded poor family (person)	
2. Poverty alleviation through transferring employment	
Including: 2.1 Contribution to trainings on vocational skills	
2.2 Number of people attended trainings on vocational skills (person/time)	800
2.3 Number of poverty-stricken people in recorded poor family who achieved employment (person)	
3. Poverty alleviation by relocation	
Including: 3.1 Number of beneficiaries under employment from relocated families (person)	

Section V Significant Events

Indicator	Amount and details
4. Poverty alleviation by education	
Including: 4.1 Contribution to subsidize students in poverty	37.94
4.2 Number of students in poverty being subsidized (person)	77
4.3 Contribution to improve education resources in poverty areas	
5. Poverty alleviation by healthcare	
Including: 5.1 Contribution to medical and healthcare resources in poverty areas	
6. Poverty alleviation by ecological conservation	
Including: 6.1 Project name	☐ Development of ecological conservation and construction ☐ Establishment of compensation method for ecological conservation ☐ Setting up a position for ecological public welfare ☐ Others
6.2 Amount of contribution	

Section V Significant Events

Indicator	Amount and details
7. Protection for the most impoverished people	
Including: 7.1 Amount contributed to help the three left-behind groups	
7.2 Number of people of the three left-behind groups helped (person)	
7.3 Amount contributed to help poor people with disabilities	
7.4 Number of poor people with disabilities helped (person)	
8. Poverty alleviation in the society	
Including: 8.1 Amount contributed to poverty alleviation in the east and west parts of the country	
8.2 Amount contributed to fixed-point poverty alleviation work	
8.3 Poverty alleviation fund	
9. Other projects	
Including: 9.1 Number of projects (unit)	6
9.2 Amount of contribution	110.44
9.3 Number of beneficiaries in recorded poor family (person)	
9.4 Description for other projects	

III. Awards obtained (details and class)

Central Orient Interconnect Co. Ltd. was awarded the “Best Product Recommendation Award (最佳產品推薦獎)”

Section V Significant Events

4. Subsequent precise poverty alleviation plan

1) *Joint hands with Benlai.com to create Morin Banner “Guniang” industrial brand*

In June 2017, under the Company’s co-ordination, Benlai.com and the leading Guniang planting and processing enterprise in Morin Banner signed the “2017 Morin Banner Guniang Fresh Fruit Purchase Agreement (《2017 年莫旗姑娘鮮果採購協議》)” and established the “Oriental Securities Industrial Poverty Alleviation Project – Morin Banner Guniang Standardized Planting Demonstrative Base (東方證券產業扶貧項目 – 莫旗姑娘標準化種植示範基地)” in Morin Banner.

The Company will join hands with Benlai.com to create Morin Banner Guniang brand; select Guniang products by the inspection standard for products of Benlai.com; conduct brand packaging and building for Morin Banner Guniang; promote Guniang products through the advantages of the Group as well as the channels advantages of Benlai.com.

2) *Constant follow up the distribution of educational poverty alleviation funds to guarantee the effects of precise poverty alleviation*

The Company’s subsidies to 77 poor students from Ni’erji No.1 Middle School in Morin Banner will be distributed based on their 2017 school time by installment. To ensure the precise usage of educational poverty alleviation funds on students from recorded poor family, the Company’s poverty alleviation group has formulated the 2017 Implementation Plan for Educational Poverty Alleviation on High School Students from Recorded Poor Family in Morin Banner by DFZQ. Subsequently, the Company will continue to track the distribution of the poverty alleviation fund, so as to ensure that the precise poverty alleviation is effectively implemented.

3) *Promote sustained inheritance of intangible cultural heritage project “Lurigele dancing”*

Xindeyizhang Public Welfare Foundation was set up by the Company in 2015, during when it has accumulated seasoned experience and built up a professional team to carry out inheritance protection and promotion of those intangible cultural heritages. The Company has successfully built two brand public welfare projects, i.e. “Benefit by Heart Together | Zhijin” project and “A Beautiful City in Western China | Dunhuang”, which has received social widespread praise and effectively achieved its purpose of protection and inheritance.

Leveraging on the Xindeyizhang Public Welfare Foundation’s experience in intangible cultural heritages protection and promotion, the Company will bring advantage in assisting Morin Banner to promote intangible cultural heritages projects such as Lurigele dancing. In addition to subsidize the Lurigele dancing national folk dance successor training courses, Lurigele Dancing into Campus and Lurigele Dancing Folk Dancing Competition will also be funded. The Company will support the protection of Morin Banner and inheritance of Lurigele dancing in a variety of ways, while trying to create road performance and training opportunities for them. Meanwhile, the Company will bruit Morin Banner to the society while promoting its intangible cultural heritages projects.

Section V Significant Events

- 4) *Communicate and promote the progress of financial poverty alleviation work for Morin Banner*
Based on the needs of Morin Banner's government or its enterprises as well as feasibility study on relevant projects, fully leverage the Company's professional capability and advantages to provide financial services for Morin Banner in respect of initial public offerings, bonds underwriting and issuance, NEEQ quotation and financing, issue of financing instruments after quotation as well as market-maker transactions. In terms of financial knowledge popularity, based on the working needs of Morin Banner's poverty alleviation, the Company will provide financial knowledge popularity for Morin Banner, and provide financing consultancy and business training in capital market for its government and enterprises.
- 5) *Striving to extent the scope of "One Company to One County" Pair-up Assistance*
At the end of the Reporting Period, the Company has signed "One Company to One County" Pair-up Assistance agreements with four state poverty counties and will try to extend the scope of assistance subsequently, in order to fulfill increased social responsibilities.
- 6) *Ensure effectively implementation of poverty alleviation through consumption project*
The Company purchased and recommended to purchase featured agricultural products from Morin Banner Xinxinyuan Plantation Specialty Cooperative (莫旗鑫鑫源種植專業合作社) and provided assistance to recorded poor family by paying those engaged with the cooperative. To ensure effectively implementation of such project, the Company's poverty alleviation group has formulated the 2017 Implementation Plan for Poverty Alleviation through Consumption in Morin Banner by DFZQ and will strictly implement above project to ensure its effectively implementation.

XIV. CONVERTIBLE CORPORATE BONDS

During the Reporting Period, neither the Company nor its subsidiaries had issued convertible corporate bonds.

XV. DESCRIPTION OF THE ENVIRONMENTAL PROTECTION WORK PERFORMED BY COMPANIES AND THEIR SUBSIDIARIES LISTED AS KEY POLLUTANT-DISCHARGING UNITS BY ENVIRONMENTAL PROTECTION DEPARTMENTS

✓ Not Applicable



Section V Significant Events

XVI. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

(I) **Descriptions, reasons and effects of changes in accounting policies, accounting estimates and accounting methods as compared with previous accounting period**

✓ Not Applicable

(II) **Descriptions, correction amounts, reasons and effects of correction of material accounting errors that need to be restated during the Reporting Period**

✓ Not Applicable

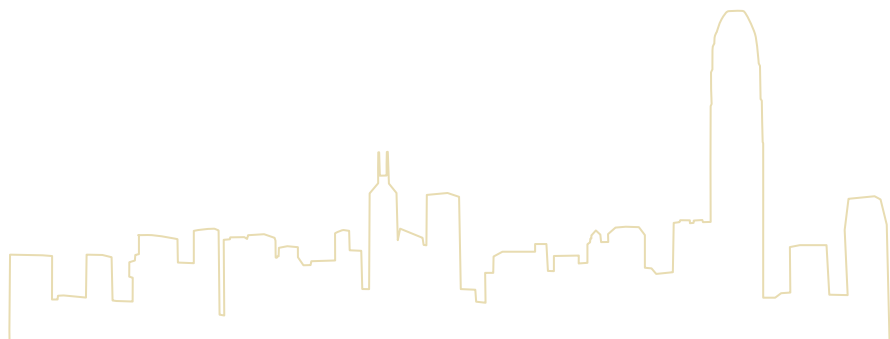
(III) **Others**

1) *Newly-established securities branches by the Company*

The Company received the Reply on Approving Establishment of 33 Securities Branches by 東方證券股份有限公司 (Hu Zheng Jian Xu Ke [2016] No. 74) from Shanghai Bureau of the CSRC, pursuant to which the Company was authorized to establish one securities branch in each of the 33 cities including Beijing and Shanghai, etc.. The branches would engage in securities brokerage; margin financing and securities lending; securities investment advisory; financial consultancy in relation to securities transactions and securities investment activities; distribution of securities investment funds; provision of intermediary and referral business for futures companies; distribution of financial products. The establishment model of the information system is B-type.

On January 12, 2017, the Company received the Letter on Approving Extension of the Establishment Duration of 27 Securities Branches for 東方證券股份有限公司 (Hu Zheng Jian Ji Gou Zi [2017] No. 21) from Shanghai Bureau of the CSRC, which approved the extension of the establishment duration of 27 securities branches but required the Company to complete the establishment of such securities branches within six months with immediate effect.

During the Reporting Period, the Company completed the establishment of total 11 securities branches, as a result of which the total number of the Company's securities branches amounted to 133. Details of the newly-established branches are as follows:



Section V Significant Events

Name of branch	Address	Number of approval document	Date of approval	Date on which the license was obtained
Yangzhou Wenhui East Road Securities Branch of 東方證券股份有限公司	No. 231 Wenhui East Road, Economic Development Zone, Yangzhou, Jiangsu, the PRC			January 5, 2017
Changshu Lizha Road Securities Branch of 東方證券股份有限公司	No. 65-21, 22&23 Lizha Road, Changshu, the PRC			January 5, 2017
Jinhua Bayi North Street Securities Branch of 東方證券股份有限公司	No. 190 Bayi North Street, Wucheng District, Jinhua, Zhejiang, the PRC			January 6, 2017
Zhangjiagang Donghuan Road Securities Branch of 東方證券股份有限公司	Chengnan Building, No. 68 Donghuan Road, Yangshe Town, Zhangjiagang, the PRC			January 6, 2017
Shaoxing Shengli East Road Securities Branch of 東方證券股份有限公司	No. 402 Shengli East Road & Room 705, 706-1, No. 68 Didanghu Road, Yuecheng District, Shaoxing, the PRC			March 13, 2017
Xi' an Weiyang Road Securities Branch of 東方證券股份有限公司	Store No. 1F-04, Building 1, Datang Xinghe Garden, No. 109-1 Weiyang Road, Xi' an, the PRC	Hu Zheng Jian Xu Ke [2016] No. 74		March 30, 2017
Shenzhen Shennan East Road Securities Branch of 東方證券股份有限公司	Room 02, 03&05, Main Building 19, Xinxing Plaza, No. 5002 Shennan East Road, Xiaoyuan 21 Street, Luohu District, Shenzhen, the PRC	Hu Zheng Jian Ji Gou Zi [2017] No. 21	July 15, 2016	April 24, 2017
Zhuhai Jida Road Securities Branch of 東方證券股份有限公司	No. 106, 1/F& No. 202, 2/F, Petroleum Building, No. 103 Jida Road, Xiangzhou District, Zhuhai, the PRC			May 5, 2017
Shanghai Jing' an District Yanping Road Securities Branch of 東方證券股份有限公司	1-2/F, No. 167 Yanping Road, Jing' an District, Shanghai, the PRC			May 12, 2017
Zibo Liuquan Road Securities Branch of 東方證券股份有限公司	Business Room No.16&17, Huaxin Garden, No. 258 Liuquan Road, High-Tech Zone, Zibo, Shandong, the PRC			May 17, 2017
Hefei Meishan Road Securities Branch of 東方證券股份有限公司	No. 19 Meishan Road, Shushan District, Hefei, the PRC			May 17, 2017

Section V Significant Events

In July 2017, the Company completed the establishment of the rest 20 securities branches progressively, as follows:

No.	Name of branch	Address	Date on which the license was obtained
1	Wuhu Beijing Centre Road Securities Branch of 東方證券股份有限公司	No. 104 & 501 Jinghu Star, No.1 Beijing Centre Road, Jinghu District, Wuhu, Anhui, the PRC	July 5, 2017
2	Changchun Ziyou Road Securities Branch of 東方證券股份有限公司	Suite 110 Block B, First International Centre, No. 3999 Ziyou Road, Er'dao District, Changchun, Jilin, the PRC	July 5, 2017
3	Tianjin Nanma Road Securities Branch of 東方證券股份有限公司	No. 1201 Nanma Road, Nankai District, Tianjin, the PRC	July 5, 2017
4	Xuchang Xudu Road Securities Branch of 東方證券股份有限公司	1-2/F, Block A, Huitong Commercial Garden, Xudu Road South & Wisdom Building West, Dongcheng District, Xuchang, the PRC	July 5, 2017
5	Changzhou Longjin Road Securities Branch of 東方證券股份有限公司	Suite 102,1103&1104 Building 3, Modern Media Centre, No. 1590 Longjin Road, Xinbei District, Changzhou, the PRC	July 6, 2017
6	Qingdao Miaoling Road Securities Branch of 東方證券股份有限公司	No. 36-1, 101A, Miaoling Road, Laoshan District, Qingdao, Shandong, the PRC	July 6, 2017
7	Tangshan Beixin West Road Securities Branch of 東方證券股份有限公司	No. 36-13 Beixin West Road, Zhangdali Scenic Garden, Lubei District, Tangshan, Hebei, the PRC	July 6, 2017
8	Jiangmen Yingbin Avenue Centre Securities Branch of 東方證券股份有限公司	Suite 109 & 2208-2209 Block 1, No. 118 Yingbin Avenue Centre, Pengjiang District, Jiangmen, the PRC	July 6, 2017
9	Dalian Taiyuan Street Securities Branch of 東方證券股份有限公司	No. 177-13 Taiyuan Street, Shahekou District, Dalian, Liaoning, the PRC	July 12, 2017
10	Dongguan Hongfu Road Securities Branch of 東方證券股份有限公司	No. 104 Huicheng Building, No. 102 Hongfu Road, Nancheng Street, Dongguan, the PRC	July 12, 2017

Section V Significant Events

No.	Name of branch	Address	Date on which the license was obtained
11	Beijing Dajiaoting South Street Securities Branch of 東方證券股份有限公司	No. 106, 1/F & No. 2017, 2/F, Building 1, Garden 5, Dajiaoting South Street, Chaoyang District, Beijing, the PRC	July 13, 2017
12	Chengdu Yizhou Avenue Securities Branch of 東方證券股份有限公司	No. 104, 1/F, Unit 2, Block 1, No. 777 Yizhou Avenue North, High-Tech District, Chengdu, Sichuan, the PRC	July 13, 2017
13	Chongqing Honghu West Road Securities Branch of 東方證券股份有限公司	No. 41 & 43, Honghu West Road, Yubei District, Chongqing, the PRC	July 13, 2017
14	Xuzhou Heping Road Securities Branch of 東方證券股份有限公司	No. 101-1, Wenyuan Building, Jiangsu Normal University Science & Technology Park, No. 59 Heping Road, Yunlong District, Xuzhou, the PRC	July 13, 2017
15	Guangzhou Guangzhou Avenue Centre Securities Branch of 東方證券股份有限公司	No. 301 Self-compiled Room 2, No. 129-133 Guangzhou Avenue Centre, Yuexiu District, Guangzhou, the PRC	July 18, 2017
16	Luoyang Nanchang Road Securities Branch of 東方證券股份有限公司	No. 107 Block 4, Garden 14, Nanchang Road, Jianxi District, Luoyang, Henan, the PRC	July 18, 2017
17	Zhongshan Zhongshan Fifth Road Securities Branch of 東方證券股份有限公司	Unit 01, 12/F, Block 3, Zimabenteng Plaza, No. 2 Zhongshan Fifth Road, Eastern District, Zhongshan, the PRC	July 18, 2017
18	Yichang First Xiling Road Securities Branch of 東方證券股份有限公司	No. 15 First Xiling Road, Xiling District, Yichang, the PRC (Jin'andongcheng Store 117 & 217)	July 19, 2017
19	Foshan Nanhai Avenue North Securities Branch of 東方證券股份有限公司	Office 03-08, 17/F, Block E, Yuexiu Xinghuiyunjin Plaza First Area, No. 84 Nanhai Avenue North, Guicheng Street, Nanhai District, Foshan, the PRC	July 19, 2017

Section V Significant Events

No.	Name of branch	Address	Date on which the license was obtained
20	Yueyang Jin'e Middle Road Block 1, Shengxincheng Securities Branch of 東方證券股份有限公司	Mansion, No. 408 Jin'e Middle Road, Yueyanglou District, Yueyang, Hunan, the PRC	July 19, 2017

2) Relocation of securities branches of the Company

- ① Shangyu Fortune Plaza Securities Branch of 東方證券股份有限公司 was relocated within the city, from 1/F, Building 8, Fortune Plaza, Baiguan Street, Shangyu District, Shaoxing, Zhejiang, the PRC to 1/F, Xintianlong Building, No. 2389 Northern of Liangzhu Avenue, Baiguan Street, Shangyu District, Shaoxing, Zhejiang, the PRC. The name of the branch was changed to Shaoxing Shangyu Liangzhu Avenue Securities Branch of 東方證券股份有限公司 .
- ② Fuzhou Wusi Road Securities Branch of 東方證券股份有限公司 was relocated within the city, from 6/F, Golden Lily Hotel, No. 252 Wusi Road, Fuzhou, Fujian, the PRC to 1&5/F, Sanmu Building, No. 93 Qunzong East Road, Xingang Street, Taijiang District, Fuzhou, Fujian, the PRC. The name of the branch was changed to Fuzhou Qunzong East Road Securities Branch of 東方證券股份有限公司 .
- ③ Xiangtan Hedong Avenue Securities Branch of 東方證券股份有限公司 was relocated within the city, from 4/F, Tanshui Building, No. 3 Changtan Road, Yuetang District, Xiangtan, Hunan, the PRC to 0101002-0101003 D1-2 Building, Lot D, Xiangyinxicheng, No. 3 Huxiang North Road, Baota Street, Yuetang District, Xiangtan, the PRC. The name of the branch was changed to Xiangtan Huxiang North Road Securities Branch of 東方證券股份有限公司 .
- ④ Chengdu Tianxiang Temple Street Securities Branch of 東方證券股份有限公司 was relocated within the city, from 2/F, Tianxiang Building, No. 118 Wangping Street, Chenghua District, Chengdu, Sichuan, the PRC to Suite 2012 & 2013, 21/F, Block 1, No. 9 Jianshe Road, Chenghua District, Chengdu, the PRC. The name of the branch was changed to Chengdu Jianshe Road Securities Branch of 東方證券股份有限公司 .
- ⑤ Yiwu Binwang Road Securities Branch of 東方證券股份有限公司 was relocated within the city, from Building 11 East, No. 68 Binwang Road, Choucheng Street, Yiwu, Zhejiang, the PRC to No. 113 Gongren West Road, Yiwu, Zhejiang, the PRC. The name of the branch was changed to Yiwu Gongren West Road Securities Branch of 東方證券股份有限公司 .

Section V Significant Events

3) *Capital increase into subsidiaries*

During the Reporting Period, the Company increased capital in the amount of RMB600 million and RMB300 million to Orient Securities Innovation Investment respectively and completed the changes in industrial and commerce registration in relation to the change in registered capital of Orient Securities Innovation Investment to RMB2.0 billion. This capital increase has been considered and approved at the president working meeting of the Company.

4) *Implementation of profit distribution*

The implementation of the Company's profit distribution plan for the year 2016 was accomplished on August 2, 2017. Based on the total share capital of 6,215,452,011 Shares as at December 31, 2016, a cash dividend of RMB1.50 (inclusive of tax) for every 10 Shares had been distributed to A Shareholders and H Shareholders whose names appear on the register of members of the Company on the record date, with a total cash dividend of RMB932,317,801.65, representing 40.29% of net profit for the year attributable to the shareholders of the listed company in the consolidated statements.

5) *Issuance of corporate bonds*

Upon approval of the CSRC [2017] No. 974, the Company is approved to carry out public issuance of corporate bonds to qualified investors with par value no more than RMB4.0 billion (including RMB4.0 billion). On August 3, 2017, 東方證券股份有限公司 has completed the related work of the 2017 public issuance of corporate bonds through off-line price consultations to the qualified investors. The issuing size of the bonds was RMB4.0 billion, with a coupon rate of 4.98%.

XVII. CORPORATE GOVERNANCE

The Company always pursues a better governance structure and system building. As a public company listed in both Mainland China and Hong Kong, the Company has operated its business in a standard manner and in strict compliance with the requirements under the relevant laws, regulations and regulatory documents in the places where the shares of the Company are listed. The Company has made great efforts to maintain and improve the Company's good image in the market. During the Reporting Period, the corporate governance of the Company was in compliance with the requirements under the PRC Company Law, the PRC Securities Law, the Regulatory Rules for Securities Companies, the Rules for Governance of Securities Companies, the Code of Corporate Governance for Listed Companies, the Corporate Governance Code and other relevant laws and regulations as well as the Articles of Association, and the corporate governance standards were continuously improved; the governance structure of "general meeting of shareholders, the Board, the supervisory committee and senior management" of the Company allowed clear separation of powers and duties, effectively balance of authority and scientific decisions, and therefore guaranteed the scientific and regulated operating of the Company; the Company kept on optimizing the establishment of the internal control management system, which enhanced the integrity, reasonableness and effectiveness of the internal control function. For a long time, the Company has been working on the continuous enhancement of the corporate governance structure and system building.

Section V Significant Events

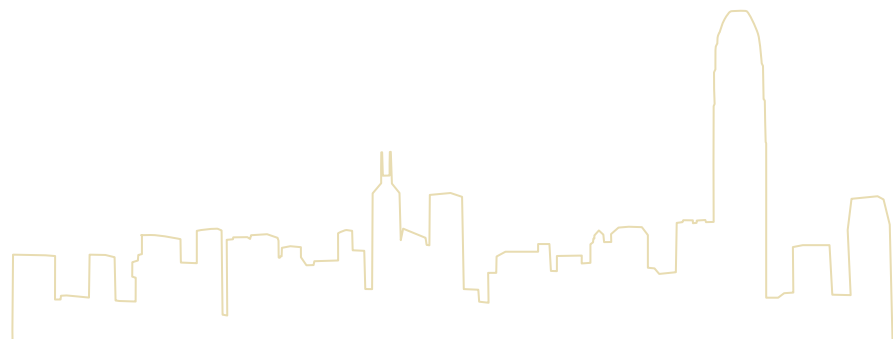
During the Reporting Period, the operation and management of the Company were standardized and orderly, allowing the Company to formulate and continuously optimize its rules and procedures in strict compliance with the relevant requirements under laws and regulations and regulatory documents to regulate the operation of the Company. During the Reporting Period, in order to enhance corporate governance and risk management and control, the Company amended and improved the Basic System for Comprehensive Risk Management and the Administrative Measures of Liquidity Risk, and formulated the Provisional Administrative Measures of Internal Control and Management, which had been considered and approved by the Board. During the Reporting Period, the Company convened two general meetings, seven Board meetings, three meetings of the supervisory committee, two meetings of the Remuneration and Nomination Committee of the Board, four meetings of the Audit Committee, and four meetings of the Compliance and Risk Management Committee, totaling to ten meetings of the special committees under the Board. The convening procedures and voting procedures of the general meetings, Board meetings and meetings of the supervisory committee of the Company were legal and valid. During the Reporting Period, the Company continuously strengthened the investor relationship management and information disclosure, hence the investor relationship management was standardized and professional, and the information disclosed was true, accurate, complete, timely and fair, which enhanced the transparency of the Company continuously.

By the formulation, continuous improvement and effective implementation of systems, the corporate governance structure of the Company became more standardized and the level of corporate governance kept on improving. There was no discrepancy between the actual corporate governance of the Company and the requirements of the PRC Company Law and relevant regulations of CSRC. Meanwhile, the Company was in strict compliance with all the code provisions of the Corporate Governance Code, meeting most of the requirements for the recommended best practices set out in the Corporate Governance Code.

There was no discrepancy between the actual corporate governance of the Company and the requirements of the PRC Company Law, relevant regulations of CSRC and the Corporate Governance Code.

(I) Shareholders and general meetings

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



Section V Significant Events

(II) Directors and the Board

The Company appointed and changed its directors in strict compliance with the relevant provisions of the Articles of Association. The number, composition and qualification of the directors were in compliance with the applicable laws and regulations. As at the end of the Reporting Period, the Board comprised 16 directors, among which two were executive directors, eight were non-executive directors and six were independent non-executive directors. All directors are able to perform their duties in due diligence and protect the interests of the Company and the shareholders as a whole. The Strategy Development Committee, Audit Committee, Compliance and Risk Management Committee, Remuneration and Nomination Committee of the Board were assigned specific duties, clear authorization and responsibilities, and operated in high efficiency. The Audit Committee and the Remuneration and Nomination Committee were chaired by an independent non-executive director, and comprised exclusively non-executive directors with over half of the members being independent non-executive directors.

The Audit Committee was established under the Board, which is in compliance with the relevant requirements of the CSRC, SSE and Hong Kong Listing Rules. As at the end of Reporting Period, the Audit Committee comprised five members, namely, Mr. Pan Fei, Mr. Wu Junhao, Mr. Xu Jianguo, Mr. Xu Guoxiang and Mr. Wei Anning. The Audit Committee is mainly responsible for facilitating communication between the internal and external auditors of the Company, supervision and review of the audit process, and provision of professional advice to the Board. The Audit Committee has reviewed and confirmed the interim results for the six months ended June 30, 2017 and the 2017 interim financial report of the Company, and has made no objection to matters such as the accounting policies adopted by the Company.

On July 6, 2017, the Company received the resignation report from Mr. Pan Fei, an independent non-executive director, who resigned from the position of the independent non-executive director of the third session of the Board and the position of the chairman of the Audit Committee due to personal reasons (career arrangement). The Company will endeavor to find an appropriate candidate to act as an independent non-executive director as soon as possible and appoint a new independent non-executive director and the chairman of the Audit Committee of the Board following due procedures.

Following the resignation of Mr. Pan, the requirements relating to at least one of the independent non-executive directors of the Company and at least one member of the Audit Committee must have appropriate professional qualifications or accounting or related financial management expertise under Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules will not be met by the Company and the position of chairman of the Audit Committee shall be vacated. The Company shall search for a suitable candidate to fill the vacancy in provided time as required under Rules 3.11 and 3.23 of the Hong Kong Listing Rules. Mr. Jin Qinglu has been nominated as the independent non-executive director of the Company and the chairman of the Audit Committee on the Board meeting held on August 7, 2017 by resolution. The new appointment of independent non-executive director and the chairman of the Audit Committee by the Company will compliance with the relevant legal procedures, but subject to the approval of the general meeting of the Company and the CSRC.



Section V Significant Events

(III) Supervisors and supervisory committee

The supervisory committee of the Company currently comprises seven supervisors, among which three are employee representative supervisors and four are non-employee representative supervisors. The qualification of the supervisors and the composition of the supervisory committee are in compliance with laws and regulations. All supervisors of the Company are able to perform their duties in due diligence, take accountability to shareholders, monitor the legality and compliance of the duty performance by the finance department, Board members and senior management of the Company, and provide recommendations and suggestions to the Board and senior management regarding relevant matters.

(IV) Senior management

Procedures for the appointment of the senior management of the Company are in compliance with the rules under the PRC Company Law and the Articles of Association. The senior management of the Company conducts business in compliance with laws, regulations and authorizations from the Board, with a view to maximizing shareholders' value and social benefits.

(V) Information disclosure

During the Reporting Period, the Company properly carried out information disclosure and 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. Meanwhile, the Company made more efforts to maintain the confidentiality of insider information, performed its obligation of insider registration, management and confidentiality diligently in strict compliance with all requirements relating to the procedures and internal control measures of handling and publishing of insider information under the System regarding Insider Registration, Management and Confidentiality.

On August 9, 2017, the Company received the Circular on the Assessment Results of Information Disclosure by Listed Companies in 2016 (《關於2016年度上市公司信息披露工作評價結果的通報》) from the SSE, according to which the Company has received a rate A (outstanding in information disclosure) in respect of information disclosure for two consecutive years after its A Share listing.

Section VI Changes in Ordinary Shares and Information on Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Changes in shares

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

(II) Changes in Restricted Shares

✓ Not Applicable

II. INFORMATION ON SHAREHOLDERS

(I) Total number of shareholders:

Total number of holders of ordinary shares as at the end of the Reporting Period (accounts)	151,983 (among which 151,919 holders of A Shares and 64 registered holders of H Shares)
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Section VI Changes in Ordinary Shares and Information on 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 restriction on sales) as at the end of the Reporting Period

Unit: share

Name of shareholders (Full name)	Changes in number of shares during the Reporting Period	Shareholdings of the top ten shareholders		Number of restricted shares held	Pledged or frozen		Nature of shareholders
		Number of shares held as at the end of the Reporting Period	Percentage (%)		Status of shares	Number of shares	
Shenergy (Group) Company Limited	-	1,537,522,422	24.74	1,537,522,422	Nil	-	State-owned legal person
Hong Kong Securities Clearing Company Nominees Limited	+4,000	1,026,972,400	16.52	-	Nil	-	Offshore legal person
China Securities Finance Corporation Limited	+57,684,257	310,131,177	4.99	-	Nil	-	State-owned legal person
Shanghai Haiyan Investment Management Company Limited	-	286,271,333	4.61	-	Nil	-	State-owned legal person
Shanghai United Media Group	-	246,878,206	3.97	-	Nil	-	State-owned legal person
Shanghai Electric (Group) Corporation	-	194,073,938	3.12	194,073,938	Nil	-	State-owned legal person
China Post Group Corporation	-	187,866,579	3.02	-	Nil	-	State-owned legal person
Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司)	-	165,953,687	2.67	-	Nil	-	Domestic non-state-owned legal person
Greatwall Information Industry Co., Ltd.	-	143,000,000	2.30	-	Pledged	20,000,000	Domestic non-state-owned legal person
Shanghai Construction Group Co., Ltd.	-	133,523,008	2.15	133,523,008	Nil	-	State-owned legal person
Related party relationship or parties acting in concert among above shareholders	Shenergy (Group) Company Limited, Shanghai Electric (Group) Corporation and Shanghai Construction Group Co., Ltd. are the subsidiaries of the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government. The Company is not aware of any other related party relationship or any parties acting in concert among other shareholders.						

Section VI Changes in Ordinary Shares and Information on Shareholders

Unit: share

Shareholdings of the top ten shareholders of non-restricted shares

Name of shareholders	Number of circulating non-restricted shares held	Type and number of shares	
		Type	Number
Hong Kong Securities Clearing Company Nominees Limited	1,026,972,400	Overseas listed foreign shares	1,026,972,400
China Securities Finance Corporation Limited	310,131,177	RMB ordinary shares	310,131,177
Shanghai Haiyan Investment Management Company Limited	286,271,333	RMB ordinary shares	286,271,333
Shanghai United Media Group	246,878,206	RMB ordinary shares	246,878,206
China Post Group Corporation	187,866,579	RMB ordinary shares	187,866,579
Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	165,953,687	RMB ordinary shares	165,953,687
Greatwall Information Industry Co., Ltd.	143,000,000	RMB ordinary shares	143,000,000
Shanghai Educational Development Co., Ltd. (上海市教育發展有限公司)	92,188,251	RMB ordinary shares	92,188,251
Shanghai Tongyi Asset Management Co., Ltd. (上海彤翼資產管理有限公司)	90,803,988	RMB ordinary shares	90,803,988
Greenland Holding Group Company Limited (綠地控股集團有限公司)	80,685,407	RMB ordinary shares	80,685,407
Related party relationship or parties acting in concert among above shareholders	Shanghai Tongyi Asset Management Co., Ltd is wholly-owned by Greenland Holding Group Company Limited. The Company is not aware of any other related party relationship or any parties acting in concert among other shareholders.		



Section VI Changes in Ordinary Shares and Information on Shareholders

Shareholdings of the top ten shareholders of restricted shares and restrictions

Unit: share

Listing and trading of restricted shares					
No.	Name of restricted shareholders	Number of restricted shares held	Time for listing and trading	Number of shares newly added for listing and trading	Restriction
1	Shenergy (Group) Company Limited	1,537,522,422	March 23, 2018	-	Lock-up period of 36 months
2	Shanghai Electric (Group) Corporation	194,073,938	March 23, 2018	-	Lock-up period of 36 months
3	Shanghai Construction Group Co., Ltd.	133,523,008	March 23, 2018	-	Lock-up period of 36 months
4	Shanghai Binfen Trade Development Co., Ltd. (上海濱紛商貿發展有限公司)	66,539,635	March 23, 2018	-	Lock-up period of 36 months
5	National Council for Social Security Fund (Transfer Account No.2) (全國社會保障基金理事會轉持二戶)	65,288,341	March 23, 2018	-	Lock-up period of 36 months
6	Shanghai International Trade & Investment Developing Co., Ltd.(上海市外經貿投資 開發有限公司)	33,269,819	March 23, 2018	-	Lock-up period of 36 months
7	Shanxi Zhuorong Investment Co., Ltd. (山西卓融投資有限公司)	20,000,000	May 19, 2018	-	Lock-up period of 38 months
8	Weida Hi-Tech Holding Co., Ltd. (威達高科技控股有限公司)	12,000,000	February 14, 2018	-	Lock-up period of 35 months
Related party relationship or parties acting in concert among above shareholders					
Shenergy (Group) Company Limited, Shanghai Electric (Group) Corporation, Shanghai Construction Group Co., Ltd., Shanghai Binfen Trade Development Co., Ltd. and Shanghai International Trade & Investment Developing Co., Ltd. are the subsidiaries of the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government. The Company is not aware of any other related party relationship or any parties acting in concert among other shareholders.					

(III) Strategic investors or general legal persons became the top ten shareholders due to placement of new shares

✓ Not Applicable

Section VI Changes in Ordinary Shares and Information on Shareholders

III. CHANGES OF CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLERS

✓ Not Applicable

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

As at June 30, 2017, to the best knowledge of the Company and its directors, having made all reasonable enquiries, the following substantial shareholders and other parties (excluding the directors, supervisors and chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company, 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:

Name of shareholders	Type of share	Nature of interests	Number of shares (Note 1)	Approximate percentage of total share of relevant class in issue (%) (Note 2)	Approximate percentage of total shares in issue (%) (Note 2)
Shenergy (Group) Company Limited	A Share	Beneficial owners	1,541,008,802 (L)	29.70	24.79
China National Tobacco Corporation ^(Note 3)	A Share	Interests in controlled corporation	406,271,333 (L)	7.83	6.54
Shanghai Tobacco (Group) Company ^(Note 3)	A Share	Interests in controlled corporation	406,271,333 (L)	7.83	6.54
Shanghai Haiyan Investment Management Company Limited ^(Note 3)	A Share	Beneficial owners	406,271,333 (L)	7.83	6.54
Zhu Lijia ^(Note 4)	H Share	Interests in controlled corporation	94,940,800 (L)	9.24	1.53
Sun Hongyan ^(Note 4)	H Share	Interests in controlled corporation	94,940,800 (L)	9.24	1.53
Hung Jia Finance Limited ^(Note 4)	H Share	Interests in controlled corporation	94,940,800 (L)	9.24	1.53
Kaiser Century Investments Limited ^(Note 4)	H Share	Beneficial owners	94,940,800 (L)	9.24	1.53
Raise Sino Investments Limited ^(Note 5)	H Share	Beneficial owners	113,737,200 (L)	11.07	1.83
Bank of Communications Co., Ltd. ^(Note 6)	H Share	Interests in controlled corporation	93,991,600 (L)	9.15	1.51
Bank of Communications (Nominee) Company Limited ^(Note 6)	H Share	Interests in controlled corporation	93,991,600 (L)	9.15	1.51
BOCOM International Asset Management Limited ^(Note 6)	H Share	Interests in controlled corporation	93,991,600 (L)	9.15	1.51
BOCOM International Holdings Company Limited ^(Note 6)	H Share	Interests in controlled corporation	93,991,600 (L)	9.15	1.51
BOCOM International Global Investment Limited ^(Note 6)	H Share	Beneficial owners	93,991,600 (L)	9.15	1.51

Section VI Changes in Ordinary Shares and Information on Shareholders

Notes:

1. (L) represents the long position.
2. As at June 30, 2017, the Company has issued 6,215,452,011 shares in total, including 5,188,372,011 A Shares and 1,027,080,000 H Shares.
3. Shanghai Haiyan Investment Management Company Limited is wholly owned by Shanghai Tobacco (Group) Company, which in turn is wholly owned by China National Tobacco Corporation. Therefore, each of China National Tobacco Corporation and Shanghai Tobacco (Group) Company is deemed to be interested in the shares of the Company held by Shanghai Haiyan Investment Management Company Limited under the SFO.
4. Kaiser Century Investments Limited is owned as to 100% by Hung Jia Finance Limited. Hung Jia Finance Limited is owned as to 50% by each of Mr. Zhu Lijia and his spouse Ms. Sun Hongyan. Therefore, each of Mr. Zhu Lijia, Ms. Sun Hongyan and Hung Jia Finance Limited is deemed to be interested in the shares of the Company held by Kaiser Century Investments Limited under the SFO.
5. Raise Sino Investments Limited is owned as to 100% by Chu Lam Yiu.
6. BOCOM International Global Investment Limited is wholly owned by BOCOM International Asset Management Limited. BOCOM International Asset Management Limited is wholly owned by BOCOM International Holdings Company Limited, which in turn is wholly owned by Bank of Communications (Nominee) Company Limited. Bank of Communications (Nominee) Company Limited is wholly owned by Bank of Communications Co., Ltd. Therefore, each of Bank of Communications Co., Ltd., Bank of Communications (Nominee) Company Limited, BOCOM International Holdings Company Limited and BOCOM International Asset Management Limited is deemed to be interested in the shares of the Company held by BOCOM International Global Investment Limited under the SFO.

Save as disclosed above, as at June 30, 2017, none of the other substantial shareholders or parties have any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

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

As at June 30, 2017, according to the information available to the Company and so far as the directors are aware, none of the directors, supervisors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined under the Part XV of the SFO), which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and 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.

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

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

Section VII Preferred Shares

During the Reporting Period, the Company had no preferred shares.



Section VIII 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

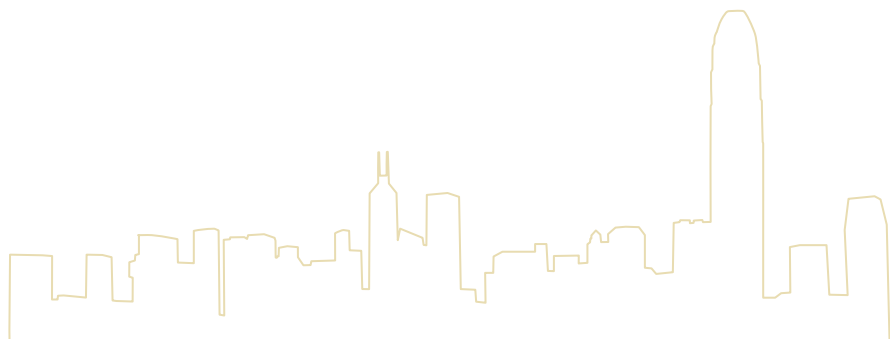
During the Reporting Period, none of the existing and resigned directors, supervisors and senior management of the Company held any shares of the Company.

(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 or senior management of the Company.

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

1. On July 6, 2017, the Board of Directors received the written resignation tendered by Mr. Pan Fei, an independent non-executive director of the Company. Due to personal affairs (career arrangement), Mr. Pan Fei resigned from the positions of director of the third session of the Board and the chairman of the Audit committee. Upon his resignation, Mr. Pan Fei will not hold any position in the Company. The Company published an announcement on the resignation of an independent non-executive director on July 6, 2017.
2. On August 7, 2017, the Resolution on the Election of the Independent Non-executive Director of the Company was considered and passed at the 32th meeting of the third session of the Board, pursuant to which, Mr. Jin Qinglu has been nominated as a candidate for the independent non-executive director of the third session of the Board for a term commencing from the date of approval at the shareholders' general meeting and obtaining the qualification to serve as an independent director from the CSRC until the expiry of the term of the third session of the Board. The appointment of Mr. Jin Qinglu is subject to consideration at the shareholders' general meeting of the Company. The Company published an announcement on the proposed appointment of an independent non-executive director and appointment of member of special committees under the Board on August 7, 2017.



Section VIII Directors, Supervisors, and Senior Management

III. OTHER INFORMATION

(I) Securities Transactions of Directors, Supervisors and Relevant Employees

The Company has adopted the standards set out in the Model Code as the code of conduct regarding the securities transactions conducted by the directors, supervisors and relevant employees of the Company. After the Company made specific inquiries, all directors and supervisors confirmed that they have complied with the requirements set out in the Model Code during the Reporting Period. The Company found no breach of the relevant guidelines by the relevant employees. During the Reporting Period, no present and resigned directors, supervisors or senior management of the Company held shares or share options, or were granted restricted shares of the Company.

(II) Changes in Material Information of Directors and Supervisors

1. Mr. Chen Bin, a non-executive director of the Company, has served as the deputy general manager of Shanghai Haiyan Investment Management Company Limited since February 2017.
2. Mr. Li Xiang, a non-executive director of the Company, ceased to be the director of the operation management office of Shanghai United Media Group since May 2017. Mr. Li Xiang has served as the president of Shanghai Xinhua Media Co., Ltd. since June 2017.
3. Mr. Wei Anning, an independent non-executive director of the Company, has served as the director of Yantai Changyu Pioneer Wine Co Ltd since June 2017.
4. Mr. Wu Zhengkui, a supervisor of the Company, ceased to be the directors of Nanjing Urban Construction and Development (Group) Co., Ltd. (南京市城市建設開發(集團)有限責任公司) and Shanghai Rural Commercial Bank Co., Ltd. since March 2017.
5. Mr. Liu Wenbin, a supervisor of the Company, has served as the chief financial officer of China Greatwall Technology Group Co., Ltd. since February 2017.

Save as disclosed above, there was no other material change in the information of directors and supervisors of the Company during the Reporting Period according to Rule 13.51B of the Hong Kong Listing Rules.

(III) Service Contracts of Directors and Supervisors

According to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, the Company has entered into contracts with directors and supervisors of the Company in relation to (among others) compliance with the relevant laws and regulations and the Articles of Association as well as the arbitration provisions. Save as disclosed above, the Company has not entered and does not recommend to enter into any service contracts with any directors or supervisors of the Company in their respective capacity as director/supervisor (except those expire in one year or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

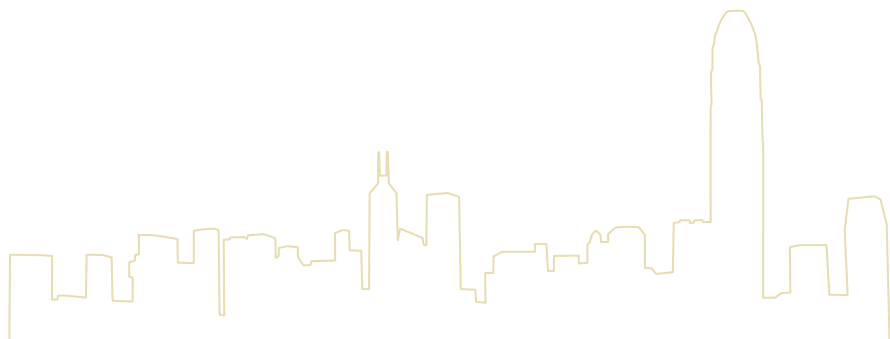
Section VIII Directors, Supervisors, and Senior Management

(IV) Employees and Remuneration Policy

As at the end of the Reporting Period, the Group had 4,369 employees, of whom 3,165 were employed by the Parent Company and 1,204 were employed by the subsidiaries.

The Company emphasizes the recruitment, motivation, training and use of talents, and adopted a salary system based on position salary and performance bonus. The remuneration level is linked to the value of the position, local market rates and performance evaluation results, so as to ensure “highest priority is given to efficiency while taking fairness into account”. Pursuant to the applicable laws and regulations of the PRC, the Company entered into a labor contract with each of its employees to establish an employment relationship. The labor contract contains the provisions relating to a 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 provident fund for its employees. It made contributions to the above social insurance and housing provident fund on time and in full. Meanwhile, the Company, in accordance with the applicable PRC regulations, also established a corporate annuity system and supplementary medical insurance system in 2006, which provided supplementary pension and medical protection to employees.



Section IX Corporate Bonds

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: RMB100 million

Name of bonds	Abbreviation	Code	Issuing date	Maturity date	Bonds balance	Interest rate (%)	Repayment of principal and interest	Trading venue
2014 Corporate Bonds issued by 東方證券股份有限公司	14 Orient Securities Bonds	123021	August 26, 2014	August 26, 2019	60	6.00	Interest payable annually and principal to be repaid upon maturity in one lump sum	SSE
2015 Corporate Bonds publicly issued by 東方證券股份有限公司	15 Orient Securities Bonds	136061	November 26, 2015	November 26, 2020	120	3.90	Interest payable annually and principal to be repaid upon maturity in one lump sum	SSE
2017 Corporate Bonds non-publicly issued by 東方證券股份有限公司 (first tranche) Type 1	17 Orient Securities 01	145576	June 9, 2017	June 9, 2020	40	5.30	Interest payable annually and principal to be repaid upon maturity in one lump sum	SSE
2017 Corporate Bonds non-publicly issued by 東方證券股份有限公司 (first tranche) Type 2	17 Orient Securities 02	145577	June 9, 2017	June 9, 2022	10	5.50	Interest payable annually and principal to be repaid upon maturity in one lump sum	SSE

Interest payment and repayment of corporate bonds

During the Reporting Period, the Company fully paid the interest of corporate bonds on time in accordance with the covenants in the prospectus, and did not repay any corporate bonds.

Other information on corporate bonds

Subordinated bonds:

On March 11, 2016, the Proposal on Issue of Subordinated Bonds (Including Perpetual Subordinated Bonds) by the Company was considered and approved at the 17th meeting of the third session of the Board of the Company, and at the 2015 annual general meeting of the Company convened on May 25, 2016, pursuant to which, the Company was authorized to issue a scale of up to RMB10 billion (including) subordinated bonds (including perpetual subordinated bonds). On November 1, 2016, the Company received the Letter of No Objection on Listing and Transfer of 2016 Subordinated Bonds by 東方證券股份有限公司 (Shang Zheng Han [2016] No. 2057) issued by the SSE.

Section IX Corporate Bonds

During the Reporting Period, the Company completed issue of the 2017 first tranche subordinated bonds on April 26, 2017. The issuing size of the bonds was RMB3 billion, of which Type 1 was RMB1.5 billion, with a term of three years and coupon rate of 4.90%, and Type 2 was RMB1.5 billion, with a term of five years and coupon rate of 5.10%; the Company completed issue of the 2017 second tranche subordinated bonds on May 15, 2017. The issuing size of the bonds was RMB3 billion, of which Type 1 was RMB1.5 billion, with a term of three years and coupon rate of 5.15%, and Type 2 was RMB1.5 billion, with a term of five years and coupon rate of 5.35%.

II. CONTACT PERSON AND CONTACT METHOD OF THE CORPORATE BONDS TRUSTEE MANAGER AND CONTACT METHOD OF CREDIT RATING AGENCY

Bonds trustee manager	Name	Everbright Securities Company Limited
	Office address	No. 1508 Xinzha Road, Shanghai, the PRC
	Contact person	Zhou Ping
	Tel	86-021-22169999
Bonds trustee manager	Name	Dongguan Securities Limited (東莞證券股份有限公司)
	Office address	25F, Pudong Jialicheng, No. 1155, Fangdian Road, Shanghai, the PRC
	Contact person	Wu Kunsheng
	Tel	86-021-50155120
Credit rating agency	Name	China Chengxin Securities Ratings Co., Ltd.
	Office address	Room 968, Building 1, No. 599 Xinye Road, Qingpu District, Shanghai, the PRC

Other explanations:

On June 5, 2015, the Securities Association of China published the Code of Conduct for Corporate Bonds Trustee Manager, which introduced the concept of bonds trustee manager, therefore, the Company did not engage any corporate bonds trustee manager for the 2014 corporate bonds.

Everbright Securities Company Limited was the bonds trustee manager for the Company's 2015 Corporate Bonds, Dongguan Securities Limited was the bonds trustee manager for the Company's 2017 non-publicly issued Corporate Bonds.

III. USE OF PROCEEDS FROM CORPORATE BONDS

(I) 14 Orient Securities Bonds

On August 26, 2014, the Company issued RMB6 billion corporate bonds under private placement. Pursuant to the relevant contents in the prospectus of such bonds, the Company fully used the net proceeds (after deduction of issuing expenses) for replenishing its working capital so as to expand the business scope and scale, optimize the business structure, and improve the comprehensive competitiveness of the Company.

Section IX Corporate Bonds

The Company's actual use of the proceeds was in line with the purposes and other covenants undertaken in the prospectus.

(II) 15 Orient Securities Bonds

As approved by the document (Zheng Jian Xu Ke [2015] No. 2406) issued by the CSRC, the Company publicly issued RMB12 billion corporate bonds on November 26, 2015. Pursuant to the relevant contents in the prospectus of such bonds, the Company fully used the net proceeds (after deduction of expenses related to the issuance) for replenishing its working capital so as to expand its business scale and improve its market competitiveness and risk prevention capability.

The proceeds from such bonds had been transferred to the designated proceeds account specified by the Company in the prospectus, and were used for replenishing the Company's working capital, which was in line with the purposes and other covenants undertaken in the prospectus. Deloitte Touche Tohmatsu CPA LLP issued a capital verification report (De Shi Bao (Yan) Zi (15) No. 1759) in respect of receipt of the proceeds.

(III) 17 Orient Securities 01, 17 Orient Securities 02

On June 9, 2017, the Company non-publicly issued RMB5 billion corporate bonds. The issuing size of the "17 Orient Securities 01" was RMB4 billion with a term of three years, the issuing size of the "17 Orient Securities 02" was RMB1 billion with a term of five years. The amount (after deduction of expenses related to the issuance) transferred to the designated proceeds account was RMB4.996 billion.

The Company used the capital strictly according to the relevant laws and regulations and the usage disclosed in the prospectus.

IV. RATING OF CORPORATE BONDS

During the Reporting Period, China Chengxin Securities Ratings Co., Ltd. conducted follow-up ratings on the creditworthiness of the Company's issued "14 Orient Securities Bonds" and "15 Orient Securities Bonds", and issued the Follow-up Rating Report on the 2014 Corporate Bonds of 東方證券股份有限公司 (2017) (Xin Ping Wei Han Zi [2017] Gen Zong No. 073), and the Follow-up Rating Report on the 2015 Corporate Bonds of 東方證券股份有限公司 (2017) (Xin Ping Wei Han Zi [2017] Gen Zong No. 074), which maintained the AAA ratings given to the Company's "14 Orient Securities Bonds" and "15 Orient Securities Bonds", and also maintained the AAA ratings and a stable outlook given to the Company.

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

During the Reporting Period, the corporate bonds have no credit enhancement mechanism or any change on repayment plan, which was in line with the covenants undertaken in the prospectus.

Section IX Corporate Bonds

VI. MEETING OF CORPORATE BONDHOLDERS

During the Reporting Period, the Company did not convene any meetings of corporate bondholders.

VII. DUTY PERFORMANCE OF CORPORATE BONDS TRUSTEE MANAGER

The issue of “15 Orient Securities Bonds” was completed on November 26, 2015. Everbright Securities Company Limited, the bonds trustee manager, conducted continuous follow-up and supervision on the fulfillment of obligations under the prospectus by the Company during the effective period of the bonds, and announced the bonds trustee management report for the last year on June 30 each year during the effective period of the bonds.

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

Major indicators	As at the end of the Reporting Period	As at the end of last year	Increase or decrease at the end of the Reporting Period as compared with the end of last year	Reason for change
Current ratio	143.97%	134.15%	increase by 9.82 percentage points	
Quick ratio	143.97%	134.15%	increase by 9.82 percentage points	
Gearing ratio ^{Note}	77.40%	76.76%	increase by 0.64 percentage points	
Loan repayment rate	100.00%	100.00%	–	
	The Reporting Period (January-June)	Same period of last year	Increase or decrease in the Reporting Period as compared with the same period of last year	Reason for change
EBITDA interest coverage ratio	1.84	1.53	20.37%	Mainly due to the increase in profits before interest and taxation
Interest repayment ratio	100.00%	100.00%	–	

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

Section IX Corporate Bonds

IX. OVERDUE DEBT

During the Reporting Period, there was no overdue debt.

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

During the Reporting Period, the principal and interest of the Company's other bonds and debt financing instruments were repaid on time without any defaults.

XI. BANK FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

As at the end of the Reporting Period, the Company received an aggregate banking facilities of RMB388.4 billion from 93 Banks, in which an aggregate facilities of RMB155.1 billion was from state-owned large-scale commercial banks and joint-stock banks, and an aggregate facilities of RMB233.3 billion was from city rural commercial banks. During the Reporting Period, the Company has maintained a good cooperative relationship with all kind of banks and the banking facilities has grown rapidly which enables the Company to have a strong short-term and mid-long term financing capability.

XII. PERFORMANCE OF UNDERTAKINGS OR COMMITMENTS IN BONDS PROSPECTUS BY THE COMPANY DURING THE REPORTING PERIOD

There were no relevant undertakings or commitments in the bonds prospectus.

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

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



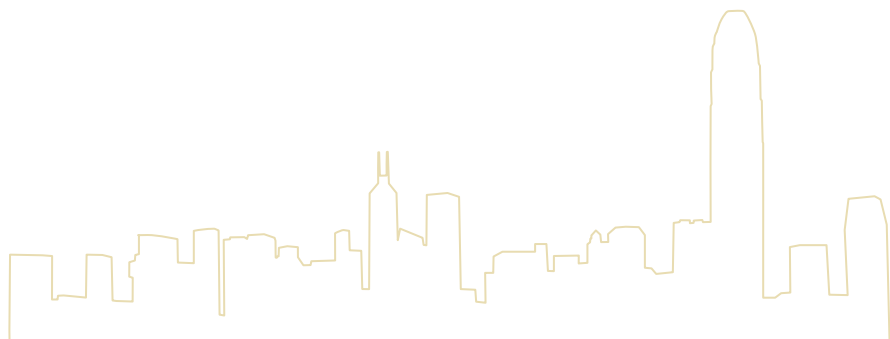
Section X Documents Available for Inspection

Documents available for inspection The full text and summary of the interim report signed by the legal representative and sealed with the corporate seal

 The 2017 interim financial report signed and sealed by the legal representative, the accounting chief and person-in-charge of the accounting department (head of the accounting department)

 The review report of Deloitte Touche Tohmatsu

Chairman of the Board: Pan Xinjun
Date of approval by the Board: August 25, 2017



Section XI Information Disclosures of Securities Company

I. RELEVANT INFORMATION ON MATERIAL ADMINISTRATIVE LICENSES OF THE COMPANY

No.	Issued by	Title of document	Number of document	Issuing date
1	Shanghai Bureau of the CSRC	Letter of Consent of 東方證券股份有限公司 to Extend the Deadline for Establishment of 27 Securities Branches	Hu Zheng Jian Ji Gou Zi [2017] No. 21	January 12, 2017
2	SSE	Letter of No Objection on Listing and Transfer of Non-public Issue of Corporate Bonds by 東方證券股份有限公司	Shang Zheng Han [2017] No. 491	May 12, 2017
3	CSRC	Regulatory Opinion on the Non-public Issue of Shares by Orient Securities	Ji Gou Bu Han [2017] No. 1340	May 25, 2017
4	SSE	Letter of Issuing Listing Pre-review Opinion on the Public Issue of Corporate Bonds to Qualified Investor by 東方證券股份有限公司	Shang Zheng Zhai (Shen) [2017] No. 101	June 6, 2017
5	CSRC	Reply on Approving the Public Issue of Corporate Bonds to Qualified Investor by 東方證券股份有限公司	Zheng Jian Xu Ke [2017] No. 974	June 22, 2017

II. RESULT OF CLASSIFICATION OF THE COMPANY BY REGULATORY AUTHORITY

In 2017, the Company was rated as a “Grade A, Category A” company.



Report on Review of Condensed Consolidated Financial Statements

For the six months ended 30 June, 2017



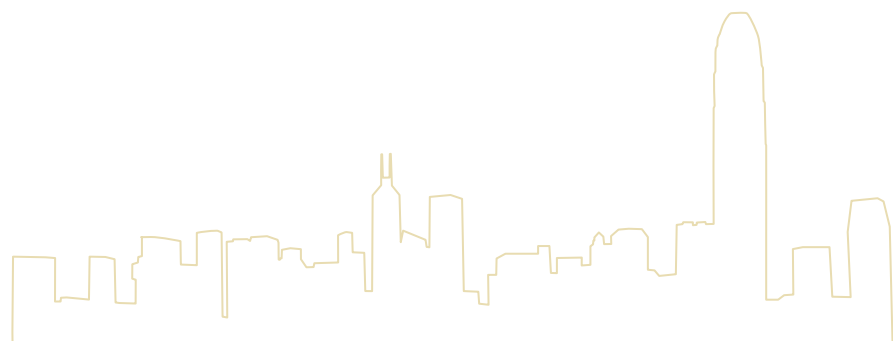
TO THE BOARD OF DIRECTORS OF 東方證券股份有限公司
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of 東方證券股份有限公司 (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 104 to 164, which comprise the condensed consolidated statement of financial position as at 30 June, 2017 and the related 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, 2017, 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 the 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.



Report on Review of Condensed Consolidated Financial Statements

For the six months ended 30 June, 2017

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

25 August, 2017



Condensed Consolidated Statements of Profit or Loss

For the six months ended 30 June, 2017

		Six months ended 30 June,	
		2017	2016
		RMB'000	RMB'000
	NOTES	(unaudited)	(unaudited)
Revenue			
Commission and fee income	5	2,304,131	2,269,990
Interest income	6	1,953,134	2,202,655
Net investment gains	7	3,109,642	1,002,260
		7,366,907	5,474,905
Other income and gains or losses	8	334,690	274,543
Total revenue and other income		7,701,597	5,749,448
Depreciation and amortisation	9	(90,416)	(84,362)
Staff costs	10	(1,821,365)	(825,817)
Commission and fee expenses		(173,547)	(208,255)
Interest expenses	11	(2,740,412)	(2,564,280)
Other operating expenses	12	(807,479)	(640,327)
(Provision for)/reversal of impairment losses		(34,542)	1,427
Total expenses		(5,667,761)	(4,321,614)
Share of results of associates		148,441	132,770
Profit before income tax		2,182,277	1,560,604
Income tax expense	13	(373,674)	(204,227)
Profit for the period		1,808,603	1,356,377
Attributable to:			
Shareholders of the Company		1,755,242	1,283,432
Non-controlling interests		53,361	72,945
		1,808,603	1,356,377
Earnings per share attributable to shareholders of the Company (Expressed in RMB Yuan per share)			
– Basic	14	0.28	0.24

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June, 2017

	Six months ended 30 June,	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	1,808,603	1,356,377
Other comprehensive (expense)/income attributable to owners of the Company, net of income tax:		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
Net fair value changes during the period	(407,034)	(1,329,354)
Reclassification adjustment to profit or loss on disposal	(172,285)	(622,971)
Reclassification adjustment to profit or loss on impairment	31,899	—
Income tax impact	138,285	489,614
Share of other comprehensive (expense)/income of associates	(846)	917
Exchange differences arising on translation	(23,059)	11,697
Others	289	391
Other comprehensive expense for the period, net of income tax	(432,751)	(1,449,706)
Total comprehensive income/(expense) for the period	1,375,852	(93,329)
Attributable to:		
Shareholders of the Company	1,322,202	(166,665)
Non-controlling interests	53,650	73,336
	1,375,852	(93,329)

The accompanying notes presented on pages 115 to 164 form part of these condensed consolidated financial statements.



Condensed Consolidated Statements of Financial Position

As at 30 June, 2017

	NOTES	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Non-current assets			
Property and equipment	15	1,841,270	1,844,486
Goodwill	16	32,135	32,135
Other intangible assets		107,478	114,884
Investments in associates	18	3,423,317	3,514,660
Other receivables and prepayments	20	–	218,458
Available-for-sale financial assets	21	9,293,191	10,712,807
Held-to-maturity investments	22	37,500	140,500
Financial assets held under resale agreements	23	13,081,440	15,456,170
Deferred tax assets		144,736	253,903
Total non-current assets		27,961,067	32,288,003
Current assets			
Advances to customers	24	11,145,018	10,651,586
Account receivables	25	572,555	737,500
Other receivables and prepayments	20	3,901,964	3,837,759
Available-for-sale financial assets	21	60,604,745	66,549,121
Held-to-maturity investments	22	85,609	71,560
Financial assets held under resale agreements	23	22,035,827	19,102,771
Financial assets at fair value through profit or loss	26	43,028,098	23,329,193
Derivative financial assets		39,006	70,509
Deposits with exchanges and financial institutions	27	920,583	1,099,849
Clearing settlement funds	28	10,053,496	10,504,501
Cash and bank balances	29	31,659,256	43,718,835
Restricted bank deposits		449,900	449,900
Total current assets		184,496,057	180,123,084
Total assets		212,457,124	212,411,087

Condensed Consolidated Statements of Financial Position

As at 30 June, 2017

	NOTES	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Current liabilities			
Borrowings	31	1,321,799	480,727
Due to banks and other financial institutions		6,985,000	5,100,000
Account payables to brokerage clients	32	29,403,782	35,651,787
Accrued staff costs		1,212,448	1,377,921
Other account payables, other payables and accruals	33	3,879,257	3,591,833
Current tax liabilities		185,693	237,925
Bond payables	34	14,768,482	24,020,769
Short-term financing bills payables	35	4,266,042	4,942,779
Financial liabilities at fair value through profit or loss	36	5,118,384	7,471,177
Derivative financial liabilities		856,417	419,177
Financial assets sold under repurchase agreements	37	49,622,332	40,678,940
Total current liabilities		117,619,636	123,973,035
Net current assets		66,876,421	56,150,049
Total assets less current liabilities		94,837,488	88,438,052
Equity			
Share capital	38	6,215,452	6,215,452
Reserves		26,748,240	27,155,720
Retained profits		7,909,091	7,111,726
Equity attributable to shareholders of the Company		40,872,783	40,482,898
Non-controlling interests		495,602	454,927
Total equity		41,368,385	40,937,825



Condensed Consolidated Statements of Financial Position

As at 30 June, 2017

	NOTES	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Non-current liabilities			
Borrowings	31	437,073	859,034
Financial assets sold under repurchase agreements	37	970,000	5,720,000
Deferred tax liabilities		230,333	357,851
Bond payables	34	51,831,697	40,563,342
Total non-current liabilities		53,469,103	47,500,227
Total equity and non-current liabilities		94,837,488	88,438,052

The condensed consolidated financial statements on pages 104 to 164 were approved for issue by the Board of Directors on 25 August, 2017 and signed on its behalf by:

Pan Xinjun
Chairman of Board

Zhang Jianhui
Chief Financial Officer

The accompanying notes presented on pages 115 to 164 form part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June, 2017

	NOTE	Equity attributable to shareholders of the Company									
		Reserves							Non-controlling interests	Total equity	
		Share capital	Capital reserve	Surplus reserve	General reserve	Investment		Retained profits			
						revaluation reserve	Translation reserve				
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Unaudited											
As at 1 January, 2017		6,215,452	18,028,781	2,685,798	5,712,873	708,065	20,203	7,111,726	40,482,898	454,927	40,937,825
Profit for the period		-	-	-	-	-	-	1,755,242	1,755,242	53,361	1,808,603
Other comprehensive (expenses)/income for the period		-	-	-	-	(409,981)	(23,059)	-	(433,040)	289	(432,751)
Total comprehensive (expenses)/income for the period		-	-	-	-	(409,981)	(23,059)	1,755,242	1,322,202	53,650	1,375,852
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	-	980	980
Additional interests acquired from non-controlling shareholders of the subsidiary		-	1	-	-	-	-	-	1	(226)	(225)
Appropriation to general reserve		-	-	-	25,559	-	-	(25,559)	-	-	-
Dividends recognised as distribution	39	-	-	-	-	-	-	(932,318)	(932,318)	(13,729)	(946,047)
As at 30 June, 2017		6,215,452	18,028,782	2,685,798	5,738,432	298,084	(2,856)	7,909,091	40,872,783	495,602	41,368,385



Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June, 2017

	NOTE	Equity attributable to shareholders of the Company									
		Reserves							Subtotal	Non-controlling interests	Total equity
		Share capital	Capital reserve	Surplus reserve	General reserve	Investment		Retained profits			
						revaluation reserve	Translation reserve				
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unaudited											
As at 1 January, 2016		5,281,743	12,569,391	2,457,998	5,138,431	2,085,229	(23,276)	7,448,603	34,958,119	417,626	35,375,745
Profit for the period		-	-	-	-	-	-	1,283,432	1,283,432	72,945	1,356,377
Other comprehensive (expenses)/income for the period		-	-	-	-	(1,461,794)	11,697	-	(1,450,097)	391	(1,449,706)
Total comprehensive (expenses)/income for the period		-	-	-	-	(1,461,794)	11,697	1,283,432	(166,665)	73,336	(93,329)
Capital injection by non-controlling shareholders											
		-	-	-	-	-	-	-	-	3,751	3,751
Appropriation to general reserve		-	-	-	13,345	-	-	(13,345)	-	-	-
Dividends recognised as distribution	39	-	-	-	-	-	-	(1,848,611)	(1,848,611)	(4,532)	(1,853,143)
Others		-	4,794	-	-	-	-	-	4,794	-	4,794
As at 30 June, 2016		5,281,743	12,574,185	2,457,998	5,151,776	623,435	(11,579)	6,870,079	32,947,637	490,181	33,437,818

The accompanying notes presented on pages 115 to 164 form part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flow

For the six months ended 30 June, 2017

	Six months ended 30 June,	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Profit before income tax	2,182,277	1,560,604
Adjustments for		
Interest expenses	2,740,412	2,564,280
Share of results of associates	(148,441)	(132,770)
Depreciation and amortisation	90,416	84,362
Provision for/(reversal of) impairment losses	34,542	(1,427)
(Gains)/losses on disposal of property and equipment and other intangible assets	(518)	611
Foreign exchange losses/(gains)	77,673	(43,659)
Net gains arising from disposal of associates	(25,002)	–
Net realised gains and income arising from available-for-sale financial assets	(1,568,342)	(1,893,803)
Interest income from held-to-maturity investments	(5,913)	(24,404)
Net realised gains arising from loan and receivable investments and others	(27,016)	(15,977)
Unrealised fair value change of financial assets at fair value through profit or loss	(1,051,125)	482,949
Unrealised fair value change of financial liabilities at fair value through profit or loss	98,001	540,054
Unrealised fair value change of derivative financial assets	(232,882)	(441,436)



Condensed Consolidated Statements of Cash Flow

For the six months ended 30 June, 2017

	Six months ended 30 June,	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Operating cash flows before movements in working capital	2,164,082	2,679,384
(Increase)/decrease in advances to customers	(498,188)	4,505,002
Increase in financial assets held under resale agreements	(558,326)	(5,269,819)
(Increase)/decrease in financial assets at fair value through profit or loss and derivative financial assets	(18,383,395)	8,211,141
Decrease in deposits and reserve funds and deposits with exchanges	179,266	164,370
Decrease in bank balances and clearing settlement funds restricted or held on behalf of customers	6,804,189	9,724,065
Decrease/(increase) in accounts receivable, other receivables and prepayments	618,180	(67,654)
Decrease in other account payables, other payables and accruals	(730,314)	(1,415,820)
Decrease in account payables to brokerage clients	(6,248,005)	(6,909,741)
(Decrease)/increase in financial liabilities at fair value through profit or loss and derivatives financial liabilities	(2,013,554)	1,461,062
Increase/(decrease) in financial assets sold under repurchase agreements	4,193,392	(4,638,947)
Increase/(decrease) in deposits due to banks and other financial institutions	1,885,000	(5,700,000)
Cash (used in)/generated from operations	(12,587,673)	2,743,043
Income taxes paid	(305,972)	(1,789,053)
Interest paid	(1,219,706)	(1,329,175)
NET CASH USED IN OPERATING ACTIVITIES	(14,113,351)	(375,185)

Condensed Consolidated Statements of Cash Flow

For the six months ended 30 June, 2017

		Six months ended 30 June,	
		2017	2016
	NOTE	RMB'000	RMB'000
		(unaudited)	(unaudited)
INVESTING ACTIVITIES			
Dividends and interest received from investments		1,561,504	1,471,757
Proceeds on disposal of property and equipment		5,567	161
Disposal of available-for-sale financial assets, held-to-maturity investments, loans and advances to customers		57,202,116	55,332,145
Capital injection in associates		(3,880)	(395,499)
Purchases of available-for-sale financial assets, held-to-maturity investments, loans and advances to customers, and other investments		(50,420,627)	(62,112,021)
Purchases of property and equipment and other intangible assets		(85,102)	(215,670)
Proceeds from disposal or capital reduction of associates		111,509	–
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		8,371,087	(5,919,127)
FINANCING ACTIVITIES			
Capital injection from non-controlling shareholders		980	3,751
Proceeds from bonds and short-term financing bills payables issued		25,029,481	19,962,162
Repayments on bonds and short-term financing bills payables issued		(23,690,150)	(14,504,928)
Proceeds from borrowings		463,836	42,040
Repayments on borrowings		(44,725)	(289,841)
Dividends paid		(15,443)	(1,855,143)
Interest of bonds and short-term financing bills payables paid		(1,586,894)	(1,096,925)
Interest of borrowings paid		(19,230)	(11,296)
Payments on acquisition of additional interests in a subsidiary		(225)	–
NET CASH FROM FINANCING ACTIVITIES		137,630	2,249,820



Condensed Consolidated Statements of Cash Flow

For the six months ended 30 June, 2017

	NOTE	Six months ended 30 June,	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(5,604,634)	(4,044,492)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	30	17,546,809	17,884,704
Effect of foreign exchange rate changes		(101,761)	55,260
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	30	11,840,414	13,895,472

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

1. GENERAL INFORMATION

東方證券股份有限公司, formerly known as the Orient Securities Limited Liability Company (東方證券有限責任公司), a limited liability company was established on 10 December, 1997. On 8 October, 2003, upon approval from the China Securities Regulatory Commission (“CSRC”) and the Shanghai Municipal Government, Orient Securities Limited Liability Company was converted into a joint stock limited liability company, and was renamed as 東方證券股份有限公司. On 23 March, 2015, the Company became listed on the Shanghai Stock Exchange with the stock code of 600958. On 8 July, 2016, the Company became listed on The Hong Kong Exchanges and Clearing Limited (the “Stock Exchange”) with the stock code of 03958.

The registered office of the Company is located at 22F, 23F and 25-29F, Building 2, No. 318, South Zhongshan Road, Shanghai, the People’s Republic of China (“PRC”).

The Company and its subsidiaries (the “Group”) are principally engaged in securities and futures brokerage, margin financing and securities lending, securities investment advisory, securities proprietary trading, asset management, agency sale of financial products, security underwriting and sponsorship, and other business activities approved by the CSRC.

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 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 condensed consolidated financial statements of the Group should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December, 2016.

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

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, 2017.

Amendments to IAS 7	Disclosure initiative
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to IFRS 12	As part of the annual improvements to IFRSs 2014-2016 cycle

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.

Amendments to IAS 7 will result in more disclosures on the reconciliation of liabilities arising from financing activities in the Group’s annual consolidated financial statements.

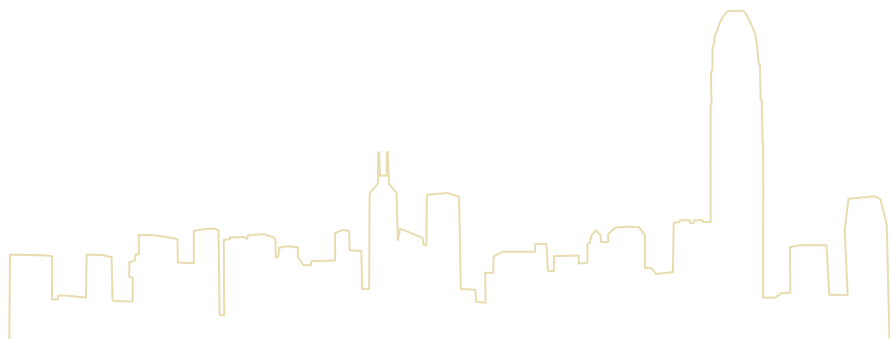
Except for the new amendments to IFRSs mentioned above, the significant accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June, 2017 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December, 2016.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

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 statements for the six months ended 30 June, 2017 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December, 2016.

4. SEGMENT REPORTING

Information reported to the Board of Directors, being the chief operating decision maker (hereinafter refer to as the “CODM”) of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group’s basis of organization, whereby the businesses are organized and managed separately as individual strategic business units that offers different products and serves different markets.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

4. SEGMENT REPORTING *(Continued)*

Specifically, the Group's reportable and operating segments are as follows:

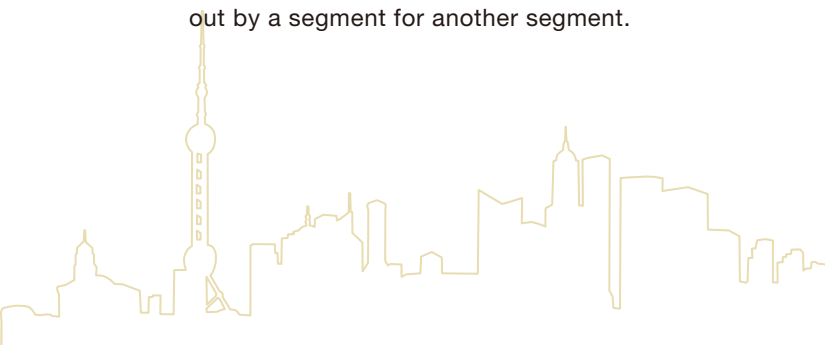
- (a) Securities sales and trading, which includes investment gains and investment income earned from trading of stocks, bonds, funds, derivatives and other financial products and fees earned from providing related investment research activities, generating primarily from the "Proprietary trading Business" comprising the Secure Investment Department, the Fixed Income Department and the Derivatives Department of the Company;
- (b) Investment management, which primarily includes management and advisory fees earned from providing asset management, fund management and private equity investment management services to clients, as well as investment gains from private equity and alternative investments;
- (c) Brokerage and securities financing, which primarily includes fees and commissions earned from providing brokerage and investment advisory services for the trading of stocks, bonds, funds, and warrants, as well as futures on behalf of the customers, and also interest earned from providing margin financing and securities lending services;
- (d) Investment banking, which primarily includes commissions and fees earned from equity underwriting, debt underwriting and financial advisory services;
- (e) Headquarters and others, includes head office operations and the overseas business of Hong Kong, including interest income earned and expense incurred for general working capital purpose.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the six months ended 30 June, 2017 and 2016.

Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management, which are consistent with the accounting and measurement criteria in the preparation of the condensed consolidated financial statements.

Segment profit/loss represents the profit earned by/loss incurred by each segment without allocation of income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Segment assets/liabilities are allocated to each segment, excluding deferred tax assets/liabilities. Inter-segment balances eliminations mainly include amount due from/to another segment arising from investing activities' carried out by a segment for another segment.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

4. SEGMENT REPORTING (Continued)

The segment information provided to the CODM for the six months ended 30 June, 2017 and 2016 are as follows:

Operating segment

	Securities sales and trading RMB'000	Investment management RMB'000	Brokerage and securities financing RMB'000	Investment banking RMB'000	Headquarters and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
For the six months ended 30 June, 2017 Unaudited								
Segment revenue and results								
Segment revenue and net investment gains	2,374,449	838,386	2,521,746	754,962	928,690	7,418,233	(51,326)	7,366,907
Segment other income and gains	1,019	53,009	91,559	35,860	158,496	339,943	(5,253)	334,690
Segment revenue and other income	2,375,468	891,395	2,613,305	790,822	1,087,186	7,758,176	(56,579)	7,701,597
Segment expenses	(879,791)	(540,853)	(1,353,644)	(370,889)	(2,581,470)	(5,726,647)	58,886	(5,667,761)
Segment results	1,495,677	350,542	1,259,661	419,933	(1,494,284)	2,031,529	2,307	2,033,836
Share of results of associates	-	148,441	-	-	-	148,441	-	148,441
Profit/(loss) before income tax	1,495,677	498,983	1,259,661	419,933	(1,494,284)	2,179,970	2,307	2,182,277
As at 30 June, 2017 Unaudited								
Segment assets and liabilities								
Segment assets	80,657,050	7,962,090	81,472,684	1,563,863	53,110,405	224,766,092	(12,453,704)	212,312,388
Deferred tax assets								144,736
Group's total assets								212,457,124
Segment liabilities	40,212,055	1,418,334	38,226,358	369,472	91,830,936	172,057,155	(1,198,749)	170,858,406
Deferred tax liabilities								230,333
Group's total liabilities								171,088,739
For the six months ended 30 June, 2017 Unaudited								
Other segment information								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	2,792	2,088	26,327	2,915	56,294	90,416	-	90,416
Provision for/(reversal of) impairment losses	32,392	(178)	328	169	2,217	34,928	(386)	34,542

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

4. SEGMENT REPORTING (Continued)

Operating segment (Continued)

	Securities sales and trading RMB'000	Investment management RMB'000	Brokerage and securities financing RMB'000	Investment banking RMB'000	Headquarters and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
For the six months ended								
30 June, 2016								
Unaudited								
Segment revenue and results								
Segment revenue and net investment gains	483,679	640,236	2,844,024	770,248	897,736	5,635,923	(161,018)	5,474,905
Segment other income and gains	60	36,469	18,902	30,484	192,873	278,788	(4,245)	274,543
Segment revenue and other income	483,739	676,705	2,862,926	800,732	1,090,609	5,914,711	(165,263)	5,749,448
Segment expenses	(649,438)	(231,946)	(1,759,820)	(315,787)	(1,426,655)	(4,383,646)	62,032	(4,321,614)
Segment results	(165,699)	444,759	1,103,106	484,945	(336,046)	1,531,065	(103,231)	1,427,834
Share of results of associates	-	132,770	-	-	-	132,770	-	132,770
(Loss)/profit before income tax	(165,699)	577,529	1,103,106	484,945	(336,046)	1,663,835	(103,231)	1,560,604
As at 31 December, 2016								
Audited								
Segment assets and liabilities								
Segment assets	66,424,700	8,051,720	91,837,945	2,194,209	60,492,144	229,000,718	(16,843,534)	212,157,184
Deferred tax assets								253,903
Group's total assets								212,411,087
Segment liabilities	31,003,146	1,785,895	53,344,453	1,137,589	87,146,113	174,417,196	(3,301,785)	171,115,411
Deferred tax liabilities								357,851
Group's total liabilities								171,473,262
For the six months ended 30								
June, 2016								
Unaudited								
Other segment information								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	2,160	1,296	29,489	2,374	49,043	84,362	-	84,362
(Reversal of)/provision for impairment losses	(369)	(408)	9	(4)	(726)	(1,498)	71	(1,427)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

4. SEGMENT REPORTING (Continued)

Operating segment (Continued)

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue are substantially derived from its operations in the PRC.

The Group has no single customer which contributes to 10 percent or more of the Group's revenue for the six months ended 30 June, 2017 and the year ended 31 December, 2016.

5. COMMISSION AND FEE INCOME

	Six months ended 30 June,	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Commission on securities dealing, broking and handling fee income	724,573	931,493
Underwriting, sponsors and financial advisory fee income	663,996	703,787
Commission on futures and options contracts dealing, broking and handling fee income	105,505	108,412
Asset management fee income	644,707	415,555
Consultancy fee income	156,066	102,989
Others	9,284	7,754
	2,304,131	2,269,990

6. INTEREST INCOME

	Six months ended 30 June,	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Advances to customers and securities lending	397,032	441,025
Financial assets held under resale agreements	1,087,145	1,101,932
Deposits with exchanges and financial institutions and bank balances	436,383	547,685
Others	32,574	112,013
	1,953,134	2,202,655

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

7. NET INVESTMENT GAINS

	Six months ended 30 June,	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net realised gains from disposal of available-for-sale financial assets	172,285	622,971
Dividend income and interest income from available-for-sale financial assets	1,396,057	1,270,832
Net realised losses from disposal of financial assets at fair value through profit or loss	(422,017)	(977,562)
Dividend income and interest income from financial assets at fair value through profit or loss	767,841	633,341
Net realised gains/(losses) arising from financial liabilities at fair value through profit or loss	73,354	(7,182)
Interest income from held-to-maturity financial assets	5,913	24,404
Net realised gains from disposal of associates	25,002	–
Net realised (losses)/gains arising from derivative financial instruments	(121,815)	1,046
Unrealised fair value change of financial assets at fair value through profit or loss	1,051,125	(482,949)
Unrealised fair value change of financial liabilities at fair value through profit or loss	(98,001)	(540,054)
Unrealised fair value change of derivative financial instruments	232,882	441,436
Others	27,016	15,977
	3,109,642	1,002,260



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

8. OTHER INCOME AND GAINS OR LOSSES

	Six months ended 30 June,	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Foreign exchange (losses)/gains	(77,673)	43,659
Rental income	8,022	13,560
Government grants (Note)	306,574	215,815
Gains/(losses) on disposals of property and equipment	518	(611)
Bulk commodity trading income and others	97,249	2,120
	334,690	274,543

Note: The government grants were received unconditionally from the local governments to support operations on certain purposes.

9. DEPRECIATION AND AMORTISATION

	Six months ended 30 June,	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property and equipment	62,486	62,012
Amortisation of other intangible assets	27,930	22,350
	90,416	84,362

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

10. STAFF COSTS

Staff costs mainly include salaries, bonus and allowances amounting to RMB1,576 million (unaudited) and RMB677 million (unaudited) for the period ended 30 June, 2017 and 2016 respectively.

11. INTEREST EXPENSES

	Six months ended 30 June,	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Interest on liabilities wholly repayable within five years:		
Account payables to brokerage clients	40,174	48,671
Financial assets sold under repurchase agreements	906,314	876,448
Borrowings	25,479	11,127
Due to banks and other financial institutions	98,958	100,071
Short-term financing bills payables	80,650	98,144
Bond payables	1,544,331	1,392,092
Others	44,506	37,727
	2,740,412	2,564,280



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

12. OTHER OPERATING EXPENSES

	Six months ended 30 June,	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Advisory expenses	70,129	33,523
Auditor's remuneration	4,490	3,485
Business travel expenses	42,449	36,418
Communication expenses	34,750	25,892
Electronic equipment operating expenses	61,601	38,136
Entertainment expenses	35,133	28,142
Administrative expenses	77,256	76,791
Operating lease rentals in respect of rented premises	134,782	118,914
Products distribution expenses	167,928	71,569
Securities and futures investor protection funds	18,637	16,175
Stock exchange management fees	16,051	16,258
Sundry expenses	22,244	16,079
Tax and surcharges (Note)	28,501	158,367
Donation	9,157	2
Bulk commodity trading and others	84,371	576
	807,479	640,327

Note: Pursuant to the "Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax" (Cai Shui [2016] No.36) issued by the Ministry of Finance and the State Administration of Taxation in March 2016, the Group has applied value-added tax instead of business tax since 1 May, 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

13. INCOME TAX EXPENSE

	Six months ended 30 June,	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	224,171	355,724
Hong Kong Profits Tax	1,377	2,232
	225,548	357,956
Adjustments in respect of current income tax in relation to prior years:		
PRC Enterprise Income Tax	28,192	(64,100)
Deferred tax	119,934	(89,629)
	373,674	204,227

Under the Enterprise Income Tax of the PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the Company and the Group's PRC subsidiaries is 25%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

13. INCOME TAX EXPENSE (Continued)

The income tax expense for the period can be reconciled to the profit before income tax as follows:

	Six months ended 30 June,	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before income tax	2,182,277	1,560,604
Tax at the statutory tax rate of 25%	545,569	390,151
Tax effect of share of results of associates	(37,110)	(33,193)
Adjustments for prior years	28,192	(64,100)
Tax effect of expenses not deductible for tax purpose	3,280	5,365
Tax effect of income not taxable for tax purpose	(181,104)	(104,704)
Tax effect of tax losses not recognised	18,849	20,360
Utilisation of tax losses previously not recognised	(3,293)	(8,502)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(709)	(1,150)
Income tax expense for the period	373,674	204,227

14. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to shareholders of the Company is as follows:

	Six months ended 30 June,	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to shareholders of the Company	1,755,242	1,283,432
Number of shares:		
Weighted average number of ordinary shares in issue (in thousand)	6,215,452	5,281,743
Basic earnings per share (RMB Yuan)	0.28	0.24

For the six months ended 30 June, 2017 and 2016, there were no potential ordinary shares in issue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

15. PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Unaudited							
COST							
As at January 1, 2017	322,276	572,521	33,098	82,787	308,068	1,345,009	2,663,759
Additions	-	23,774	962	1,019	13,685	25,101	64,541
Disposals	(4,938)	(12,431)	(788)	(1,167)	-	-	(19,324)
Transfer during the period	-	15,439	563	1,768	5,800	(23,570)	-
Exchange difference	-	(309)	(19)	(25)	(86)	(17)	(456)
As at 30 June, 2017	317,338	598,994	33,816	84,382	327,467	1,346,523	2,708,520
ACCUMULATED DEPRECIATION							
As at 1 January, 2017	62,096	432,236	21,280	57,858	245,803	-	819,273
Charge for the period	5,187	29,423	1,362	4,611	21,903	-	62,486
Eliminated on disposals	(717)	(11,798)	(678)	(1,082)	-	-	(14,275)
Exchange difference	-	(192)	(1)	(19)	(22)	-	(234)
As at 30 June, 2017	66,566	449,669	21,963	61,368	267,684	-	867,250
CARRYING VALUES							
As at 30 June, 2017	250,772	149,325	11,853	23,014	59,783	1,346,523	1,841,270
Audited							
COST							
As at 1 January, 2016	322,276	516,047	30,010	76,355	281,616	1,220,136	2,446,440
Additions	-	47,702	5,118	6,818	37,155	155,889	252,682
Disposals	-	(20,071)	(2,057)	(3,213)	(10,930)	-	(36,271)
Transfer during the year	-	28,239	-	2,777	-	(31,016)	-
Exchange difference	-	604	27	50	227	-	908
As at 31 December, 2016	322,276	572,521	33,098	82,787	308,068	1,345,009	2,663,759
ACCUMULATED DEPRECIATION							
As at 1 January, 2016	51,693	398,611	20,332	50,537	207,112	-	728,285
Charge for the year	10,403	52,501	2,933	9,921	49,233	-	124,991
Eliminated on disposals	-	(19,209)	(1,986)	(2,638)	(10,656)	-	(34,489)
Exchange difference	-	333	1	38	114	-	486
As at 31 December, 2016	62,096	432,236	21,280	57,858	245,803	-	819,273
CARRYING VALUES							
As at 31 December, 2016	260,180	140,285	11,818	24,929	62,265	1,345,009	1,844,486

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

16. GOODWILL

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Cost and carrying value		
Unit A – securities brokerage branches	18,948	18,948
Unit B – Shanghai Orient Securities Futures Co., Ltd	13,187	13,187
	32,135	32,135

17. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The Group has consolidated certain structured entities including asset management products, where the Group involves as manager and also as investor. The Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the asset management products that is of such significance that it indicates that the Group is a principal.

The financial impact of these asset management products on the Group's financial position as at 30 June, 2017 and 31 December, 2016, and the results and cash flows for the six months ended 30 June, 2017 and 2016, though consolidated, are not significant and therefore are not disclosed separately.

The Group's interests in all consolidated asset management products amounted to fair value of RMB2,224 million (unaudited) and RMB7,114 million (audited) at 30 June, 2017 and 31 December, 2016, respectively. It contains the interests in the subordinated tranche of those structured products held by the Group. The Group provides credit enhancement to the priority tranche investors by holding such subordinated tranche interests. As at 30 June, 2017 and 31 December, 2016, the fair value of the Group's interests in the subordinated tranche of those structured products are RMB66 million (unaudited) and RMB60 million (audited), respectively.

Interests held by other interest holders are presented as change in net investment gains in the condensed consolidated statement of profit or loss and included in financial liabilities designated at fair value through profit or loss in the condensed consolidated statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

18. INVESTMENTS IN ASSOCIATES

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Cost of unlisted investments in associates	1,914,834	2,011,102
Share of post-acquisition profits and other comprehensive income, net of dividends received	1,508,483	1,503,558
	3,423,317	3,514,660

At the end of Reporting Period, the Group has the following associates:

Name of associates	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at 30 June, 2017 (unaudited)	As at 31 December, 2016 (audited)	
匯添富基金管理股份有限公司 China Universal Asset Management Company Limited ("China Universal")	PRC 3 February, 2005	35.41%	35.41%	Fund management
上海誠毅投資管理有限公司 Shanghai ICY Capital Co., Ltd.	PRC 7 April, 2010	45.00%	45.00%	Equity investment
上海誠毅新能源創業投資有限公司 Shanghai ICY New Energy Venture Capital Investment Co., Ltd. *	PRC 12 July, 2011	27.73%	27.73%	Investment management
上海騰希投資合夥企業(有限合夥) Shanghai Tengxi Investment LLP. *	PRC 6 May, 2014	22.50%	22.50%	Investment management

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

18. INVESTMENTS IN ASSOCIATES (Continued)

Name of associates	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at 30 June, 2017 (unaudited)	As at 31 December, 2016 (audited)	
上海朱雀甲午投資中心(有限合夥) Shanghai Zhuque Jiawu Investment Center LLP. *	PRC 17 January, 2015	–	23.12%	Investment management
北京東方智雲股權投資中心(有限合夥) Beijing Oriental Zhiyun Equity Investment Center LLP. *	PRC 20 August, 2015	42.19%	42.19%	Equity investment
東方嘉實(上海)投資管理合夥企業(有限合夥) Oriental Jiashi (Shanghai) Investment Management LLP.*	PRC 15 April, 2015	26.74%	26.74%	Investment management
上海東證遠譽投資中心(有限合夥) Shanghai Oriental Yuanyu Investment Center LLP. *	PRC 25 August, 2015	33.33%	33.33%	Investment management
上海東證今緣股權投資基金合夥企業(有限合夥) Shanghai Oriental Jinyuan Equity Investment LLP. *	PRC 16 October, 2015	30.00%	30.00%	Equity investment
東證騰駿(上海)投資合夥企業(有限合夥) Oriental Tengjun (Shanghai) Investment LLP. *	PRC 23 November, 2015	38.69%	49.00%	Investment management
上海君煜投資中心(有限合夥) Shanghai Junyu Investment Center LLP. *	PRC 16 December, 2015	45.45%	45.45%	Investment management
海寧春秋投資合夥企業(有限合夥) Haining Chunqiu Investment Partnership LLP.*	PRC 4 February, 2016	35.00%	35.00%	Equity investment

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

18. INVESTMENTS IN ASSOCIATES (Continued)

Name of associates	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at 30 June, 2017 (unaudited)	As at 31 December, 2016 (audited)	
上海東證睿芄投資中心 (有限合夥) Shanghai Oriental Ruipeng Investment Center LLP.*	PRC 3 December, 2015	–	39.28%	Investment management
上海東松投資合夥企業(有限合夥) Shanghai Dongsong Investment Partnership LLP.*	PRC 23 May, 2014	33.24%	33.24%	Investment management
上海東證春醫投資中心(有限合夥) Shanghai Oriental Chunyi Investment Center LLP.*	PRC 3 November, 2015	49.26%	49.26%	Investment management
東證睿波(上海)投資中心(有限合夥) Oriental Ruibo (Shanghai) Investment Center LLP.*	PRC 24 June, 2015	35.69%	35.69%	Investment management
海寧東證藍海並購投資合夥企業 (有限合夥) Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	PRC 13 July, 2016	25.85%	25.70%	Investment management
Dragonite International Limited**	Cayman Islands 6 June, 2015	29.63%	29.63%	Securities investment
杭州東證誠泰投資管理有限公司 Hangzhou Orient Chengtai Capital Co., Ltd.*	PRC 27 March, 2017	36.00%	N/A	Investment management

* English translated names are for identification purpose only.

** Dragonite International Limited announced that the Company would be renamed as OCI International Holdings Limited on 4 July, 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

18. INVESTMENTS IN ASSOCIATES (Continued)

The summarized consolidated financial information of China Universal prepared in accordance with IFRS, which is an individually significant associate to the Group that is accounted for using equity method, is set out below:

China Universal

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Total assets	5,638,777	6,951,263
Total liabilities	1,243,215	2,580,145
Net assets	4,395,562	4,371,118

	Six months ended 30 June, 2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Total revenue	1,310,841	1,256,831
Profit for the period	409,624	328,995
Other comprehensive income	17,703	2,294
Total comprehensive income	427,327	331,289

Reconciliation of the above consolidated financial information to the carrying amount of the interest in above associate recognised in the financial statements:

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Equity attributable to equity holders of the associate	4,395,562	4,371,118
Proportion of equity interests held by the Group	35.41%	35.41%
Carrying amount	1,556,469	1,547,813

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

19. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group served as the investment manager of structured entities (including collective asset management schemes and investment funds), therefore had power over them during the periods. Except for the structured entities the Group has consolidated as disclosed in Note 17, the Group also has interests in unconsolidated structured entities with remuneration. In the opinion of the directors of the Company, the variable returns the Group exposed to over these collective asset management schemes and investment funds are not significant. The Group therefore did not consolidate these structured entities.

The total assets of unconsolidated funds and asset management schemes managed by the Group amounted to RMB178,063 million (unaudited) and RMB156,880 million (audited) as at 30 June, 2017 and 31 December, 2016, respectively. The Group classified the investments in unconsolidated funds and asset management schemes as available-for-sale financial investments and financial assets at fair value through profit or loss as appropriate. As at 30 June, 2017 and 31 December, 2016, the carrying amounts of the Group's interests in unconsolidated management schemes are RMB381 million (unaudited) and RMB1,180 million (audited), respectively, which approximates the maximum risk exposure of the Group, and the assets management fee income for the six months ended 30 June, 2017 and 2016, are RMB645 million (unaudited) and RMB416 million (unaudited), respectively.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

20. OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Non-current		
Loans and advances to customers	–	219,556
Less: allowance for doubtful debts	–	(1,098)
	–	218,458
The movements in the allowance for doubtful debts are set out below:		
At beginning of the year	1,098	–
Charge for during the period/year	–	1,098
Transfer out during the period/year	(1,098)	–
At end of the period/year	–	1,098
Current		
Other receivables	251,595	347,377
Interest receivable	1,839,092	1,746,275
Dividends receivable	–	76
Loans and advances to customers	1,762,467	1,729,494
Prepayments	107,866	75,591
Less: allowance for doubtful debts	(59,056)	(61,054)
	3,901,964	3,837,759
The movements in the allowance for doubtful debts are set out below:		
At beginning of the year	61,054	66,176
Transfer in during the period/year	1,098	–
Reversal of during the period/year	(3,096)	(5,122)
At end of the period/year	59,056	61,054

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Non-current		
Measured at fair value:		
– Equity securities	37,016	43,176
– Funds	32,695	66,414
– Debt securities	517,647	677,756
– Other investments	6,315,857	7,954,615
Measured at cost:		
– Equity securities	2,389,976	1,973,848
Less: provision for impairment losses	–	(3,002)
	9,293,191	10,712,807
Analysed as		
– Listed (Note)	513,723	667,943
– Unlisted	8,779,468	10,044,864
	9,293,191	10,712,807
Current		
Measured at fair value:		
– Equity securities	2,701,163	5,665,534
– Funds	1,495,224	1,485,486
– Debt securities	51,278,332	53,361,897
– Other investments	5,130,026	6,036,204
	60,604,745	66,549,121
Analysed as		
– Listed (Note)	37,733,523	35,978,793
– Unlisted	22,871,222	30,570,328
	60,604,745	66,549,121

Note: Securities and funds traded on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Stock Exchange are included in the “Listed” category.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

22. HELD-TO-MATURITY INVESTMENTS

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Non-current		
– Debt securities (Note a)	37,500	140,500
Analysed as		
– Listed (Note c)	37,500	70,500
– Unlisted (Note d)	–	70,000
	37,500	140,500
Current		
– Debt securities (Note b)	85,609	71,560
Analysed as		
– Listed (Note c)	45,609	51,560
– Unlisted (Note d)	40,000	20,000
	85,609	71,560

Note a:

As at 30 June, 2017 and 31 December, 2016, the held-to-maturity bond investments bore interest at 7.23% and from 6.86% to 7.48%, respectively per annum and would not be redeemed within one year.

Note b:

As at 30 June, 2017 and 31 December, 2016, the held-to-maturity bond investments bore interest ranged from 5.68% to 7.48% and from 5.68% to 7.48%, respectively per annum and would be redeemed within one year.

Note c:

As at 30 June, 2017 and 31 December, 2016, the listed debt securities were listed on Shanghai Stock Exchange.

Note d:

As at 30 June, 2017 and 31 December, 2016, the unlisted debt securities were traded on inter-bank market.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

23. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Non-current		
Analysed by collateral type:		
Stock	13,081,440	15,456,170
Analysed by market:		
Stock exchange	13,081,440	15,456,170
Current		
Analysed by collateral type:		
Stock	20,464,195	17,447,312
Bond	1,559,350	1,625,459
Others	12,282	30,000
	22,035,827	19,102,771
Analysed by market:		
Stock exchange	21,512,495	18,473,271
Inter-bank market	511,050	599,500
Over the counter	12,282	30,000
	22,035,827	19,102,771



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

24. ADVANCES TO CUSTOMERS

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Loans to margin clients	10,830,060	10,291,012
Other advances to customers	353,941	394,801
Less: allowance for doubtful debts	(38,983)	(34,227)
	11,145,018	10,651,586

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

Loans to margin clients which are secured by the underlying pledged securities and cash collateral as disclosed in Note 32 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 when the customers have to make up the difference.

Advances to customers were secured by the customers' securities and cash collateral, which were pledged to the Group as collateral. The undiscounted market values of all the collaterals held in all clients' margin accounts in respect of margin financing business amounted to approximately RMB38,337 million (unaudited) and RMB36,806 million (audited) as at 30 June, 2017 and 31 December, 2016, respectively.

The directors of the Company are of the opinion that the ageing analysis does not give additional value in view of the nature of the securities margin financing business. As a result, no ageing analysis is disclosed.

The Group evaluates the collectability of the loans to margin clients based on management's assessment on changes in credit quality, collateral and the past collection history of each margin client. As at 30 June, 2017 and 31 December, 2016, provision for impairment losses were made RMB39 million (unaudited) and RMB34 million (audited) on the loans and margin clients of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

25. ACCOUNT RECEIVABLES

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Account receivables from/related to:		
Clearing house	168,484	248,104
Brokers	120,460	130,370
Asset management fee and trading seats commission	246,064	341,348
Advisory and investment banking commission	40,416	20,852
Less: allowance for doubtful debts	(2,869)	(3,174)
	572,555	737,500
Movements in the allowance for doubtful debts are as follows:		
At beginning of the period/year	3,174	2,488
(Reversal of)/charge for the period/year	(305)	686
At end of the period/year	2,869	3,174
Ageing analysis of account receivables from the trade date is as follows:		
– Within 3 months	547,393	389,121
– Between 3 months and 1 year	21,508	326,543
– Between 1 and 2 years	3,568	21,738
– Between 2 and 3 years	86	98
	572,555	737,500



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Held for trading		
Debt securities	22,589,967	7,890,386
Equity securities	8,710,986	1,966,735
Funds	5,407,934	6,244,872
Other investments	1,956,069	2,963,498
Designated at fair value through profit or loss		
Equity securities listed on		
National Equities Exchange and Quotations	4,239,737	4,076,625
Restricted shares	123,405	187,077
	43,028,098	23,329,193
Analysed as:		
– Listed (<i>Note</i>)	18,238,456	7,230,758
– Unlisted	24,789,642	16,098,435
	43,028,098	23,329,193

Note: Securities and funds traded on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Stock Exchange and other stock exchanges are included in the “Listed” category.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

27. DEPOSITS WITH EXCHANGES AND FINANCIAL INSTITUTIONS

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Deposits with stock exchanges:		
Shanghai Stock Exchange	70,337	73,886
Shenzhen Stock Exchange	47,360	48,594
Hong Kong Exchanges	3,056	2,365
Others	4,270	2,761
Deposits with futures and commodity exchanges:		
Shanghai Futures Exchange	500	500
Dalian Commodity Exchange	500	500
Zhengzhou Commodity Exchange	400	400
China Financial Futures Exchange	131,828	161,345
Shanghai Gold Exchange	4,905	7,915
Guarantee fund paid to Shanghai Stock Exchange	10,277	9,313
Guarantee fund paid to Shenzhen Stock Exchange	10,518	11,847
Deposits with China Securities Finance Corporation Limited	321,239	527,390
Deposits with Shanghai Clearing House	98,062	96,877
Deposits with other financial institutions		
Equity return swap	12,400	12,400
Cross currency swap	200,221	143,202
Bulk steel trading center	4,710	554
	920,583	1,099,849



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

28. CLEARING SETTLEMENT FUNDS

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Clearing settlement funds held with clearing houses for:		
House accounts	1,976,539	3,037,512
Clients	8,076,957	7,466,989
	10,053,496	10,504,501

29. CASH AND BANK BALANCES

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
House accounts	10,321,835	14,967,197
Cash held on behalf of clients	21,787,321	29,201,538
	32,109,156	44,168,735
Less: restricted bank deposits	(449,900)	(449,900)
	31,659,256	43,718,835

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Cash and bank balances	10,321,835	14,967,197
Clearing settlement funds	1,976,539	3,037,512
Less: clearing settlement funds of Shanghai Orient Futures Co., Ltd. restricted bank deposits	(8,060) (449,900)	(8,000) (449,900)
	11,840,414	17,546,809

31. BORROWINGS

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Current		
Unsecured short-term borrowings (Note a)	873,890	480,727
Pledged short-term borrowings (Note a)	48,675	–
Secured long-term borrowings due within one year (Note b)	399,234	–
	1,321,799	480,727
Non-current		
Pledged long-term borrowings (Note c)	437,073	447,564
Secured long-term borrowings repayable between one to two years (Note b)	–	411,470
	437,073	859,034

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

31. BORROWINGS (Continued)

Note a:

Short-term bank borrowings are repayable within one year.

As at 30 June, 2017 and 31 December, 2016, the unsecured bank borrowing, amounting to USD50 million (approximately RMB338 million and RMB347 million respectively) and bearing the rate of 3.7% is repayable within one year.

As at 30 June, 2017, the unsecured bank borrowing, amounting to HKD270 million (approximately RMB234 million) and bearing a floating rate of 3 month HIBOR plus 1.7% per annum is repayable within one year.

As at 30 June, 2017, the unsecured bank borrowing, amounting to USD44.5 million (approximately RMB331 million) and bearing the rate of 1.8% per annum is repayable within one year.

As at 30 June, 2017, certain short-term borrowings were pledged by the financial assets of Orient Sun Rise Value Fund Segregated Portfolio, of which the carrying amount is RMB171 million. The borrowings bearing the rate from 1.53% to 2.47% are repayable within one year.

As at 30 June, 2017, the short-term borrowing was pledged by the interests in JSS Short Term Bond Global Opportunities, of which the carrying amount is RMB34 million. The borrowing bearing the rate of 1.5% is repayable within one year.

As at 31 December, 2016, the unsecured bank borrowing, amounting to HKD100 million (approximately RMB89 million) and bearing a floating rate of 3 month HIBOR plus 2.5% per annum is repayable within one year.

As at 31 December, 2016, the unsecured bank borrowing, amounting to HKD50 million (approximately RMB45 million) and bearing a floating rate of 1 week HIBOR plus 2% per annum is repayable within one year.

Note b:

As at 30 June, 2017 and 31 December, 2016, the long-term loan of the Group was secured by all participating shares of Orient Sun Rise China Bond Fund Segregated Portfolio, a structured entity of the Group. The carrying amount of such structured entity is RMB590 million (unaudited) and RMB517 million (audited) as at 30 June, 2017 and 31 December, 2016, respectively. The borrowing is denominated in Hong Kong dollar, bearing a floating rate of 3 month HIBOR plus 1.8% per annum.

Note c:

As at 30 June, 2017 and 31 December 2016, the long-term borrowing was pledged by a deposit of which the carrying amount is RMB449.9 million. The borrowing amounting to USD64.5 million (approximately RMB437 million and RMB448 million respectively) and bearing a floating rate of 12 month LIBOR plus 0.75% per annum is repayable on 17 November 2018.

32. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collateral 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.

Account payables to brokerage clients mainly include money held on behalf of clients in the banks and clearing houses by the Group, and are interest-bearing at the prevailing market interest rate.

As at 30 June, 2017 and 31 December, 2016, included in the Group's accounts payable to brokerage clients were approximately RMB1,268 million (unaudited) and RMB1,718 million (audited), respectively, of margin deposits and cash collateral received from clients for margin financing and securities lending arrangement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

33. OTHER ACCOUNT PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
<i>Other account payables</i>		
Payables for underwriting fees and products distribution fees	121,495	163,592
Settlement payables	159,037	50,775
<i>Other payables and accruals</i>		
Business tax and other taxes	22,171	173,903
Interest payable	1,475,274	1,553,613
Payables for securities and futures investor protection fund	20,125	19,698
Futures risk reserve	52,526	47,249
Dividends payable	930,684	80
Advance receipts	16,186	6,517
Acting underwriting securities	–	587,550
Performance bond	339,654	358,363
Others	742,105	630,493
	3,879,257	3,591,833

34. BOND PAYABLES

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Current		
Corporate bonds (Note a)	3,999,961	12,999,877
Subordinated bonds (Note a)	4,199,848	3,599,645
Income certificates (Note b)	3,708,217	5,424,000
Offshore bonds (Note a)	2,860,456	1,997,247
	14,768,482	24,020,769
Non-Current		
Corporate bonds (Note a)	22,999,746	17,999,730
Subordinated bonds (Note a)	17,399,645	11,999,653
Income certificates (Note b)	10,420,000	8,148,217
Offshore bonds (Note a)	1,012,306	2,415,742
	51,831,697	40,563,342

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

34. BOND PAYABLES (Continued)

Note a:

Name		Issue amount	Value date	Maturity date	Coupon rate
13 Orient Subordinated Bond ⁽¹⁾	RMB	3,600,000,000	15/11/2013	15/11/2017	6.70%
14 Corporate Bond ⁽²⁾	RMB	6,000,000,000	26/08/2014	26/08/2019	6.00%
14 Orient Subordinated Bond ⁽³⁾	RMB	1,400,000,000	17/11/2014	17/11/2018	5.50%
14 Offshore RMB Bond ⁽⁴⁾	RMB	900,000,000	26/11/2014	26/11/2017	6.50%
15-1 Offshore USD Bond ⁽⁵⁾	USD	200,000,000	08/05/2015	08/05/2018	4.20%
15 Orient Subordinated Bond ⁽⁶⁾	RMB	6,000,000,000	29/05/2015	29/05/2020	5.60%
15 Orient Future Subordinated Bond ⁽⁷⁾	RMB	600,000,000	18/06/2015	17/06/2018	6.82%
15-1 Offshore RMB Bond ⁽⁸⁾	RMB	620,000,000	05/08/2015	26/11/2017	6.50%
15-2 Offshore USD Bond ⁽⁹⁾	USD	150,000,000	25/08/2015	25/08/2018	4.09%
15 Corporate Bond ⁽¹⁰⁾	RMB	12,000,000,000	26/11/2015	26/11/2020	3.90%
16 Orient Subordinated Bond ⁽¹¹⁾	RMB	4,000,000,000	14/11/2016	14/11/2021	3.45%
16-2 Orient Corporate Bond ⁽¹²⁾	RMB	4,000,000,000	16/12/2016	16/12/2017	4.00%
17-1 Orient Subordinated Bond ⁽¹³⁾	RMB	1,500,000,000	26/04/2017	26/04/2020	4.90%
17-2 Orient Subordinated Bond ⁽¹⁴⁾	RMB	1,500,000,000	26/04/2017	26/04/2022	5.10%
17-3 Orient Subordinated Bond ⁽¹⁵⁾	RMB	1,500,000,000	15/05/2017	15/05/2020	5.15%
17-4 Orient Subordinated Bond ⁽¹⁶⁾	RMB	1,500,000,000	15/05/2017	15/05/2022	5.35%
17-1 Corporate Bond ⁽¹⁷⁾	RMB	4,000,000,000	09/06/2017	09/06/2020	5.30%
17-2 Corporate Bond ⁽¹⁸⁾	RMB	1,000,000,000	09/06/2017	09/06/2022	5.50%

- (1) As approved by the CSRC [2013]1318, the Company issued a 4-year subordinated bond with par value no more than RMB3.6 billion on 15 November, 2013. The bond bears a fixed annual interest rate of 6.70% and the interest is paid annually.
- (2) As approved by the CSRC [2014]816, the Company issued a corporate bond with par value of RMB6 billion on 26 August, 2014. The bond bears an interest rate of 6.00% with a maturity period of 5 years and the interest is paid annually.
- (3) As approved by the CSRC, the Company issued 14 Orient Subordinated Bond with par value of RMB1.4 billion on 17 November, 2014. The bond bears an interest rate of 5.50% with a maturity period of 4 years and the interest is paid annually.
- (4) Orient Hongsheng Limited, the Company's Hong Kong subsidiary, issued a 3-year Offshore RMB Bond with par value of RMB900 million on 26 November, 2014. The Company entered into a keepwell deed for bond. The Offshore RMB Bond was guaranteed by Orient Finance Holdings (Hong Kong) Limited. The bond bears a fixed annual interest rate of 6.50% and the interest is paid semi-annually.
- (5) Orient Zhihui Limited, the Company's Hong Kong subsidiary, issued a 3-year Offshore USD Bond with par value of USD200 million on 8 May, 2015. The Company entered into a keepwell deed for bond. The Offshore USD Bond was guaranteed by Orient Finance Holdings (Hong Kong) Limited. The bond bears a fixed annual interest rate of 4.20% and the interest is paid semi-annually.
- (6) As approved by the CSRC, the Company issued 15 Orient Subordinated Bond with par value of RMB6 billion on 29 May, 2015. The bond bears an interest rate of 5.60% with a maturity period of 5 years and the interest is paid annually.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

34. BOND PAYABLES (Continued)

Note a: (Continued)

- (7) Shanghai Orient Securities Futures Co., Ltd., the Company's subsidiary, issued 15 Orient Future Subordinated Bond with par value of RMB600 million to qualified institutional investors on 18 June, 2015. The bond bears an interest rate of 6.82% with a maturity period of 3 years and the interest is paid annually.
- (8) Orient Hongsheng Limited, the Company's Hong Kong subsidiary, issued an Offshore RMB Bond with par value of RMB620 million on 5 August, 2015 which is consolidated in the former series of bonds which were issued on 26 November, 2014 with amounting to RMB900 million (see above (4)). The Offshore RMB Bond was guaranteed by Orient Finance Holdings (Hong Kong) Limited. and the Company entered into a keepwell deed. The bond bears a fixed annual interest rate of 6.50% and the interest is paid semi-annually.
- (9) Orient Zhihui Limited, the Company's Hong Kong subsidiary, issued a 3-year Offshore USD Bond with par value of USD150 million on 25 August, 2015. The Offshore USD Bond was guaranteed by Orient Finance Holdings (Hong Kong) Limited. and the Company entered into a keepwell deed as well. The bond bears a fixed annual interest rate of 4.09% and the interest is paid semi-annually.
- (10) As approved by the CSRC [2015]2406, the Company issued a corporate bond with par value of RMB12 billion on 26 November, 2015. The bond bears an interest rate of 3.90% with a maturity period of 5 years and the interest is paid annually.
- (11) As approved by the CSRC, the Company issued 16 Orient Subordinated Bond with par value of RMB4 billion on 14 November, 2016. The bond bears an interest rate of 3.45% with a maturity period of 5 years and the interest is paid annually.
- (12) As approved by the CSRC, the Company issued a corporate bond with par value of RMB4 billion on 16 December, 2016. The bond bears an interest rate of 4% with a maturity period of 1 year and the interest is paid annually.
- (13) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB1.5 billion on 26 April, 2017. The bond bears an interest rate of 4.90% with a maturity period of 3 years and the interest is paid annually.
- (14) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB1.5 billion on 26 April, 2017. The bond bears an interest rate of 5.10% with a maturity period of 5 years and the interest is paid annually.
- (15) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB1.5 billion on 15 May, 2017. The bond bears an interest rate of 5.15% with a maturity period of 3 years and the interest is paid annually.
- (16) As approved by the CSRC, the Company issued a subordinated bond with par value of RMB1.5 billion on 15 May, 2017. The bond bears an interest rate of 5.35% with a maturity period of 5 years and the interest is paid annually.
- (17) As approved by the CSRC, the Company issued a corporate bond with par value of RMB4 billion on 9 June, 2017. The bond bears an interest rate of 5.30% with a maturity period of 3 years and the interest is paid annually.
- (18) As approved by the CSRC, the Company issued a corporate bond with par value of RMB1 billion on 9 June, 2017. The bond bears an interest rate of 5.50% with a maturity period of 5 years and the interest is paid annually.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

34. BOND PAYABLES (Continued)

Note b:

According to Securities Association of China ("SAC")'s letter on approving the pilot of over the counter income certificate business (SAC [2014] 285), the Company was authorized to conduct income certificate business. The amount represents income certificates issued by the Company with maturities of more than one year. The yields of the outstanding income certificates varied from 3.55% to 6.30%, and from 3.50% to 6.30% per annum as at 30 June, 2017 and 31 December, 2016, respectively.

35. SHORT-TERM FINANCING BILLS PAYABLES

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Unsecured and unguaranteed:		
Income certificates (Note)	4,266,042	4,942,779
Analysed as:		
Over the counter	4,266,042	4,942,779

Note:

According to Securities Association of China ("SAC")'s letter on approving the pilot of over the counter income certificate business (SAC [2014] 285), the Group and the Company has the authorization to conduct income certificate business. The yields of all the outstanding income certificates with original maturities of less than one year were ranged from 1.00% to 5.40%, and from 1.00% to 5.60% per annum as at 30 June, 2017 and 31 December, 2016, respectively.

36. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Held for trading		
– Coupon bearing bonds	336,824	2,787,366
– Gold borrowings	4,451,530	4,420,325
Designated at fair value through profit or loss		
– Interests attributable to other holders of consolidated structured entities	330,030	263,486
	5,118,384	7,471,177

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

37. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Current		
Analysed by collateral type:		
Bonds	40,352,332	30,293,940
Securities-backed lending repurchase agreement	3,500,000	5,405,000
Advances to customers backed repurchase agreement	5,770,000	4,970,000
Others	–	10,000
	49,622,332	40,678,940
Analysed by market:		
Stock exchange	28,106,097	19,708,434
Inter-bank market	8,885,861	9,152,007
Over the counter	12,630,374	11,818,499
	49,622,332	40,678,940
Non-current		
Analysed by collateral type:		
Securities-backed lending repurchase agreement	–	1,500,000
Advances to customers backed repurchase agreement	970,000	4,220,000
	970,000	5,720,000
Analysed by market:		
Over the counter	970,000	5,720,000



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

38. SHARE CAPITAL

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

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Registered, issued and fully paid ordinary shares of RMB1 each (in thousands):		
Domestic shares	5,188,372	5,188,372
H shares	1,027,080	1,027,080
	6,215,452	6,215,452

39. DIVIDENDS

	Six months ended 30 June, 2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Dividends recognised as distribution	932,318	1,848,611

No interim dividend was proposed by the Board of Directors in respect of the interim period for the six months ended 30 June, 2017 and 2016.

Pursuant to the resolution of the general meeting of Shareholders held on 5 June, 2017, the Company recognised cash dividends as distribution of RMB1.50 for every 10 shares (tax included) based on 6.22 billion shares held amounting to RMB0.93 billion in total for the year ended 31 December, 2016.

Pursuant to the resolution of the general meeting of Shareholders held on 25 May, 2016, the Company recognised cash dividends as distribution of RMB3.50 for every 10 shares (tax included) based on 5.28 billion shares held amounting to RMB1.85 billion in total for the year ended 31 December, 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

40. CAPITAL COMMITMENTS

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Capital expenditure in respect of acquisition of property and equipment: Contracted but not provided for	71,291	71,291

41. OPERATING LEASE COMMITMENTS

The Group as lessee

At 30 June, 2017 and 31 December, 2016, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Within one year	295,750	144,681
In the second year	271,410	111,282
In the third year	146,877	80,757
Over three years	74,342	73,304
	788,379	410,024

Operating lease payments represent rentals payable by the Group on its office properties.

The Group as lessor

During the six months ended 30 June, 2017 and 2016, the Group did not have material lease commitment as lessor.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

42. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

(1) Relationship of related party

The Group and major shareholders

Following major shareholders holding more than 10% shares of the Company is considered as a related party of the Group:

	Percentage of shares held	
	As at 30 June, 2017 % (unaudited)	As at 31 December, 2016 % (audited)
申能(集團)有限公司 Shenergy (Group) Company Limited	24.74	24.74

The Group and associates

The details of the associates of the Group is set out in Note 18.

Other related parties

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

(2) Related party transaction and balances

As at 30 June, 2017 and 31 December, 2016, the Group had the following material balances with major shareholders and entities under their control:

	As at 30 June, 2017 RMB'000 (unaudited)	As at 31 December, 2016 RMB'000 (audited)
Account payables to brokerage clients	14,194	18,594

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

42. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(2) Related party transaction and balances (Continued)

For the six months ended 30 June, 2017 and 2016, the Group had the following material transaction with major shareholders and entities under their control:

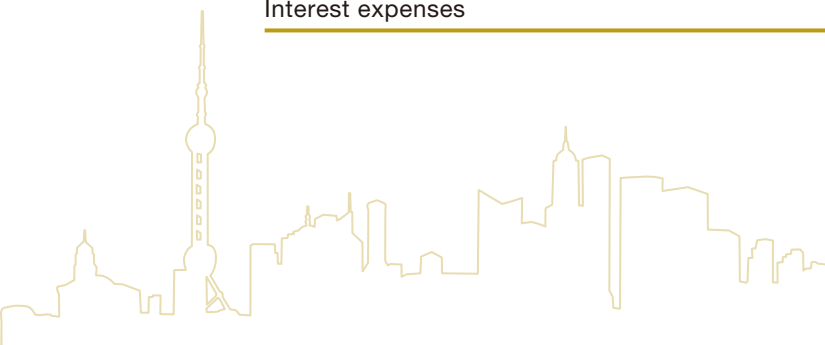
	Six months ended 30 June,	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Commission and fee income	14	43
Interest expenses	91	25,097

As at 30 June, 2017 and 31 December, 2016, the Group had the following material balances with associates:

	As at	As at
	30 June,	31 December,
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(audited)
Account payables to brokerage clients	27,415	31
Other account payables	409,346	409,346
Other receivables	42,032	—
Short-term financing bills payables	300,000	—

For the six months ended 30 June, 2016 and 2015, the Group had the following material transaction with associates:

	Six months ended 30 June,	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Commission and fee income	32,594	55,906
Interest expenses	1,731	2



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

42. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(3) Key management personnel

Remuneration for key management personnel of the Group are as follows:

	Six months ended 30 June,	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Short-term benefits:		
Salaries, allowance and bonuses	15,348	27,410

43. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of the financial assets and financial liabilities that are not measured on a recurring basis

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is determined by the active market quotation or estimated using discounted cash flow method.

The main parameters used in valuation techniques for financial instruments held by the Group that are not measured on a recurring basis include interest rates, foreign exchange rates, early repayment rates and counterparty credit spreads, which are all observable and obtainable from open market.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

43. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are not measured on a recurring basis *(Continued)*

The table below summaries the carrying amounts and expected fair values with obvious variances of those financial assets and liabilities not presented on the Group's condensed consolidated statement of financial position at their fair values.

	As at 30 June, 2017		As at 31 December, 2016	
	Carrying amount RMB'000 (unaudited)	Fair value RMB'000 (unaudited)	Carrying amount RMB'000 (audited)	Fair value RMB'000 (audited)
Financial assets				
Held-to-maturity financial assets	123,109	125,145	212,060	217,150
Financial liabilities				
Bond payables				
Corporate bonds	26,999,707	27,379,916	30,999,607	31,232,563
Subordinated bonds	21,599,493	21,597,983	15,599,298	15,595,289
Income certificates	14,128,217	14,112,855	13,572,217	13,552,201
Others	3,872,762	3,833,550	4,412,989	4,330,124
Total	66,600,179	66,924,304	64,584,111	64,710,177

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's condensed consolidated statements of financial position approximate their fair values.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

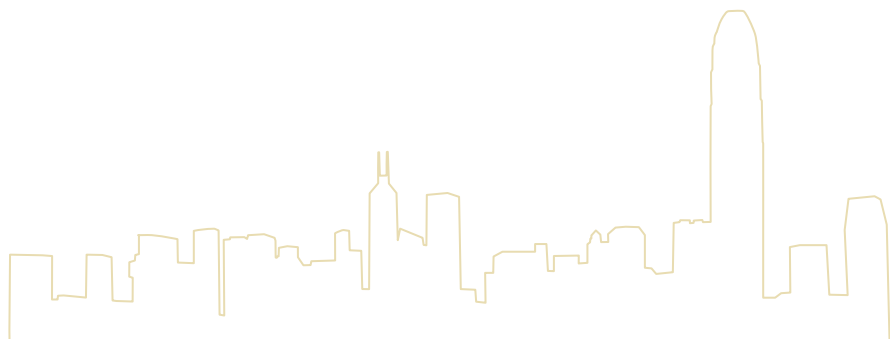
For the six months ended 30 June, 2017

43. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the financial assets and financial liabilities are measured at fair value at the end of the period. For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

The following tables give information about how the fair values of these financial assets and financial liabilities are determined including their fair value hierarchy, valuation technique(s) and key input(s) use.

Financial assets/financial liabilities	Fair value as at			Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June, 2017 (unaudited)	31 December, 2016 (audited)	Fair value hierarchy			
1) Available-for-sale financial assets						
Debt securities						
– Traded on stock exchanges	35,716,549	31,170,045	Level 1	Quoted bid price in an active market.	N/A	N/A
– Traded on inter-bank market	16,079,430	22,869,608	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
Equity securities						
– Traded on stock exchanges	1,832,580	4,777,624	Level 1	Quoted bid price in an active market.	N/A	N/A
– Traded on National Equities Exchange and Quotations	599,549	597,285	Level 2	Recent transaction prices.	N/A	N/A
– Restricted shares	306,050	333,801	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discounted for lack of marketability.	The higher the discount, the lower the fair value.
Funds						
– Traded on stock exchanges	392,310	365,509	Level 1	Quoted bid price in an active market.	N/A	N/A
– Other funds	1,135,609	1,186,391	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
Other investments						
– Collective assets management schemes issued by financial institutions	11,445,883	13,990,819	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
	67,507,960	75,291,082				

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June, 2017 (unaudited)	31 December, 2016 (audited)				
2) Financial assets at FVTPL						
Debt securities						
– Traded on stock exchanges	6,941,706	1,907,781	Level 1	Quoted bid price in an active market.	N/A	N/A
– Trade on inter-bank market	15,648,261	5,982,605	Level 2	Discounted cash flows. 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
Equity securities						
– Traded on stock exchanges	8,710,986	1,966,735	Level 1	Quoted bid price in an active market.	N/A	N/A
– Traded on National Equities Exchange and Quotations	4,239,737	4,076,625	Level 2	Recent transaction prices.	N/A	N/A
– Restricted shares	123,405	187,077	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discounted for lack of marketability	The higher the discount, the lower the fair value
Funds						
– Traded on stock exchanges	2,462,359	3,169,165	Level 1	Quoted bid price in an active market.	N/A	N/A
– Other funds	2,945,575	3,075,707	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
Other investments						
– Collective assets management schemes issued by financial institutions	1,956,069	2,963,498	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
	43,028,098	23,329,193				

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June, 2017 (unaudited)	31 December, 2016 (audited)				
3) Financial liabilities at FVTPL						
Debt securities – Trade on inter-bank market	336,824	2,787,366	Level 2	Discounted cash flows. 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
Gold borrowing	4,451,530	4,420,325	Level 1	Quoted bid price in an active market.	N/A	N/A
Collective assets management schemes issued by financial institutions	330,030	263,486	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
	5,118,384	7,471,177				
4) Derivative financial instrument						
Interest rate swaps-assets	12,778	19,281	Level 2	Discounted cash flows. Future cash flows are estimated based in 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
Interest rate swaps-liabilities	(88,356)	–	Level 2	Discounted cash flows. Future cash flows are estimated based in 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
Treasury bond futures-assets	1,331	–	Level 1	Quoted bid price in an active market.	N/A	N/A
Stock index futures-assets	–	23	Level 1	Quoted bid price in an active market.	N/A	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June, 2017 (unaudited)	31 December, 2016 (audited)				
4) Derivative financial instrument (Continued)						
Equity return swaps-assets	16,630	13,331	Level 2	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the company and the counterparty.	N/A	N/A
Stock options-assets	3,342	12,776	Level 2	Calculated based on option pricing model, in consideration of contract term, the volatility, the discount rate, and quoted value of underlying assets.	N/A	N/A
Stock options-liabilities	(11,552)	(1,795)	Level 2	Calculated based on option pricing model, in consideration of contract term, the volatility, the discount rate, and quoted value of underlying assets.	N/A	N/A
Equity linked derivatives-liabilities	(580,016)	(49,578)	Level 2	Calculated based on the difference between the quoted prices of underlying equity securities from stock exchanges in the PRC and the fixed income agreed in the agreements between the company and the counterparty.	N/A	N/A
Embedded option instruments-liabilities	(109)	(86)	Level 2	Discounted cash flows. Future cash flows are estimated based on contracted interest rates with reference to the market prices of underlying assets.	N/A	N/A
Gold swaps-liabilities	(162,842)	(216,405)	Level 1	Quoted bid prices in an active market.	N/A	N/A
Currency swaps-assets	1,482	25,098	Level 2	Discounted cash flows. Future cash flows are estimated based on spot exchange rates from observable spot exchange rates at the end of the Reporting Period) and spot exchange rates.	N/A	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

43. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June, 2017 (unaudited)	31 December, 2016 (audited)				
4) Derivative financial instrument (Continued)						
Currency swaps-liabilities	(9,019)	(151,313)	Level 2	Discounted cash flows. Future cash flows are estimated based on spot exchange rates from observable spot exchange rates at the end of the Reporting Period) and spot exchange rates.	N/A	N/A
Credit default swap-assets	3,443	-	Level 2	Discounted cash flows. Future cash flows are estimated based on contracted interest rates with reference to credit default risk of underlying assets, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Credit default swap-liabilities	(4,523)	-	Level 2	Discounted cash flows. Future cash flows are estimated based on contracted interest rates with reference to credit default risk of underlying assets, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	(817,411)	(348,668)				



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

43. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

As at 30 June, 2017 (unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Available-for-sale financial assets				
– Debt securities	35,716,549	16,079,430	–	51,795,979
– Equity investments	1,832,580	599,549	306,050	2,738,179
– Funds	392,310	1,135,609	–	1,527,919
– Others	–	11,445,883	–	11,445,883
Financial assets at FVTPL				
– Debt securities	6,941,706	15,648,261	–	22,589,967
– Equity investments	8,710,986	4,239,737	123,405	13,074,128
– Funds	2,462,359	2,945,575	–	5,407,934
– Others	–	1,956,069	–	1,956,069
Derivative financial assets	1,331	37,675	–	39,006
Total	56,057,821	54,087,788	429,455	110,575,064
Financial liabilities:				
Financial liabilities at FVTPL	4,451,530	666,854	–	5,118,384
Derivative financial liabilities	162,842	693,575	–	856,417
Total	4,614,372	1,360,429	–	5,974,801

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

As at 31 December, 2016 (audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Available-for-sale financial assets				
– Debt securities	31,170,045	22,869,608	–	54,039,653
– Equity investments	4,777,624	597,285	333,801	5,708,710
– Funds	365,509	1,186,391	–	1,551,900
– Others	–	13,990,819	–	13,990,819
Financial assets at FVTPL				
– Debt securities	1,907,781	5,982,605	–	7,890,386
– Equity investments	1,966,735	4,076,625	187,077	6,230,437
– Funds	3,169,165	3,075,707	–	6,244,872
– Others	–	2,963,498	–	2,963,498
Derivative financial assets	23	70,486	–	70,509
Total	43,356,882	54,813,024	520,878	98,690,784
Financial liabilities:				
Financial liabilities at FVTPL	4,420,325	3,050,852	–	7,471,177
Derivative financial liabilities	216,405	202,772	–	419,177
Total	4,636,730	3,253,624	–	7,890,354



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2017

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

The following table represents the changes in Level 3 financial instruments for the relevant period.

Available-for-sale financial assets

	As at 30 June, 2017 RMB'000 (unaudited)	As at 30 June, 2016 RMB'000 (unaudited)
At the beginning of the period	333,801	384,082
Changes in fair value recognised in other comprehensive income	(27,751)	2,813
Purchases	–	–
Transfers out of level 3	–	(337,820)
At the end of the period	306,050	49,075

Financial assets at FVTPL

	As at 30 June, 2017 RMB'000 (unaudited)	As at 30 June, 2016 RMB'000 (unaudited)
At the beginning of the period	187,077	–
Changes in fair value recognised in profit or loss	(63,672)	–
Purchases	–	–
At the end of the period	123,405	–

44. SUBSEQUENT EVENT

As approved by the CSRC [2017]974, the Company issued a corporate bond with par value of RMB4 billion on 3 August, 2017. The bond bears an interest rate of 4.98% with a maturity period of 10 years and the interest is paid annually.