IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY INTO THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the attached preliminary offering circular (the "**Offering Circular**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer or the Guarantor (each as defined in the Offering Circular) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE BONDS (THE "BONDS") AND THE GUARANTEE DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE BONDS AND THE GUARANTEE MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON ELECTRONICALLY OR OTHERWISE, AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY UNITED STATES ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE BONDS DESCRIBED IN THE OFFERING CIRCULAR.

Confirmation of Your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must be purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. This Offering Circular is being sent out at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to Guotai Junan Holdings Limited 國泰君安控股有限公司 (the "**Issuer**"), Guotai Junan Securities Co., Ltd.(國泰君安證券股份有限公司)(the "**Guarantor**"), Guotai Junan Securities (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, SPDB International Capital Limited, CCB International Capital Limited, BOSC International Company Limited, Bank of China Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, CMB Wing Lung Bank Limited, Ping An of China Securities (Hong Kong) Company Limited, UBS AG Hong Kong Branch and Oversea-Chinese Banking Corporation Limited (together, the "**Joint Lead Managers**") (together with the Joint Global Coordinators, the "**Joint Lead Managers**" and each a "**Joint Lead Manager**") (1) that you and any customers you represent are not, and that the electronic mail address that you gave the Joint Lead Managers and to which this e-mail has been delivered is not, located in the United States, its territories or possessions, (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission, and (3) to the extent you purchase the Bonds, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

The Offering Circular is in preliminary form and is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Circular. You are reminded that the information in the attached Offering Circular is not complete and may be changed.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the Issuer, the Guarantor or the Joint Lead Managers, the Trustee or the Agents (each as defined in this Offering Circular) to subscribe for or purchase any of the Bonds, a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of them is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents nor any of their respective affiliates, directors, officers, employees, representatives, agents or advisers and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format, and the hard copy version available to you on request from the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

The information contained in this Preliminary Offering Circular is not complete and may be changed. This Preliminary Offering Circular is not an offer to sell securities and is not soliciting an offer to buy securities in any jurisdiction where such offer or sale is not permitted. No offer or invitation shall be made or received, and no agreement shall be made, on the basis of this Preliminary Offering Circular, to purchase or subscribe for any securities.

PRELIMINARY OFFERING CIRCULAR DATED 4 MARCH 2019
SUBJECT TO COMPLETION

STRICTLY CONFIDENTIAL

国泰君安证券
GUOTAI JUNAN SECURITIES

Guotai Junan Holdings Limited
國泰君安控股有限公司

(incorporated in British Virgin Islands with limited liability)

U.S.$[•] [•] per cent. Guaranteed Bonds due [•]
Issue Price: [•] per cent.

unconditionally and irrevocably guaranteed by

Guotai Junan Securities Co., Ltd.
(國泰君安證券股份有限公司)

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

The [•] per cent. guaranteed bonds in the aggregate principal amount of U.S.$[•] due [•] (the "**Bonds**") will be issued by Guotai Junan Holdings Limited 國泰君安控股有限公司 (the "**Issuer**") and are in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Bonds will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) (the "**Guarantor**"), a company incorporated under the laws of the People's Republic of China (the "**PRC**").

The Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and regulations, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations. The obligations of the Guarantor under the Guarantee shall, save for such obligations as may be provided by applicable laws, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The Bonds will bear interest on their outstanding principal amount from and including [•] 2019 (the "**Issue Date**") at the rate of [•] per cent. per annum and such interest will be payable semi-annually annually in arrear on [•] and [•] in each year (each an "**Interest Payment Date**"), commencing on [•] 2019. All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law, to the extent described under "*Terms and Conditions of the Bonds – Taxation*".

The Guarantor will enter into a deed of guarantee (the "**Deed of Guarantee**") on or around the Issue Date. The Guarantor has undertaken to register or cause to be registered with the relevant branch of the State Administration of Foreign Exchange ("**SAFE**") in the PRC within 15 PRC Business Days (as defined in the terms and conditions of the Bonds (the "**Terms and Conditions**") after the execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定(匯發[2014]29號)) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (being the day falling 150 days after the Issue Date) and comply with all applicable PRC laws and regulations in relation to the Guarantee.

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System on the Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the "**NDRC Circular**") promulgated by the National Development and Reform Commission of the PRC or its local counterparts (the "**NDRC**") on 14 September 2015 which came into effect on the same day, the Guarantor has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 3 December 2018 evidencing such registration, which at the date of this Offering Circular, remains valid and in full force and effect. The Guarantor has undertaken to file or cause to be filed the requisite information and documents on the issuance of the Bonds to the NDRC within 10 PRC Business Days after the Issue Date.

Pursuant to the Administrative Measures on Establishment, Acquisition and Equity Participation in Business Organisations Overseas by Securities Companies and Securities Investment Fund Management Companies (證券公司和證券投資基金管理公司境外設立、收購、參股經營機構管理辦法) issued by the China Securities Regulatory Commission (the "**CSRC**") on 25 September 2018 which came into effect on the same day, the Guarantor has filled with the CSRC with respect to the Guarantee and obtained a letter of no objection from the CSRC on 27 February 2019, which at the date of this Offering Circular, remains valid and in full force and effect.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on [•] (the "**Maturity Date**"). At any time, on giving not less than 30 nor more than 60 days' notice to the holders of the Bonds (the "**Bondholders**") (which notice shall be irrevocable) and in writing to the Trustee (as defined in the Terms and Conditions) and the Principal Paying Agent (as defined in the Terms and Conditions), the Issuer may redeem the Bonds in whole, but not in part, at their principal amount, together with any interest accrued up to but excluding the date fixed for redemption, if the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to giving such notice that the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after [•] 2019, and such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it. At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions), each holder of Bonds (each a "**Bondholder**") will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of that Bondholder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at 101 per cent. (in the case of a redemption for a Change of Control (as defined in the Terms and Conditions)) or 100 per cent. (in the case of a redemption for a No Registration Event (as defined in the Terms and Conditions)) of their principal amount, together in each case with accrued interest up to but excluding the Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase*".

For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*" beginning on page 42.

Application will be made to The Stock Exchange of Hong Kong Limited (the "**HKSE**") for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (together, "**Professional Investors**") only. **This document is for distribution to Professional Investors only. Investors should not purchase the Bonds in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Bonds are only suitable for Professional Investors.**

The HKSE has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Bonds on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer or the Guarantor or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. You are advised to read and understand the contents of this Offering Circular before investing. If in doubt, you should consult your adviser.

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined and hereby notifies all relevant persons (as defined in Section 309 (A)(1) of the SFA) the classification of the Bonds as "prescribed capital markets products" (as defined in the CMP Regulations 2018) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Investing in the Bonds involves certain risks. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in the Offering Circular and the merits and risks of investing in the Bonds in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in the Bonds. Investors should not purchase the Bonds unless they understand and are able to bear risks associated with the Bonds. See "*Risk Factors*" beginning on page 15 for a description of certain factors to be considered in connection with an investment in the Bonds.

The Bonds are expected to be rated "BBB+" by Standard & Poor ("**S&P**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds and the Guarantee are being offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the Guarantee and the distribution of this Offering Circular, see "*Subscription and Sale*".

The Bonds will be represented initially by interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about [•] 2019, with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream, Luxembourg Banking S.A. ("**Clearstream, Luxembourg**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Except as described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Guotai Junan International **HSBC** **ICBC** **SPDB International**

CCB International **BOSC International** **Bank of China**

Joint Lead Managers and Joint Bookrunners

China Minsheng Banking Corp., Ltd., Hong Kong Branch **CMB Wing Lung Bank Limited** **Ping An of China Securities (Hong Kong) Company Limited**

UBS **OCBC Bank**

Offering Circular dated [•] 2019

IMPORTANT NOTICE

Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable inquiries that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and its subsidiaries, taken as a whole (collectively, the "**Group**"), the Bonds and, the Guarantee, which is material in the context of the issue and offering of the Bonds (including all information is required by applicable laws or which, according to the particular nature of the Issuer, the Guarantor and the Group and of the Bonds and the Guarantee, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor, the Group and of the rights attaching to the Bonds and the Guarantee), (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee, are in every material respects true and accurate and not misleading in any material respect, (iii) the statements of opinions and intentions relating to the Issuer, the Guarantor, the Group and the Guarantee expressed in this Offering Circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts relating to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee, the omission of which would, in the context of the issue, offering, sale, marketing or distribution of the Bonds and the giving of the Guarantee, make any statement in this Offering Circular, misleading in any material respect, and (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Joint Lead Managers (as defined below), the Issuer or the Guarantor to subscribe for or purchase any Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee and the Agents (as defined in the Terms and Conditions) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Bonds in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions, including the United States, the United Kingdom, Hong Kong, Singapore, Japan, the PRC, Taiwan and the British Virgin Islands and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*". This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Bonds in any jurisdiction in which such offer or invitation would be unlawful. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

No person has been or is authorised in connection with the issue, offer or sale of the Bonds to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Bonds or the Guarantee, other than as contained herein and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, the Group, any Joint Lead Manager, the Trustee (as defined in the Terms and Conditions) or the Agents or any person who controls any of them or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection herewith shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group, or any of them since the date hereof create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Offering Circular has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this

Offering Circular has been most recently supplemented or that any other information supplied in connection with the Bonds is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Offering Circular is being furnished by the Issuer and the Guarantor in connection with the offering of the Bonds exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Bonds. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer, the Guarantor and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Bonds offered by this Offering Circular is prohibited. Each offeree of the Bonds, by accepting delivery of this Offering Circular, agrees to the foregoing.

The distribution of this Offering Circular and the offering or sale of the Bonds and the Guarantee in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and by each of Guotai Junan Securities (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, SPDB International Capital Limited, CCB International Capital Limited, BOSC International Company Limited, Bank of China Limited (together, the "**Joint Global Coordinators**") and China Minsheng Banking Corp., Ltd., Hong Kong Branch, CMB Wing Lung Bank Limited, Ping An of China Securities (Hong Kong) Company Limited, UBS AG Hong Kong Branch and Oversea-Chinese Banking Corporation Limited (together with the Joint Global Coordinators, the "**Joint Lead Managers**" and each a "**Joint Lead Manager**") to inform themselves about and to observe any such restriction. The Bonds and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. For a description of certain restrictions on offers and sales of the Bonds and on distribution of this Offering Circular, see "*Subscription and Sale*".

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, any Joint Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates to subscribe for, or purchase, any Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds or the Guarantee and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates. The Joint Lead Managers, the Trustee and the Agents and their respective directors, officers, employees, representatives, agents, advisers and affiliates have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates accepts any responsibility for the contents of this Offering Circular or any statement made or purported to be made by any such person or on its behalf in connection with the Issuer, the Guarantor, the Group, the issue and offering of the Bonds or the giving of the Guarantee. Each of the Joint Lead Managers, the Trustee, the Agents and their respective directors, officers, employees, representatives, agents, advisers and affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group for so long as the Bonds remain outstanding nor to advise any investor or potential investor of the Bonds of any information coming to the attention of any of the Joint Lead Managers, the Trustee, the Agents or their respective directors, officers, employees, representatives, agents, advisers or affiliates.

This Offering Circular is not intended to provide the basis of any credit or other evaluation, nor should it be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

Any of the Joint Lead Managers and their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Group. This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") for the purpose of giving information with regard to the Issuer, the Guarantor and the Group. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult his or her adviser.

Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Offering Circular. This Offering Circular identifies in general terms certain information that a prospective investor should consider prior to making an investment in the Bonds. However, a prospective investor should conduct its own thorough analysis (including its own accounting, legal and tax analysis) prior to deciding whether to invest in any Bonds as any evaluation of the suitability for an investor of an investment in the Bonds depends upon a prospective investor's particular financial and other circumstances, as well as on the specific terms of the Bonds and, if it does not have experience in financial, business and investment matters sufficient to permit it to make such a determination, it should consult its financial adviser prior to deciding to make an investment on the suitability of the Bonds.

Singapore Securities and Futures Act Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Market Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in 309A(1) of the SFA) that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

IN CONNECTION WITH THIS OFFERING, ANY JOINT LEAD MANAGER APPOINTED AND ACTING AS STABILISATION MANAGER (THE "STABILISATION MANAGER") OR ANY PERSON(S) ACTING FOR THE STABILISATION MANAGER MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER (OR ANY PERSON(S) ACTING ON BEHALF OF ANY STABILISATION MANAGER IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group, the Bonds or the Guarantee. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the Group and the terms of the offering of the Bonds, including the merits and risks involved. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Bonds. The Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee and the Agents and their respective directors, officers, employees, representatives, agents, advisers and affiliates are not making any representation to any purchaser of the Bonds regarding the legality of any investment in the Bonds by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates in connection with its investigation of the accuracy of such information or its investment decision.

Market data, certain industry forecasts and statistics used throughout this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer and the Guarantor believe this information to be reliable, this information has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective directors, officers, employees, representatives, agents, advisers or affiliates makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements, including statements using the words "believes", "anticipates", "intends", "expects" or other similar terms. This applies in particular to statements under the captions "*Risk Factors*", "*Description of the Issuer*", "*Description of the Guarantor and the Group*", and statements elsewhere in this Offering Circular relating to, among other things, the future financial performance, plans and expectations regarding developments in the business of the Group. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause the actual results, including the financial position and profitability of the Group, to be materially different from or worse than those expressed or implied by these forward-looking statements. The Issuer and the Guarantor do not assume any obligation to update such forward-looking statements and to adapt them to future events or developments.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains consolidated financial information of the Guarantor as at and for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2017 and 2018 which has been extracted from the audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2017 and interim unaudited consolidated financial statements as at and for the six months ended 30 June 2018, included elsewhere in this Offering Circular. The audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2017 have been audited by Ernst & Young ("**EY**"). The interim unaudited consolidated financial statements as at and for the six months ended 30 June 2018 have been reviewed by EY. The audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2017 and the interim unaudited consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2018 were prepared and presented in accordance with the International Financial Reporting Standards ("**IFRS**").

The Guarantor's interim unaudited financial information as at and for the six months ended 30 June 2017 and 2018 should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. None of the Joint Lead Managers, the Trustee or the Agents or any person who controls any of them or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates makes any representation or warranty, express or implied, regarding the accuracy, completeness and sufficiency of such unaudited consolidated financial statements. Potential investors must exercise caution when using such data to evaluate the financial condition and results of operations of the Group. Such interim consolidated financial information should not be taken as an indication of the expected financial condition and results of operations of the Group for the full financial year ending 31 December 2018 or any other future period.

Certain monetary amounts in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

"APP"	Application
"A Share(s)"	in the context of the capital markets, shares of PRC companies that are traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange
"Asset Management Association of China"	a self-regulatory organization established on 6 June 2012 which represents fund management companies in China
"AUM"	the amount of assets under management
"B share(s)"	foreign invested shares that are traded on the Shanghai Stock Exchange in U.S. dollars or Shenzhen Stock Exchange in HK dollars
"Bond Connect"	a mutual market access scheme which allows for the freedom of trade in bond markets between Mainland China and overseas markets
"China" or **"PRC"**	the People's Republic of China, excluding, for the purpose of this Offering Circular only, Hong Kong, Macau and Taiwan
"China (Shanghai) Pilot Free-Trade Zone"	a free-trade zone in Shanghai, China
"China Financial Futures Exchange"	a futures exchange established in Shanghai with the approval of the State Council and the authorization of the CSRC
"China Securities Finance"	China Securities Finance Corporation Limited (中國證券金融股份有限公司), a joint stock limited company incorporated in the PRC in October 2011 which provides, among other services, margin and securities refinancing services to support the margin financing and securities lending business of PRC securities firms
"Controlling Shareholder"	has the meaning given to it in the Hong Kong Listing Rules, and in the context of this Offering Circular, refers to International Group
"CSI 100 Index"	a capitalization-weighted, free float adjusted stock market index designed to replicate the performance of top 100 stocks traded in the Shanghai and Shenzhen stock exchanges, which is a sub-index of CSI 300 Index
"CSI 300 Index"	a capitalization-weighted stock market index compiled by the China Securities Index Co., Ltd. to replicate the performance of 300 stocks traded in the Shanghai and Shenzhen stock exchanges
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)

"**Dalian Commodity Exchange**"	a Chinese futures exchange based in Dalian, Liaoning province, China
"**Director(s)**"	director(s) of the Group
"**ETF(s)**"	exchange-traded funds
"**FICC**"	fixed-income instruments, currencies, and commodities
"**FOF**"	fund of funds
"**GDP**"	gross domestic product
"**Group**" or "**the Group**"	the Guarantor and its subsidiaries (or the Guarantor and any one or more of its subsidiaries, as the context may require)
"**Guarantor**"	Guotai Junan Securities Co., Ltd.
"**Guotai Junan Asset Management**"	Guotai Junan Securities Asset Management Co., Ltd. (上海國泰君安證券資產管理有限公司), a limited liability company incorporated in the PRC in August 2010, being a wholly-owned subsidiary of the Guarantor
"**Guotai Junan Financial Holdings**"	Guotai Junan Financial Holdings Limited. (國泰君安金融控股有限公司), a limited liability company incorporated in Hong Kong in August 2007, being a wholly-owned subsidiary of the Guarantor
"**Guotai Junan Futures**"	Guotai Junan Futures Co., Limited (國泰君安期貨有限公司), a limited liability company incorporated in the PRC in April 2000, being a wholly-owned subsidiary of the Guarantor
"**Guotai Junan IM**"	Guotai Junan Investment Management Co., Ltd. (國泰君安投資管理股份有限公司), a joint stock limited company incorporated in the PRC in December 2001
"**Guotai Junan Innovation Investment**"	Guotai Junan Innovation Investment Co., Ltd. (國泰君安創新投資有限公司), a limited liability company incorporated in the PRC in May 2009, being a wholly-owned subsidiary of the Guarantor
"**Guotai Junan International**"	Guotai Junan International Holdings Limited (國泰君安國際控股有限公司), a limited liability company incorporated in Hong Kong in March 2010, the shares of which are listed on the HKSE (stock code: 1788)
"**Guotai Junan Securities Research Institute**"	a securities research institute established by the Group in 1996
"**Guotai Junan Zhengyu Investment Co,. Ltd.**"	Guotai Junan Zhengyu Investment Co., Ltd, a limited liability company incorporated in February 2018, being an alternative investment subsidiary of the Guarantor

"**Guotai Securities**"	Guotai Securities Co., Ltd. (國泰證券有限公司), one of the predecessors of the Guarantor, a limited liability company incorporated in the PRC in September 1992
"**H Share(s)**"	in the context of the capital markets, overseas-listed foreign shares of PRC companies that are traded on the HKSE
"**Hang Seng Composite Index**"	an index of the Stock Exchange of Hong Kong which offers an equivalent of Hong Kong market benchmark that covers around the top 95th percentile of the total market capitalisation of companies listed on the Main Board of the HKSE
"**Hang Seng Composite MidCap Index**"	an index on market capitalisation which cover the top 80% to 95% of the total market capitalisation of the Hang Seng Composite Index
"**Hicend Futures**"	Hicend Futures Co., Ltd. (海證期貨有限公司), a limited liability company incorporated in the PRC in December 1995, being a wholly-owned subsidiary of Shanghai Securities
"**Hong Kong Stock Connect**"	a unique collaboration between the Hong Kong, Shanghai and Shenzhen Stock Exchanges which allows international and Mainland Chinese investors to trade securities in each other's markets through the trading and clearing facilities of their home exchange
"**Hong Kong Stock Exchange**" or "**HKSE**"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"**HuaAn Funds**"	HuaAn Funds Management Co., Ltd. (華安基金管理有限公司), a limited liability company incorporated in the PRC in June 1998
"**International Group**"	Shanghai International Group Co., Ltd. (上海國際集團有限公司), a limited liability company incorporated in the PRC in April 2000, being our Controlling Shareholder, which is directly administered by the Shanghai SASAC
"**IPO**"	initial public offering
"**Issuer**"	Guotai Junan Holdings Limited 國泰君安控股有限公司
"**IT**"	information technology
"**Junan Securities**"	J&A Securities Co., Ltd. (君安證券有限責任公司), one of the predecessors of the Guarantor, a limited liability company incorporated in the PRC in October 1992
"**M&A**"	mergers and acquisitions
"**Mainland-Hong Kong Mutual Recognition of Funds**"	a scheme jointly launched by the China Securities Regulatory Commission (CSRC) and Hong Kong Securities and Futures Commission (SFC). Under the scheme, eligible Mainland and Hong Kong funds can be distributed in each other's market through a streamlined vetting process

"**margin and securities refinancing**"	a business in which securities firms can act as intermediaries to borrow funds or securities from the China Securities Finance Co., Ltd.(中國證券金融股份有限公司) and other authorized financial institutions, and lend such funds and securities to their clients
"**MOF**"	the Ministry of Finance of the PRC(中華人民共和國財政部)
"**Moody's**"	Moody's Investors Service, Inc., a bond credit rating business run by Moody's Corporation
"**NEEQ**"	National Equities Exchange and Quotations(全國中小企業股份轉讓系統)
"**Net Capital**"	equals net assets minus risk-adjusted financial assets minus other risk-adjusted assets and risk-adjusted contingent liability plus or minus capital from other adjustments recognized or approved by the CSRC
"**NSSF**"	the National Council for Social Security Fund(全國社會保障基金理事會)
"**Offering Circular**"	this offering circular
"**OTC**"	over-the-counter market
"**PC**"	personal computer
"**PBOC**"	the People's Bank of China(中國人民銀行), the central bank of the PRC
"**province**"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"**QDII**"	Qualified Domestic Institutional Investors(合格境內機構投資者) as approved by the CSRC
"**QFII**"	Qualified Foreign Institutional Investors(合格境外機構投資者) as approved by the CSRC
"**RQFII**"	RMB Qualified Foreign Institutional Investors(人民幣合格境外機構投資者) as approved by the CSRC
"**S&P**"	Standard and Poor's Rating Services, a division of the McGraw-Hill Companies, Inc., a bond credit rating business run by Standard & Poor's Financial Services LLC
"**SAC**"	the Securities Association of China(中國證券業協會)
"**SAFE**"	the State Administration of Foreign Exchange of the PRC(國家外匯管理局)

"**securities repurchase**"	a transaction pursuant to the securities repurchase agreement, in which an eligible investor sells its securities to a securities firm and agrees to repurchase such securities at a fixed price on an agreed future date
"**securities-backed financing**" .	stock-pledged financing and securities repurchase
"**Securities Association of China**"	a self-regulatory organization in the securities industry which operates under the guidance and supervision of the CSRC and the Ministry of Civil Affairs of China
"**Shanghai-Hong Kong Stock Connect**"	a securities trading and clearing links program developed by the HKSE, Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shanghai
"**Shanghai Electric**"	Shanghai Electric Group Corp.(上海電氣(集團)總公司), a limited liability company incorporated in the PRC in January 1985
"**Shanghai Futures Exchange**"	a non-profit-seeking incorporated body regulated by the China Securities Regulatory Commission
"**Shanghai Gold Exchange**" . .	a non-profit-seeking incorporated body established by People's Bank of China ("**PBOC**") which provides trading, clearing, delivery and vaulting services of gold, silver and platinum
"**Shanghai Municipal Finance Bureau**"	the MOF local finance bureau in Shanghai
"**Shanghai SASAC**"	the State-owned Assets Supervisions Administration Commission of Shanghai Municipal Government(上海市國有資產監督管理委員會)
"**Shanghai Securities**"	Shanghai Securities Co., Ltd.(上海證券有限責任公司), a limited liability company incorporated in the PRC in April 2001
"**Shanghai Stock Exchange**" . .	a stock exchange that is based in the city of Shanghai, China, which is one of the two stock exchanges operating independently in the People's Republic of China, the other being the Shenzhen Stock Exchange
"**Shanghai United Assets and Equity Exchange**"	an equity-capital market which provides an integrated market platform for property rights, which cover asset rights, creditor's rights, stock rights, and IPR
"**Share(s)**"	ordinary shares in the capital of the Guarantor with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"**Shareholder(s)**"	holder(s) of the Share(s)

“**Shenzhen-Hong Kong Stock Connect**”	a securities trading and clearing links program developed by the HKSE, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
“**Shenzhen Investment Holdings**”.	the Shenzhen Investment Holdings Co., Ltd.（深圳市投資控股有限公司）, a limited liability company incorporated in the PRC in October 2004, being a Shareholder
“**Shenzhen Stock Exchange**” . .	a stock exchange based in the city of Shenzhen, China, which is one of two stock exchanges operating independently in the People’s Republic of China, the other being the larger Shanghai Stock Exchange
“**SSE 50 Index**”	an index that selects 50 largest stocks of good liquidity and representativeness from Shanghai security market by scientific and objective method
“**stock-pledged financing**” . . .	a transaction in which eligible borrowers get financing from eligible lenders by pledging the stocks or other securities they hold and agree to pay back the principal and accrued interest and cancel the pledge in the future
“**structured notes**”	a debt financing instrument issued by PRC securities firms that makes payments of return linked with the underlying assets and the principal when due
“**Supervisor(s)**”	the supervisor(s) of the Group
“**Three Policy Banks**”	China Development Bank（國家開發銀行）, The Export-Import Bank of China（中國進出口銀行）and Agricultural Development Bank of China（中國農業發展銀行）
“**Three-Year Development Strategy Plan**”	strategic plan of the Group between 2016 to 2018, focusing on developing the Group into a market leading financial services provider with international competitiveness
“**Wind Info**”	Wind Information Co., Ltd.（萬得信息技術股份有限公司）, a company with limited liability incorporated in the PRC in 1994 and a service provider of financial data, information and software
“**Zhengzhou Commodity Exchange**”	a futures exchange in Zhengzhou, one of the four futures exchanges in China, which is under the vertical management of China Securities Regulatory Commission (CSRC).

Unless otherwise indicated, all references in this Offering Circular to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China and all references to “**China**” and the “**PRC**” are to the People’s Republic of China and, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan.

Unless otherwise specified or the context requires, all references in this Offering Circular to "**Renminbi**", "**RMB**" and "**CNY**" are to the lawful currency of the PRC, references herein to "**Hong Kong dollars**", "**HK dollars**", "**HK$**" and "**HKD**" are to the lawful currency of Hong Kong and references herein to "**U.S. dollars**", "**U.S.$**" and "**USD**" are to the lawful currency of the United States of America.

Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be converted into Renminbi at those rates or any other rate at all. This Offering Circular contains translation of certain Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Issuer has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of RMB6.6171 to U.S.$1.00 (the noon buying rate in New York City on 29 June 2018 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Further information regarding exchange rate is set forth in "*Exchange Rate Information*" in this Offering Circular. No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and the actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. In addition to statistics, market share information and industry data from publicly available government sources and industry associations, certain information and data contained in this section is derived from Wind Info and Dealogic. As a leading integrated service provider of financial data, information and software in the PRC domestic market, Wind Info serves financial enterprises, including securities companies, fund management companies, insurance companies and banks. The financial database of Wind Info contains comprehensive information on stocks, bonds, futures, foreign exchange, insurance, derivative financial instruments and the macro-economy. Historical data provided by Wind Info are collected by Wind Info independently from various public information sources, including, among others, the SAC, the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Dealogic is an international financial data and information provider. The database of Dealogic encompasses information on equity and debt capital markets, syndicated lending, M&A transactions and institutional investors. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any person who controls any of them or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any person who controls any of them or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates, make any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

CONTENTS

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety, including the section titled "Risk Factors", before making an investment decision.

Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary.

OVERVIEW

The Group is a long-term, consistent and across-the-board leader in the PRC securities industry, providing integrated financial services. Throughout the development of the PRC capital markets, the Group has weathered many industry cycles while forging ahead to establish itself as a comprehensive industry leader. From 2007 to 2017, the Group's net profit ranked among the top three in the industry for eleven consecutive years. From 2011 to 2017, the Group's operating revenue and total assets ranked among the top three in the industry for seven consecutive years. The Group's operating revenue and net profit in 2017 ranked third and second in the industry respectively. As of 30 June 2018, both of the Group's total assets and net assets ranked second in the industry while the net capital ranked first in the industry, and for the six months ended 30 June 2018, the Group's operating revenue and net profit ranked second in the industry. The Guarantor also has a rating of BBB+ by S&P and a rating of Baa1 from Moody's Investors Service, Inc., which is the highest international rating amongst companies in the PRC securities industry.

The Group has a comprehensive and balanced combination of businesses and its principal businesses rank at the top of the industry. In addition, the Group is committed to achieving quality growth and maintaining a balance among business scale, profitability and risk management. The Group has been granted the industry's highest regulatory rating of Class A Grade AA from the CSRC for eleven consecutive years from 2008 to 2018.

The Group's vision is to become an integrated financial services provider rooted in China with global coverage and strong influence. Leveraging its strong competitive advantage in the PRC, the Group aims to promote its internationalisation by building up its global network and international execution capabilities, so that it can meet its clients' demand for cross-border financial services. According to the Group's Three-year Development Strategy Plan from 2016 to 2018, the Group's phased objective for this planning period is to develop the Group into "an integrated financial services provider with an across-the-board leading position in China and international competitiveness".

The Group derives its success from the consensus of its culture among its employees, and the continuous implementation of such culture:

- Its Value: The Group regards its clients as its first priority and balances the interests of all stakeholders.
- Its Approach to Profession: The Group adopts a culture of risk management and excellence.
- Its People Culture: The Group is a people business and the Group promotes collaboration and cooperation.
- Its Code of Conduct: The Group excels by innovation and cherishes its reputation.

For the years ended 31 December 2016, 2017 and the six months ended 30 June 2017 and 2018, the Group's total revenue and other income was RMB36,022.5 million, RMB32,953.4 million, RMB15,855.5 million and RMB15,935.0 million, respectively, and the Group's profit attributable to equity holders of the Group for the same periods was RMB9,841.4 million, RMB9,881.5 million, RMB4,756.3 million and RMB4,009.0 million, respectively. As of 30 June 2018, its total equity attributable to equity holders of the Guarantor was RMB121,867.2 million and the Group's total assets were RMB440,455.4 million.

The following table sets forth the Group's business segments:

Institutional Finance		**Personal Finance**	**Investment Management**	**International Business**
Investment Banking	**Institutional Investor Services**			
• Equity financing	• Prime brokerage	• Retail brokerage	• Asset management	• Brokerage
• Debt financing	• Proprietary trading	• Margin financing and securities lending	• Fund management	• Corporate finance
• Financial advisory	• Stock-pledged financing	• Wealth management	• Direct investment	• Asset management
	• Research			• Loans and financing
				• Financial products, market making and investments

- **Institutional Finance:** The Group's institutional finance business comprises investment banking and institutional investor services. The Group strives to capture market opportunities through collaboration between these two business lines:
  - The investment banking business segment, which primarily includes listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory services and diversified corporate solutions to corporate and government clients;
  - The institutional investor services business segment, which primarily includes prime brokerage, stock-pledged financing and securities repurchase, and research businesses provided to institutional clients, as well as market-making and proprietary trading;
- **Personal Finance:** The Group's personal finance business segment primarily includes securities and futures brokerage, margin financing, securities lending, wealth management and financial planning services provided to retail clients through both online and offline channels;
- **Investment Management:** The Group's investment management business segment primarily includes asset management, fund management and direct investment management services to institutions and individuals; and
- **International Business:** The Group's international business segment represents the business operation of overseas subsidiaries of the Group, which mainly engage in brokerage, corporate finance, asset management, margin financing, financial products, market-making and investment businesses.

RECENT DEVELOPMENTS

On 30 January 2019, the Guarantor published its Preliminary Financial Data for the Year of 2018. The Preliminary Financial Data for the Year of 2018 are not included in and do not form part of this Offering Circular and were prepared by the Guarantor's management and have not been reviewed or audited by EY, its independent auditor. The Preliminary Financial Data for the Year of 2018 should not be relied upon by the Investors (see "*Risk Factors – Risks relating to the Group's business – The Guarantor published and may continue to publish periodical financial information pursuant to applicable regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.*"). However, certain material changes in financial position and/or results have been disclosed below on a qualitative basis. Due to the securities market fluctuation, the Guarantor's consolidated operating revenue experienced a material decrease and net profit attributable to shareholders of the Guarantor significantly decreased in the 2018 financial year.

COMPETITIVE STRENGTHS

The Group believes that by capitalising upon the following competitive strengths, the Group will continue to seize the growth opportunities in the PRC capital markets and maintain its long-term, consistent and across-the-board leadership position.

- Strong Support from the Government and Shareholders
- Deeply Rooted Culture of Risk Management and Excellence
- Across-the-board Leader in the PRC Capital Markets
- Pioneer of Technology and Innovation in the PRC Securities Industry
- Experienced Management Team with a Highly Proficient Professional Workforce

BUSINESS STRATEGIES

The Group aims to be an integrated financial services provider with an across-the-board leading position in China and international competitiveness. In particular, the Group plans to implement the following business strategies:

- Institutional Finance: Providing Integrated Financial Solutions to Institutional Clients
- Personal Finance: Enhancing Client Stickiness
- Investment Management: Expanding AUM
- International Business: Focusing on the Demand of Domestic Clients for Global Asset Allocation

THE OFFERING

The following is a brief summary of the Bonds and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" and "Summary of Provisions relating to the Bonds in Global Form" shall have the same meanings in this summary. For a more complete description of the terms and conditions of the Bonds, see "Terms and Conditions of the Bonds" in this Offering Circular.

Issuer	Guotai Junan Holdings Limited 國泰君安控股有限公司
Legal Entity Identifier	254900LPP2WWVAHJTP31
Guarantor	Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司)
The Bonds	U.S.$[•] [•] per cent. Guaranteed Bonds due [•].
Guarantee	The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect are contained in the Deed of Guarantee.
Issue Price	The Bonds will be issued at [•] per cent. of their principal amount.
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Issue Date	[•] 2019.
Interest	The Bonds will bear interest on their outstanding principal amount from and including [•] 2019 at the rate of [•] per cent. per annum, payable semi-annually in arrear in equal instalments on [•] and [•] in each year (each, an "**Interest Payment Date**") commencing on [•] 2019.
Maturity Date	[•].
Status of the Bonds	The Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer which will at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and regulation, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.
Status of the Guarantee	The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Use of Proceeds	See "*Use of Proceeds*".

Undertakings relating to the Guarantee . . . .

The Guarantor will undertake (i) to file or cause to be filed with the National Development and Reform Commission of the PRC (the "**NDRC**") the requisite information and documents, within 10 PRC Business Days after the issue date of the Bonds and in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) promulgated by the NDRC on 14 September 2015 which came into effect immediately and any implementation rules as issued by the NDRC from time to time (the "**Post-Issuance Filing**") and to comply with all applicable PRC laws and regulations in relation to the issue of the Bonds and the Guarantee; and (ii) to register or cause to be registered with the relevant branch of the State Administration of Foreign Exchange ("**SAFE**"), the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor shall submit for registration the Deed of Guarantee within 15 PRC Business Days after execution of the Deed of Guarantee. The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and comply with all applicable PRC laws and regulations in relation to the Guarantee.

The Guarantor shall, within ten PRC Business Days after completion of both the submission of the Post-Issuance Filing and receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (A) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming (I) the completion of the Post-Issuance Filing and the Cross-Border Security Registration and (II) that no Event of Default or any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 9, become an Event of Default has occurred; and (B) copies of the Post-Issuance Filing setting out the particulars of filing and SAFE registration certificates, any other document evidencing the registration issued by SAFE and the particulars of registration, each certified in English by an Authorised Signatory of the Guarantor as being a true and complete copy of the original (the "**Registration Documents**"). In addition, the Guarantor shall procure that within ten PRC Business Days after the Registration Documents are delivered to the Trustee, the Issuer shall give notice to the Bondholders (in accordance with Condition 16) confirming the completion of the Post-Issuance Filing and the Cross-Border Security Registration.

Final Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the rate applicable on [•] 2019 (the "**Applicable Rate**"), the Issuer, or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. In the event that (i) the Issuer is required to make any deduction or withholding by or within the British Virgin Islands, or (ii) the Issuer, or as the case may be, the Guarantor is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, then the Issuer (or the Guarantor, as the case may be) shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond (or the Guarantee, as the case may be) in the circumstances set out in Condition 8 (*Taxation*) of the Terms and Conditions.
Events of Default	Upon the occurrence of certain events as described in Condition 9 (*Events of Default*) of the Terms and Conditions, the Trustee at its discretion may and, if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution (as defined in the Terms and Conditions), shall (provided that the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Issuer and the Guarantor declaring the Bonds to be due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest.
Cross Acceleration	The Bonds are subject to a cross-acceleration provision as further described in Condition 9(c) (*Cross-Acceleration*) of the Terms and Conditions.

Redemption for Relevant Events .	At any time following the occurrence of a Relevant Event, a Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of such Bondholder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with accrued interest up to but excluding the Put Settlement Date. A "**Change of Control**" occurs when: (i) the Guarantor ceases to directly or indirectly own and control 100% of the issued share capital of the Issuer; (ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any person or persons, acting together, other than any of the Guarantor or any of its Subsidiaries; or (iii) any Person or Persons (as defined in the Terms and Conditions), acting in concert, acquires Control (as defined in the Terms and Conditions) directly or indirectly or in combination (through Subsidiaries) of the Guarantor, other than where Control is acquired by SASAC or its local counterparts or its successor or entities controlled (directly or indirectly) by SASAC or its local counterparts, or any Person directly or indirectly controlled by the central or local government of the PRC. A "**No Registration Event**" occurs when the Registration Documents (as defined in the Terms and Conditions) are not delivered to the Trustee in accordance with Condition 4(a) (*Undertakings relating to the Guarantee*) of the Terms and Conditions on or before the Registration Deadline (as defined in the Terms and Conditions).

Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with the Terms and Conditions (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent at their principal amount, (together with any interest accrued up to but excluding the date fixed for redemption), if the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to giving such notice that the Issuer (or if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands (in the case of a payment by the Issuer) or the PRC (in the case of a payment by the Guarantor) or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after [•] 2019, and such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*".
Further Issues	The Issuer may from time to time, without the consent of the Bondholders, create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for submission of the Post-Issuance Filing (as defined in the Terms and Conditions) and the timing for completion of the Cross-Border Security Registration (as defined in the Terms and Conditions)) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds as further described in "*Terms and Conditions of the Bonds – Further Issues*".
Trustee	Citicorp International Limited.
Principal Paying Agent and Transfer Agent	Citibank, N.A., London Branch.
Registrar	Citibank, N.A., London Branch.

Clearing Systems	The Bonds will be represented initially by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream, Luxembourg. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Except as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Notices and Payment	So long as the Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Terms and Conditions and shall be deemed to have been given on the date of delivery to such clearing system.
Governing Law and Jurisdiction .	English law. Hong Kong courts with exclusive jurisdiction.
Listing	Application will be made to the HKSE for the listing of, and permission to deal in, the Bonds on the HKSE by way of debt issues to Professional Investors only and it is expected that dealing in, and listing of, the Bonds on the HKSE will commence on [•] 2019.
Selling Restrictions	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "*Subscription and Sale*".
Ratings	The Bonds are expected to be rated "BBB+" by S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
ISIN	XS1953949549.
Common Code	195394954.

SELECTED FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.

The selected financial information presented below as at and for the years ended 31 December 2016 and 2017 were extracted from the Group's audited consolidated financial statements for the year ended 31 December 2017, which were audited by EY.

The selected financial information presented below as at and for the six months ended 30 June 2017 and 2018 were extracted from the Guarantor's most recent consolidated interim reports for the six months ended 30 June 2018, which have not been audited by EY or any other auditors but have been reviewed by EY.

The interim unaudited financial statements should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or, as the case be, a review. Potential investors should exercise caution when using such data to evaluate the Guarantor's financial condition and results of operations.

The audited consolidated financial information as at and for the years ended 31 December 2016 and 2017 and the unaudited but reviewed consolidated interim financial statements as at and for the six months ended 30 June 2017 and 2018 are prepared and presented in accordance with IFRS.

On 30 January 2019, the Guarantor published its Preliminary Financial Data for the Year of 2018. The Preliminary Financial Data for the Year of 2018 are not included in and do not form part of this Offering Circular and were prepared by the Guarantor's management and have not been reviewed or audited by EY, its independent auditor. The Preliminary Financial Data for the Year of 2018 should not be relied upon by the Investors (see "Risk Factors – Risks relating to the Group's business – The Guarantor published and may continue to publish periodical financial information pursuant to applicable regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.").

As of 1 January 2018, the Guarantor has adopted new accounting standards, including IFRS 9 (Financial Instruments), which are effective for accounting periods beginning on or after 1 January 2018. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. According to the IFRS 9 transitional arrangement, upon initial application of IFRS 9, the Group is not required to restate the comparable figures of the prior period. Instead, differences caused by the adoption of the IFRS 9 was adjusted to the beginning balance of reserves and retained profits.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Group, including the notes thereto, included elsewhere in this Offering Circular.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December		For the six months ended 30 June	
	2016	**2017**	**2017**	**2018**
Revenue				
Fee and commission income	15,628,144	12,584,403	5,947,007	5,348,120
Interest income	11,718,386	12,412,952	5,930,887	6,448,884
Net investment gains	4,795,276	6,434,621	3,124,555	2,334,708
Total revenue	**32,141,806**	**31,431,976**	**15,002,449**	**14,131,712**
Gain on disposal of a subsidiary	2,835,339	–	–	648,287
Other income and gains	1,045,363	1,521,376	853,018	1,155,000
Total revenue and other income	**36,022,508**	**32,953,352**	**15,855,467**	**15,934,999**
Fee and commission expenses	(2,368,410)	(2,134,063)	(982,820)	(841,947)
Interest expenses	(7,163,756)	(6,706,110)	(3,071,645)	(3,684,411)
Staff costs	(6,949,018)	(6,023,921)	(3,261,308)	(3,472,078)
Depreciation and amortization expenses	(404,234)	(463,474)	(223,954)	(255,629)
Business tax and surcharges	(566,044)	(153,356)	(67,908)	(84,066)
Other operating expenses and costs	(2,629,298)	(3,087,931)	(1,377,264)	(1,762,399)
Provision for impairment losses	(1,211,189)	(737,949)	(219,778)	(1,314)
Credit loss expense	–	–	–	(464,222)
Total expenses	**(21,291,949)**	**(19,306,804)**	**(9,204,677)**	**(10,566,066)**
Operating profit	**14,730,559**	**13,646,548**	**6,650,790**	**5,368,933**
Share of profits of associates and joint ventures	42,965	14,760	14,986	93,951
Profit before income tax	**14,773,524**	**13,661,308**	**6,665,776**	**5,462,884**
Income tax expense	(3,420,560)	(3,178,399)	(1,573,700)	(1,245,958)
Profit for the year/period	**11,352,964**	**10,482,909**	**5,092,076**	**4,216,926**
Attributable to:				
Equity holders of the Company	9,841,417	9,881,545	4,756,266	4,009,001
Non-controlling interests	**1,511,547**	**601,364**	**335,810**	**207,925**
Total	**11,352,964**	**10,482,909**	**5,092,076**	**4,216,926**
Earnings per share attributable to ordinary equity holders of the Company (expressed in Renminbi yuan per share)				
– Basic	1.21	1.11	0.56	0.43
– Diluted	1.21	1.10	0.56	0.42

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
Profit for the year/period	11,352,964	10,482,909	5,092,076	4,216,926
Other comprehensive income for the year/period				
Other comprehensive income that may be reclassified to profit or loss:				
Debt instruments at fair value through other comprehensive income				
– Net changes in fair value	–	–	–	176,737
– Changes in allowance for expected credit losses	–	–	–	(83,979)
– Reclassified to profit or loss	–	–	–	625
Available-for-sale financial assets				
– Net changes in fair value	(1,423,970)	3,161,199	1,979,308	–
– Reclassified to profit or loss	78,007	(2,181,123)	(1,010,225)	–
Share of other comprehensive income of associates and joint ventures	9,882	22,538	14,769	(19)
Exchange differences on translation of financial statements in foreign currencies	499,761	(566,192)	(250,399)	103,910
Income tax impact	315,007	(237,273)	(231,077)	(23,346)
Total items that may be reclassified to profit or loss	(521,313)	199,149	502,376	173,928
Other comprehensive income that will not be reclassified to profit or loss:				
Equity instruments at fair value through other comprehensive income	–	–	–	(1,433,861)
Share of other comprehensive income of associates and joint ventures	–	–	–	(502,042)
Income tax impact	–	–	–	483,976
Total items that will not be reclassified to profit or loss	–	–	–	(1,451,927)
Other comprehensive income for the year/period, net of tax	**(521,313)**	**199,149**	**502,376**	**(1,277,999)**
Total comprehensive income for the year/period	**10,831,651**	**10,682,058**	**5,594,452**	**2,938,927**
Attributable to:				
Equity holders of the Company	9,114,127	10,434,925	5,413,258	2,691,236
Non-controlling interests	1,717,524	247,133	181,194	247,691
Total	**10,831,651**	**10,682,058**	**5,594,452**	**2,938,927**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts expressed in thousands of RMB unless otherwise stated)

	As at 31 December		As at 30 June
	2016	2017	2018
Non-current assets			
Property and equipment	3,543,116	3,730,599	3,809,566
Prepaid land lease payments	823,495	804,388	794,850
Goodwill	581,407	581,407	581,407
Other intangible assets	1,384,441	1,442,271	1,422,259
Investments in associates	431,685	1,309,278	1,333,460
Investments in joint ventures	829,655	2,303,249	1,797,522
Available-for-sale financial assets	38,638,640	38,340,006	–
Debt instruments at fair value through other comprehensive income	–	–	22,419,799
Equity instruments at fair value through other comprehensive income	–	–	20,961,006
Financial assets held under resale agreements	23,605,425	27,357,004	15,246,535
Financial assets at fair value through profit or loss	46,247	300,000	2,835,895
Refundable deposits	9,742,881	6,914,654	8,062,516
Deferred tax assets	762,365	333,909	648,067
Other non-current assets	1,669,793	677,498	2,709,424
Total non-current assets	**82,059,150**	**84,094,263**	**82,622,306**
Current assets			
Accounts receivable	1,891,376	4,288,361	3,771,266
Other receivables and prepayments	4,503,402	6,270,510	4,994,305
Margin accounts receivable	68,892,785	73,983,947	62,165,360
Available-for-sale financial assets	1,842,582	1,631,794	–
Debt instruments at fair value through other comprehensive income	–	–	3,333,574
Financial assets held under resale agreements	39,605,953	65,242,195	59,294,610
Financial assets at fair value through profit or loss	76,676,991	98,202,115	113,253,479
Derivative financial assets	175,424	315,233	314,344
Clearing settlement funds	1,779,380	2,157,689	2,773,658
Cash held on behalf of brokerage customers	106,378,892	79,476,131	87,058,363
Cash and bank balances	27,943,107	15,985,949	20,874,135
Total current assets	**329,689,892**	**347,553,924**	**357,833,094**
Total assets	**411,749,042**	**431,648,187**	**440,455,400**
Current liabilities			
Loans and borrowings	6,262,230	11,520,278	8,659,014
Short-term debt instruments	14,847,586	36,454,635	26,562,321
Placements from other financial institutions	4,700,000	7,600,000	7,650,000
Accounts payable to brokerage customers	112,956,690	84,356,232	93,025,907
Employee benefits payable	6,269,165	5,005,954	4,255,185
Income tax payable	2,599,026	1,531,137	1,015,963
Financial assets sold under repurchase agreements	39,691,470	43,849,585	50,755,935
Financial liabilities at fair value through profit or loss	16,318,339	23,454,372	29,710,343
Derivative financial liabilities	290,500	402,828	184,717
Bonds payable	17,156,246	1,279,944	3,302,235
Other current liabilities	18,670,688	8,656,571	9,487,375
Total current liabilities	**239,761,940**	**224,111,536**	**234,608,995**
Net current assets	**89,927,952**	**123,442,388**	**123,224,099**
Total assets less current liabilities	**171,987,102**	**207,536,651**	**205,846,405**

	As at 31 December		As at 30 June
	2016	2017	2018
Non-current liabilities			
Loans and borrowings	1,878,471	–	–
Bonds payable	55,582,519	67,032,147	72,529,549
Employee benefits payable	631,789	622,458	–
Deferred tax liabilities	103,920	181,608	98,690
Financial assets sold under repurchase agreements	26,950	3,000,000	–
Financial liabilities at fair value through profit or loss	197,017	1,013,019	621,662
Other non-current liabilities	2,814,714	1,992,196	205,973
Total non-current liabilities	**61,235,380**	**73,841,428**	**73,455,874**
Net assets	**110,751,722**	**133,695,223**	**132,390,531**
Equity			
Share capital	7,625,000	8,713,934	8,713,940
Other equity instruments	10,000,000	11,129,841	11,129,823
Reserves	47,782,061	64,936,992	64,226,341
Retained profits	34,557,357	38,347,216	37,797,099
Equity attributable to equity holders of the Company	99,964,418	123,127,983	121,867,203
Non-controlling interests	10,787,304	10,567,240	10,523,328
Total equity	**110,751,722**	**133,695,223**	**132,390,531**

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially and adversely affected by any of these risks. The Group believes that the following factors may affect its ability to fulfil its obligations under the Bonds. Additional risks and uncertainties not presently known to the Group or which the Group currently deems immaterial may also have an adverse effect on an investment in the Bonds. All of these factors are contingencies which may or may not occur and the Group is not in a position to express a view on the likelihood of any such contingency occurring. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

Factors which the Group believes may be material for the purpose of assessing the market risks associated with the Bonds are described below. The Group believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Group to repay principal, pay interest (if any) or other amounts or fulfil other obligations on or in connection with the Bonds may occur for other reasons and the Group does not represent that the statements below regarding the risks of holding the Bonds are exhaustive. Potential investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO MACROECONOMIC ENVIRONMENT AND THE PRC SECURITIES INDUSTRY

General economic and market conditions could materially and adversely affect the Group's business.

The Group's business is affected by both long-term economic trends and short-term volatility caused by general economic conditions, including economic cycles, macroeconomic and monetary policies, inflation, interest rates levels, supply and costs of funding and currency fluctuations. The majority of the Group's revenue is derived in China. As a result, any material and adverse changes in general economic conditions in China may have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group's results of operations are primarily affected by the volatility in the PRC securities markets. The PRC stock market experienced significant fluctuations in recent years, and these can be no assurance that such volatility would not continue into the future. For example, the CSI 300 Index decreased by 43.3%, from 5,335.1 as of 12 June 2015 to 3,025.7 as of 26 August 2015. In 2016, the CSI 300 Index decreased by 4.6% from 3,469.1 as of 4 January 2016 to 3,310.1 as of 30 December 2016. The average daily trading volume of stocks and funds in China decreased by 47.7% from RMB1,106.9 billion in 2015 to RMB578.8 billion in 2016. As a result, the Group's total revenue and other income decreased by 30.9% from RMB52,108.8 million in 2015 to RMB36,022.5 million in 2016. The market has continued to fluctuate in 2018, with the CSI300 Index decreasing by 32.5% from 4,389.9 as of 24 January 2018 to 2,964.8 as of 3 January 2019. Unfavourable economic and financial conditions globally, such as financial instability in the U.S. and the imposition of new bilateral tariffs between China and the U.S., have also had a material impact on the market conditions in China, which in turn, may affect the Group's results of operations and financial condition.

For the years ended 31 December 2016, 2017 and the six months ended 30 June 2018, the Group derived a considerable proportion of its total revenue and other income from debt financing, bond investments, futures brokerage and derivative investments. As a result, any material and adverse changes in debt markets, futures markets and derivative markets may have a material and adverse effect on the Group's business, financial condition and results of operations.

In addition, in the ordinary course of the Group's business, the Group holds financial assets at fair value through profit or loss, financial assets held under resale agreements and available-for-sale financial assets. As of 30 June 2018, the Group held financial assets at fair value through profit or loss in the amount of RMB116,089.4 million and financial assets held under resale agreements in the amount of RMB74,541.1 million respectively. General economic and market conditions affect the value of these financial assets. Any material and adverse changes in the value of these financial assets may have a material and adverse effect on the Group's business, financial condition and results of operations.

Significant interest rate fluctuations could affect the Group's financial condition and results of operations.

Interest rate fluctuations primarily affect the Group's interest income, fixed-income investments and interest expenses. The Group earns interest income primarily from margin financing and securities lending, deposits in financial institutions and securities-backed financing. During periods of declining interest rates, the Group's interest income would generally fall. In addition, the Group holds fixed-income investments. During periods of rising interest rates, market prices of, and the Group's investment returns on, fixed-income securities would generally fall.

The Group also makes interest payments on deposits it holds on behalf of its customers, short-term financing bills, corporate bonds and securities repurchase transactions, as well as subordinated bonds and other debt securities. These interest expenses are directly linked to the then prevailing market interest rates. During periods of rising interest rates, the Group's interest expenses and financing costs would generally increase.

Significant interest rate fluctuations may reduce the Group's interest income or returns on fixed-income investments, or increase the Group's interest expenses, any of which could adversely affect the Group's financial condition and results of operations.

Fluctuations in the exchange rate of Renminbi against other currencies could have a material and adverse effect on the Group's financial condition and results of operations.

The Group generates most of its revenue in the PRC, and its functional currency is Renminbi. In addition, the Group is actively expanding its international business. A portion of the Group's revenue, expenses and bank borrowings is denominated in Hong Kong dollars, U.S. dollars and other foreign currencies. The exchange rates of Renminbi against U.S. dollar and other currencies are affected by the political and economic environment in the PRC, the PRC government's fiscal and currency policies and international political and economic conditions. From 2 January 2014 to 30 December 2016, the exchange rate of Renminbi against U.S. dollar decreased by 14.75%. In 2018, Renminbi has further experienced devaluation against the U.S. dollar. As a result, fluctuations in exchange rates, particularly between the Renminbi on one hand, and Hong Kong dollars and U.S. dollars on the other hand, may affect the level of the Group's profitability or result in foreign exchange losses on the Group's foreign currency-denominated assets and liabilities.

The PRC securities industry is highly competitive.

The Group's competitors may have certain competitive advantages over the Group, including more sufficient financial resources, stronger brand recognition, lower service fee rate, broader product and service offerings, a branch network with wider geographic coverage, larger client base and more operation experience. The Group faces pressure to maintain and expand its client base and market share.

The Group cannot assure prospective investors that the Group will be able to continue to maintain or grow its client base. If the Group is unable to maintain high quality services, maintain or reduce its service fee rate, or continue to introduce new products and services that address the needs of its clients, the Group may lose its existing clients or fail to attract new clients. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected.

Changes which impact the competitive environment in the PRC securities industry may have a material and adverse effect on the Group's business.

If the PRC government gradually deregulates the PRC securities industry, it may attract new competitors to the securities industry or allow the Group's current competitors to expand their business scope into new business lines. The deregulation of the PRC securities industry could also attract more foreign financial institutions to enter the PRC market to conduct investment banking and other related businesses. These institutions are currently subject to PRC regulatory limitations and restrictions on their business activities.

In March 2015, the CSRC stated that it was evaluating a proposal to open up the PRC securities industry to other financial institutions such as commercial banks, but did not provide a timetable on when the new policy would be implemented. The Group believes that allowing PRC commercial banks to enter the securities industry will intensify market competition in securities brokerage, equity underwriting and other businesses, as commercial banks generally have greater financial resources, wider branch networks and larger client bases compared with securities companies.

In recent years, internet financial services companies have entered the PRC financial industry with large client bases and advantages in providing innovative services through the internet. Their services may be considered by the Group's clients or potential clients as a favorable alternative for managing their funds or fulfilling their needs for investments.

Any of the above changes in the competitive environment in the PRC securities industry may increase the level of competition. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Guarantor contributed capital to China Securities Finance in response to government measures for stabilizing the PRC stock market, which may increase the Guarantor's exposure to market and other risks.

Due to the significant fluctuations in the A share market in 2015, the PRC government introduced measures to stabilise the market. As a result, the Guarantor and 20 other major securities companies in the PRC issued a joint announcement on 4 July 2015, pursuant to which each securities company undertook that: (i) they would contribute an amount of no less than 15% of their net assets value as of 30 June 2015 to China Securities Finance for investment in the PRC blue chip ETFs; and (ii) they would not reduce the position of their A share proprietary trading portfolio to a level below the position as of 3 July 2015, if the SSE Composite Index is below 4,500. On 1 September 2015, the Guarantor and 49 other securities companies decided to raise their total contribution to China Securities Finance to an amount of 20% of the respective net assets as of 31 July 2015. The Guarantor's two contributions to China Securities Finance amounted to RMB17,014.0 million in the aggregate. These contributions are under the control of China Securities Finance through a designated account. The Guarantor bears the risks and enjoy the gains in proportion to its contributions. Currently, the Guarantor cannot control the way in which China Securities Finance uses its contributions and when it can redeem its contributions. The Guarantor may incur losses due to the disposal or impairment of such contributions in the future, and the Guarantor's financial condition may fluctuate due to the revaluation of its contributions at the end of a period, both of which may materially and adversely affect its results of operations and financial condition. As at 30 June 2018, the cost and fair value of the Guarantor's contribution were RMB12,688 million and RMB13,497 million, respectively, based on investment account statements provided by

China Securities Finance. Going forward, the Guarantor may also incur additional losses from similar contributions that are required or decided to be made in response to government measures for stabilizing the PRC stock market during market fluctuations.

RISKS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS

The Group's investment banking business has a number of inherent risks which may reduce its underwriting and sponsorship fees, subject the Group to regulatory penalties and adversely affect the Group's liquidity.

For the year ended 31 December 2016 and 2017 and the six months ended 30 June 2017 and 2018, the total revenue and other income of the Group's investment banking business was RMB3,452.1 million, RMB2,659.3 million, RMB1,211.0 million and RMB848.4 million, respectively, accounting for 9.6%, 8.1%, 7.6% and 5.3% of the Group's total revenue and other income, respectively. The Group's investment banking business may be materially and adversely affected by the following risks:

Uncertainty of regulatory approval. The offering of securities, especially IPOs, and certain types of M&A of listed companies, are subject to the review and approval by various regulatory authorities. The result and timing of these reviews and approvals are beyond the Group's control, and may cause substantial delays to, or the termination of, the securities offerings underwritten by the Group or M&A advised upon by the Group. The Group cannot assure prospective investors that regulatory approvals for securities offerings or M&A will be granted in a timely manner or at all. For example, there was a short halt of approvals of A share IPOs by the CSRC in the second half of 2015, primarily due to market volatility. A significant decline in the approval rate of such transactions could reduce the Group's revenue from investment banking business, as the Group normally receives most of its fees only after the completion of a transaction.

Risks in relation to sponsorship and underwriting and financial advisory. When acting as sponsors and underwriters in IPOs or financial advisers in M&A transactions the Group may be subject to domestic or overseas regulatory sanctions, fines, penalties, investor compensation or other disciplinary actions and other legal liabilities if the Group's due diligence or its ongoing supervision is inadequate, or an issuer, its agents, other sponsors and underwriters or the Group's employees commit fraud or misconduct, or there is a misstatement or omission in the disclosure documents, or there is another illegal or improper activity during the course of the sponsorship and underwriting or advisory process.

Market conditions and hard underwriting. Unfavourable market conditions and capital markets volatility may cause delays to, or the termination of, initial public offerings or other securities offerings underwritten by the Group and M&A advised upon by the Group, or may generally result in fewer financing and M&A activities, which may in turn materially and adversely affect revenue from the Group's investment banking business. In addition, if the Group enters into hard underwriting arrangements with its clients, the Group may be required to purchase the entire unsubscribed portion for the Group's own account, which may materially and adversely affect the Group's liquidity, or cause the Group to incur significant financial losses.

The performance of the Group's proprietary trading business is subject to a number of inherent uncertainties which may lead to a decrease in the Group's investment returns or an investment loss.

A significant portion of the Group's business operations includes proprietary trading in equities, derivative financial investments and FICC. The business, financial position and results of operations of the Group's proprietary trading activities may be materially and adversely affected by the following risks:

Market volatility. The Group conducts trading activities in equity and fixed-income securities and market-making activities for its own account, which are subject to volatility in the securities markets. The results of the Group's trading activities generally correlate with the performance of the PRC securities markets. In particular, due to the fluctuations in the A share market in 2016, the Group's revenue in such year from the Group's proprietary trading activities decreased substantially compared to 2015.

Risks in relation to derivative financial instruments. The derivative financial instruments transactions the Group enters into include stock options, treasury futures and stock index futures. The Group generally uses derivative financial instruments to hedge against the risk of price volatility in its investment portfolio or to adjust the risk exposure of the Group's investment portfolio. However, currently, the types of financial investment products available in the PRC securities market remain limited which makes it difficult for the Group to fully hedge against fluctuations in the value of the Group's investment portfolio, and the derivative financial instruments that the Group uses may not be as effective as the Group expects. In addition, the Group is exposed to risks associated with derivatives contracts the Group enters into, which could result in losses. Since the derivative financial instruments markets in the PRC are developing, the Group's experience in managing new products or trading derivative financial products may be inadequate and the Group may be subject to losses.

Regulatory limitations. Changes in securities-related regulations may lead to limitations on the Group's trading activities. For example, since September 2015, the regulators have raised margin requirements for stock index futures and treated opening daily positions of more than ten contracts by an investor on a single stock index future as "abnormal trading". The regulators have also increased the fees for settling positions. Since February 2017, the regulators have lowered the margin requirements and the fees for settling positions for stock index futures. These measures impact short-selling and block trading activities, which may affect the Group's ability to hedge its proprietary trading positions.

Incorrect investment decisions and judgement. The performance of the Group's proprietary trading is determined by its investment decisions and judgment based on its assessment of existing and future market conditions. If the Group makes mistakes in its investment decisions, or the actual changes in market conditions differ from the Group's projections, or the concentration risks resulting from the Group's investment decisions, including risks from holding particular assets or asset classes, the Group's proprietary trading activities may suffer and not achieve its anticipated investment returns.

The Group may not be able to maintain its brokerage fee for and commission income and interest income from its retail brokerage business.

The Group's retail brokerage business' financial position and results of operations may be materially and adversely affected by the following risks:

Volatility in market trading volumes. The Group's brokerage fee and commission income is dependent on market trading volumes, which is in turn affected by investor sentiment, volatility in financial markets and deteriorating investor sentiment can therefore have an adverse impact on the retail brokerages' results of operations. For example, due to the highly volatile market conditions in China in 2016, the average daily trading volume of stocks and funds in the PRC decreased by 47.7% from RMB1,106.9 billion in 2015 to RMB578.8 billion in 2016. As a result, the trading volume of the Group's stocks and funds brokerage in the PRC decreased by 51.0%, which resulted in a corresponding decrease in the Group's fee and commission income from retail brokerage business in 2016 compared to 2015.

Decrease in brokerage trading commission rates. The downward trend of brokerage trading commission rates could materially and adversely affect the Group's retail brokerage business. Some of the Group's competitors have actively promoted their online brokerage services and continued to lower their retail brokerage commission rates in recent years. If more competitors expand their online brokerage businesses, retail brokerage commission rates in the industry will likely further decrease.

Increase in supply of securities brokerage services. The securities brokerage industry in China is highly competitive. In April 2015, China Securities Depository and Clearing Corporation Limited revoked the long-standing "one investor one account" restriction for PRC investors and allowed an individual to open up to 20 securities accounts with different PRC securities companies. Although such policy was revised from 20 securities accounts to three securities accounts in October 2016, the Group cannot assure prospective investors that such limitation will not be lifted in the future. The changes in the number of permissible securities accounts held by investors may lead to a decrease in the number of clients who use the Group's brokerage services and/or the volume of trades by such clients, which pose a significant challenge for the Group to retain existing clients and attract new clients.

A significant decrease in the Group's AUM or management fee rate, or unsatisfactory investment performance, may materially and adversely affect the Group's asset management business.

The Group receives asset management fees based on the size of each asset management scheme under its management. In addition, the Group may earn performance fees for certain asset management schemes. Investment performance affects the Group's AUM, and is one of the most important factors in attracting its clients and competing for new asset management business. Limited investment options and hedging strategies as well as high market volatility in the PRC, could adversely affect the Group's ability to provide stable returns for its clients, which in turn affect the Group's ability to retain them.

The Group's asset management fees or market share may decrease due to the increased competition from other securities companies, fund management companies, insurance companies, trust companies, commercial banks and other financial institutions in China. In addition, the recent introduction of Mainland-Hong Kong Mutual Recognition of Funds will allow approved fund products to be offered abroad, which in turn may increase competition. Market volatility, adverse economic conditions, or the Group's failure to outperform its competitors or the market in terms of investments returns, may reduce the Group's AUM or affect the performance of the assets or funds it manages, which could adversely affect the amount of management or performance fees the Group receives.

The Group may fail to realise returns from its principal investments, or lose part or all of the Group's investments.

The Group's principal investment business generally involves investments in private companies and in private equity funds with the Group's own funds. The Group and its private equity funds aim to earn returns from dividends paid by portfolio companies and the listing or the disposal of portfolio companies. The Group may fail to identify fraudulent, inaccurate or misleading information about a target company in the course of its due diligence, which may cause the Group to make unsound investment decisions or overvalue the target company. Material and adverse changes in the target company's industry, business and financial condition after the completion of the investment could negatively affect the Group's investment return. Market volatility may also materially and adversely affect the equity investments made by the Group's private equity funds.

The Group's portfolio companies may take longer than expected to become suitable for a listing or sale. Failure to list or sell the Group's portfolio companies for any reason may adversely affect the value of the Group's investment. If the Group cannot exit its private equity investments in the anticipated period or at acceptable prices, the Group will not be able to achieve its expected investment returns.

The Group and its private equity funds have limited control over its portfolio companies. Those companies may make business, financial or management decisions with which the Group does not agree, which may subject the Group to further risks. Furthermore, the Group's portfolio companies may fail to abide by their agreements with the Group, for which the Group has limited or no recourse. Any of the foregoing incidents could significantly reduce the value of the Group's investments and adversely affect the Group's financial condition and results of operations.

The business of the Group is subject to concentration risks due to significant holdings of financial assets or significant capital commitments.

Some of the Group's business lines are capital intensive, such as its investment banking, proprietary trading principal investment, margin financing and securities lending, which may result in the Group having significant holdings of selected asset classes or bank and other borrowings. Such capital commitments expose the Group to concentration risks, including market risk, in the case of its holdings of concentrated or illiquid positions in a particular asset class as part of its proprietary trading and principal investment activities, and credit risk, in the case of its margin financing and securities lending businesses. Any decline in the value of the asset holdings of the Group may reduce its income or result in losses.

The Group may suffer significant losses from credit exposures from its clients and counterparties.

The Group's margin financing and securities lending business, securities-backed financing business, derivatives and commodities brokerage business, proprietary trading business and derivative contracts are subject to the risk that a client or counterparty may fail to perform its payment or other obligations or that the value of any collateral held by the Group to secure the obligations might become inadequate. Any material non-payment or non-performance by a client or counterparty could adversely affect the Group's financial condition, results of operations and cash flows.

In addition, the Group has exposure to credit risk associated with its available-for-sale investments and held-to-maturity financial assets. These investments may also be subject to price fluctuations as a result of changes in the financial market's assessment of the issuer's creditworthiness, delinquency and default rates and other factors, which could adversely affect the financial condition and results of operations of the Group.

The Group's failure to identify and disclose the risks inherent in the financial products it distributes may have an adverse effect on the Group's reputation, client relationships, business and prospects.

In addition to the Group's own financial products, the Group also distributes financial products developed by third-party financial institutions, such as fund management companies, trust companies and commercial banks. These financial products, such as trust schemes and structured products, may have complex structures and involve various risks, including credit, interest, liquidity and other risks. The Group's risk management policies and procedures may not be fully effective in identifying the risks inherent in these financial products, and the Group's sales employees may fail to fully disclose such risks to the Group's customers. These factors may cause the Group's clients to suffer significant losses as a result of their investment in financial products that are too risky for their risk tolerance and investment preferences. This may subject the Group to regulatory measures and fines, client complaints and litigations, which in turn could harm the Group's reputation, client relationships, business and prospects.

The expansion of the Group's international business may not produce the intended results.

The Group conducts brokerage, corporate finance, asset management, loans and financing as well as financial products, market making and investments in Hong Kong, primarily through Guotai Junan International. The Group has also built an international business platform around Guotai Junan Financial Holdings and have expanded its business presence to the United States and Singapore. According to the Group's business strategies, the Group expects to further expand its international business, which may expose the Group to additional risks, including:

- difficulties in managing international operations, including complying with various regulatory and legal requirements of different jurisdictions, and obtaining approvals and necessary licenses;

- challenges in providing products, services and support, in recruiting in these overseas markets, and in managing the sales channels and overseas distribution networks effectively;
- differences in accounting treatment in different jurisdictions, potential adverse tax implications and foreign exchange losses;
- inability to effectively enforce contractual or legal rights; and
- changes in laws, regulations and policies as well as political, economic and market instability or civil unrest in the relevant jurisdictions.

If the Group is unable to effectively manage these risks, the Group's ability to expand its international business will be impaired, which could have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group faces additional risks as it expands its product and service offerings.

The Group is committed to expanding the its product and service offerings. The new products and services may expose the Group to stricter regulatory scrutiny as well as additional license and approval requirements. The Group's clients or potential clients may not be receptive to the Group's new product and service offerings. In addition, the Group may have insufficient resources to handle the additional challenges brought by the new products and services in relation to (i) experience or expertise, (ii) qualified personnel, (iii) funding and (iv) risk management capabilities.

If the Group is unable to achieve the intended results with respect to its offering of new products and services, the Group's business, financial condition and results of operations could be materially and adversely affected.

The Group's business might be affected by the operational failure of its employees.

The Group faces the risk of the operational failure of the its employees, which mainly includes accidents or errors that take place in the course of the day-to-day operation of proprietary trading, securities-backed financing, retail brokerage, margin financing and securities lending, wealth management and asset management businesses. Although the Group has implemented internal control measures including strengthened transaction review and enhanced standard operation training to prevent against the risk of employee operational failure, the Group may not be able to completely avoid the occurrence of or timely detect any operational failure. Any future operational failure of employees or any termination of employment relationship in relation to operational failure could adversely affect the Group's business and reputation, as well as the Group's ability to execute transactions, service the Group's clients and manage the Group's exposure to various risks.

The Group's risk management policies as well as internal control systems and procedures may not fully protect the Group against its risk exposure.

The Group has established risk management policies as well as internal control systems and procedures to manage risk exposure. Such policies, systems and procedures may not cover all the risks that the Group are exposed to. In addition, any deficiency in the Group's policies, systems and procedures may adversely affect the Group's ability to accurately and timely record, process, summarise and report financial and other data or identify any non-compliance with laws and regulations.

Some aspects of such policies, systems and procedures may require continuous monitoring, maintenance and improvement by the Group's senior management and staff. Despite the Group's efforts to implement risk management policies and internal control systems, the Group may not be able to fully prevent or timely identify the occurrence of any non-compliance incident. The Group's businesses and prospects could be adversely affected if its efforts to apply, maintain and improve these policies, systems and procedures are ineffective or inadequate.

The Group's business may be materially and adversely affected if the Group is unable to retain or hire management team members and professional personnel.

The Group needs to ensure the continuity of its management team as well as attract and retain professional personnel who possess in-depth knowledge in and understanding of the securities and financial markets. If the Group loses any of its management team members or fail to attract and retain professional personnel, the Group may not be able to execute its existing business strategies effectively or deliver excellent services to its clients. These professional personnel include experienced investment and trading managers, sponsor representatives, risk management officers, research analysts and IT specialists. However, the market for quality professionals is increasingly competitive, which may require the Group to offer more competitive compensation and other benefits. If the Group fails to attract or retain its management team members or professional personnel, the Group's business, reputation, financial condition and results of operations could be materially and adversely affected.

The Group relies on IT systems to deliver its services to the clients and form business decisions.

The Group's operations rely heavily on its IT systems to timely record and accurately process a large number of transactions across numerous markets and different business segments. A disruption to, failure of, or error in the Group's information processing or communications systems may limit the Group's ability to timely and accurately process transactions. This would also impair the Group's ability to execute trades on behalf of clients and for the Group's own account, particularly in the Group's retail brokerage and prime brokerage businesses, which could materially and adversely affect its business, reputation, financial condition and results of operations.

The Group makes many important business decisions, including those relating to brokerage fee rates, branch locations, investment portfolios, marketing of investment or financing products and new product designs based on information collected and analysed by the Group's IT systems. Any error or flaw in the Group's IT systems may cause its business decisions being made with inaccurate, incomplete or misleading information, which may have a material and adverse effect on the Group's business, financial condition and results of operations.

In addition, the securities industry is characterised by rapidly changing technology. Online securities trading platforms and other new channels, such as mobile devices, are becoming increasingly popular among its customers due to their convenience and user-friendliness. The Group relies heavily on technology, particularly the internet, to provide high quality online services. However, the technology operations of the Group is vulnerable to disruptions from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorised access and other similar events. Disruptions to, or instability of, technology of the Group or external technology that allows its customers to use its online products and services could harm its business and its reputation.

The Group's business is susceptible to the operational failure of third parties.

The Group faces the risk of operational failure or termination of any of the exchanges, depositaries, clearing agents or other financial intermediaries it uses to facilitate its securities transactions. However, any future operational failure or termination of the particular financial intermediaries that the Group uses could adversely affect its ability to execute transactions, service its customers and manage its exposure to various risks.

In addition, as the Group's interconnectivity with its customers grows, its business also relies heavily on its customers' use of their own systems, such as personal computers, mobile devices and the Internet, and the Group will increasingly face the risk of operational failure in connection with its customers' systems.

Negative net cash flows from operating activities may materially and adversely affect the Group's liquidity and financial condition.

The Group had negative net cash flows from operating activities of RMB15,742.7 million and RMB39,705.8 million for the years ending 31 December 2016 and 2017, respectively. The Group cannot assure prospective investors that the Group will be able to generate positive net cash flows from operating activities in the future. The Group's liquidity and financial condition may be materially and adversely affected by negative net cash flows, and the Group cannot assure prospective investors that the Group will have sufficient cash from other sources to fund its operations. If the Group resorts to other financing activities to generate additional cash, the Group will incur additional financing costs and the Group cannot guarantee that it will be able to obtain the financing on terms acceptable to the Group, or at all.

A significant decrease in the Group's liquidity could adversely affect the Group's business and reduce client confidence in the Group.

Maintaining adequate liquidity is crucial to the Group's business operations as the Group continues to expand the Group's margin financing and securities lending, securities-backed financing, proprietary trading, investment banking and other business activities with substantial cash requirements. The Group meets its liquidity needs primarily through cash generated from operating activities and debt financing. Reduced liquidity could affect the Group's ability to develop its business, reduce the confidence of the Group's clients or counterparties in the Group, and result in a loss of businesses and customer accounts.

In addition, the CSRC and the Securities Association of China impose regulatory requirements on PRC securities companies' liquidity-related ratios. Failure to comply with these requirements may result in the CSRC and the Securities Association of China imposing penalties on the Group, or taking disciplinary actions against the Group, which could, in turn, have a material and adverse effect on the Group's financial condition and results of operations.

Factors that may adversely affect the Group's liquidity position include a significant increase in capital requirements for the Group's intermediary businesses, more stringent regulatory requirements for capital, substantial investments, loss of market or client confidence, and other regulatory changes. When cash generated from the Group's operating activities is not sufficient to meet the Group's liquidity or regulatory capital needs, the Group must seek external financing. When the conditions in the credit and capital markets are not favorable or there are changes in the regulatory environment, potential sources of external financing could be limited, and the Group's borrowing costs could increase and financing may not be available on terms acceptable to the Group or at all.

If the Group pursues acquisitions or establishes joint ventures that present unforeseen integration difficulties or costs, the Group may not enhance its business as it expects.

The Group has in the past pursued acquisitions or established joint ventures, aimed at developing its expertise in specific areas and expanding the scope and scale of the Group's business. Acquisitions or the establishment of joint ventures involve a number of risks and present financial, managerial and operational challenges. Such challenges include potential disruption to the Group's ongoing business and distraction of management, difficulties with integrating IT, financial and human resources systems, hiring additional management and other critical personnel and increased complexity arising from the scope and geographic diversity of the Group's business operations. The Group may not be able to realise any anticipated benefits or achieve the synergies the Group expects from these acquisitions or joint ventures. The Group's clients may react unfavorably to its strategies for acquisition or establishment of joint ventures, and the Group may incur additional liabilities due to acquisitions and the establishment of joint ventures.

A failure to identify and address conflicts of interest appropriately could adversely affect the Group's business.

As the Group continues to expand its business scope and client base, it is critical for the Group to be able to properly identify and address potential conflicts of interest, including situations where two or more interests within the Group's business legitimately exist but are in competition or conflict. Appropriately identifying and dealing with potential conflicts of interest is difficult. Any failure to manage conflicts of interest could harm the Group's reputation and erode client confidence in the Group. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory measures. Any of the foregoing could adversely affect the Group's business, financial condition and results of operations.

The Group may be subject to liability and regulatory action if it is unable to protect personal and other confidential information of its customers

Various laws, regulations and rules require the Group to protect the personal data and confidential information of its customers. The relevant authorities may issue sanctions or orders against the Group if it fails to protect the personal information of its customers, and it may have to provide compensation for economic loss arising from its failure to protect the personal information of its customers in accordance with relevant laws and regulations. Incidents of mishandling the personal information or failure to protect the confidential information of its customers could create a negative public or customer perception of its operations or its brand name, which may materially and adversely affect its reputation and prospects.

The Group has not obtained title certificates to some of the properties the Group owns and some of the Group's lessors lack, or have not presented to the Group, appropriate title certificates for the properties the Group leases from them, which may materially and adversely affect the Group's right to use such properties.

As of 31 December 2017, the Group owned a number of properties in the PRC, for certain of which the Group has not obtained proper building ownership certificates and/or land use rights certificates. As of the same date, the Group also leased a number of properties in the PRC, for certain of which the Group's landlords have not provided the Group with the building ownership certificates or other ownership documents. The Group is requiring its landlords to provide and/or obtain proof of title or to obtain the title certificates for such leased properties but the timing for obtaining such relevant certificates is beyond the Group's control. If the Group's landlords do not have or obtain the proper building ownership certificates and/or the land use rights certificates for such properties, the Group's rights in relation to such properties might not be entirely protected.

Any claim or dispute related to the title of the properties owned or leased by the Group may result in the relocation of the Group's operating premises and offices. The Group cannot guarantee that the legality of its use and occupation of the relevant land and buildings will not be challenged, or that the Group will be able to secure alternative properties for its business if the Group is required to relocate. If the Group or its landlords cannot obtain the relevant building ownership certificates and land use rights certificates in a timely manner and the Group's legal right to use or occupy the relevant properties is challenged, the Group may have to find alternative properties, incur additional relocation costs, or the Group's business operations may be disrupted, any of which may have a material and adverse effect on the Group's business, financial condition and results of operations.

The use of "Guotai Junan" as a trade name by Guotai Junan IM may expose the Group to reputational risks if it takes actions that damage the "Guotai Junan" brand name.

"Guotai Junan" is one of the Group's registered trademarks in China. It is approved to be used for securities and bonds brokerage, stock exchange quotations, futures brokerage, capital investment, fund investment, financial information, issuance of securities, financial services, financial analysis and financial evaluation. Although Guotai Junan IM also uses "Guotai Junan" as part of its registered company name, it does not own any trademark rights in respect of "Guotai Junan".

The business scope of Guotai Junan IM includes asset management, enterprise investment and enterprise advisory, which significantly differs from the Group's main businesses where the Group uses the "Guotai Junan" trademark. However, given that Guotai Junan IM uses "Guotai Junan" in its company name for purpose of the same or similar services with the Group's businesses, it may create confusion among the relevant public, and may infringe the Group's exclusive trademark right. In addition, if Guotai Junan IM takes any action that damages the "Guotai Junan" brand name, or any material and adverse publicity is associated with Guotai Junan IM, the Group's reputation, business, growth prospects, results of operations and financial condition may be adversely affected.

Any future occurrence of major natural disasters or outbreaks of serious health epidemics and contagious diseases, wars or terrorist activities in the PRC may have a material and adverse effect on the Group's business, financial condition and results of operations.

Any future occurrence of major natural disasters or outbreaks of serious health epidemics and contagious diseases, wars or terrorist activities in the PRC may severely disrupt the Group's business, and materially and adversely affect the Group's financial condition and results of operations. An outbreak of a health epidemic or contagious disease could cause a widespread health crisis and harm business activities in affected areas, which could in turn severely disrupt the Group's operations. The future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, or measures taken by the PRC government or other countries in response to such outbreaks of health epidemics and contagious diseases, wars or terrorist activities may also seriously interrupt the Group's operations or those of the Group's clients and counterparties, which could have a material and adverse effect on the Group's financial condition and results of operations.

RISKS RELATING TO LEGAL, COMPLIANCE AND REGULATORY MATTERS

The Group is subject to extensive and evolving regulatory requirements.

As a financial institution, the Group is subject to extensive regulatory requirements. Regulatory authorities regulate the Group's business activities by imposing capital requirements, determining the types of products and services the Group may offer, and limiting the types of securities the Group may invest in. They also conduct periodic inspections, examinations and inquiries with respect to the Group's compliance with relevant regulatory requirements. Failure to comply with the applicable regulatory requirements could result in sanctions, fines and penalties, and limitations on the Group's business activities. Other disciplinary actions may include a downgrade of the Group's regulatory rating, which may cause us to be subject to a higher risk capital reserve ratio, a higher ratio for the Group's securities investor protection fund and difficulties in obtaining relevant permits or approvals for new businesses and products.

Moreover, relevant rules and regulations could be revised from time to time based on the development of the securities markets. New rules and regulations, and changes in the interpretation or enforcement of existing rules and regulations, may directly impact the Group's business strategies and prospects. In addition, changes in the rules and regulations could result in limitations on the Group's business scope, changes to the Group's business practices or additional costs or taxes, which may adversely affect the Group's ability to compete effectively with other institutions that are not affected in the same way.

The Group may be subject to litigation and regulatory investigations and proceedings, and may not always be successful in defending itself against such claims or proceedings.

The Group faces substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to sales or underwriting practices, trademarks, product design, fraud and misconduct, as well as protection of personal and confidential information of the Group's customers. In particular, the Group was sued as a result of a wealth management product dispute and as at the date of this Offering Circular, the lawsuit are still ongoing and it is uncertain when the court trail will be completed and what the outcome will be. The Guarantor made a provision of RMB50 million based on its assessment of the lawsuits for the year ended 31 December 2017 and RMB30 million for the year ended 31 December 2016. The Group may also be subject to inquiries, inspections, investigations, and proceedings by regulatory and other governmental agencies. The Group or the Group's employees have, from time to time, been involved in incidents of regulatory non-compliance and received notices, warnings and regulatory measures suspending certain business for a limited period of time, or been fined by, the relevant regulatory authorities. Some of these non-compliance incidents may lead to the deduction of the Group's regulatory points.

Litigation, arbitration, regulatory investigations and other proceedings brought against the Group, the Group's Directors, management or employees may result in settlements, injunctions, fines, penalties or other results adverse to the Group, including damage to the Group's reputation and disruption to the Group's business. Any of these results may have a material and adverse effect on the Group's business, financial condition, results of operations and prospects. Even if the Group is successful in defending itself against these actions, the costs of such defence may be significant.

The Group may not be able to prevent or detect fraud or other misconduct committed by its employees, agents, customers or other third parties.

The Group is exposed to fraud or other misconduct committed by its employees, agents, customers or other third parties that could subject the Group to financial losses and regulatory sanctions, and adversely affect the Group's reputation.

The Group's internal control procedures are designed to monitor the Group's operations and ensure their overall compliance. However, the Group's internal control procedures may be unable to identify all non-compliance incidents or suspicious transactions in a timely manner or at all. In addition, it is not always possible to timely detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective. The Group's failure to prevent or detect fraud and other misconduct may have a material and adverse effect on the Group's business, reputation, financial condition and results of operations.

The Group may fail to detect money laundering and other illegal or improper activities in the Group's business operations on a timely basis.

The Group is required to comply with applicable anti-money laundering and anti-terrorism laws and regulations in the jurisdictions where the Group operates. These laws and regulations require the Group to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting obligations. The Group is also required to perform "Know Your Client" procedures and to monitor transactions for suspicious activity. Although the Group has adopted relevant policies and procedures, they may not be comprehensive and completely eliminate instances in which the Group may be used by other parties to engage in money laundering, sanctioned activities and other illegal or improper activities. In the past, certain on-site inspections conducted by the regulators have revealed that the Group had insufficient internal monitoring in certain aspects of the anti-money laundering internal control system and inadequate anti-money laundering training at certain branches. In the event that the Group fails to fully comply with applicable laws and regulations, the relevant government agencies may freeze the Group's assets or impose fines or other penalties on the Group.

There can be no assurance that there will not be failures in detecting money laundering or other illegal or improper activities which may materially and adversely affect the Group's business reputation, financial condition and results of operations.

Investors may experience difficulties in effecting service of process and enforcing judgments against the Guarantor and the Guarantor's directors, supervisors and management.

The Guarantor is a company incorporated under the laws of the PRC, and a substantial majority of the Guarantor's assets and subsidiaries are located in the PRC. In addition, most of the Guarantor's directors, supervisors and management reside within the PRC, and the assets of most of the Guarantor's directors, supervisors and management are likely to be located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon the Guarantor's directors, supervisors and management, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of court judgments with the United States, the United Kingdom, Japan or most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of court judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States, the United Kingdom, Japan or most other western countries in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

The Group's substantial amounts of deferred tax assets and financial assets are subject to the uncertainties of accounting estimates.

In the application of the Group's accounting policies, the Group's management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. The Group believes that the substantial amounts of its deferred tax assets and financial assets are subject to the uncertainties of accounting estimates and therefore warrant particular attention.

The Group's deferred tax assets were RMB762.4 million, RMB333.9 million and RMB648.1 million as of 31 December 2016, 2017 and the six months ended 30 June 2018, respectively. Based on the Group's accounting policies, deferred tax assets are recognised where there are timing differences between the carrying amount of assets for financial reporting purpose and the amounts used for taxation purposes. The realization of a deferred tax asset mainly depends on the Group's management's judgment as to whether sufficient profits or taxable temporary differences will be available in the future. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. If sufficient profits or taxable temporary differences are not expected to be generated, the Group's deferred tax assets would be impaired.

For financial reporting purposes, the Group categorises fair value measurements of financial assets and liabilities into level 1, level 2 or level 3, based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement. As of 31 December 2016, 2017 and the six months ended 30 June 2018, the Group had RMB87.0 billion, RMB101.6 billion and RMB119.2 billion of level 2 financial assets, respectively. Compared to level 1 financial assets, level 2 financial assets are not quoted in an active market, and the Group uses valuation techniques to estimate the fair value of these assets. When estimating fair value using these valuation techniques, the Group considers observable inputs and market data, such as the yield curve of interest rate products and foreign exchange rates, among other things. Changes in these factors will affect the estimated fair value of the Group's level 2 financial assets and therefore these assets will face uncertainty in accounting estimation. As of 31 December 2016, 2017 and six months ended 30 June 2018, the Group had RMB3.1 billion, RMB1.8 billion and RMB7.0 billion of level 3 financial assets, respectively, the scale of which is much smaller than level 2 financial assets.

The Guarantor published and may continue to publish periodical financial information pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.

The Guarantor's equity securities are listed both on the HKSE and the Shanghai Stock Exchange. According to applicable securities regulations, the Guarantor publishes its preliminary annual financial information to satisfy its continuing disclosure obligations relating to its listed securities. The preliminary annual financial information published by the Guarantor is normally derived from the Group's management accounts which have not been audited or reviewed by independent auditors. As such, the preliminary annual financial information published should not be referred to or relied upon by potential purchasers to provide the same quality of information associated with any audited information. The Guarantor is not responsible to holders of the Bonds for the preliminary annual financial information from time to time published and therefore Investors should not place any reliance on any such preliminary financial information.

RISKS RELATING TO THE PRC

The PRC Government and the Shanghai municipal government have no legal obligations under the Bonds.

The PRC Government (including the Shanghai municipal government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer or the Guarantor. Bondholders shall have no recourse to the PRC Government (including the Shanghai municipal government) in respect of any obligation arising out of or in connection with the Bonds in lieu of the Issuer. This position has been reinforced by the MOF Circular and the Joint Circular. Both circulars are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws and regulations involve uncertainties.

Each of the PRC Government (including the Shanghai SASAC), as an ultimate controlling shareholder of the Issuer and the Guarantor only has limited liability in the form of its equity contribution in the Issuer and the Guarantor. As such, the PRC government (including the Shanghai SASAC) has no payment obligations under the Bonds. The Bonds are solely to be repaid by the Issuer and the Guarantor as an obligor under the relevant transaction documents and as an independent legal person.

Investors should base their investment decision on the financial condition of the Issuer, the Guarantor and the Group and any perceived credit risk associated with an investment in the Bonds based on the Group's own financial information reflected in its financial statements.

China has experienced a slowdown in its economic development and the future performance of China's economy is uncertain.

The economy of the PRC experienced rapid growth in the past 30 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. In March 2016, Moody's and S&P changed China's credit rating outlook to "negative" from "stable", which highlighted the country's surging debt burden and questioned the government's ability to enact reforms. On 24 May 2017, Moody's downgraded China's long-term local currency and foreign currency issuer ratings to A1 from Aa3 and changed the outlook to stable from negative. On 21 September 2017, S&P's rating services downgraded China's credit rating by one notch from AA- to A+. These highlight the country's surging debt burden and questioned the government's ability to enact reforms.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC Government, but it is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States, the United Kingdom and the European Union. For example, there is substantial uncertainty relating to the implementation of the United Kingdom's exit or its impact on the economic conditions of other part of the world, such as China's, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. Therefore, there exists continued uncertainty for the overall prospects for the global and the PRC economies this year and beyond.

Changes in the economic, political and social conditions in the PRC and government policies adopted by the PRC Government could affect the Group's business and prospects.

The economy of the PRC differs from the economies of most developed countries in many respects, including, with respect to government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises.

However, a large portion of productive assets in the PRC remain owned by the PRC Government. The PRC Government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC Government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on the Group's business.

The Group's operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC Government, such as changes in laws and regulations (or the interpretation thereof). In addition, the growth of development in the economic and technology development zones and infrastructure construction demand in the PRC depends heavily on economic growth. If the PRC's economic growth slows down or if the economy of the PRC experiences a recession, the growth of development in Chinese economic and technology development zones and infrastructure construction demand may also slow down, and the Group's business prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Bonds, could also be materially and adversely affected by changes to or introduction of measures to control changes in the rate or method of taxation and the imposition of additional restrictions on currency conversion.

Uncertainty with respect to the PRC legal system could affect the Group.

The Group's core business is conducted in the PRC and most of its operations are located in the PRC, hence its business operations are regulated primarily by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, past court judgments in the PRC have limited precedential value and may be cited only for reference. Furthermore, PRC written statutes often require detailed interpretations by courts and enforcement bodies for their application and enforcement. Since 1979, the PRC Government has been committed to developing and refining its legal system and has achieved significant progress in the development of its laws and regulations governing business and commercial matters, such as in foreign investment, company organisation and management, commercial transactions, tax and trade. However, China has not developed a fully integrated legal system and the recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. In particular, as these laws and regulations are still evolving, in view of how the PRC's financial industry is still developing, and because of the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and enforcement, and such uncertainties may have a negative impact on the Group's business.

In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until sometime after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management's attention.

Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to other more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to Bondholders.

As a result of these uncertainties with respect to the PRC legal system, lack of uniform interpretation and effective enforcement, the Group may be subject to uncertainties in its operations. These uncertainties can also affect the legal remedies and protections available to investors, and can adversely affect the value of their investment.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Guarantor and the Guarantor's management.

The Guarantor and a number of the Guarantor's subsidiaries are incorporated in the PRC. A substantial portion of the Guarantor's assets are located in the PRC. In addition, most of the Guarantor's directors, supervisors and executive officers reside within the PRC and the assets of the Group's directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of the Guarantor's directors, supervisors and senior management, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for investors to enforce any judgments obtained from foreign courts against the Guarantor, the Issuer, any of their respective directors, supervisors or senior management in the PRC.

There can be no assurance of the accuracy or comparability of facts and statistics contained in this Offering Circular with respect to the PRC, its economy or the relevant industry.

Facts, forecasts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources and although the Group believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials. They have not been prepared or independently verified by the Issuer, the Trustee, the Agents or any person who controls any of them or any of its or their respective affiliates, employees, directors, agents, advisers or representatives, and, therefore, none of the Issuer, the Trustee, the Agents or any person who controls any of them or any of its or their respective affiliates, directors, officers, employees, representatives, agents makes any representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, Investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

Government control of currency conversion may adversely affect the value of Bondholders' investments.

Most of the Group's revenue is denominated in Renminbi, which is also its reporting currency. Renminbi is not a freely convertible currency. A portion of the Group's cash may be required to be converted into other currencies, particularly U.S. dollars, in order to meet its foreign currency needs, including cash payments on declared dividends, if any, on its Bonds. Currently, the Renminbi still cannot be freely exchanged into any foreign currencies, and exchange and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that, under a certain exchange rate, the Group will have sufficient foreign currencies to meet the Group's demand for foreign currencies. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by the Group do not require prior approval from SAFE, but the Group is required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by the Group, however, must be approved in advance by SAFE. If the Group fails to obtain approval from SAFE to exchange Renminbi into any foreign currencies for any purposes, the Group's capital expenditure plans, and even the Group's businesses, operating results and financial condition, may be materially and adversely affected.

RISKS RELATED TO THE BONDS AND THE GUARANTEE

The Bonds may be traded at a discount to their initial offering price and/or with limited liquidity.

The Bonds may be traded at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Group. If the Bonds are traded at a discount, investors may not be able to receive a favourable price for their Bonds, and in some circumstances investors may not be able to sell their Bonds at all or at the fair market value. Although an application will be made to the HKSE for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only, there is no assurance that such inclusion will be accepted, that the Bonds will be so included or that an active trading market will develop.

Further, the Bonds are a new issue of securities for which there is currently no trading market. No assurance can be given as to the ability of Bondholders to sell their Bonds or the price at which Bondholders will be able to sell their Bonds. The Joint Lead Managers are not obligated to make a market in the Bonds, and if the Joint Lead Managers do so, they may discontinue such market making activity at any time at their sole discretions. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, Bondholders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

The Bonds and the Guarantee are unsecured obligations.

As the obligations under the Bonds and the obligations under the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively, the repayment of the Bonds and, in case of non-payment, the payment under the Guarantee may be compromised if

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

- there is a default in payment under the Issuer's and the Guarantor's future secured indebtedness or other unsecured indebtedness; or

- there is an acceleration of any of the Issuer's and the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's assets may not be sufficient to pay amounts due on the Bonds and also the Guarantor's assets may not be sufficient the pay the obligations under the Guarantee.

The Bonds may not be a suitable investment for all investors.

Each potential investor in any Bond must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Bonds, the merits and risks of investing in the relevant Bonds and the information contained in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Bonds;

- understand thoroughly the terms of the relevant Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Bonds are legal investments for it, (ii) the Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

The Guarantor's payment obligations are structurally subordinated to liabilities, contingent liabilities and obligations of the Guarantor's subsidiaries.

The Guarantor owns assets and conducts its business operations through its subsidiaries. The Bonds will not be guaranteed by any current or future subsidiaries. The Guarantor's primary assets are ownership interests in and its loans to its subsidiaries. Accordingly, the Guarantor's ability to make payments under the Bonds will depend upon the receipt of principal and interest payments on the intercompany loans and distributions of dividends from the Guarantor's subsidiaries.

Creditors, including trade creditors of the Guarantor's subsidiaries and any holders of the preferred shares in such entities, would have a claim on the Guarantor's subsidiaries' assets that would be prior to the claims of the holders of the Bonds. As a result, the Guarantor's payment obligations under the Guarantee will be effectively subordinated to all existing and future obligations of the Guarantor's subsidiaries, and all claims of creditors of the Guarantor's subsidiaries will have priority as to the assets of such entities over the Guarantor's claims and those of the Guarantor's creditors, including holders of the Bonds.

If the Issuer and/or the Group is unable to comply with the restrictions and covenants in its debt agreements (if any), or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of the Issuer's debt to be accelerated.

If the Issuer and/or the Group is unable to comply with the restrictions and covenants in the Bonds, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Group, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements of the Group, contain cross-acceleration or cross-default provisions. As a result, the default by the Issuer and/or the Group under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that the Group's assets and cash flows would be sufficient to repay all of the Issuer's and/or the Guarantor's indebtedness in full, or that it would be able to find alternative financing. Even if the Issuer and/or the Guarantor could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer and/or the Guarantor.

Modifications and waivers may be made in respect of the Terms and Conditions, the Deed of Guarantee and the Trust Deed by the Trustee or less than all of the holders of the Bonds.

The Terms and Conditions provide that the Trustee may, without the consent of Bondholders, agree to any modification (except as mentioned in the Trust Deed) of the Trust Deed, the Agency Agreement, the Deed of Guarantee and/or the Terms and Conditions which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and to any modification of the Trust Deed, the Agency Agreement, the Deed of Guarantee and/or the Terms and Conditions which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law.

In addition, the Trustee may, without the consent of the Bondholders, authorise or waive any proposed breach or actual breach of, or any failure to comply with, any of the provisions of the Bonds, the Trust Deed, the Agency Agreement, the Deed of Guarantee and/or the Terms and Conditions (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

The Trustee may request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including, without limitation, giving notice to the Issuer and the Guarantor pursuant to Condition 9 (*Events of Default*) of the Terms and Conditions and taking action and/or steps and/or instituting proceedings pursuant to Condition 14 (*Enforcement*) of the Terms and Conditions), the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions and/or steps and/or institutes proceedings on behalf of the Bondholders. The Trustee shall not be obliged to take any such actions and/or steps and/or to institute any such proceedings if not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions and/or steps can be taken and/or such proceedings can be instituted. The Trustee may not be able to take actions and/or steps and/or to institute proceedings, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed constituting the Bonds and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable laws and regulations, it will be for the Bondholders to take such actions and/or steps and/or institute such proceedings directly.

Decisions that may be made on behalf of all holders of the Bonds may be adverse to the interests of individual holders of the Bonds.

The Terms and Conditions contain provisions for calling meetings of holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds including holders who did not attend and vote at the meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of individual Bondholders.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. The Bonds may be allocated to a limited number of investors, in which case liquidity may be limited. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Bonds will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

Developments in other markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

The insolvency laws of the British Virgin Islands and the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

As the Issuer is incorporated under the laws of the British Virgin Islands and the Guarantor is incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer and the Guarantor would likely involve insolvency laws of the British Virgin Islands or the PRC, as applicable, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

A change in English law which governs the Bonds may adversely affect Bondholders.

The Terms and Conditions are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Bonds.

The Issuer may be unable to redeem the Bonds upon the due date for redemption thereof.

The Bonds will be redeemed at their principal amount upon their maturity, or following the occurrence of an event triggering the Bondholders' right to require the Issuer to redeem all, but not some only, of such Bondholder's Bonds. In such circumstances, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in any of such circumstances may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's other indebtedness.

The Bonds may be redeemed by the Issuer prior to maturity.

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to 100 per cent. of their principal amount, together with interest accrued up to but excluding the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer (or if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions), as further described in Condition 6(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions.

If the Issuer redeems the Bonds prior to their Maturity Date, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

The Bonds are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer or the Guarantor as to whether or not payments on the Bonds may be made without withholding taxes or deductions applying from the Issue Date for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions, the Issuer and the Guarantor are required to gross up payments on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Bonds at any time in the event it has or will become obliged to pay additional amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC (only where such tax or withholding is in excess of the rate applicable on [•] 2019) or any political subdivision or any authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or any political subdivision or any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after [•] 2019.

The Issuer may issue additional Bonds in the future.

The Issuer may, from time to time, without the consent of the Bondholders create and issue further bonds which are consolidated and form a single series with the outstanding Bonds and each of the Issuer and the Guarantor may, from time to time, without the consent of the Bondholders otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

Investors in the Bonds may be subject to foreign exchange risks.

The Bonds are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Issuer has no control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

Changes in market interest rates may adversely affect the value of the Bonds.

The Bonds will carry a fixed rate of interest. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive a price less than their investment.

The Bonds will be initially evidenced by a Global Certificate and holders of a beneficial interest in a Global Certificate must rely on the procedures of the clearing systems.

The Bonds will be initially evidenced by beneficial interests in a Global Certificate. Such Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg (the "**Clearing Systems**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Certificates. The Clearing Systems will maintain records of their direct accountholders credited with an interest in the Bonds evidenced by the Global Certificate. While the Bonds are evidenced by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

Owners of book-entry interests will not be considered owners or holders of the Bonds for purposes of the Trust Deed. A nominee of the common depositary for Euroclear and Clearstream, Luxembourg will be the sole registered holder of the Global Certificate. Accordingly, holders of a beneficial interest in a Global Certificate must rely on the procedures of Euroclear or Clearstream, Luxembourg, and if such holder is not a participant in Euroclear or Clearstream, Luxembourg, on the procedures of the participant through which such holder owns its interest, to exercise any rights and obligations of a holder of the Bonds under the Trust Deed.

The NDRC Circular is a recent development and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds.

According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities, or medium-to-long term loans issued or incurred outside the PRC with the NDRC prior to the issue of the securities or drawings under the loans, and notify the particulars of the relevant issues or drawings, within ten business days after closing.

The NDRC Circular is a recent development and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds. In addition, the administration of the NDRC Circular may be subject to a certain degree of executive and policy discretion by the NDRC. The NDRC Circular does not expressly state the legal consequences of non-compliance with such post issue notification requirements, therefore, there is no assurance that the failure to comply with the NDRC requirements would not result in any adverse consequences for the Issuer, the Guarantor, the Bonds or the investors in the Bonds. There is also no assurance that the registration approval or the annual foreign debt quota with the NDRC will not be revoked or amended in the future, or that future changes in PRC laws and regulations will not have a negative impact on the performance, validity or enforceability of the Bonds in the PRC. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

The Issuer may be treated as a PRC resident enterprise for PRC tax purposes which may subject the Issuer to PRC income taxes on its worldwide income and interest payable by the Issuer or the Guarantor to foreign investors in respect of the Bonds or under the Guarantee may be subject to withholding taxes under PRC tax law.

Under the Enterprise Income Tax Law of the PRC (the "**EIT Law**") and its implementing rules effective on 1 January 2008 and as amended on 24 February 2017 enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" for PRC tax purposes.

The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. The Notice of the State Administration of Taxation on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (國家稅務總局關於境外注冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) issued by the SAT on 22 April 2009, as revised in 2013 and 2017 ("**Circular 82**") provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a "resident enterprise" with a "de facto management body" located within the PRC if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management frequently reside within the PRC. Circular 82 also provides that, the determination of "de facto management body" shall be governed by the principle of substance being more important than form. On 27 July 2011, the SAT issued the Provisional Administrative Regulations of Enterprise Income Taxation of a Chinese-Controlled Foreign Resident Enterprise (境外注冊中資控股居民企業所得稅管理辦法), as revised in 2015, 2016 and 2018 ("**Circular 45**"), to further prescribe the rules concerning the recognition, administration and taxation of a foreign enterprise "controlled by a PRC enterprise or PRC enterprise group". Circular 45 identifies and defines two ways in which a foreign enterprise "controlled by a PRC enterprise or a PRC enterprise group" would be treated as a resident enterprise: first, the foreign enterprise may decide on its own whether its de facto management body is located in the PRC based on the criteria set forth in Circular 82, and, if it makes such determination, it shall apply to the competent tax bureau to be treated as a resident enterprise; second, the tax authority may determine that such foreign enterprise is a resident enterprise after its active investigation.

The Group takes the position that the Issuer is currently not a PRC resident enterprise for tax purposes, and as of the date of this Offering Circular, neither the Issuer nor the Guarantor has been notified or informed by the PRC tax authorities that the Issuer is considered as a "resident enterprise" for EIT purpose. However, there is no assurance that the tax authorities will agree with the Group's position. If the Issuer is deemed to be a PRC resident enterprise for EIT purposes, the Issuer would be subject to the PRC enterprise income tax at the rate of 25 per cent. on its worldwide taxable income. Furthermore, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities, the Issuer may be obligated to withhold PRC income tax of up to 7 per cent. on payments of interest and certain other amounts on the Bonds to investors that are Hong Kong resident enterprises or 10 per cent. on payments of interest and other amounts on the Bonds to investors that are not Hong Kong resident enterprises, **provided that** there are no tax treaties between the PRC and those countries which exempt or reduce such withholding tax, because the interest and other amounts may be regarded as being derived from sources within the PRC. Similarly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities, payments of interest and certain other amounts on the Bonds to a non-resident individual holder may also be regarded as being derived from sources within the PRC and be subject to PRC tax of up to 20 per cent. pursuant to the Individual Income Tax Law of the PRC, as revised in 2011 and 2018 ("**IIT Law**") and its implementation rules, **provided that** there are no tax treaties between the PRC and those countries or regions which exempt or reduce such withholding tax. Further, the payments of the interest and other interest like earnings on the Bonds to a non-resident enterprise or a non-resident individual holder may be subject to withholding of PRC enterprise income tax or individual income tax in the event that the Guarantor is required to discharge its obligations under the Guarantee, subject to applicable tax treaties between the PRC and those countries or regions which exempt or reduce such withholding of tax. In addition, if the Issuer or the Guarantor fails to do so, it may be subject to fines and other penalties.

Pursuant to the Circular of Full Implementation of Business Tax to VAT Reform (《關於全面推開營業稅改征增值稅試點的通知》)(Caishui [2016] No. 36) issued by the Ministry of Finance and the SAT on 23 March 2016 and revised on 11 July 2017 and 25 December 2017, as supplemented by the Notice on Clarification of VAT Policies for Finance, Real Estate Development, Education Support Services etc (《財政部、國家稅務總局關於明確金融房地產開發教育輔助服務等增值稅政策的通知》) jointly issued by the Ministry of Finance of the PRC and the SAT on 21 December 2016 and effective retroactively (excluding Article 17 thereof) as of 1 May 2016 (together, "**Circular 36**") and other related rules and regulations, income derived from the provision of financial services which previously was subject to business tax is after 1 May 2016 subject only to VAT which replaced the business tax. According to Circular 36, entities and individuals providing services within the PRC shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "**loans**" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer. VAT is unlikely to apply to the Issuer's payments of interest and other amounts on the Bonds to investors who are located outside of the PRC but there is uncertainty as to the applicability of VAT as this will depend on how the PRC tax authorities interpret, apply or enforce the Circular 36 and its implementation rules. However, the payments of the interest and other interest like earnings may be subject to VAT at the rate of 6 per cent. in the event that the Guarantor is required to discharge its obligations under the Guarantee as the Guarantor is located in the PRC. In addition, pursuant to the Interim Regulation of the PRC on City Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例(2011修訂)), Interim Provisions on the Collection of Educational Surcharges (徵收教育費附加的暫行規定(2011修訂)), Notice of the Ministry of Finance on the Relevant Matters regarding Unifying the Policies on Local Education Surcharges (財政部關於統一地方教育附加政策有關問題的通知), certain surcharges on VAT may also be applicable and will be required to be withheld by the Issuer or the Guarantor, as the case may be, if the Issuer or the Guarantor is required to withhold PRC VAT from interest payments made to the holders of the Bonds who are located outside of the PRC.

If the Issuer or the Guarantor is required under the EIT Law, IIT law, Circular 36 or other related PRC tax laws to withhold PRC income tax or VAT or related surcharges on VAT from interest payments made to the holders of the Bonds who are "non-resident enterprises" or who are located outside of the PRC, the Issuer will be required to pay such additional amounts as will result in receipt by a holder of the Bonds of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds, and could have a material adverse effect on its ability to pay interest on, and repay the principal amount of, the Bonds, as well as its profitability and cash flow. It is unclear whether, if the Issuer is considered a PRC "resident enterprise", holders of the Bonds might be able to claim the benefit of income tax treaties or agreements entered into between the PRC and other countries or areas.

Gains on the transfer of the Bonds may be subject to income tax or VAT under PRC tax laws.

Under the EIT law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT law as non-resident enterprises may be subject to PRC EIT if such gains are regarded as income derived from sources within the PRC. Under the EIT law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities, capital gain realised by a non-resident enterprise from the transfer of the Bonds may be regarded as being derived from sources within the PRC and, accordingly, may be subject to a PRC tax of up to 10 per cent., **provided that** there are no tax treaties between the PRC and those countries or regions which exempt or reduce such withholding tax. Similarly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities, any capital gain realised by a non-resident individual holder from transfer of the Bonds may also be regarded as being derived from sources within the PRC and be subject to PRC tax of up to 20 per cent. pursuant to the IIT Law, **provided that** there are no tax treaties between the PRC and those countries or regions which exempt or reduce such withholding tax. There remains uncertainty as to whether the gains realised from the transfer of the Bonds between entities or individuals located outside of the PRC would be treated as incomes derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the EIT Law and its implementation rules. If such gains are subject to PRC income tax, the 10 per cent. EIT rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

Under the Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. VAT is unlikely to apply to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to apply to gains realised upon such transfers, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 and laws and regulations pertaining to VAT are relatively new, and there is uncertainty as to the applicability of Circular 36 as this will depend on how the PRC tax authorities interpret, apply or enforce the Circular 36 and its implementation rules.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax or VAT or related surcharges on VAT on gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the Bondholders would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Bondholders' ability to initiate a claim outside of Hong Kong will be limited.

Credit ratings may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to an issue of Bonds. The Guarantor is also currently assigned ratings by Moody's and S&P. The ratings may not reflect the potential impact of all risks related to structure, market and additional factors discussed above, and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

TERMS AND CONDITIONS OF THE BONDS

The following, save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds substantially in the form they will be endorsed on the definitive certificates and referred to in the Global Certificate.

The issue of the U.S.$[•] in aggregate principal amount of [•] per cent. Guaranteed Bonds due [•] (the "**Bonds**" which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 13 and consolidated and forming a single series therewith) was authorised by a resolution of the board of directors of Guotai Junan Holdings Limited (the "**Issuer**") passed on [•] 2019 and the Guarantee was authorised by a resolution of the board of directors of Guotai Junan Securities Co., Ltd. (the "**Guarantor**") passed on [•] 2019. The Bonds are constituted by a Trust Deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated [•] 2019 between the Issuer, the Guarantor and Citicorp International Limited (花旗國際有限公司) (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the holders of the Bonds. The Bonds have the benefit of a deed of guarantee (as amended and/or supplemented from time to time, the "**Deed of Guarantee**") dated on or about [•] 2019 executed by the Guarantor and the Trustee relating to the Bonds. The Bonds are the subject of an agency agreement (as amended and/or supplemented from time to time, the "**Agency Agreement**") dated [•] 2019 between the Issuer, the Guarantor, the Trustee, Citibank, N.A., London Branch as registrar (the "**Registrar**") and as transfer agent (the "**Transfer Agent**"), Citibank, N.A., London Branch as initial principal paying agent (the "**Principal Paying Agent**"), and the other agents named therein. References herein to "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time pursuant to the Agency Agreement with respect to the Bonds. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee and of those provisions of the Agency Agreement applicable to them. Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement are available for inspection by Bondholders following prior written request and proof of holding satisfactory to the Trustee at all reasonable times during usual business hours at the principal place of business of the Trustee (being as at the Issue Date at 39th Floor, Champion Tower, Three Garden Road, Central, Hong Kong) and at the specified office for the time being of the Principal Paying Agent.

All capitalised terms that are not defined in these terms and conditions (the "**Conditions**") will have the meanings given to them in the Trust Deed.

1 Form, Specified Denomination and Title

The Bonds are issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Bonds are represented by registered certificates (the "**Certificates**") and, save as provided in Condition 2(b), each Certificate shall represent the entire holding of Bonds by the same holder. Title to the Bonds shall pass by transfer and registration in the Register as described in Condition 2. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**" or "**holder**" in relation to a Bond means the person in whose name a Bond is registered.

*Upon issue, the Bonds will be evidenced by a global certificate (the "**Global Certificate**") substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg, and will be exchangeable for individual Bond Certificates only in the circumstances set out therein.*

2 Transfers of Bonds

(a) Register

The Issuer will cause the register (the "**Register**") to be kept at the specified office of the Registrar outside the United Kingdom and in accordance with the terms of the Agency Agreement, on which shall be entered the names and addresses of the holders and the particulars of the Bonds held by them and of all transfers of the Bonds. Each holder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

(b) Transfer

Subject to the Agency Agreement and Conditions 2(e) and 2(f), a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back of the Certificate duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Registrar or any Transfer Agent. No transfer of title to a Bond will be valid unless and until entered on the Register.

(c) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within seven business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c) and in Condition 2(e), "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) Formalities Free of Charge

Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant holder of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require); and (ii) subject to Condition 2(f).

(e) Closed Periods

No holder may require the transfer of a Bond to be registered (i) during the period of seven business days ending on (but excluding) the due date for any payment of principal in respect of that Bond, (ii) during the period of seven business days ending on (and including) any Record Date (as defined in Condition 7(a)), (iii) during the period of 15 days prior to (and including) any date on which Bonds may be called for redemption by the Issuer pursuant to Condition 6(b) or (iv) after any such Bond has been put for redemption pursuant to Condition 6(c).

(f) Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the holders) by the Registrar to any holder who requests one in writing.

3 Guarantee and Status

(a) Guarantee

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect (the "**Guarantee**") are contained in the Deed of Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(b) Status

The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and regulation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

4 Covenants

(a) Undertakings relating to the Guarantee

The Guarantor undertakes (i) to file or cause to be filed with the National Development and Reform Commission of the PRC (the "**NDRC**") the requisite information and documents, within 10 PRC Business Days after the issue date of the Bonds and in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) promulgated by the NDRC on 14 September 2015 which came into effect immediately and any implementation rules as issued by the NDRC from time to time (the "**Post-Issuance Filing**") and to comply with all applicable PRC laws and regulations in relation to the issue of the Bonds and the Guarantee; and (ii) to register or cause to be registered with the relevant branch of the State Administration of Foreign Exchange ("**SAFE**"), the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor shall submit for registration the Deed of Guarantee within 15 PRC Business Days after execution of the Deed of Guarantee. The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and comply with all applicable PRC laws and regulations in relation to the Guarantee.

The Guarantor shall, within ten PRC Business Days after completion of both the submission of the Post-Issuance Filing and receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (A) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming (I) the completion of the Post-Issuance

Filing and the Cross-Border Security Registration and (II) that no Event of Default or any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 9, become an Event of Default has occurred; and (B) copies of the Post-Issuance Filing setting out the particulars of filing, SAFE registration certificates and any other document evidencing the registration issued by SAFE and the particulars of registration, each certified in English by an Authorised Signatory of the Guarantor as being a true and complete copy of the original (the "**Registration Documents**"). In addition, the Guarantor shall procure that within ten PRC Business Days after the Registration Documents are delivered to the Trustee, the Issuer shall give notice to the Bondholders (in accordance with Condition 16) confirming the completion of the Post-Issuance Filing and the Cross-Border Security Registration. The Trustee shall have no obligation or duty to monitor, assist with or ensure the Cross-Border Security Registration with SAFE on or before the Registration Deadline and/or the Post-Issuance Filing with the NDRC or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Post-Issuance Filing and the Cross-Border Security Registration and/or the Registration Documents or the accuracy or completeness of the translation into English of any such certificate, confirmation or other document or to give notice to the Bondholders confirming the completion of the Post-Issuance Filing and the Cross-Border Security Registration, and shall not be liable to Bondholders or any other person for not doing so.

(b) Definitions

In these Conditions:

(i) "**PRC**" means the People's Republic of China, which shall for the purposes of these Conditions, exclude Hong Kong, Macau and Taiwan;

(ii) "**PRC Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Beijing;

(iii) "**Rating Agency**" means (A) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors ("**Moody's**"); or (B) Fitch Ratings; or (C) Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. and their respective successors or any other reputable credit rating agency of international standing;

(iv) "**Registration Deadline**" means the day falling 150 days after the Issue Date; and

(v) a "**Subsidiary**" of any person means (A) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (B) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

5 Interest

The Bonds bear interest on their outstanding principal amount from and including [•] 2019 at the rate of [•] per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$[•] per Calculation Amount (as defined below) on [•] and [•] in each year (each, an "**Interest Payment Date**") commencing on [•] 2019. Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (ii) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

In these Conditions, the period beginning on and including [•] 2019 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Bond shall be calculated per U.S.$1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the rate of interest specified above, the Calculation Amount and the day count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If interest is required to be calculated for a period of less than a complete Interest Period, the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and in the case of an incomplete month, the number of days elapsed.

6 Redemption and Purchase

(a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on [•] (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 16 (which such notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent at their principal amount together with interest accrued up to but excluding the date fixed for redemption, if the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice (i) that the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after [•] 2019, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6(b), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee (A) a certificate signed by any one Director of the Issuer who is also an Authorised Signatory of the Issuer or by any other Authorised Signatory of the Issuer (or by any one Director of the Guarantor who is also an Authorised Signatory of the Guarantor or by any other Authorised Signatory of the Guarantor, as the case may be) stating that the obligation referred to in Condition 6(b)(i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and (B) an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments and opinion. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event they shall be conclusive and binding on the Bondholders.

(c) Redemption for Relevant Events

At any time following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined below) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. In order to exercise such right, the holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of the Principal Paying Agent or any other Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16.

The "**Put Settlement Date**" shall be the fourteenth day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to the Bondholders (in accordance with Condition 16) and to the Trustee and the Principal Paying Agent in writing by not later than 14 days (in the case of a redemption for a Change of Control) or five PRC Business Days (in the case of a redemption for a No Registration Event) following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by Bondholders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

Neither the Trustee nor the Agents shall be required to monitor whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred and none of them shall be liable to any Bondholders or any other person for not doing so. The Trustee shall not be required to investigate or verify the accuracy, content, completeness or genuineness of any document provided to it by the Issuer or the Guarantor or any other person as part of or in connection with or to enable satisfaction of the Registration Conditions, and may rely conclusively on any such document, and shall not be responsible or liable to Bondholders, the Issuer, the Guarantor or any other person for any loss or liability arising from so doing.

For the purposes of these Conditions:

a "**Change of Control**" occurs when:

(i) the Guarantor ceases to directly or indirectly own and control 100 per cent. of the issued share capital of the Issuer;

(ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any person or persons, acting together, other than any of the Guarantor or any of its Subsidiaries; or

(iii) any Person or Persons, acting in concert, acquires Control directly or indirectly or in combination (through Subsidiaries) of the Guarantor, other than where Control is acquired by SASAC or its local counterparts or its successor or entities controlled (directly or indirectly) by SASAC or its local counterparts, or any Person directly or indirectly controlled by the central or local government of the PRC.

"**Control**" means (i) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor, or (ii) the right to appoint and/or remove all or the majority of the members of the Guarantor's board of directors (excluding independent directors) or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise, or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing;

a "**No Registration Event**" occurs when the Registration Documents are not delivered to the Trustee on or before the Registration Deadline;

a "**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state, agency of a state (in each case whether or not being a separate legal entity);

"**Registration Conditions**" means the receipt by the Trustee of the Registration Documents;

a "**Relevant Event**" means a Change of Control or a No Registration Event; and

"**SASAC**" means the State-owned Assets Supervision and Administration Commission of the PRC or its successor.

(d) Purchase

The Guarantor, the Issuer and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Guarantor, the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding (as defined in the Trust Deed) *inter alia* for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) and 14.

(e) Cancellation

All Certificates representing Bonds purchased by or on behalf of the Issuer, the Guarantor and their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.

7 Payments

(a) Method of Payment

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii).

(ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in U.S. dollars by transfer to an account in U.S. dollars maintained by the payee with a bank.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg, or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

(b) Payments subject to Fiscal Laws

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreement thereunder, any official interpretations thereof, or (without prejudice to provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) Payment Initiation

Where payment is to be made by transfer to an account in U.S. dollars, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date or, if that is not a Payment Business Day, on the first following day which is a Payment Business Day or, in the case of payments of principal (or premium, if any) where the relevant Certificate has not been surrendered at the specified office of any Paying Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) Agents

The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and the

Guarantor and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar which will maintain a Register outside the United Kingdom and (iii) a Transfer Agent, in each case as approved by the Trustee.

Notice of any such termination or appointment or any change of any specified office shall promptly be given by the Issuer to the Bondholders.

(e) Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(f) Non-Payment Business Days

If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in London, New York City and the place in which the specified office of the Principal Paying Agent is located and where payment is to be made by transfer to an account maintained with a bank in U.S. dollars, the place on which foreign exchange transactions may be carried on in U.S. dollars in the principal financial centre of the country of such currency.

8 Taxation

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the rate applicable on [•] 2019 (the "**Applicable Rate**"), the Issuer, or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

In the event that (i) the Issuer is required to make any deduction or withholding by or within the British Virgin Islands, or (ii) the Issuer, or as the case may be, the Guarantor is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, then the Issuer (or the Guarantor, as the case may be) shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond (or the Guarantee, as the case may be):

(a) *Other Connection:* held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands or the PRC other than the mere holding of the Bond; or

(b) *Surrender More Than 30 Days after the Relevant Date:* in respect of which the Certificate representing it is presented (where presentation is required) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days; or

(c) *Tax Declaration:* to a holder (or to a third party on behalf of a holder) who would not be liable for a subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such declaration or claim, such holder fails to do so within any applicable period prescribed by such relevant tax authority.

References in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

"**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, any Bondholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9 Events of Default

If an Event of Default (as defined below) occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (provided that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable. Upon any such notice being given to the Issuer and the Guarantor, the Bonds shall immediately become due and payable at their principal amount together (if applicable) with accrued interest.

An "**Event of Default**" occurs if:

(a) *Non-Payment:* there has been a failure to pay the principal of or premium (if any) or interest on any of the Bonds when due and in the case of interest, such failure continues for a period of seven days; or

(b) *Breach of Other Obligations:* the Issuer or the Guarantor does not perform or comply with any one or more of their respective other obligations under the Bonds (other than where it gives rise to a redemption pursuant to Condition 6(c)), the Deed of Guarantee or the Trust Deed and such default (i) is in the opinion of the Trustee incapable of remedy or, (ii) being a default which in the opinion of the Trustee is capable of remedy, remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer or the Guarantor, as the case may be; or

(c) *Cross Acceleration:* (i) any other present or future indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.$20,000,000 (or its equivalent in any other currency or currencies); or

(d) *Enforcement Proceedings:* a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer, the Guarantor or any of their respective Material Subsidiaries and is not discharged within 60 days; or

(e) *Security Enforced:* any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of the Material Subsidiaries in respect of all or a material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged within 45 days; or

(f) *Insolvency:* the Issuer or the Guarantor or any of the Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer or the Guarantor or any of the Material Subsidiaries; or

(g) *Winding-up:* an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer or the Guarantor or any of the Material Subsidiaries, or the Issuer or the Guarantor or any of the Material Subsidiaries ceases or threatens to cease to carry on all or a substantial part of its business or operations, except (i) for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the Bondholders, or (B) in the case of a Material Subsidiary, whereby the undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) or another of the Guarantor's Subsidiaries or (ii) a disposal of a Material Subsidiary on an arm's length basis where the assets (whether in cash or otherwise) resulting from such disposal is vested in the Issuer, the Guarantor or any of their respective Subsidiaries in any combination; or

(h) *Nationalisation:* any step is taken by any person with a view to the seizure, compulsory acquisition or expropriation of all or any part of the assets of the Issuer, the Guarantor or any of the Material Subsidiaries, provided that the value of the assets subject to such seizure, compulsory acquisition or expropriation, individually or in the aggregate, exceeds 50 per cent. of the consolidated total assets of the Guarantor and its Subsidiaries; or

(i) *Authorisation and Consents:* any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable each of the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Deed of Guarantee and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Deed of Guarantee and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(j) *Illegality:* it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of their respective obligations under any of the Bonds, the Deed of Guarantee, or the Trust Deed; or

(k) *Unenforceability of Guarantee:* the Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or

(l) *Analogous Events:* any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 9(d) to 9(g) (both inclusive).

In this Condition 9:

"**Material Subsidiary**" means any Subsidiary of the Issuer or the Guarantor:

(a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least five per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Guarantor and its Subsidiaries; or

(b) whose gross profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profit, as shown by its latest audited income statement are at least five per cent. of the consolidated gross profit as shown by the latest audited consolidated income statement of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(c) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross assets, as shown by its latest audited balance sheet are at least five per cent. of the amount which equals the amount included in the consolidated gross assets of the Guarantor and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests; or

(d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, provided that (xx) the Material Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Material Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Material Subsidiary and (yy) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or transferee Subsidiary is or is not a Material Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition;

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or gross assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Guarantor;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor; and

(iv) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor.

10 Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Meetings of Bondholders, Modification and Waiver

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee. Such a meeting may be convened by the Trustee, the Issuer or the Guarantor and shall be convened by the Trustee upon request in writing from Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable in respect of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Deed of Guarantee (other than as provided in Condition 12(b)), in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) Modification of the Conditions, Trust Deed, Agency Agreement and the Deed of Guarantee

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of, or any failure to comply with, any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer, failing whom, the Guarantor, to the Bondholders as soon as practicable thereafter.

(c) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders, and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or the Trustee, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

(d) Certificates and Reports

The Trustee may rely conclusively and without liability to Bondholders on any information from the Rating Agency and on any report, confirmation or certificate from or any advice or opinion of any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such information, report, confirmation, certificate, advice or opinion and, in such event, such information, report, confirmation, certificate, advice or opinion shall be binding on the Issuer, the Guarantor and the Bondholders.

13 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for submission of the Post-Issuance Filing and the timing for completion of the Cross-Border Security Registration) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 13. However, such further securities may only be issued if such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed.

14 Enforcement

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Bonds and/or the Deed of Guarantee, but it need not take any such steps and/or actions and/or institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

15 Indemnification of the Trustee

Under the Trust Deed, the Trustee is entitled to be indemnified, secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the holders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Bondholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Guarantor, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Bondholders or in the event that no direction is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor and any other person appointed by the Issuer and/or the Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same in these Conditions or under the Trust Deed, the Agency Agreement and/or the Deed of Guarantee and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each

Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of the Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of the Bondholders convened and held in accordance with the Trust Deed. Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Event of Default, Potential Event of Default or Relevant Event has occurred or to monitor compliance by the Issuer or the Guarantor with the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions, and shall not be liable to the Bondholders or any other person for not doing so.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the Guarantor and their respective Subsidiaries, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

16 Notices

Notices to the holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of the Bonds shall also be published in a daily newspaper of general circulation in Asia (which is expected to be the Asian Wall Street Journal). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

Until such time as any definitive certificates are issued and so long as the Global Certificate is held in its entirety on behalf of Euroclear and Clearstream, Luxembourg, any notice to the Bondholders shall (notwithstanding the preceding provisions of this Condition 16) be validly given by the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

18 Governing Law and Jurisdiction

(a) Governing Law

The Bonds, the Deed of Guarantee, the Agency Agreement and the Trust Deed, and any non-contractual obligations arising out of or in connection with them, are all governed by and shall be construed in accordance with English law.

(b) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds, the Deed of Guarantee, the Agency Agreement or the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Bonds, the Deed of Guarantee, the Agency Agreement or the Trust Deed ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor has irrevocably submitted to the jurisdiction of such courts.

(c) ***Service of Process***

Pursuant to the Trust Deed, each of the Issuer and the Guarantor has irrevocably appointed Guotai Junan Financial Holdings Limited (currently at Units 1804-1807, 18/F, Tower 1, Lippo Centre, 89 Queensway, Hong Kong) to receive service of process in any Proceedings in Hong Kong based on the Bonds, the Trust Deed and the Deed of Guarantee.

(d) ***Waiver of Immunity***

Each of the Issuer and the Guarantor has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective or its use or intended use) or any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions set out in this Offering Circular. The following is a summary of certain of those provisions.

Terms defined in the Terms and Conditions set out in this Offering Circular have the meaning in the paragraphs below.

The Bonds will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream, Luxembourg.

Under the Global Certificate, the Issuer, for value received, will promise to pay the amount payable upon redemption under the Terms and Conditions in respect of the Bonds represented by the Global Certificate and to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment and in accordance with the method of calculation provided for in the Terms and Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions, in accordance with the Terms and Conditions.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") through which the Bonds are held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

The individual definitive Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate. Such exchange will be effected in accordance with the provisions of the Trust Deed, the Agency Agreement and the regulations concerning the transfer and registration of the Bonds scheduled thereto and, in particular, shall be effected without charge to any holder of the Bonds or the Trustee, but against such indemnity and/or security as the Registrar or the relevant Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

The Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions as they apply to the Bonds evidenced by the Global Certificate. The following is a summary of certain of those provisions:

PAYMENT

So long as the Bonds are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the holder of the Bonds in the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the due date for such payment, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

NOTICES

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

MEETINGS

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each U.S.$1,000 in principal amount of Bonds for which the Global Certificate is issued.

BONDHOLDER'S REDEMPTION

The Bondholder's redemption option in Condition 6(c) (*Redemption for Relevant Events*) of the Terms and Conditions may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions.

ISSUER'S REDEMPTION

The option of the Issuer provided for in Condition 6(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Terms and Conditions.

TRANSFERS

Transfers of beneficial interests in the Bonds represented by the Global Certificate will be effected through the records of Euroclear and Clearstream, Luxembourg (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (or any Alternative Clearing System) and their respective direct and indirect participants.

CANCELLATION

Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer, the Guarantor or any of their respective Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

TRUSTEE'S POWERS

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

The Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

USE OF PROCEEDS

The gross proceeds from the issue of the Bonds are estimated to be approximately U.S.$[•] and are intended to be used for the refinancing of existing debt obligations and for general corporate purposes of the Group in accordance with relevant NDRC and SAFE rules.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Guarantor's consolidated capitalisation and indebtedness as at 30 June 2018 and as adjusted to give effect to the issue of the Bonds offered hereby. This table should be read in conjunction with the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2017 and the accompanying notes and the Guarantor's interim unaudited financial statements as at and for the six months ended 30 June 2018 and the accompanying notes, which are included elsewhere in this Offering Circular.

	As at 30 June 2018			
	Actual		As adjusted	
	(RMB thousand)	*(U.S.$ thousand)*[3]	*(RMB thousand)*	*(U.S.$ thousand)*[3]
Short-term interest-bearing borrowings				
Loans and borrowings	8,659,014	1,308,581	8,659,014	1,308,581
Short-term debt instruments	26,562,321	4,014,194	26,562,321	4,014,194
Bonds payable[1]	3,302,235	499,046	3,302,235	499,046
Total short-term interest-bearing borrowings	**38,523,570**	**5,821,821**	**38,523,570**	**5,821,821**
Long-term interest-bearing borrowings				
Bonds payable[1]	72,529,549	10,960,927	72,529,549	10,960,927
Bonds to be issued	–	–	[•]	[•]
Total long-term interest-bearing borrowings	**72,529,549**	**10,960,927**	**[•]**	**[•]**
Equity				
Share capital	8,713,940	1,316,882	8,713,940	1,316,882
Other equity instruments	11,129,823	1,681,979	11,129,823	1,681,979
Reserves	64,226,341	9,706,116	64,226,341	9,706,116
Retained profits	37,797,099	5,712,034	37,797,099	5,712,034
Equity attributable to equity holders of the Company	121,867,203	18,417,011	121,867,203	18,417,011
Non-controlling interests	**10,523,328**	**1,590,323**	**10,523,328**	**1,590,323**
Total equity	**132,390,531**	**20,007,334**	**132,390,531**	**20,007,334**
Total capitalisation[2]	**243,443,650**	**36,790,082**	**[•]**	**[•]**

(1) In July 2018 and October 2018, the Guarantor issued long-term bonds in the PRC and short-term commercial paper in the PRC, respectively. The proceeds of both issuances have been used to replenish the Group's working capital.

(2) Total capitalisation equals the sum of the short-term interest-bearing borrowings, the long-term interest-bearing borrowings and the total owner's equity.

(3) The translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB6.6171 to U.S.$1.00, the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 29 June 2018.

From time to time, the Guarantor may issue debt or other securities in various currencies and tenor depending on market conditions. Except as otherwise disclosed above, there has been no material adverse change to the consolidated capitalisation and indebtedness of the Guarantor since 30 June 2018.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer is a limited liability company incorporated under the BVI Business Companies Act. It was incorporated in the British Virgin Islands on 3 March 2010. The Issuer is an indirectly wholly-owned subsidiary of the Guarantor.

As at the date of this Offering Circular, the Issuer is authorised to issue a maximum of 50,000 no par value shares of a single class and one share has been issued to Guotai Junan Financial Holdings Limited. None of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

BUSINESS ACTIVITY

The Issuer was established pursuant to the unrestricted objects and powers set out in its memorandum of association. The Issuer does not directly sell any products or provide any services and has undertaken no business activities since the date of its incorporation, save for its holding as to approximately 66.35% of the shares at the date of this Offering Circular of Guotai Junan International Holdings Limited (國泰君安國際控股有限公司), a limited liability company incorporated in Hong Kong in March 2010, the shares of which are listed on the HKSE (stock code: 1788).

Guotai Junan International is a forerunner and leader in the internationalisation of PRC securities companies. In July 2010, Guotai Junan International became the first PRC securities company conducting business in Hong Kong to be listed in Hong Kong through an IPO. In March 2011, Guotai Junan International was admitted as a constituent stock of the Hang Seng Composite Index. In September 2015, Guotai Junan International was admitted as a constituent stock of the Hang Seng Composite MidCap Index. As of 31 December 2018, the market capitalization of Guotai Junan International was HK$9,700 million. For more details, see "*Description of the Group – The principal business lines of the Group – International Business*".

FINANCIAL STATEMENTS

Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are sufficient to show and to explain its transactions and which will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

DIRECTORS AND OFFICERS

The directors of the Issuer as at the date of this Offering Circular are Fung Yim, Jian Zhu and Xiaogang Nie. The registered office of the Issuer is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands. The directors of the Issuer do not hold any shares or options to acquire shares of the Issuer. The Issuer does not have any employees.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is a long-term, consistent and across-the-board leader in the PRC securities industry, providing integrated financial services. Throughout the development of the PRC capital markets, the Group has weathered many industry cycles while forging ahead to establish itself as a comprehensive industry leader. From 2007 to 2017, the Group's net profit ranked among the top three in the industry for eleven consecutive years. From 2011 to 2017, the Group's operating revenue and total assets ranked among the top three in the industry for seven consecutive years. The Group's operating revenue and net profit in 2017 ranked third and second in the industry respectively. As of 30 June 2018, both of the Group's total assets and net assets ranked second in the industry while the net capital ranked first in the industry, and for the six months ended 30 June 2018, the Group's operating revenue and net profit ranked second in the industry. The Guarantor also has a rating of BBB+ by S&P and a rating of Baa1 from Moody's Investors Service, Inc., which is the highest international rating amongst companies in the PRC securities industry.

The Group has a comprehensive and balanced combination of businesses and its principal businesses rank at the top of the industry. In addition, the Group is committed to achieving quality growth and maintaining a balance among business scale, profitability and risk management. The Group has been granted the industry's highest regulatory rating of Class A Grade AA from the CSRC for eleven consecutive years from 2008 to 2018.

The Group's vision is to become an integrated financial services provider rooted in China with global coverage and strong influence. Leveraging its strong competitive advantage in the PRC, the Group aims to promote its internationalisation by building up its global network and international execution capabilities, so that it can meet its clients' demand for cross-border financial services. According to the Group's Three-year Development Strategy Plan from 2016 to 2018, the Group's phased objective for this planning period is to develop the Group into "an integrated financial services provider with an across-the-board leading position in China and international competitiveness".

The Group derives its success from the consensus of its culture among its employees, and the continuous implementation of such culture:

Its Value: The Group regards its clients as its first priority and balances the interests of all stakeholders.

The Group prioritises its clients and aim to create value for them through its professional services. The Group believes that it can only further the interests of its Shareholders and employees through creating value for its clients. The Group also believes that the pursuit of long-term goals can lead to the achievement of short-term objectives, and the Group is committed to striking a balance between business scale and profitability.

Its Approach to Profession: The Group adopts a culture of risk management and excellence.

The Group believes that risk management creates value and future development relies on compliant operations. The Group seeks to identify the best people for all positions, and to provide the best quality services and deliver the best results to its clients.

Its People Culture: The Group is a people business and the Group promotes collaboration and cooperation.

The Group views its employees as the cornerstone of its survival and growth. The Group places strong emphasis on its culture and heritage. The Group gives its best employees opportunities for career advancements. Its people culture is based on both shared responsibilities and shared rewards.

Its Code of Conduct: The Group excels by innovation and cherishes its reputation.

The Group believes that innovation is the driver for its future growth and the key to a sustainable leading position. The Group always cultivate a sense of crisis and take forward-looking and preemptive actions. The Group cherishes its reputation, honours professional ethics, and commits to its status as a well-respected company. Its vision is to become an integrated financial services provider with roots in China, global coverage and strong influence.

For the years ended 31 December 2016, 2017 and the six months ended 30 June 2017 and 2018, the Group's total revenue and other income was RMB36,022.5 million, RMB32,953.4 million, RMB15,855.5 million and RMB15,935.0 million, respectively, and the Group's profit attributable to equity holders of the Group for the same periods was RMB9,841.4 million, RMB9,881.5 million, RMB4,756.3 million and RMB4,009.0 million, respectively. As of 30 June 2018, its total equity attributable to equity holders of the Guarantor was RMB121,867.2 million and the Group's total assets were RMB440,455.4 million.

The following table sets forth the Group's business segments:

Institutional Finance		Personal Finance	Investment Management	International Business
Investment Banking	Institutional Investor Services			
• Equity financing	• Prime brokerage	• Retail brokerage	• Asset management	• Brokerage
• Debt financing	• Proprietary trading	• Margin financing and securities lending	• Fund management	• Corporate finance
• Financial advisory	• Stock-pledged financing	• Wealth management	• Direct investment	• Asset management
	• Research			• Loans and financing
				• Financial products, market making and investments

- **Institutional Finance:** The Group's institutional finance business comprises investment banking and institutional investor services. The Group strives to capture market opportunities through collaboration between these two business lines:

  - The investment banking business segment, which primarily includes listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory services and diversified corporate solutions to corporate and government clients;

  - The institutional investor services business segment, which primarily includes prime brokerage, stock-pledged financing and securities repurchase, research businesses provided to institutional clients, as well as market-making and proprietary trading;

- **Personal Finance:** The Group's personal finance business segment primarily includes securities and futures brokerage, margin financing, securities lending, wealth management and financial planning services provided to retail clients through both online and offline channels;

- **Investment Management:** The Group's investment management business segment primarily includes asset management, fund management, direct investment management services to institutions and individuals; and

- **International Business:** The Group's international business segment represents the business operation of overseas subsidiaries of the Group, which mainly engage in brokerage, corporate finance, asset management, margin financing, financial products, market-making and investment businesses.

HISTORY AND DEVELOPMENT

With the approval of the CSRC, the Group was founded in Shanghai as a joint-stock limited company on 18 August 1999 through the merger of Guotai Securities and Junan Securities. Guotai Securities and Junan Securities, the two predecessors of the Group, were established on 25 September 1992 in Shanghai and on 12 October 1992 in Shenzhen, respectively. The Group was established by 136 promotors amongst whom the Shanghai Municipal Finance Bureau, Shenzhen Investment Management Co., Ltd.(深圳市投資管理公司) and State Electronic Power Corporation(國家電力公司) were the major promoters.

In October 2001, the Shanghai Municipal Finance Bureau transferred its entire 16.38% shareholding in the share capital of the Group to Shanghai State-owned Assets Operation Co., Ltd.(上海國有資產經營有限公司) at nil consideration. In April 2007, Shenzhen Investment Management Co., Ltd.(深圳市投資管理公司) contributed its entire 11.15% shareholding in the share capital of the Group into the founding capital of Shenzhen Investment Holdings Co., Ltd.(深圳市投資控股有限公司) for its establishment. In June 2007, State Electronic Power Corporation(國家電力公司) transferred its 4.22% shareholding in the share capital of the Group to State Grid Corporation of China(國家電網公司) at nil consideration, and in April 2011 State Grid Corporation of China(國家電網公司) transferred its entire 4.22% shareholding in the share capital of the Group to Shanghai Municipal Investment (Group) Corporation (上海城投(集團)有限公司).

Milestone Events

The milestone events in the Group's development history are set out below:

1992 . . . .
- Guotai Securities and Junan Securities, the predecessors of the Guarantor, were established in Shanghai and Shenzhen, respectively. Both companies were among the first batch of national large-scale integrated securities firms established in China.

1993 . . . .
- The Group obtained its asset management license, which was among the first in the industry.

1995 . . . .
- The Group set up its securities business in Hong Kong, which was among the first in the industry.

1999 . . . .
- The Group was founded and established through the merger of Guotai Securities and Junan Securities, with a registered capital of RMB3,727.18 million, and became the largest securities firm by asset size in China at that time.

2001 . . . .
- The Group disposed of assets relating to the non-securities business and split into two independent companies itself and Guotai Junan IM. The Group carried on its business operation as the continuing company and held the securities businesses related assets, and substantially increased the Guarantor's Net Capital through asset swaps, laying the foundation for future development.

2005 . . . .
- The Group passed the review by the SAC and became one of the pilot securities firms conducting innovative businesses.

- The Group obtained support from the government in deepening the reform and establishing a modern financial enterprise system and received a capital injection of RMB1 billion from Central Huijin Investment Ltd.

2008 . . . .

- The Group received the regulatory rating of Class A Grade AA from the CSRC, and have maintained such rating record for eleven consecutive years since then.

2010 . . . .

- Guotai Junan International (stock code: 1788) became the first PRC-owned securities firm in Hong Kong to undergo an initial public offering and listing on the HKSE.

2012 . . . .

- International Group became the Group's Shareholder, and it directly and indirectly held 46.74% of the Guarantor's Shares.

2013 . . . .

- The Group became the first company to join the payment system of the PBOC in the securities industry and started to implement innovative plans for integrated wealth management services.

2014 . . . .

- The Group acquired a 51% equity interest in Shanghai Securities to further expand the Guarantor's business scale.
- The Group became the first company to obtain the qualifications for sale and purchase of foreign exchange in the securities industry and subsequently obtained the China Interbank FX Market membership and derivatives membership qualifications. The Group then began to undertake transactions of spot sale and purchase of foreign exchange and RMB and foreign exchange related derivative business.

2015 . . . .

- The Group completed the initial public offering and listing of its A Shares (stock code: 601211) on the Shanghai Stock Exchange, and were subsequently selected as one of the constituent stocks of the CSI 100 Index, SSE 50 Index, SSE 180 Index and CSI 300 Index.
- The Group was among the first batch of securities companies which were admitted into the independent accounting and auditing unit of the PBOC, and commenced free trade account business in the China (Shanghai) Pilot Free – Trade Zone.

2016 . . . .

- The Group summarized its 24 years of development history and refined it as the "Guotai Junan Consensus" to articulate its core values and corporate mission.

2017 . . . .

- In April 2017, with the approval of the CSRC and the HKSE, the Guarantor issued 1,040 million H-Shares through an initial public offering, and further issued 48.9338 million additional H-Shares upon the exercise of an over-allotment option. The registered capital of the Guarantor increased to RMB8,713.9338 million.

- As approved by the CSRC, the Guarantor publicly issued convertible bonds with an issuance size of RMB7 billion on 7 July 2017. The convertible bonds were listed on the Shanghai Stock Exchange on 24 July 2017 and can be converted into ordinary A Shares of the Guarantor from 8 January 2018.

2018 . . . .

- The Guarantor received "Letter of Reply of CSRC regarding the Cross-border Business Related Matters Carried out by the Guotai Junan Securities Pilot Program", which clarified that the Guarantor is entitled to sign the OTC financial derivatives master agreement and its supplemental agreement with both domestic and foreign counterparties. In August 2018, the Guarantor was qualified as a primary dealer for OTC options. The Group also obtained CDS clearing qualification.

RECENT DEVELOPMENTS

On 30 January 2019, the Guarantor published its Preliminary Financial Data for the Year of 2018. The Preliminary Financial Data for the Year of 2018 are not included in and do not form part of this Offering Circular and were prepared by the Guarantor's management and have not been reviewed or audited by EY, its independent auditor. The Preliminary Financial Data for the Year of 2018 should not be relied upon by the Investors (see "*Risk Factors – Risks relating to the Group's business – The Guarantor published and may continue to publish periodical financial information pursuant to applicable regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.*"). However, certain material changes in financial position and/or results have been disclosed below on a qualitative basis. Due to the securities market fluctuation, the Guarantor's consolidated operating revenue experienced a material decrease and net profit attributable to shareholders of the Guarantor significantly decreased in the 2018 financial year.

COMPETITIVE STRENGTHS

The Group believes that by capitalizing upon the following competitive strengths, the Group will continue to seize the growth opportunities in the PRC capital markets and maintain its long-term, consistent and across-the-board leadership position.

Strong Support from the Government and Shareholders

In light of the Group's strategic importance of some of the Group's businesses and operations, in particular in Shanghai and Shenzhen, the Shanghai and Shenzhen governments support the sustainable development of the Group, and the Group expects to continue to be supported by having close collaboration with the government as one its key shareholders. The Shanghai and Shenzhen governments have provided, and continues to provide, strong support to the Group. As at 30 June 2018, International Group and Shenzhen Investment Holdings, which are both shareholders of the Guarantor, controlled a total of approximately 32.73% and 8.18% of the Group's issued share capital, respectively. International Group is the state-owned capital operation platform under the Shanghai SASAC, and the Shenzhen Investment Holdings is the largest state-owned company in Shenzhen, which is a comprehensive licensed financial holding platform under the Shenzhen SASAC.

The Group has also previously received financial support from the government in the form of equity injections. Following the Guarantor's initial public offering of H Shares on HKSE in 2015, the International Group and Shenzhen Investment Holding (either by itself or through its subsidiaries) have increased their holdings of H Shares in the Guarantor.

Deeply Rooted Culture of Risk Management and Excellence

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

The Group firmly believes that risk management is the core competency of securities companies. The Group has established a comprehensive and effective risk management and internal control system covering risks across all its business lines and operations, including market risk, credit risk, liquidity risk, operational risk and compliance risk. Through a four-tier risk management structure led by the Board, the Group correctly identifies, reasonably evaluates, dynamically monitors, timely responds to and effectively control various risks. The Group's four-tier risk management structure has enhanced its risk management capabilities and provided effective assurance for its innovative transformation and sustainable development. Meanwhile, the Group uses advanced risk management tools and technologies to manage the Group's overall risk exposures in a proactive way by layered authorization, quantitative management and real-time monitoring and analysis. This team is embedded in its business divisions and holds the authority to review and approve all strategic and day-to-day business decisions. The risk management personnel for its key business functions have in-depth understanding of its business, which is conducive to preventing risk events. Compliance and risk management is also an important factor for determining the promotion and remuneration of its employees. The Group's comprehensive and effective risk management and internal control system has helped it attain excellent regulatory ratings from the CSRC. The Group has been granted the industry's highest regulatory rating of Class A Grade AA from the CSRC for eleven consecutive years from 2008 to 2018.

The Group's culture of excellence is embedded in its day-to-day management and operations, and is well reflected in its talent selection, training and its approach to client services:

- The Group is committed to identifying the best people for all positions. The Group has a rigorous talent development system. The Group tends to promote people internally to lead its business divisions in order to best inspire teamwork and pass on its corporate culture. The Group has also established a large external talent database to continuously track the most talented individuals in the market to complement and enhance its team. As a result of the market reputation of the Group's high-calibre team, good career development paths and a market-oriented incentive system, the Group's employees are proud to work for the Group. In the first half of 2018, the Group established a performance appraisal committee to strengthen the appraisal and incentives system for employees, and has continuously improved the remuneration and performance management system of the Group.

- In order to improve the professional skills of its employees, the Group has provided diversified internal and external training programs. Internal training programs include on-site, video conference and online training programs. The Group's employees have participated in various qualification exams related to business and various exams on various regulatory laws. For the six months ended 30 June 2018, the Group provided over 285 onsite trainings relating to leadership, orientations of new employees, compliance and risk control, investment banking, and other topics, and over 570 new online courses with a total training time of over 255,000 hours, the content of which covered leadership training, new employee orientation training, compliance and risk control, investment banking business, credit business, Hong Kong Stock Connect, and others.

- The Group is committed to providing the highest quality services to and achieving the best results for its clients. The Group gains trust from its clients through high quality services, which is crucial to enhancing the loyalty of existing clients, expanding its client base and maintaining its premium pricing. For example, during the years ended 31 December 2016 and 2017, the Group has served on two or more mandates for 221 of its investment banking clients. The Group's quality services have built up an excellent reputation in the industry, and its personal finance client accounts grew from 9.1 million as of 31 December 2016 to 12.1 million as of 30 June 2018.

The Group firmly believes that its culture of risk management and of excellence is deeply rooted among its employees and is the most fundamental factor that has made it a long-term and consistent leader in the PRC securities industry.

The Group also maintains long-term relationships with various financial institutions, including, without limitation, policy banks such as China Development Bank, Agricultural Development Bank of China, The Export-Import Bank of China, as well as commercial banks such as Industrial and Commercial Bank of China, Bank of China, Agricultural Bank of China, China Construction Bank, Bank of Communications, Postal Saving Bank of China, China Merchants Bank, Shanghai Pudong Development Bank, Industrial Bank Co., Ltd., and Bank of Shanghai.

The Group also maintains sufficient bank credit lines. The Group's used bank credit lines were approximately RMB65 billion and RMB50 billion, and the unused credit lines were approximately RMB305 billion and RMB340 billion, as at 31 December 2017 and 30 June 2018, respectively.

Across-the-board Leader in the PRC Capital Markets

The Group is a consistent leader in terms of business scale and has strong profitability. From 2007 to 2017, the Group's net profit ranked among the top three in the industry for eleven consecutive years. From 2011 to 2017, the Group's operating revenue and total assets ranked among the top three in the industry for seven consecutive years. The Group's operating revenue and net profit in 2017 ranked third and second in the industry respectively. As of 30 June 2018, both of the Group's total assets and net assets ranked second in the industry while the net capital ranked first in the industry, and for the six months ended 30 June 2018, the Group's operating revenue and net profit ranked second in the industry.

The Group has a comprehensive and balanced combination of businesses and its principal businesses rank at the top of the industry:

Institutional Finance

Investment Banking

- Ranked fourth and fifth in terms of lead underwriting of the securities underwriting business during the year ended 31 December 2017 and the six months ended 30 June 2018, respectively;
- Ranked second and third in terms of lead underwriting of equity financing during the year ended 31 December 2017 and the six months ended 30 June 2018, respectively; and
- Ranked second in terms of lead underwriting of corporate bonds during the year ended 31 December 2017.

Institutional Investor Services

- Ranked second and third in terms of balance of margin loans for stock-pledged financing during the year ended 2017 and the six months ended 30 June 2018, respectively;
- Ranked second in terms of amount of the aggregate products of its asset custodian and outsourcing business during the year ended 31 December 2017;
- Ranked second in terms of the scale of asset custodian and outsourcing business during the six months ended 30 June 2018;

- Ranked first in terms of assets under custody from mutual funds as of 31 December 2017 and 30 June 2018;

- Ranked second and third in terms of margin loans during the year ended 31 December 2017 and the six months ended 30 June 2018;

- Ranked fourth in terms of outstanding repurchase balance of the stock-pledging business during the year ended 31 December 2017;

- Ranked first in terms of the scale of exchange-traded option market-making for equity and stock index during the six months ended 30 June 2018;

- Ranked first in terms of cumulative trading volume of interest rate swaps during the six months ended 30 June 2018; and

- Received First Prizes for Best Domestic Research Teams, for Most Influential Research Institutes in 2016 and 2017; received Top Five Gold Bull Teams prize in the eighth Gold Bull Analysts in China Securities Industry during the year ended 31 December 2017; received the first prize for Most Influential Research Institute in the eleventh Crystal Ball Sell-side Analysts Awards during the year ended 31 December 2017.

Personal Finance

- Ranked first in terms of the net revenue from securities brokerage business (including seat leasing) during the year ended 31 December 2017 and the six months ended 30 June 2018;

- Ranked second in terms of balance of margin financing and securities lending during the year ended 31 December 2017;

- Ranked first in terms of the net revenue from agency sale of financial product business during the year ended 31 December 2017 and the six months ended 30 June 2018;

- Ranked third in terms of the cumulative amount of futures trading by Guotai Junan Futures at China Financial Futures Exchange during the year ended 31 December 2017 and the six months ended 30 June 2018;

- Ranked second in terms of market share in stocks and funds trading during the year ended 31 December 2017;

- Ranked third in terms of the number of the A Share capital accounts during the year ended 31 December 2017 and the six months ended 30 June 2018;

- Ranked third and second in terms of the coverage and monthly activeness, respectively, of the Group's Jun Hong APP during the year ended 31 December 2017;

- Ranked first in terms of monthly customers activeness of the Group's Jun Hong APP during the six months ended 30 June 2018;

- Ranked third in terms of the trading volume of stock index futures and treasury bond futures during the year ended 31 December 2017 and the six months ended 30 June 2018;

- Ranked second in terms of trading volume of treasury bond futures during the year ended 31 December 2017;

- Ranked second in terms of handling fee income from agency sales during the year ended 31 December 2017;

- Ranked first in terms of the income from agency sales of financial products during the year ended 31 December 2017 and the six months ended 30 June 2018; and

- Ranked third in terms of brokerage income and customer equity during the six months ended 30 June 2018.

Investment Management

- Ranked third in terms of the commissioned funds of the asset management business during the year ended 31 December 2017 and the six months ended 30 June 2018;

- Ranked third and second in terms of monthly average balance of assets under discretionary management during the year ended 31 December 2017 and the six months ended 30 June 2018, respectively;

- Ranked third and second in terms of the average monthly scale of discretionary management products during the year ended 31 December 2017 during the six months ended 30 June 2018, respectively;

- Ranked second in terms of the Group's scale of custody and outsourcing business during the year ended 31 December 2017;

- Ranked first in terms of the Group's scale of mutual fund custody during the year ended 31 December 2017; and

- Ranked third in terms of scale of asset management during the six months ended 30 June 2018.

International Business

- Ranked first in terms of cumulative number for IPOs sponsored from 2016 to 2017 in Hong Kong.

The Group's leading positions in its business lines have led to its outstanding brand as well as abundant cross-selling opportunities. Leveraging its clients' recognition of its high quality one-stop integrated services, the Group is able to capture a larger share of revenue in the market. In addition, its diversified businesses have resulted in a more stable revenue structure that can help mitigate the impact of market volatility.

In addition to the pursuit of business scale and industry ranking, the Group also emphasizes the quality of business growth as well as the control of risk exposure:

- With respect to its investment banking business, the Group imposes a rigorous criterion for selecting clients and do not expand its business hastily;

- With respect to its securities brokerage and asset management businesses, the Group focuses on providing value-added services; and

- With respect to its margin financing and securities lending business, the Group adjusted its exposure ahead of its peers in the volatile market during the first half of 2015. As a result, the Group did not incur losses from forced liquidation in 2015.

The balance the Group strikes between business scale and quality has enabled the Group to consistently achieve better capital utilization and return on net assets than the industry averages. The Group's net assets as of 30 June 2018 ranked second in the industry, while both of the Group's operating revenue and net profit in 2017 ranked third and second in the industry respectively.

Pioneer of Technology and Innovation in the PRC Securities Industry

The Group believes that IT is critical to the future growth of securities companies. The Group makes strategic investments in IT and continuously promote proprietary IT innovation. The Group is a frontrunner in the application of IT in the securities industry:

- In 2003, the Group was the first securities company in the industry to implement centralized trading, centralized risk management and centralized financial management;

- The SAC has granted Securities and Futures Industry Technology Awards to 14 of the Group's technological achievements, making the Group the most frequent recipient of this award and the only securities company to receive the first prize of this award;

- In 2014, the Group established a new data center, which is the only high grade, high capacity and independent data center park in the securities industry. When the daily trading volume of stocks and funds of the market increased sharply to nearly RMB2.5 trillion in 2015, the Group's ability to process 50,000 transactions per second ensured efficient trading, clearing and settlement; and

- In April 2018, the Group won awards for 4 projects in total in the 6th Science and Technology Awards Regarding Securities and Futures, ranking first in the industry.

The Group proactively deploys leading information technologies to guide its business decisions, enhance client experience and improve its management capabilities:

- The Group has built client profiles with more than 500 labels and accurately analyze them to guide the formulation of its strategies in key areas such as brokerage commission rate, business network structure, new product design as well as investment and financing product promotion;

- The Group's mobile APP has rich functions that focus on strengthening the Internet experience, providing intelligent analysis tools and delivering tailored investment advice and financial services to clients. These app functions, based on big data analysis, also enhance the capabilities of its clients in stock selection, market timing, asset allocation and risk management, and their abilities in investment and wealth management. As of 30 June 2018, there were approximately 25 million users of the Group's mobile applications and the amount of monthly activity ranked first in the industry; and

- The Group's advanced financial management information system and risk management information system timely track its financial data, liquidity data, risk exposure and various risk management indicators. This tracking allows the Group to monitor and report on a daily basis the asset allocation, business scale and risk limits of each business line, enables its management to timely respond to changes and provides solid support for the stable operation of its business.

Innovation is a key pillar of the Group's industry-leading position. The Group's strong innovation capabilities enable it to continue to proactively introduce innovative products and services to meet the increasing demands of client for financial services and differentiate it from its competitors. The sense of crisis and forward-thinking mentality of its management enable it to capture market trends with first-mover advantages:

- *Investment banking business:* the Group is skilled in designing optimal financial solutions tailored to the needs of its clients and have pioneered a number of new products and new deal structures in the PRC market, which have helped to broaden the financing channels of its clients, including the first domestic entire enterprise listing through share conversion and merger by absorption, the first warrant issuance, the first credit assets securitization, the first corporate assets securitization, the first commercial bank hybrid capital bond issuance and the first preferred share issuance;

- *Institutional investor services business:* the Group was the first securities company to establish a securities research institute and to set up a comprehensive prime brokerage service system. In addition, the Group has continued to expand its product and service offerings to institutional investors and was the first in the industry to obtain the Shanghai Gold Exchange International Class A membership, one of the first batch of companies to become a precious metal spot contract broker and to obtain the accounting settlement business qualification in the China (Shanghai) Pilot Free-Trade Zone, the only securities company to obtain the foreign exchange settlement and sales business license and formed an industry-leading FICC business system;

- *Personal finance business:* the Group was among the first batch of securities companies to obtain the margin financing and securities lending pilot qualification and the financial futures and options brokerage qualification, and was also the first securities company to obtain a payment license. The Group began to shift from the traditional securities brokerage business model towards a comprehensive wealth management business model as early as 2011, which has enhanced the experience and convenience of its individual clients, and enabled it to achieve a considerable pricing premium and diversify its revenue source;

- *Investment management business:* the Group was among the first in the industry to establish an asset management subsidiary and to obtain the bond-pledged quotation and repurchase business qualification. The Group has strong product development capabilities and successfully applied arbitrage strategies and structured products to client asset management as early as 2003. The Group also launched the first hedge fund product, the first statistical arbitrage product and the first broker classified hedging product in China, which enabled it to better meet the demands for investment products from high-net-worth clients; and

- *International business:* the Group was among the first in the industry to provide its clients with an online trading platform and online overseas trading system, which improved the convenience of trading and overseas investment. As of the date of this Offering Circular, the Group's global "one-stop" online trading platform supports trading in eight securities markets and over 20 global futures and foreign exchange markets. The Group is also among the first in the industry to engage in the QFII business back in 2003, it is among the first in the industry to obtain the RQFII qualification and the first securities company to issue RQFII products. Moreover, the Group led the industry in promoting the internationalisation of domestic enterprises and acted as a sponsor for the first H share listing of an A share-listed company, a sponsor for the first H share listing of an A share- and B share-listed company, and the sole sponsor for the first conversion of B shares into H shares and listing. The Group also became one of the first companies to obtain the Bond Connect market-maker qualification and was allowed to conduct pilot cross-border business and liquidation agency business of RMB interest rate return swap.

These innovative and precedent-setting products and services offer distinctive features that meet specific risk preference and needs of different investors and clients. They enable the Group to achieve a distinctive pricing premium, enhance its brand recognition, reinforce the loyalty of its clients, establish its first-mover advantages and better capture market opportunities. Continuous innovation has also brought it further diversified income growth.

Experienced Management Team with a Highly Proficient Professional Workforce

The success of the Group is attributable to the sound leadership of its directors and senior management. The majority of the Guarantor's directors, including its chairman, and members of its senior management, including its general manager, deputy general manager, chief financial officer and general compliance officer, have an average of 25 years of experience in the PRC financial and securities industries.

The Group believes that the strategic vision of its senior management team has distinguished it from its competitors and has allowed it to capture business opportunities arising from product innovation and globalisation of the PRC securities industry. The directors of the Group believe that the retention of key employees is attributable to its well-recognised brand name, business prospects, successful recruitment and customised professional training programmes.

BUSINESS STRATEGIES

The Group aims to be an integrated financial services provider with an across-the-board leading position in China and international competitiveness. In particular, the Group plans to implement the following business strategies:

Institutional Finance: Providing Integrated Financial Solutions to Institutional Clients

The Group intends to enhance its integrated institutional financial service system based on the three dimensions of client, sector and product. The Group aims to moderately expand its balance sheet and grow its capital intermediary business, to better meet the needs of its institutional clients.

- ***Client***: The Group's account manager team is critical to the development of its integrated financial services business. The Group intends to institutionalize client relationship with multi-point coverage of the same institutional client. The Group's account manager team is responsible for exploring client needs and leading the sector and product teams to provide tailored services;

- ***Sector***: Organizing the Group's businesses by sector is the key to enhancing its professional competence and market influence. The Group implements this initiative across its investment banking, research and proprietary trading businesses. This will help the Group identify key industries and corporate clients, enhance its ability to provide professional advice to its clients and strengthen its pricing and sales capabilities;

- ***Product***: Enhancing product development capability is the basis for the Group to provide its clients with value-added services. By taking the lead in obtaining the relevant business licenses, the Group has built a new FICC business platform and can provide high value-added trading and risk management services to its institutional investor clients and customized solutions to its corporate clients.

Personal Finance: Enhancing Client Stickiness

Client stickiness is the key to the effective expansion of its client base. The Group intends to enhance client experience and stickiness through investing in financial technologies, enhancing its products pool and upgrading its integrated wealth management service system:

- The Group will increase investment in the use of financial technologies such as big data and artificial intelligence through proprietary development and acquisitions to provide its clients with bespoke services;

- The Group will improve its product development, product introduction and product evaluation system. The Group will also establish a multi-asset class, multi-market and multi-strategy product pool, and strengthen its ability to customize investment portfolios for its clients;

- The Group will optimise and upgrade its integrated financial service model that combines online and offline channels. The Group will also improve its online platform which integrates its comprehensive services such as trading, wealth management, financing and payment, and further enhance the service of its investment adviser team for high-end clients.

Investment Management: Expanding AUM

Expanding the Group's AUM will result in not only significant brand and market influence, but also strong bargaining power and opportunities for additional revenue. The Group intends to expand the scale of its AUM through the following steps:

- The Group will grow the scale of its AUM through inorganic growth and improve its multi-tiered and multi-product asset management system;

- The Group will rapidly expand its high-value-added and non-discretionary funds focusing on fixed income funds, asset-backed securities and FOF asset management products; and

- The Group will expand its direct investment business and form an asset management product system centered around sectors.

International Business: Focusing on the Demand of Domestic Clients for Global Asset Allocation

Leveraging its large domestic client base, the Group is committed to the growth of the following businesses which the Group believes have great growth potential:

- ***International asset management business***: The Group intends to build a cross-border asset management platform through strategic cooperation to rapidly enhance its product development capability;

- ***Global securities brokerage services***: The Group intends to improve its advanced global brokerage service technology platform to meet the significant demand of domestic clients for overseas discretionary investment, and meet the needs of its institutional investor clients for professional trading;

- ***Cross-border M&A services***: The Group intends to connect domestic capital and overseas projects by providing financial advisory, financing and risk management services through organic growth or strategic cooperation with leading international investment banks.

THE PRINCIPAL BUSINESS LINES OF THE GROUP

The Group has established a comprehensive and balanced combination of businesses. Through its matrix management structure with both geographic line and business line reporting, the Group integrates the diverse businesses, products and service offerings, provide comprehensive financial services to institutional, corporate and individual clients, and promote cooperation and cross-selling across its business lines and between its domestic and overseas businesses.

The following table sets forth a breakdown of the Group's total revenue and other income by principal business lines for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2016		2017		2017		2018	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in millions, except for percentages)							
Institutional finance	12,129.8	33.7%	13,514.6	41.0%	6,754.7	42.6%	6,432.0	40.4%
Personal finance	15,263.1	42.4%	12,889.3	39.1%	6,018.4	38.0%	5,769.4	36.2%
Investment management	5,737.5	15.9%	3,125.6	9.5%	1,207.6	7.6%	1,768.1	11.1%
International business	2,215.3	6.1%	2,724.9	8.3%	1,254.4	7.9%	1,326.9	8.3%
Others[(1)]	**676.8**	**1.9%**	**699.0**	**2.1%**	**620.3**	**3.9%**	**638.5**	**4.0%**
Total	**36,022.5**	**100.0%**	**32,953.4**	**100%**	**15,855.5**	**100.0%**	**15,935.0**	**100.0%**

(1) Segment total revenue and other income from others primarily consist of government grant.

Institutional Finance

The Group's institutional finance business comprises investment banking and institutional investor services businesses in the PRC. For the years ended 31 December 2016 and 2017 and the six months ended 30 June 2017 and 2018, the Group's revenue and other income generated by the Group's institutional finance business was RMB12,129.8 million, RMB13,514.6 million, RMB6,754.7 million and RMB6,432.0 million, respectively, representing 33.7%, 41.0%, 42.6% and 40.4% of the Group's total revenue and other income, respectively.

The following table sets forth a breakdown of its total revenue and other income from institutional finance business for the periods indicated:

	Year ended 31 December				Six months ended June			
	2016		2017		2017		2018	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in millions, except for percentages)							
Investment banking	3,452.1	28.5%	2,659.3	19.7%	1,211.0	17.9%	848.4	13.2%
Institutional investor services	8,677.8	71.5%	10,855.3	80.3%	5,543.7	82.1%	5,583.7	86.8%
Total	**12,129.8**	**100.0%**	**13,514.6**	**100.0%**	**6,754.7**	**100.0%**	**6,432.0**	**100.0%**

Investment Banking

The Group's investment banking business provides listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory and diversified corporate solutions to corporate and government clients. The Group's investment banking business covers all major PRC regions and all major industries. In particular, the Group has accumulated extensive experience in the finance, energy, infrastructure, IT, consumer goods and healthcare industries. The Group also focuses on emerging industries and closely tracks companies with significant growth potential in those industries.

The Group's investment banking business has a solid client base. The Group focuses on building and maintaining long-term relationships with, and provide one-stop, full life cycle investment banking services to, its corporate clients. Through close coordination between its M&A advisory business and its equity and debt financing businesses, the Group develops deep relationship with its clients, satisfy their various needs, and grow together with them. As of 30 June 2018, the Group ranked second in terms of the number of M&A deals that passed the CSRC review.

The Group has built up high client loyalty with its investment banking clients. Since 1 January 2015, the Group completed two or more mandates per client for 251 investment banking clients, representing a total of 950 mandates.

The Group highly values its continuous innovation in the investment banking business and have maintained a leading position in terms of innovation capabilities. The following table sets forth the significant achievements by its investment banking business, which were "first" of a kind:

Year	Issuer	Highlights
2018	HongShi Holding Group Co., Ltd.	First "Belt and Road" corporate bonds publicly issued in the PRC
2014	Agricultural Bank of China Limited	First preferred share issuance in the PRC
2012	China International Marine Containers (Group) Co., Ltd.	First conversion of B shares into H shares and listing
	China Communications Construction Company Limited	First merger by absorption of an A share listed company through issuance of A shares by an H share listed company and concurrent secondary offering
2008	China Zheshang Bank Co., Ltd.	First asset securitization based on small and medium enterprises mortgage loans in the PRC
2006	Industrial and Commercial Bank of China Limited	First A shares and H shares concurrent listing
	Industrial Bank Co., Ltd.	First hybrid capital bond issuance by a commercial bank in the PRC
	Shanghai International Port (Group) Co., Ltd.	First listing of the entire enterprise through share conversion and merger by absorption after the PRC Shareholders structure reform
	Shanghai Pudong Road & Bridge Construction Co., Ltd.	First corporate asset securitization in the PRC
2005	Baoshan Iron & Steel Co., Ltd	First warrant issuance as part of the PRC shareholders structure reform
	China Development Bank Corporation	First credit asset securitization in the PRC
1999	Sinopec Maoming Refining and Chemicals Co., Ltd.	One of the first convertible bond issuances in the A share market

The Group has earned an excellent market reputation and influence. The following table sets forth major awards its investment banking business and investment banking team received during the years ended 31 December 2015, 2016 and 2017 and up to the date of this Offering Circular:

Year	Award	Awarding Body
2018	Outstanding Local Government Bond Underwriters, Outstanding Corporate Bond Underwriter, Outstanding Innovation Institution for Bond Business, Outstanding Participating Institution for Product Innovation	Shanghai Stock Exchange
	Outstanding Non-Bank Underwriters, Best Contribution for Local Bond Non-Bank Underwriters	China Government Securities Depository Trust & Clearing
2017	Outstanding Corporate Bond Underwriter, Outstanding Corporate Bond Trustee	Shanghai Stock Exchange
2016	Outstanding Investment Bank in China -Best Full-service Investment Bank for Securities, Best Investment Bank for Refinancing, Best Investment Bank for M&A	Securities Times
	Outstanding Corporate Bond Underwriter	Shanghai Stock Exchange
2015	Outstanding Investment Bank in China -Best Full-service Investment Bank for Securities, Best Underwriting Team for Debt Financing	Securities Times
	Best Investment Bank in China – the Most Innovative Investment Bank, the Best Investment Bank for Asset Securitization	New Fortune
	Outstanding Innovation Institution for Bond Business, Outstanding Bond Dealer, Outstanding Treasury Bond Pre-issuance Dealer	Shanghai Stock Exchange

The Group's investment banking business is generally classified into the equity financing, debt financing, financial advisory and others business lines.

Equity Financing

The Group's equity financing business primarily comprises IPOs, refinancing and preferred share issuances. In response to its corporate clients' profiles and their differentiated requirements with respect to equity and capital structures, the Group offers various equity financing instruments and financial services to address their demand for equity capital at different stages of their life cycle.

While actively developing its IPO business, the Group is committed to the development of high value-added services. The Group focuses on exploring refinancing needs for its IPO clients and M&A clients, and emphasize refinancing mandates including private placements, rights issuances and convertible bond issuances, as well as preferred share issuances. As a result, the Group is able to maintain the diversity of its equity financing products.

The following table sets forth an overview of the Group's equity financing business for the periods indicated:

	Year ended 31 December		Six months ended June	
	2016	2017	2017	2018
	(RMB in millions, except for the number of transactions)			
IPOs				
Number of transactions.	6	15	9	4
Underwritten amount	9,867.6	8,813.0	6,568.0	2,869.0
Refinancing				
Number of transactions.	31	24	10	10
Underwritten amount	52,993.7	61,348.0	24,522.0	24,490.0
Preferred shares issuance				
Number of transactions.	3	1	-	1
Underwritten amount	20,666.7	20,000.0	-	26,000.0
Equity financing in total				
Number of transactions.	40	40	19	15
Underwritten amount	83,528.0	90,161.0	31,090.0	53,359.0

Debt Financing

The Group has a strong debt financing business. The Group is a leader among domestic securities companies with the largest collection of debt financing business qualifications. The Group is a member of the MOF underwriting syndicate for treasury bonds as well as the underwriting syndicate for financial bonds issued by the Three Policy Banks. The Group is qualified to lead the underwriting of various debt financing instruments including enterprise bonds, corporate bonds, financial bonds and private placement notes by non-financial enterprises. The Group also acted as a lead underwriter for many large debt securities offerings by China Railway Corporation, State Grid Corporation of China, China National Petroleum Corporation, China Petrochemical Corporation and State Development & Investment Corporation. The Group proactively leverages the market trend of proliferating debt financing instruments and lead in the underwriting of innovative bond instruments including asset-backed securities, green financial bonds and panda bonds.

The table below sets forth an overview of the Group's debt financing business for the periods indicated:

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	(RMB in millions, except for the number of transactions)			
Corporate bonds				
Number of transactions.	178	105	41	53
Underwritten amount	178,887.0	66,625.0	24,976.0	26,946.0
Enterprise bonds				
Number of transactions.	27	17	7	2
Underwritten amount	32,095.0	61,348.0	10,690.0	2,467.0

Financial Advisory

The Group's financial advisory business focuses on corporate M&A and asset restructuring. Since the SAC began to conduct appraisals for securities companies' professional capabilities to offer financial advisory services for M&A and asset restructuring by listed companies in 2013, the Group has attained Class A qualification for five consecutive years from 2013 to 2017. For the year ended 31 December 2017, the Group had a total of 12 M&A and restructuring projects approved by the CSRC in M&A and restructuring businesses, involving an amount of RMB47.856 billion, ranking fourth in the industry. In 2016, 2017 and six months ended 30 June 2017 and 2018, fee and commission income from its financial advisory business was RMB510.8 million, RMB387.2 million, RMB130.2 million and RMB109.2 million, respectively.

Others

The Group's investment banking business also includes NEEQ listing and financing. The Group was qualified as a NEEQ lead manager in 2006 and was the first securities company to complete a private placement for a NEEQ-listed company. The Group's NEEQ business ranked first in the "Practice Quality Assessment of Chief Agency Brokers" conducted by NEEQ in 2017. The Group focuses on the risk management of NEEQ listing projects by establishing an independent quality control team, and actively control the number while striving to enhance the quality of NEEQ listing projects the Group works on.

Institutional Investor Services

The Group's institutional investor services business provides prime brokerage, stock-pledged financing and research services to institutional investors. The Group also conducts proprietary trading in equities, derivative financial instruments and FICC. Its institutional clients primarily include sovereign wealth funds, NSSF, mutual funds, insurance companies, private funds, QFII/RQFII, trust companies and commercial banks. As of 30 June 2017, 31 December 2017 and 30 June 2018, the Group had 25,095, 25,905 and 26,640 institutional customers, respectively, representing a compounded annual growth rate of 6.2%.

Prime Brokerage

The Group offers institutional investors comprehensive, one-stop and customized services, including trading services, custody and outsourcing services, financing business, research services, product sales and support, derivative financial instruments services, fund performance evaluation and analysis as well as investment strategy consulting. The Group also provides its clients with bespoke business solutions through its dedicated prime brokerage account managers.

Trading Services

The Group leases trading seats to institutional investors, including mutual funds, insurance companies and the NSSF, which are not stock exchange members, enabling them to trade the securities in their investment portfolio on the stock exchanges. Through its customized prime brokerage trading system, the Group also provides fast and convenient securities trading services to private funds and other institutional investors. In 2017, the Guarantor became one of the first companies to obtain the Bond Connect market-maker qualification, obtained the permission to conduct pilot cross-border business and the license of foreign exchange client account system and became the only option volatility surface market maker and nickel futures market maker in the industry.

Custody and Outsourcing

The Group's custody business provides institutional investors with asset custody, fund clearing and settlement, investment monitoring, fund valuation, information disclosure and other services. The Group's outsourcing business provides institutional investors with basic services including fund unit registration and fund valuation as well as value-added services including performance review, contract drafting and information disclosure. In April 2013, the Group was qualified to pilot the comprehensive custody business for private funds. In May 2014, the Group one of the first companies to be qualified for securities investment funds custody business. Since April 2015, the Group has been registered as a private fund business outsourcing service organization.

The Group was among the first in the industry to launch an Internet-based fund operation platform, which covers hundreds of customizable functions for fund management, including product life cycle management, fund transfer, valuation and accounting, share registration, performance analysis, customized statements and information disclosure. The Group established an efficient fund settlement and transfer system and achieved direct processing of fund settlement. Through advanced data analysis system, its fund performance analysis services allow fund managers to fully analyze their investment portfolio's performance and execution of their investment strategies according to six dimensions, namely product size, net value analysis, risk analysis, position analysis, attribution analysis and transaction analysis.

As of 30 June 2018, the aggregate products of the Group's asset custodian and outsourcing business amounted to 6,680. As of 30 June 2017, 31 December 2017 and 30 June 2018, the Group's asset custodian and outsourcing business amounted to the scale of RMB529.0 billion, RMB755.0 billion and RMB863.9 billion, respectively, representing a compounded annual growth rate of 63.3% and ranked second in the industry. The Group's balance of assets under custody from mutual funds amounted to RMB50.9 billion, ranking first in the securities company custody industry.

Proprietary Trading

The Group's proprietary trading business conducts trading of stocks, funds, bonds, derivative financial instruments, commodities, currencies and other financial instruments with its own funds or on behalf of institutional investors through buying and holding, trading and market-making. The assets for the Group's proprietary trading business are recorded on its consolidated statement of financial position primarily as financial assets at fair value through profit or loss, available-for-sale financial assets and financial assets held under resale agreements with debt securities and others as underlying assets.

Stocks, Funds and Derivative Financial Instruments Trading

The Group trades stocks and funds for its own accounts and pursue absolute returns. The Group focuses on value investment in selected sectors and stocks. The Group selects stocks with long-term investment value and decide on the timing to buy or sell based on macro-economic research, industry analysis, market-cycles analysis and its understanding of behavior of market participants. The Group's decisions to buy or sell are also based upon its research of a target stock's industry, business models, financial condition and quality of the management team. The Group formulates diversified trading strategies and continuously adjust them based on market trends and conditions to secure stable investment gains.

The Group follows the principle of diversified investment and implement a dynamically adjusted stop-loss and profit-taking mechanism. The Group aims to protect its investment gains by closely monitoring market risks and adjusting its warning and stop-loss limits accordingly. For both individual investments and investment portfolios, if the market prices of the securities the Group holds increased after its initial investment, the Group will move up the warning and stop-loss limits as appropriate, so that the Group can still protect its initial gains if the market price of the securities decreases afterwards. The Group has also established a limit for aggregated loss from its proprietary equity trading operations.

The Group engages in arbitrage and quantitative trading of derivative financial instruments in China. The Group adopts multiple strategies in multiple markets utilizing multiple financial products to identify and capture arbitrage opportunities and effectively hedge the risk from market fluctuations. Derivative financial instruments that the Group has used include CSI300 Index Futures, SSE50 Index Futures and SSE50 ETF Option. The Group's trading of derivative financial instruments has gradually expanded from traditional ETF arbitrage and stock market index futures arbitrage into Alpha strategy investment, market-making and trading of exchange traded options, equity return swaps, OTC options, structured notes and other OTC products. The Group adjusts its trading strategies and the scale of each type of hedging and quantitative trading activities from time to time based on its assessment of the market conditions.

The Group also provides market-making services for financial products traded on stock exchanges. The Group is one of the major technical consultants for SSE50 ETF, the first ETF in China, as well as a liquidity service provider for one of the first cross-market ETF innovative products in China, a core member of SZSE100 ETF Major Innovation Alliance and a lead dealer of various ETFs including SSE180 ETF. In 2015, the Group was qualified as a lead market-maker for SSE50 ETF Option. In 2017, the Guarantor's ETF option market-making attained Grade AA from the Shanghai Stock Exchange. Interbank open market and interest rate swap market-making ranked top among securities firms and were awarded the prize of "Outstanding Contributor to Auction Market" by Shanghai Gold Exchange. In January 2018, the Guarantor obtained the qualification for business of liquidation agency of RMB interest rate return swap, and in August 2018, the Guarantor obtained the qualification of first-class dealer for over-the-counter options. For the six months ended 30 June 2018, the Group's scale of exchange-traded option market-making for equity and stock index ranked first in the industry, and precious metal options accounted for more than 30% of the total market size, and cumulative trading volume of interest rate swaps ranked first among securities companies.

The Group has also actively promoted the establishment of customer demand-oriented business systems with a comprehensive coverage of business categories such as structured notes, quotation and repurchase, return swap, OTC options and interest rate swaps. This has grown steadily and for the six months ended 30 June 2018, the cumulative issuance of the customer demand-oriented business exceeded RMB70 billion.

FICC Trading

The Group's FICC trading primarily involves fixed-income securities, commodities trading, including precious metals, as well as currencies. The Group proactively develops non-directional FICC trading and enhance its trading capabilities for major global financial assets. The Group has established an industry-leading comprehensive FICC operation system and have maintained its industry-leading position.

Among the PRC securities companies, the Group is one of the first to engage in the fixed-income trading business and have obtained the most qualifications for fixed-income trading and investment business. The Group has been qualified as a primary dealer in the open market and on the stock exchanges granted by the PBOC. The Group is also qualified as a market maker for the interbank and stock exchanges bond market, interest rate swap business, bond-pledged quotation and repurchase business, carbon emission trading as well as a member of the underwriting syndicate for treasury bonds and financial bonds. The Group is also the first PRC securities company to qualify for interbank gold price inquiries. The Group was among the first batch of PRC securities companies that were admitted as members of Shanghai Gold Exchange and are also the first PRC securities company to join the International Emissions Trading Association (IETA).

The Group follows a prudent investment strategy for its FICC business with the objective to maintain a balance between income growth and earnings stability. Based on its research and assessment of China's economic situation and policy trends, the Group actively explores new investment products and opportunities in the market. The Group emphasizes risk management and hedge interest rate risk through derivative financial instruments including interest rate swaps and treasury bond futures. Through diversified asset allocation, the Group seeks to reduce concentration risk of its portfolio and achieve long-term return while ensuring that the associated risks are measurable and manageable. The Group adjusts its fixed-income portfolio from time to time in light of changes in macro-economic conditions and monetary policies. During the years ended 31 December 2015, 2016 and 2017, the Group continued to improve its quantitative trading system and foreign exchange sales and settlement platform, and achieved significant growth in structured finance, gold and foreign exchange trading. In 2017, the Guarantor also became one of the first companies to obtain the Bond Connect market-maker qualification, obtained the permission to conduct pilot cross-border business and the license of foreign exchange client account system and became the only option volatility surface market maker and nickel futures market maker in the industry.

The Group's FICC trading business also includes market-making business in the PRC interbank bond market. The Group's market-making activities cover treasury bonds, financial bonds, short-term financing bills and medium-term notes.

Asset Management Products

According to the Group's overall asset allocation strategy and its need for cash management, the Group also invests in asset management products as part of its proprietary trading. Such products mainly include the asset management products offered by Guotai Junan Asset Management.

Stock-pledged Financing

The Group's stock-pledged financing business includes stock-pledged financing and securities repurchase.

The Group's stock-pledged financing business provides financing to clients and accepts pledges of stocks or other securities held by them as collateral, under agreement that they will repay the Group in exchange for the release of pledges in the future. In June 2013, the Group became one of the first batch of securities companies to participate in the pilot program of stock-pledged financing on the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

Under the Group's securities repurchase business, eligible clients sell securities to it at an agreed price and agree to repurchase these securities from it at an agreed price on a future date. According to the Shanghai Stock Exchange and the Shenzhen Stock Exchange, as of 31 December 2015, 2016, 2017, the outstanding balance of its stock-pledged financing business ranked fourth, third, fourth in the industry, respectively. As at the end of 31 December 2017 and 30 June 2018, the outstanding balance of the Group's stock-pledging business was RMB90,772 million and RMB67,127 million, respectively.

Research

The Group conducts its research business primarily through Guotai Junan Securities Research Institute. The Group was the first securities company to establish a securities research institute in 1996. Guotai Junan Securities Research Institute has ranked top for years in the authoritative awards in the industry, including "New Fortune Best Analysts Awards," "Crystal Ball Sell-side Analysts Awards" and "Gold Bull Analysts in China Securities Industry." From 2003 to 2017, Guotai Junan Securities Research Institute has continuously received "Best Domestic Research Team" and "Most Influential Research Institute" prizes awarded by New Fortune, ranked third in the overseas and domestic comprehensive ranking, and second in the domestic ranking. The Guarantor was also awarded "Best Analyst" of research areas covering various industries on an aggregate of 24 occasions, which was among the most frequently awarded institutions.

The following table sets forth major awards received by Guotai Junan Securities Research Institute during the years ended 31 December 2015, 2016 and 2017 and up to the date of this Offering Circular:

Year	Award	Awarding Body
2018	First Prize for Domestic Gold Medallion Research Team	The Twelfth Crystal Ball Sell-side Analysts Awards by Securities Market Weekly
	Top Five Gold Bull Teams, Most Valuable Gold Bull Analyst, Best Industrial Gold Bull Analyst Team	The Eighth Gold Bull Analysts in China Securities Industry by China Securities Journal
2017	First prize for Most Influential Research Institute	The 15th New Fortune Best Analyst Awards
	Top Five Gold Bull Teams prize	the Eighth Gold Bull Analysts in China Securities Industry by China Securities Journal
	First prize for Most Influential	The eleventh Crystal Ball Sell-side Analysts

Year	Award	Awarding Body
	Research Institute	Awards by Securities Market Weekly
2016	First Prize for Domestic Gold Medallion Research Team	The Tenth Crystal Ball Sell-side Analysts Award by Securities Market Weekly
	First Prizes for Best Domestic Research Team, for Most Influential Research Institute and for Best Overseas Sales and Services Team	The 14th New Fortune Best Analysts Awards
	Top Five Gold Bull Teams	The Seventh Gold Bull Analysts in China Securities Industry by China Securities Journal
2015	First Prize for Best Domestic Research Team and for Most Influential Research Institute	The 13th New Fortune Best Analysts Award
	First Prize for Domestic Gold Medallion Research Team, for Most Influential Research Institute and for Most Independent Research Institute	The Ninth Crystal Ball Sell-side Analysts Award by Securities Market Weekly
	Top Five Gold Bull Research Teams	The Sixth Gold Bull Analysts in China Securities Industry by China Securities Journal

Guotai Junan Securities Research Institute has established a comprehensive research system and framework. Its major research fields include macroeconomics, strategies, fixed income, financial engineering, industry as well as small and medium market capitalization companies. For the years ended 31 December 2016, 2017 and six months ended 30 June 2018, Guotai Junan Securities Research Institute has issued 6,824, 6223 and 2,572 research reports, respectively.

Personal Finance

The Group's personal finance business provides, through both offline and online channels, securities and futures brokerage, margin financing and securities lending, wealth management and financial planning services in the PRC. Excluding the income our wealth management business derived from selling asset management products developed by us, for the years ended 31 December 2016, 2017 and the six months ended 30 June 2017 and 2018, total segment revenue and other income of the Group's personal finance business was RMB15,263.1 million, RMB12,889.3 million, RMB6,018.4 million and RMB5,769.4 million, respectively.

The Group's personal finance business is well regarded by the market and its clients. The following table sets forth major awards received by its personal finance business during the years ended 31 December 2015, 2016 and 2017 and up to the date of this Offering Circular.

Year	Award	Awarding Body
2018	Best Securities Company of the Year, Best Securities Company APP of the Year	The 16th China's Financial Annual Champion Awards by China Securities Market Research and Design Centre (SEEC) and Hexun.com
	Science and Technology Award of Securities and Futures for the Guotai Junan Jun Hong (國泰君安君弘) APP	CSRC
	First Prize for the Guotai Junan Jun Hong APP	Shanghai Financial Innovation Achievement Award by Shanghai Municipal People's Government
2016	Best Wealth Management Institution in China	Securities Times
	Second Prize for the Guotai Junan Comprehensive Financial Services Innovation Platform	Award Office for Science and Technology of the Securities and Futures Industry

Year	Award	Awarding Body
2015	Best Wealth Management Institution in China and Best Financing Service Securities Company in China	Securities Times

Clients

The Group's personal finance business has a high-quality and loyal client base. The Group manages these clients based on the accounts they open with it. As of 31 December 2016 and 2017, the number of its personal finance client accounts was 9.1 million and 11.1 million, respectively.

The Group has categorized client accounts for its personal finance business based on client relationships, risk tolerance, revenue contribution and investment preferences. The Group also introduced account lifecycle management and conducted differentiated value positioning to clients. As a result, the Group is able to design personalized core value service packages and ancillary service products for different types of accounts to enhance the allocation accuracy of its services and its pricing power.

Marketing Channels

The Group provides comprehensive financial services to its personal finance clients through both offline and online platforms.

Offline Network

The Group's securities branches in each province are centrally managed by the provincial branch company as one unit to allow efficient collaboration and resource sharing. As of 30 June 2018, the Group had 33 branch offices and 413 securities branches.

As early as 2004, the Group launched a four-layer multi-core centralized trading system based on PC servers across its securities branches under a cloud computing model. This system is the first centralized trading system in the industry supports more than 100 securities branches, which reduced setup and operating costs of its securities branches and improved their operating efficiency.

Online Platform

The Group was among the first batch of PRC securities companies to carry out online account registration and online trading. In April 2014, the Group obtained the pilot qualification for Internet securities business. The Group continues to upgrade its electronic trading platform and are gradually migrating its standardized business online. Currently, online account registration and online trading have become the main channel for its personal finance business.

The Group has established three innovative Internet financial platforms, including Jun Hong Financial Mall (君弘金融商城), a mobile APP group and the WeChat public account service platform, and formed a new service model based on the "Cloud Service" concept. The Group's Jun Hong Financial Mall is the first online financial mall operated by a domestic securities company. It provides intelligent and one-stop wealth management services. The Group's mobile APP, Guotai Junan Jun Hong, is one of the first mobile securities app launched by a domestic securities company which offers the best user experiences and most functions. The Group's professional Internet wealth management service platform, Fu Yi (富易), is one of the few trading computer software developed in-house by a domestic securities company. The services provided include full-market information, fast and convenient trading, one-click purchase of wealth management products and all-round account analyzes. The Group also launched a series of products, tools and services with Internet features which provide its clients with comprehensive online financial services including online microfinance, transfer and payment and daily consumption. As of 30 June 2018, there are approximately 25 million users of its mobile APP.

Investment Adviser Team

The Group provides customized, diversified and integrated wealth management services to its affluent and high-net-worth clients through its investment adviser team.

In order to enhance the standard and efficiency by which its investment advisers serve its clients, the Group developed Jun Hong Bai Shi Tong (君弘百事通) a one-stop service platform for its employees, in May 2010. The Jun Hong Bai Shi Tong platform is built upon its client and product information database. It has streamlined and standardized key business flows and provided its investment advisers with practical tools, including account diagnosis and wealth management products allocation. Through client categorization and coordinated communication, its investment advisers can send relevant products marketing and services information to appropriate clients through various means including text messages, emails and system announcements.

Retail Brokerage

The Group's retail brokerage business comprises the securities brokerage and futures brokerage businesses the Group conducts in China.

The Group's retail brokerage business highly focuses on innovation and has pioneered various innovations in the industry:

- In November 2016, the Group was among the first to obtain the trading authorization for Hong Kong Stock Connect under Shenzhen-Hong Kong Stock Connect;
- In January 2015, the Group was among the first to qualify for stock option brokerage business;
- In October 2014, the Group was among the first to obtain the trading authorization for Hong Kong Stock Connect under Shanghai-Hong Kong Stock Connect;
- In February 2014, the Group was among the first to qualify for the pilot program for spot contract agency and proprietary trading of precious metals including gold;
- In February 2013, the Group was qualified for agency sale of financial products;
- In 2013, the Group was the first to launch the account openings attestation services system and was among the first to launch an online account opening system;
- In 2012, the Group was qualified for the pilot program for cash management of client security deposit; and
- In 2010, the Group was among the first to qualify for futures IB business.

Securities Brokerage

The Group's securities brokerage business engages in securities trading on behalf of its clients. Among the PRC securities companies, the Group has one of the most extensive marketing and service networks and one of the largest client bases, with industry-leading service capability and market share. The Group also conducts securities brokerage business through its controlled subsidiary, Shanghai Securities. For the years ended 31 December 2015, 2016 and 2017, the trading volume of its stocks and funds brokerage business ranked third, third and second in the industry, respectively.

The Group's securities brokerage business fully promoted construction of the retail customer service system, further optimising the account system and the intelligent customer service platform and maintaining its leading position in the industry. For the year ended 31 December 2017, the Group's securities brokerage business further optimised the service system for retail customers based on customer needs, established an online business development model which centers on users, strengthened cooperation with bank channels, improved the network system and promoted the synergistic development of online and offline businesses. The business also strengthened the application of financial technology, focused on promoting the construction of an intelligent platform, and enhanced user experience and service levels, strengthened the construction of professional teams, optimised product system, and enhanced the professional service capabilities.

For the years ended 31 December 2016, 2017 and the six months ended 30 June 2018, the Group's securities brokerage business continued to maintain an industry leading position, it had a market share of 5.09%, 5.89% and 5.14% in stocks and funds trading. As at 31 December 2016, 2017 and 30 June 2017 and 2018, the Group's personal financial accounts amounted to 9.11 million, 11.10 million, 10.34 million and 12.11 million, respectively. The Jun Hong APP, with over 16.5 million, 22 million and nearly 25 million users as at 30 June 2017, 31 December 2017 and 30 June 2018, respectively, ranked third, and then first, in the industry in terms of monthly customers activeness.

The following table sets forth a breakdown of the trading volume and market share of the Group's securities brokerage business in China by product type for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2016		2017		2017		2018	
	Trading volume	Market share	Trading volume	Market share	Trading volume	Market share	Trading volume	Market share
	(RMB in billions, except for percentages)							
Stocks and funds[1]								
Stocks	13,821.6	5.3%	11,526.5	5.2%	5,397.3	5.2%	5,154.4	4.9%
Funds	542.3	2.4%	2,726.2	13.9%	1,673.6	19.0%	753.6	7.6%
Total[1]	**14,363.9**		**14,252.7**		**7,070.9**		**590.8**	

(1) Includes trading volume generated by institutional investors through the trading seats they leased from the Group, not including Spot bonds.

During the three years ended 31 December 2015, 2016 and 2017, with the revocation of the "one investor one account" policy with regards to A share accounts opened by individual investors and the development of Internet finance, competition between securities companies has further intensified. The Group proactively adapted to this market trend and devised diversified value-added service plans based on clients' asset balance and investment needs, including research, investment consulting, account analysis and wealth management. These value-added services have allowed it to charge differentiated brokerage commission rates which are higher than the average market rates.

Futures Brokerage

The Group primarily conducts its futures brokerage business in the PRC through Guotai Junan Futures. Guotai Junan Futures is a member of the Shanghai Futures Exchange, the Dalian Commodity Exchange, the Zhengzhou Commodity Exchange and the China Financial Futures Exchange. In addition, the Group also conducts its futures brokerage business in the PRC through Hicend Futures. For the years ended 31 December 2015, 2016 and 2017, the Group's trading volume of treasury bond futures ranked first, third and third in the industry, respectively; and the trading volume of stock market index futures ranked third in the industry in each year.

As of 30 June 2018, the Group has established 23 futures branches in China. The Guarantor and Shanghai Securities are both qualified to introduce clients to Guotai Junan Futures and Hicend Futures, respectively, for engaging in futures transactions. As of 30 June 2018, the Guarantor and Shanghai Securities had 339 and 74 securities branches, respectively, engaging in the above businesses.

The following table sets forth major awards received by Guotai Junan Futures and its products during the years ended 31 December 2015, 2016 and 2017 and up to the date of this Offering Circular:

Year	Awards	Awarding Body
2018	Futures Brand of the Year	The 16th China's Financial Annual Champion Awards
	Excellence Futures Institution	Golden Tie Awards of China Finance by Wallstreetcn.com
	Best Futures Company in China, Best Financial Services of Futures Company in China, Best Targeted Poverty Alleviation Award, Best Brand Development and Promotion, Best Service of Risk Management Subsidiaries, Best Operation Branch of Futures Company in China, Gold Medallion Management Team of China Futures Company and Gold Medallion Futures Research Institute of China	The Eleventh Session of the Best Futures Company Awards jointly held by the Futures Daily and the Securities Times
2016	Brand Prize in Futures Industry	The 14th China Finance Billboard Selection for Futures Industry held by hexun.com
	Best Futures Company in China, Best Management Team of China Futures Company, Best Assets Management Business and Gold Medallion Futures Research Institute of China	The Ninth Session of the Best Futures Company Awards jointly held by the Futures Daily and the Securities Times
	Best Wealth Management Institution in 2016 and Most Popular Internet Finance Product in the PRC	Securities Times
2015	Best Futures Company in China, Best Management Team of China Futures Company and Gold Medallion Futures Research Institute of China	The Eighth Session of the Best Futures Company Awards jointly held by the Futures Daily and the Securities Times
	Best Brand in Futures Industry	The 13th China Finance Billboard Selection for Futures Industry held by hexun.com

The following table sets forth an overview of the Group's futures brokerage business for the periods indicated:

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
Trading volume *(RMB in billions)*	13,840	10,740	5,060	5,290
Fee and commission income from futures brokerage *(RMB in millions)*	582.3	531.3	258.8	217.5

For the years ended 31 December 2016, 2017 and the six months ended 30 June 2017 and 2018, the trading volume of Guotai Junan Futures accounted for RMB13.84 trillion, RMB10.74 trillion, RMB5.29 trillion and RMB 5.06 trillion, respectively.

For the year ended 31 December 2017, Guotai Juan Futures focused on the brokerage business and seized the opportunities of new commodity futures and loosening restriction on financial futures, promoted overall and balanced development and effectively improved its comprehensive service capabilities. Throughout the year, the trading volume of stock index futures and treasury bond futures ranked third in the industry and its handling fee income from agency sales ranked second in the industry. Guotai Junan Futures was awarded an "AA" rating in the classification rating of futures companies in 2017. As at 30 June 2018, while Guotai Junan Futures focused on the brokerage business, it comprehensively laid out businesses such as asset management, risk management, international business and over-the counter derivatives trading to strengthen professional service capabilities and improve customer service system. For the six months ended 30 June 2018, the trading volume of both stock index futures and treasury bond futures ranked third in the industry; the Group's brokerage income and customer equity also ranked third in the industry.

Margin Financing and Securities Lending

The Group's margin financing and securities lending business offers loans and lends listed securities with collateral to clients to finance their purchase or short-selling of listed securities. In March 2010, the Group was among the first to qualify for the CSRC-approved pilot program for margin financing and securities lending business.

During the years ended 31 December 2015, 2016 and 2017, the Group has been leading the industry in margin financing and securities lending business. According to the SAC, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, as of 31 December 2015, 2016, 2017, its balance of margin loans all ranked second in the industry.

As at 31 December 2016, 2017 and 30 June 2018, the balance of margin financing and securities lending in the market amounted to RMB939.249 billion, RMB1,026.264 billion and RMB919.382 billion, respectively. In 2017, the Group's margin financing and securities lending business fully implemented eligibility management, enhanced counter-cyclical adjustment and further strengthened its service offerings to institutional customers and high-net-worth customers. The business also established a full range of classified and hierarchical service systems, optimised the hierarchical authorization mechanism, deepened the matrix management, and improved its service experience and operational efficiency. For the six months ended 30 June 2018, on the basis of strengthening counter-cyclical adjustment, the Group's margin financing and securities lending business further optimised the classified and hierarchical refined service systems, strengthened its service offerings to institutional customers and high-net-worth customers and established differentiated risk early warning and identification mechanisms to control business risks.

As at 31 December 2016, 2017 and 30 June 2018, the balance of the Group's margin loans and securities lending amounted to RMB57.735 billion, RMB64.139 billion and RMB54.851 billion, with a market share of 6.15%, 6.25% and 5.97%, respectively.

The following table sets forth the scale of margin financing and securities lending business of the Group for the periods indicated.

	Year ended 31 December		Six months ended 30 June
	2016	2017	2018
		(RMB in billions)	
Balance of margin loans	57.20	63.56	54.27
Market value of securities lending	0.54	0.58	0.58
Balance of margin refinancing	4.74	6.70	3.70
Balance of securities refinancing	0.37	0.18	0.08

The sources of funding and securities for the Group's margin financing and securities lending business primarily include:

- Equity securities held for proprietary trading;
- Operating cash;
- Proceeds from the issuance of corporate bonds, subordinated bonds and structured notes;
- Proceeds from the issuance of asset management schemes;

- Margin loans receivable-backed financing. The Group enters into contracts to sell its margin loans receivable to counterparties for financing and agree to repurchase such receivable assets at an agreed future date; and

- Margin and securities refinancing. The Group borrows funds or securities from China Securities Finance and then lend them to its margin financing and securities lending clients. The Group qualified for the pilot margin and securities refinancing business in August 2012, and was among the first securities companies to qualify for the pilot securities refinancing business in February 2013.

Wealth Management

While maintaining and enhancing the competitiveness of its traditional securities brokerage business, the Group continues to expand the business and service scopes of its branch offices and endeavor to transform its retail brokerage business into a wealth management-centered business. In response to the asset balance and investment need of its clients, the Group provides them with diversified wealth management services, including sales of financial products and investment consultation.

Jun Hong Unified Accounts (君弘一戶通) is the core of the Group's wealth management business. Through their Jun Hong Unified Accounts, the Group's clients can fully manage various types of assets under their accounts. Its clients can also conduct securities trading, futures trading, margin trading, fund subscription, purchase of wealth management products, fund remittance and transfer and consumption payment. In May 2013, the Group became the first securities company admitted to the PBOC's payment systems. As a result, the Group can provide a convenient, efficient and low-cost channel for its clients for the deployment of and exit from wealth management funds. As of 30 June 2018, the number of Jun Hong Unified Accounts reached 0.7848 million.

Meanwhile, the Group launched the Jun Hong Wealth Management Planning System (君弘理財規劃系統), through which the Group can customize reasonable and feasible wealth management plans for its clients by analyzing and evaluating their financial condition and wealth management goals. Supported by Jun Hong Unified Accounts and Jun Hong Wealth Management Planning System, the Group aims to explore the asset allocation needs of its personal finance clients and establish loyal client relationships.

The Group's wealth management business primarily offers financial products developed by it, mainly collective asset management schemes developed by Guotai Junan Asset Management. The Group also distributes financial products developed by third parties.

The Group focused on promoting the construction of financial product systems, upgrading its investment advisory-oriented, asset allocation-oriented service model, optimising product structure and customer structure, and accelerating the transition to wealth management. As at 30 June 2018, the number of members of Jun Hong Fortune Club (君弘財富俱樂部) reached 0.78 million. The number of contract customers of investment consultants was 0.123 million, 0.134 million and 0.143 million, as at 30 June 2017, 31 December 2017 and 30 June 2018, respectively. The size maintained by the agency sales of financial products of the Group was RMB143.1 billion. For the year ended 31 December 2017, the net income from agency sales of financial products of the Guarantor ranked first in the industry for both period.

Investment Management

The Group's investment management business provides asset management and fund management services to institutions and individuals in the PRC and also includes its direct investment business. The Group's direct investment business includes private equity investment and principal investment businesses.

Asset Management

The Group primarily conducts its asset management business through Guotai Junan Asset Management. Its asset management business charges management fees based on the AUM and performance fees based on business performance.

The Group's asset management services include collective asset management schemes, targeted asset management schemes, and specialized asset management schemes. For Collective asset management schemes, the Group manages assets with diverse risk and return profiles for multiple clients through designated accounts. The Group's collective asset management schemes include *Jundeli Series*（君得利系列）, which is a money market product ranked top among similar products by securities companies over the years; and *Cash Keeper*（現金管家）, a money market product developed for client deposits ranked top among similar products by securities companies over the years. As of 30 June 2018, the Group had collective asset management schemes with an aggregated AUM of RMB 76,792.0 million. For the years ended 2016, 2017 and the six months ended 30 June 2018, the monthly average AUM of active management amounted to RMB2,462 billion, RMB3,071 billion and RMB3,202 billion, respectively. For targeted asset management schemes, the Group manages assets for a single client through a designated account pursuant to agreed methods, conditions, requirements and restrictions. For specialized asset management scheme, the Group manages assets for a client for a specific purpose. The Group's featured specialized asset management schemes include the Huatai Guojun Margin Loan Receivables No. 1 Asset-backed Specialized Scheme（華泰國君融出資金債權1號資產支持專項計劃）. This scheme, issued in August 2015, is the first asset-backed securities with margin loan receivables from securities companies as the underlying assets in China. Structured into senior tranche and subordinated tranche, the scheme has raised RMB500.0 million in aggregate. The senior tranche of the scheme was rated AAA and listed on the Shanghai Stock Exchange. As of 30 June 2018, the Group had specialized asset management schemes with total AUM of RMB39,410.0 million.

According to the statistics of the Asset Management Association of China, as at 31 December 2016, 2017 and 30 June 2018, the scale of asset management business of securities companies was RMB17.31 trillion, RMB16.52 trillion and RMB15.28 trillion in aggregate.

In 2017, Guotai Junan Asset Management steadily enhanced its discretionary management capability. There was a significant increase in the scale of discretionary management. Guotai Junan Asset Management accelerated its business transformation based on customer needs, created a multi-strategy product line represented by "Fixed-income +", and actively carried out ABS business and the variety of the product lines was increasingly rich. In the first half of 2018, Guotai Junan Asset Management focused on active management and strengthened product creation and business innovation with solid performance of business.

As at 31 December 2016, 2017 and 30 June 2018, the scale of asset management of Guotai Junan Asset Management was RMB846.426 billion, RMB886.836 billion and RMB838.398 billion, of which the scale of discretionary management products was RMB 305.861 billion, RMB341.956 billion and RMB326.480 billion with the average monthly scale of discretionary management products ranking third in the industry, respectively.

The following table sets forth the scale of asset management of Guotai Junan Asset Management for the periods indicated.

	Year ended 31 December		Six months ended 30 June
	2016	2017	2018
		(RMB in billions)	
The scale of asset management business	846.43	886.84	838.40
Including: The scale of targeted asset management business	739.20	784.56	722.20
The scale of collective asset management business[1]	84.02	64.48	76.79
The scale of specialized asset management business	23.20	37.80	39.41
The scale of discretionary management business	305.86	341.96	326.48

(1) The calculation of the scale of collective asset management business is based on the net management asset.

Guotai Junan Asset Management is one of the first asset management companies approved in the securities industry. It has maintained an industry-leading position over the years. As of 31 December 2015, 2016, 2017 and 30 June 2018, the AUM of Guotai Junan Asset Management ranked fourth, third, third and third in the industry, respectively.

Guotai Junan Asset Management strives to balance the scale and quality of the AUM, and provides diversified asset management solutions based on the different requirements of clients in terms of risk appetite, return and liquidity. It has formed multiple product clusters with multiple asset classes including stocks, funds, bonds, currencies and multiple strategies including quantitative, market value management and overseas investments. Guotai Junan Asset Management emphasizes developing discretionary management capability and discretionary management products, aiming to achieve absolute returns for clients. In the years ended 31 December 2015, 2016 and 2017 and the six months ending 30 June 2018, Guotai Junan Asset Management has led the industry in terms of its ratio of AUM of discretionary management products to total AUM.

The Group's innovation capability is a distinguishing feature and strength of its asset management business. Innovative products of Guotai Junan Asset Management include:

- In 2016, issuance of "GD Power Ningxia New Energy Electricity On-grid Tariff Asset-backed Specialized Scheme (國電電力寧夏新能源電力上網收費權資產支持專項計劃)", the first asset-backed specialized scheme based on the economic interests of tariff from wind power as a green energy in the industry, which has been listed on the Shanghai Stock Exchange;

- In 2015, issuance of "Huatai Guojun Margin Loan Receivables No. 1 Asset-backed Specialized Scheme (華泰國君融出資金債權1號資產支持專項計劃)", the first asset-backed specialized scheme based on margin financing and securities lending receivables in the industry, which has been listed on the Shanghai Stock Exchange;

- In 2014, launch of "Junhui Wilshire Global Prime (君匯Wilshire全球尊享)", the first FOF-type QDII product in the industry;

- In 2012, issuance of "Junxiang Growth (君享成長)", the first statistical arbitrage product in China; and

- In 2011, issuance of "Junxiang Quantitative (君享量化)", the first hedge fund product in China.

The following table sets forth major awards received by Guotai Junan Asset Management during the years ended 31 December 2015, 2016 and 2017 and up to the date of this Offering Circular:

Year	Awards	Awarding Body
2018	Excellent Manager of Asset-Backed Special Programs, Asset Securitization Comprehensive Innovation Award	Shanghai Stock Exchange
	Excellent Wealth Management Brand of China, Jun Ding Award for Fixed-Income Investment Team in China	China Wealth Management Jun Ding Award (中國財富管理君鼎獎) of Securities Times
2017	Excellent Manager of Asset-Backed Special Programs, Excellent Investment Institution of the Bonds	Shanghai Stock Exchange
	Best Asset Management Securities Company	East Money Award
	Asset Management Securities Company of the Year	Top Financial Company of the Year by The Paper
2016	Excellent Dealer for Contractual Repurchase of Bonds	Shanghai Stock Exchange
	Best Asset Management Securities Company	First Botefeile Award by Sina Finance
	Best Asset Management Securities Company	Eastmoney.com
2015	Best Asset Management Securities Company in China and Best Institutional Service Provider in China	Securities Times
	Best Performance Securities Company for Wealth Management (Collective) of the Year	Fifth Custodian "Golden Eyes" (托管"金眼睛") Award held by China Merchants Bank
	Best Asset Management Securities Company	East Money Award

Some of Guotai Junan Asset Management's asset management products are structured into senior and subordinated tranches. As part of its overall asset allocation strategy, the Group may, from time to time, uses its own capital to subscribe for a portion of the subordinated tranche of these asset management products in order to provide credit enhancement to these products.

Fund Management

The Group's fund management business primarily manages mutual funds and provides asset management services to high-net-worth individuals, commercial banks and other institutional investors. The Group primarily conducts its fund management business through HuaAn Funds.

HuaAn Funds

In 2017, the Guarantor completed the acquisition of 20% equity interest in HuaAn Funds. HuaAn Funds is among the first batch of fund management companies approved by CSRC. According to Wind Info, as of 28 February 2017, HuaAn Funds managed 44 hybrid funds, 18 stock funds, 13 bond funds, eight international (QDII) funds, six money market funds and two alternative investment funds. As of 30 June 2018, the total AUM of mutual funds under HuaAn Funds was RMB246.1 billion.

In February 2014, Shanghai Electric put its 20% equity interest in HuaAn Funds up for sale through public listing on the Shanghai United Assets and Equity Exchange. In April 2014, Guotai Junan Innovation Investment entered into an equity purchase agreement with Shanghai Electric to acquire the 20% equity interest in HuaAn Funds. In September 2015, July 2016 and January 2017, respectively, Guotai Junan Innovation Investment entered into three supplemental agreements with Shanghai Electric to supplement and renew the equity purchase agreement. Guotai Junan Innovation Investment has fully paid the total consideration of RMB660.8 million for this equity acquisition. On 12 October 2017, the

CSRC issued a Written Reply on Approving the Change of Equity Interest in HuaAn Funds Management Co., Ltd. (Zheng Jian Xu Ke No. [2017]1809) which approved Shanghai Electric Group Corp. to transfer its 20% equity interest in HuaAn Funds to Guotai Junan Innovation Investment. On 18 December 2017, the change of relevant business registration for such transfer was completed.

Direct Investment

The Group conducts direct investment business, including private equity investment and principal investment, primarily through Guotai Junan Innovation Investment. Guotai Junan Innovation Investment and its fund management platform act as fund manager for private equity investment funds. Meanwhile, Guotai Junan Innovation Investment invests its own funds into the private equity investment funds and realizes profits through investment gains, performance incentives and management fees. The Group conducts financial or strategic principal investment in high-quality enterprises with its own funds primarily through Guotai Junan Innovation Investment.

Guotai Junan Innovation Investment and government-guided funds, industrial parks, industrial groups, listed companies, financial institutions and social capital jointly promote a series of investment funds, including NEEQ funds, project funds, industrial funds, M&A funds, debt funds and real estate funds. Guotai Junan Innovation Investment follows the philosophy of value investment, and focuses on the profitability and sustainable development of portfolio companies. It has rich investment experience in many sectors, including bio-medicine, IT, energy conservation and environmental protection, new materials, consumption and culture and media, and has established a layered investment project pipeline.

Meanwhile, Guotai Junan Innovation Investment actively followed the regulatory requirements and in October 2017, became one of the first normative platforms that obtained such accreditation. In February 2018, the incorporation of Guotai Junan Zhengyu Investment Co., Ltd., an alternative investment subsidiary of the Guarantor, was completed.

The following table sets out an overview of the Group's private equity investment business for the periods and as of the dates indicated:

	Year ended/As of 31 December		Six months ended/As of 30 June
	2016	**2017**	**2018**
Number of managed funds[1]	44	47	38
Cumulative committed capital of managed funds *(RMB in millions)*	22,824	34,326	32,345
Cumulative paid-in capital of managed funds *(RMB in millions)*	17,069	21,329	21,713
Cumulative number of investment projects	95	115	101
Investment amount *(RMB in millions)*	8,795.9	13,080	12,830

(1) Managed funds includes all private equity investment funds in which the general partners

The following table sets out an overview of the Group's principal investment business for the periods indicated:

	Year ended 31 December		Six months ended 30 June
	2016	**2017**	**2018**
Cumulative number of investment projects	23	25	23
Cumulative investment amount *(RMB in millions)*	861	904	873

International Business

In Hong Kong, the Group primarily conducts brokerage, corporate finance, asset management, loans and financing as well as financial products, market making and investments businesses through Guotai Junan International. Meanwhile, the Group has built its international business platform around Guotai Junan Financial Holdings. The Group has expanded its business into the United States and Singapore and are qualified to conduct M&A advisory business in the United States and asset management business in Singapore. As at 31 December 2018, the Group holds approximately 66.35% of the total issued shares of Guotai Junan International.

Guotai Junan International is a forerunner and leader in the internationalisation of PRC securities companies. In July 2010, Guotai Junan International became the first PRC securities company conducting business in Hong Kong to be listed in Hong Kong through an IPO. In March 2011, Guotai Junan International was admitted as a constituent stock of the Hang Seng Composite Index. In September 2015, Guotai Junan International was admitted as a constituent stock of the Hang Seng Composite MidCap Index. As of 31 December 2018, the market capitalization of Guotai Junan International was HK$9,700 million.

The Group's international business has established a comprehensive business platform centered around Hong Kong, and provides diversified and integrated financial services to both domestic and overseas clients through close cooperation between its domestic and international business teams. With the Group's large client base in China, its international business proactively captures the business opportunities in overseas listing and financing, overseas investment and cross-border M&A from Chinese enterprises. The Group has enhanced the cross-border operation of its wealth management business by capturing cross-border investment opportunities provided by the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect, Mainland-Hong Kong Mutual Recognition of Funds, and exploring in depth the cross-border wealth management demand of affluent and high-net-worth clients. Meanwhile, the Group has been actively developing its cross-border asset management services and products, primarily through QDII, QFII and RQFII asset management schemes, to provide domestic and foreign investors with tailored cross-border investment services.

The following table sets forth a breakdown of the revenue of Guotai Junan International by business lines for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2016		2017		2017		2018	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(HK$ in millions, except for percentages)							
Fee and commission income								
Brokerage	393.0	15.6%	517.1	16.5%	289.2	18.5%	271.4	16.2%
Corporate finance	456.6	18.1%	693.5	22.1%	441.6	28.3%	335.4	20.0%
Asset management	28.5	1.1%	29.8	1.0%	14.5	0.9%	10.6	0.6%
Income from loans and financing	1,297.3	51.5%	1,288.8	41.1%	641.6	41.1%	716.8	42.7%
Gains from financial products, market making and investments	343.8	13.6%	613.2	19.6%	173.1	11.1%	344.0	20.5%
Total	**2,519.2**	**100.0%**	**3,132.4**	**100.0%**	**1,560.0**	**100.0%**	**1,678.2**	**100.0%**

The following table sets forth major awards received by Guotai Junan International during the years ended 31 December 2015, 2016 and 2017 and up to the date of this Offering Circular:

Year	Awards	Awarding body
2018	Best Hong Kong Deal	Finance Asia
	Gold Award (Environmental, Social and Governance)	The Asset
	Best Investor Relations Company	Sina Finance
	Securities House of the Year 2018	Asia Risk
	Outstanding Hong Kong Enterprise	Economic Digest
	ARC Bronze Award	Mercomm Inc
	Vision Award – Gold	LACP
	Top Stock Pickers award in the Overall Analyst Awards and Top Stock Pickers award for the Automobiles industry in the Industry Analyst Awards category	Thomson Reuters Analyst Award by Thomson Reuters
	Asia's Best CEO and Best Investor Relations Company Wealth Management Jun Ding Award	The 8th Asia Excellence Award by Corporate Governance Asia
	Best Investor Relations Company	Quam IR
	Excellence Award in Risk Management, Excellence Award in Corporate Finance, and Outstanding Award in Derivative Provider of the Year	Financial Institution Awards 2018 by Bloomberg Businessweek
2017	The Best Broker with Comprehensive Strength	Zhitong Finance and Sina Finance
	Excellence Award of Securities Company of the Year, Corporate Finance, and Urban Investment Bond. Outstanding Award in Derivatives Provider of the Year and Financial Institution Awards 2017	Bloomberg Businessweek
	Gold Award (Environmental, Social and Governance)	The Asset
	Best China Broker	Bloomberg
	Golden Bauhinia "The Best Listed Company"	Takungpao (大公報)
2016	Best IPO Project Sponsor and Most Investment Value of Listed Companies in 2016 China Financial Market Listed Companies Awards	China Financial Market
	2016 Outstanding Hong Kong Brokerage House	Tencent Securities
	Best Securities Company of the Year Award	The 14th China Finance and Economy Overseas Industry Billboard by Hexun.com
	Best Securities Company of 2016	Asia Risk
2015	Best Refinancing Investment Bank	China Securities Golden Bauhinia Awards 2015 by Ta Kung Pao
	Third Prize in Best Performance of Fixed-income Category in Greater China	Offshore Chinese Fund Award 2015 by Chinese Asset Management Association of Hong Kong and Bloomberg

Brokerage

Guotai Junan International's brokerage business primarily comprises securities, futures, options as well as leveraged foreign exchange trading and brokerage services. Its online trading platform supports eight securities markets, including Hong Kong, the United States, the United Kingdom, Japan, Canada, Singapore, PRC A share and B share markets and over 20 global futures and options markets and eight currency pairs including offshore RMB and 21 cross-currency pairs in leveraged foreign exchange trading. Guotai Junan International's securities brokerage business also covers stock markets in France, Germany, Australia, South Korea, Malaysia and Taiwan as well as global fixed income markets. Guotai Junan International also provides insurance brokerage services.

Corporate Finance

Guotai Junan International provides corporate finance services to Hong Kong, PRC and international clients, including equity capital markets, debt capital markets, consulting and financial advisory services. Guotai Junan International has served as the sole or a joint sponsor in many landmark IPO deals. Guotai Junan International ranked first in terms of cumulative number for IPOs sponsored from 2016 to 2017 in Hong Kong.

Asset Management

Guotai Junan International provides a range of asset management services, including portfolio management, investment advice and transaction execution to individual clients, private funds and mutual funds. In addition, Guotai Junan International also conducts fund management business.

Loans and Financing

The loans and financing business of Guotai Junan International comprises margin loans, term loans, securities borrowing and lending, IPO loans as well as other loans and bank deposits. The loans and financing business and brokerage business of Guotai Junan International complements each other.

Financial Products, Market Making and Investments

Guotai Junan International sells customized financial products and provides market-making services for debt securities and ETFs. The investment business of Guotai Junan International primarily comprises pre-IPO investments, investments in listed companies and prospective listed companies as well as investments in funds.

INTELLECTUAL PROPERTY RIGHTS

As of the date of this Offering Circular, the Group is not aware of any material alleged infringement of its intellectual property rights.

MARKET AND COMPETITION

The PRC securities industry is highly regulated and the PRC securities companies must comply with a large number of regulations in every aspect, including business license, scope of products and services, business development and risk management. Competition in the PRC securities industry has been and will likely remain intense. The Group's major competitors are other securities companies with similar service scope and business scale. The Group also competes with other financial institutions, including fund management companies, commercial banks, insurance companies and trust companies. The Group competes on many aspects, including market penetration, range of products and services, price, innovation capability, quality of service, marketing and sales channels, execution capability, reputation and employee compensation.

For its institutional finance business, the Group competes primarily with other securities companies as well as commercial banks (principally on debt underwriting business) in terms of brand recognition, product portfolio, marketing and underwriting capabilities, service quality, financial strength and pricing. For its personal finance business, the Group competes primarily with other securities companies in terms of pricing and the scope and quality of products and services. For its investment management business, the Group competes primarily with other securities companies, fund management companies, commercial banks and insurance companies in terms of the scope of products and services, pricing and quality of client services. For its international business, the Group mainly competes in Hong Kong with other securities companies in brand recognition, product portfolio, service quality and pricing. The Group is also exposed to intense competition from other foreign financial institutions as the Group plans to expand its international business.

Some of the Group's competitors may enjoy certain competitive advantages, including greater financial resources, more sophisticated management experience, more advanced IT systems, wider geographic coverage, better understanding of local markets and the ability to offer more diversified financial product and services. In recent years, other financial institutions such as domestic commercial banks, insurance companies and trust companies are using their advantages in capitals, channels and client resources to expand into traditional business segments such as investment banking, asset management and wealth management, and seek to tap into the securities industry through establishment of new business or M&A. If regulations on comprehensive operation changes in the future, the securities industry may face even greater competition. Moreover, as China gradually opens its securities industry to the world, increases the shareholding cap of foreign investors in securities companies and broadens the business scopes of foreign-invested securities companies, international investment banks with strong capital, advanced management and excellent business capabilities will participated in domestic markets more frequently, which will further increase the competitive pressure on the domestic securities companies. The Group believes that, the financial service industry in China will become increasingly competitive, which will accelerate transformation and differentiated development of PRC securities companies.

The Group is also exposed to competition in attracting and retaining talents. Securities companies are also facing intense competition in needs for sponsor representatives, financial consultants, investment managers, research analysts and IT experts. The Group's ability to compete continuously and effectively in business is also subject to its ability to attract more talents and retain and motivate existing talents.

EMPLOYEES

As of 31 December 2017, the Group had 14,877 employees. The following table sets forth a breakdown of employees according to their business function as of the same date:

	Number	Percentage
		(%)
Business	10,344	69.5%
Business support	4,026	27.1%
Management	507	3.4%
Total	**14,877**	**100.0%**

The following table sets forth a breakdown of employees of the Group by education background as of 30 June 2018:

	Number	Percentage
		(%)
Doctor's degree or doctoral candidate	139	0.9%
Master's degree or post graduate	3,363	22.6%
Bachelor's degree or undergraduate	8,020	53.9%
Associate's degree or below	3,355	22.6%
Total	**14,877**	**100.0%**

During the years ended 31 December 2016 and 2017 and up to the date of this Offering Circular, the Group has not experienced any strikes, protests or other material labor disputes that may materially impair its business and corporate image. The Group has established a labor union and the Group believes that the Group has maintained a good relationship with its employees, whom the Group values at all times.

INSURANCE

The Group maintains insurance coverage for certain of its assets, including IT equipment and motor vehicles. Consistent with customary industry practice in the PRC, the Group does not maintain any business interruption insurance.

LEGAL PROCEEDINGS

The Group is a party to a number of legal proceedings arising in the ordinary course of its business. During the years ended 31 December 2016 and 2017 and up to the date of this Offering Circular, there were no legal proceedings pending or threatened against the Group that could, individually or in the aggregate, have a material effect on its business, financial condition or results of operations.

BOARD OF DIRECTORS

The Board currently consists of 16 directors, amongst whom three are executive directors, seven are non-executive directors and six are independent non-executive directors. The Board is responsible, and has the general authority for, the management and operation of the Guarantor. The directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The independent non-executive directors shall not hold office for more than six consecutive years.

The following table sets out the current members of the Board of Directors, their respective position and age.

Name	Age	Title
Mr. Yang Dehong (楊德紅)	52	Chairman of the Board and Executive Director
Mr. Wang Song (王松)	55	Vice chairman of the Board and Executive Director
Mr. Yu Jian (喻健)	54	Executive Director
Mr. Fu Fan (傅帆)	54	Non-executive Director
Ms. Liu Ying (劉櫻)	55	Non-executive Director
Mr. Zhong Maojun (鐘茂軍)	49	Non-executive Director
Mr. Zhou Lei (周磊)	40	Non-executive Director
Mr. Wang Yongjian (王勇健)	54	Non-executive Director
Mr. Lin Facheng (林發成)	42	Non-executive Director
Mr. Zhou Hao (周浩)	48	Non-executive Director
Mr. Xia Dawei (夏大慰)	66	Independent non-executive Director
Mr. Shi Derong (施德容)	70	Independent non-executive Director
Mr. Chen Guogang (陳國鋼)	59	Independent non-executive Director
Mr. Ling Tao (淩濤)	64	Independent non-executive Director
Mr. Jin Qingjun (靳慶軍)	61	Independent non-executive Director
Mr. Lee Conway Kong Wai (李港衛)	64	Independent non-executive Director

Mr. Yang Dehong (楊德紅), aged 52, is the chairman of the Board since August 2015 and an executive director of the Guarantor. Mr. Yang served as the deputy chief of the Asian Development Bank project section, the representative of the office in Hamburg, Germany and the manager of the second investment banking department in Shanghai International Trust & Investment Co., Ltd. (上海國際信託投資公司) from July 1989 to September 2002; the general manager of Shanghai SITICO International Consulting Co., Ltd. (上海上投國際投資諮詢有限公司) concurrently from July 2000 to September 2002; the general manager of International Group Asset Operation Company, the head of the general office, the head of the board office and the head of the information center of International Group from September 2002 to July 2005; the deputy general manager of Shanghai International Trust & Investment Co., Ltd. from February 2004 to July 2005; president assistant of International Group, the general manager of International Group Asset Operation Company from July 2005 to March 2006; president assistant of International Group from March 2006 to April 2008; vice president of International Group from April 2008 to September 2014; the general manager of Shanghai Aijian Corporation Limited (上海愛建股份有限公司) from August 2009 to February 2014. Mr. Yang has worked at the Guarantor since September 2014 and served as the president of the Guarantor from November 2014 to May 2015, the chairman of the Board and the president of the Guarantor from May 2015 to August 2015. Mr. Yang obtained a master's degree in business administration.

Mr. Wang Song (王松), aged 55, is the vice chairman of the Board, an executive director and president since November 2016. Mr. Wang worked as a trainee in the headquarters, a clerk in the Yunxi branch under the Yue Yang central branch, and an officer in the investment and management department of the headquarters of the China Construction Bank (中國人民建設銀行) successively from July 1987 to

October 1992; the deputy head of the Beijing office of Guotai Securities from October 1992 to March 1994; deputy general manager of the issuance department and the general manager of bond department of Guotai Securities from March 1994 to August 1999; the general manager of the first bond business department, and the general manager and the president of the head office of the fixed income securities department of the Guarantor from August 1999 to October 2003; president assistant and the president of the fixed income securities head office of the Guarantor from October 2003 to August 2006; the vice president of the Guarantor from August 2006 to August 2015; the president of the Guarantor from August 2015 to September 2015; the vice chairman of the Board and the president from September 2015 to May 2016; a director and the president of the Guarantor from May 2016 to November 2016. Mr. Wang obtained a postgraduate diploma in industrial management engineering.

Mr. Yu Jian (喻健), aged 54, is an executive director, the secretary to the Board since June 2009 and the head of the office of the Board since January 2016. Mr. Yu served as the project head of the science department of the research institution under the Ministry of Aerospace (航空航天部所屬研究所) from July 1986 to March 1993; the deputy manager of the securities issuance department, the manager of the first issuance division of the securities issuance department, and the deputy general manager of the securities issuance department of Guotai Securities from December 1993 to August 1999; the deputy general manager of the investment banking department of the Guarantor from August 1999 to September 2000; the deputy division head, division head and the general manager of the corporate finance department of the Guarantor from September 2000 to May 2008; and the head of the listing office of the Guarantor from May 2008 to June 2009. Mr. Yu obtained a master's degree in business administration.

Mr. Fu Fan (傅帆), aged 54, is a non-executive director. Mr. Fu served as a deputy general manager of Shangtou Industry Investment Co., Ltd. (上投實業投資有限公司) from January 1998 to July 2000; the head of the board office of International Group from July 2000 to November 2001; a deputy general manager of Shanghai International Trust & Investment Co., Ltd. (上投摩根基金管理有限公司) from November 2001 to May 2004; a deputy general manager of China International Fund Management Co, Ltd. from May 2004 to September 2009; the general manager and vice chairman of Shanghai International Trust Corp., Ltd. from September 2009 to May 2014; the chairman of Shanghai SA from May 2014 to February 2015; the vice president of International Group and concurrently the chairman of Shanghai SA from February 2015 to August 2015; and has been a director and vice president of International Group and concurrently the chairman of the board of directors of Shanghai SA from August 2015 to May 2017. Mr. Fu has been appointed as a director and the president of International Group since May 2017. Mr. Fu has been appointed as a director of Shanghai Pudong Development Bank Co., Ltd. (a company listed on Shanghai Stock Exchange, Stock Code: 600000) since June 2017. Mr. Fu obtained master's degree in engineering.

Ms. Liu Ying (劉櫻), aged 55, is a non-executive director. Ms. Liu served as an officer of the consulting department, deputy director of the comprehensive research office, a director's assistant, the executive deputy manager of the legal department of Shanghai International Trust & Investment Co., Ltd. from July 1985 to August 2000; the executive deputy manager and manager of the legal department of International Group from August 2000 to May 2004; deputy general manager of China International Fund Management Co, Ltd. from May 2004 to May 2010; the head of the board office and general manager of auditing headquarters of International Group from May 2010 to March 2013; the general manager of the investment department of International Group from March 2013 to January 2015; the general manager and the chief investment officer of the investment department of International Group from January 2015 to September 2015; Ms. Liu has held the position of chief investment officer of International Group from September 2015 to November 2018, and has been a director of International Group from May 2016 to November 2018. Ms. Liu obtained her bachelor's degree in law and obtained the title of senior economist.

Mr. Zhong Maojun (鐘茂軍), aged 49, is a non-executive director. Mr. Zhong served as the general manager's assistant of the investment banking department and the head of the reorganization office of Orient Securities Co., Ltd. (東方證券有限責任公司) from February 1998 to January 2003. Mr. Zhong then held several positions in Shanghai Municipal Financial Service Office (上海市金融服務辦公室) from January 2003 to January 2015, including the deputy head of the financial institution division, the deputy head of the financial stabilization division (in charge of execution), the head of the financial stabilization division, the head of the financial institution service division and the director of municipal financial state-owned assets supervisory service division. Mr. Zhong subsequently served as chief operating officer of International Group and the general manager of the strategic research department from January 2015 to May 2016, and a director and the chief operating officer of International Group since May 2016 and the general manager of the capital operation department of International Group from May 2016 to August 2017. Mr. Zhong obtained a master's degree in law.

Mr. Zhou Lei (周磊), aged 40, is a non-executive director. Mr. Zhou worked as the project manager and the manager of the financing arrangement department of International Group Asset Operation from December 2003 to December 2008; the general manager and the deputy chief project development officer of the financing arrangement headquarters of International Group Asset Management from December 2008 to August 2010; the deputy general manager and the head of risk compliance of Shanghai Aijian Trust Investment Co., Ltd. (上海愛建信託投資有限責任公司) from August 2010 to December 2011; the general manager of Shanghai Aijian Trust Co., Ltd. from December 2011 to March 2015; a director of Shanghai Aijian Trust Co., Ltd from November 2013 to March 2015; the deputy general manager of Shanghai SA from March 2015 to January 2016; as the general manager and the vice chairman of Shanghai SA from January 2016 to May 2017, as chairman Shanghai SA since May 2017, and as a chief investment officer of International Group since December 2018. Mr. Zhou obtained a master's degree in business administration.

Mr. Wang Yongjian (王勇健), aged 54, is a non-executive director. Mr. Wang served as the clerk, the deputy director clerk and the director clerk of the economic system reform office of Shenzhen Municipal Government (深圳市政府經濟體制改革辦公室) from September 1993 to November 1997; the manager of the integrated management department, the manager of the information management department and the deputy general manager of the administrative headquarters of the research institute of China Southern Securities Co., Ltd. (南方證券股份有限公司) from November 1997 to September 2005; the board secretary of Shenzhen Shahe Industry (Group) Co., Ltd. (深圳沙河實業(集團)有限公司) from September 2005 to July 2009; the deputy general manager of Shahe Industry Co., Ltd. (沙河實業股份有限公司) from March 2006 to July 2009; the deputy general manager of Shenzhen Investment Holdings from July 2009 to May 2016; as a director and the general manager of Shenzhen Investment Holdings Co., Ltd. (深圳市投資控股有限公司) from May 2016 to July 2017; and the chairman of Shenzhen Investment Holdings since August 2017. Mr. Wang served as a director of Guosen Securities Co., Ltd. (國信證券股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002736), from June 2011 to July 2018, and acted as a director of Shenzhen Textile (Holdings) Co., Ltd. (深圳紡織(集團)股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 000045) from June 2013 to July 2017. Mr. Wang has also been serving as a non-executive director of Ping An Insurance (Group) Company of China, ltd. (中國平安保險(集團)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601318) and the HKSE (stock code: 2318), since July 2018. Mr. Wang completed his postgraduate education majoring in system engineering.

Mr. Lin Facheng (林發成), aged 42, is a non-executive director. Mr. Lin served at the Audit Bureau of Shenzhen (深圳市審計局), where he was previously a clerk of the commercial audit division, a deputy director clerk of the audit division II under the Special Auditing Bureau for Economic Responsibility and a director clerk of the financial audit division of Shenzhen Urban Construction and Development (Group) Co., Ltd. (深圳市城市建設開發(集團)有限公司) from July 1997 to May 2013. Mr. Lin also served as the director and the chief financial officer of Shenzhen Urban Construction and Development (Group) Co., Ltd. from May 2013 to September 2017, and head of the auditing department of Shenzhen Investment Holdings Co., Ltd. since September 2017. Mr. Lin obtained a master's degree in Economics and is a senior auditor.

Mr. Zhou Hao (周浩), aged 48, is a non-executive director. Mr. Zhou served as the secretary to the youth league general branch directly under Shanghai Zhuzong (Group) Corporation (上海住總(集團)總公司) from September 1989 to August 1995, a deputy director of office of Shanghai New Jiangwan Development Co., Ltd. (上海市新江灣城開發有限公司) from August 1995 to October 2002, a senior manager of the administrative and human resources department of Shanghai Chengtou Corporation (上海市城市建設投資開發總公司) from October 2002 to October 2003, a director for construction of the New Jingwan City in Shanghai from October 2003 to February 2006, the general manager of the administration and human resources department of Shanghai Chengtou Corporation from February 2006 to August 2008, the secretary to the Discipline Inspection Commission and a vice president of Shanghai Chengtou Holding Co., Ltd (上海城控股股份有限公司) from August 2008 to October 2012 and the secretary to the Discipline Inspection Commission of Shanghai Municipal Investment (Group) Corporation (上海城投(集團)有限公司) from October 2012 to October 2017. Mr. Zhou has served as vice president of Shanghai Municipal Investment (Group) Corporation since October 2017. Mr. Zhou obtained a master's degree in business administration and is an economist.

Mr. Xia Dawei (夏大慰), aged 66, is an independent non-executive director. Mr. Xia has previously worked as a teacher, the chancellor assistant and the vice chancellor of Shanghai University of Finance and Economics (上海財經大學) from July 1985 to August 2000 and then served as the dean of Shanghai National Accounting Institute (上海國家會計學院) from August 2000 to August 2012. Mr. Xia has been a professor, a doctoral tutor and the academic committee director of Shanghai National Accounting Institute since August 2012. Mr. Xia currently holds the positions of the deputy chairman of the Chinese Industrial Economic Association (中國工業經濟學會), the consultant of China Accounting Standards Committee of the Ministry of Finance (財政部會計準則委員會), the vice chairman of China Association of Chief Financial Officers (中國總會計師協會), the chairman of Shanghai Accounting Association (上海會計學會), the honorary professor of the Chinese University of Hong Kong (香港中文大學), and the part-time professor of the School of Management of Fudan University (復旦大學) and a member of the listed company expert committee of the Shanghai Stock Exchange (上海證券交易所上市公司專家委員會) and enjoys the government allowance of the State Council. Mr. Xia has been serving as an independent director of various listed companies, including Lianhua Supermarket Holdings Co., Ltd. (聯華超市股份有限公司)(a company listed on the HKSE, stock code: 0980) since September 2004, Baoshan Iron & Steel Co., Ltd (寶山鋼鐵股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600019), since April 2013 and Juneyao Airlines Co., Ltd (上海吉祥航空股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603885), since July 2017. Mr. Xia has been the external supervisor of the Industrial Bank Co. Ltd. (興業銀行股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 601166) since May 2016. Mr. Xia served as an independent director of China United Network Communications Limited (中國聯合網絡通信股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600050), from November 2009 to May 2016 and as an independent director of Shanghai Electric Power Co., Ltd. (上海電力股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600021), from November 2009 to May 2017. Mr. Xia obtained a master's degree in economics.

Mr. Shi Derong (施德容), aged 70, is an independent non-executive director. Mr. Shi has previously held the positions of the secretary of the Communist Youth League branch of Central Hospital of Luwan District of Shanghai (上海盧灣區中心醫院) from October 1974 to August 1982; the deputy youth league secretary of the youth league committee of Luwan District (上海盧灣區團委), Shanghai from August 1982 to July 1983; the office director of Luwan District of Shanghai General Trade Union (上海總工會) from July 1983 to June 1984; head of the organization department of the party committee of Luwan District, Shanghai (上海市盧灣區委) from June 1984 to June 1986; the deputy secretary of the party committee of Luwan District, Shanghai from June 1986 to March 1992; the deputy chief and the deputy secretary of the party committee of Shanghai Civil Affairs Bureau (上海市民政局) from March 1992 to November 1995; the chief and secretary of the party committee of Shanghai Civil Affairs Bureau from November 1995 to April 2003; the president and the secretary of the party committee of Shanghai Shengrong Investment Co., Ltd. (上海盛融投資有限公司) from April 2003 to October 2009; and concurrently as the chairman of Shanghai Building Materials (Group) Corporation (上海建材(集團)

有限公司) from December 2003 to October 2009; the chairman and the secretary of the party committee of Shanghai Guosheng Group (上海國盛(集團)有限公司) from July 2007 to May 2012. Mr. Shi has been the director and the chief investment officer of CDB Root-Well Industrial Investment Fund Management Co., Ltd. (國開熔華產業投資基金管理有限責任公司) since June 2013. Mr. Shi served as the director of Bailian (Group) Co., Ltd. (上海百聯集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600827), from June 2015 to September 2016. Mr. Shi obtained a doctorate degree in engineering.

Mr. Chen Guogang (陳國鋼), aged 59, is an independent non-executive director. Mr. Chen was an assistant professor at Xiamen University (廈門大學) from July 1984 to March 1985, and served as the deputy chief financial officer of Hong Kong Hino Co., Ltd. (香港鑫隆有限公司) in Hong Kong from July 1988 to July 1991; as the finance manager of the U.S. agrichemical subsidiary of China National Chemicals Import & Export Corporation (中國化工進出口總公司) from July 1991 to March 1994; the general manager of the petroleum accounting department of China National Chemicals Import & Export Corporation from March 1994 to January 1995; the vice chief of the finance department of China National Chemicals Import & Export Corporation from January 1995 to May 1997; the vice president of China International United Petroleum and Chemicals Co., Ltd. (中國國際石油化工聯合公司) from May 1997 to February 1999; the deputy chief accountant of China National Chemicals Import & Export Corporation from February 1999 to June 1999; the general manager of the finance department of China National Chemicals Import & Export Corporation from June 1999 to December 2000; and the chief accountant of Sinochem Group (中國中化集團公司) from December 2000 to April 2010 and successively as the chief financial officer and the vice-president and chief financial officer of New China Insurance Co., Ltd. (新華人壽保險股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601336) and the HKSE (stock code: 1336), from April 2010 to May 2015. He has served as the vice-president of China Minsheng Investment Co. Ltd. (中國民生投資股份有限公司) since May 2015 and the chief executive officer of Qianhai Stock Equity Exchange Center (Shenzhen) Co.,Ltd. (深圳前海金融資產交易所有限公司) since September 2018. Mr. Chen has been a non-executive director of China Dongxiang (Group) Co., Ltd. (中國動向(集團)有限公司), a company listed on the HKSE (stock code: 3818), since June 2016, the independent non-executive director of, and an independent non-executive director of the Shanghai YTO Express (Logistics) Co., Ltd. (圓通速遞股份有限公司) listed on the Shanghai Stock Exchange (stock code: 600233) since October 2016. Mr. Chen has been a non-executive director of Far East Horizon Co., Ltd. (遠東宏信有限公司), a company listed on the HKSE (stock code: 3360), from December 2015 to July 2018, and a director and the chairman of China Minsheng Financial Holding Corporation Limited (中國民生金融控股有限公司), a company listed on the HKSE (stock code: 0245), from November 2017 to August 2018. Mr. Chen obtained a doctorate degree in economics was conferred the title of senior accountant.

Mr. Ling Tao (凌濤), aged 64, is an independent non-executive director. Mr. Ling held various positions such as the deputy institute head at the Research Bureau of The People's Bank of China (中國人民銀行研究局) from April 1989 to May 2000 and worked as the chief of Ningbo Central Branch of The People's Bank of China from June 2000 to July 2001; the deputy chief of Shanghai Branch of The People's Bank of China from August 2001 to December 2003; and the director of the Anti-Money Laundering Bureau of The People's Bank of China (中國人民銀行反洗錢局) from December 2003 to July 2005. Mr. Ling held various positions such as the deputy chief at the Shanghai Headquarters of The People's Bank of China from July 2005 to June 2014, and was the deputy head of the preparation group of Shanghai HuaRui Bank Co., Ltd. (上海華瑞銀行) from June 2014 to January 2015. Mr. Ling has also been the chairman of Shanghai HuaRui Bank Co., Ltd. (上海華瑞銀行股份有限公司) from January 2015 to January 2018, and the vice chairman of Shanghai Juneyao (Group) Co., Ltd. (上海均瑤(集團)有限公司) since June 2018. Mr. Ling obtained a doctorate degree in economics.

Mr. Jin Qingjun (靳慶軍), aged 61, is an independent non-executive director. Mr. Jin previously worked previously worked as a lawyer in Zhongxin Law Firm (中信律師事務所) from April 1989 to October 1993; and partner of Xinda Law Firm (信達律師事務所) from October 1993 to August 2002. Mr. Jin has also been serving as senior partner of King & Wood Mallesons (金杜律師事務所) since

September 2002; an independent director of Invesco Great Wall Fund Management Company Limited (景順長城基金管理有限公司) since April 2003; an external supervisor of China Merchants Bank Co., Ltd. (招商銀行股份有限公司), a company listed on the HKSE (stock code: 3968) and the Shanghai Stock Exchange (stock code: 600036) since October 2014; an independent non-executive director of Times Property Holdings Limited (香港時代地產控股有限公司), a company listed on the HKSE (stock code: 1233), since October 2015; an independent director of Sino-Ocean Group Holding Limited (遠洋集團控股有限公司), a company listed on the HKSE (stock code: 3377), since March 2016; an independent director of China South Glass Holdings Ltd. (中國南玻集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000012 (A Shares); 200012 (B Shares)), since December 2016; an independent director of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司), a company listed on the HKSE (stock code: 01578), since March 2017; and an independent director of Hengqin Life Insurance Co., Ltd. (橫琴人壽保險有限公司), since April 2017. Mr. Jin previously served as an independent director of Gemdale Corporation Co., Ltd. (金地集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600383), from April 2011 to April 2017; an independent director of Tianjin Changrong Print and Packing Equipment Co., Ltd. (天津長榮印刷設備股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300195), from December 2013 to December 2016; an independent director of Xi'an Dagang Road Machinery Co., Ltd (西安達剛路面機械股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300103), from April 2015 to April 2016; and a director of Konka Group Co., Ltd. (康佳集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000016), from May 2015 to December 2018. Mr. Jin obtained a master's degree in law.

Mr. Lee Conway Kong Wai (李港衛), aged 64, was appointed as an independent non-executive director in October 2016. Mr. Lee served as a partner of Ernst & Young from September 1980 to September 2009. Currently, Mr. Lee has been an independent non-executive director of several companies listed on the HKSE, including Chaowei Power Holdings Limited (超威動力控股有限公司)(stock code: 0951) since June 2010, West China Cement Limited (中國西部水泥有限公司)(stock code: 2233) since July 2010, China Modern Dairy Holdings Limited (中國現代牧業控股有限公司)(stock code: 1117) since October 2010, Tibet 5100 Water Resources Holdings Ltd. (西藏5100水資源控股有限公司)(stock code: 1115) since March 2011, Gome Electrical Appliances Holdings Limited (國美電器控股有限公司)(stock code: 0493) since March 2011, NVC Lighting Holding Limited (雷士照明控股有限公司)(stock code: 2222) since November 2012, Yashili International Holdings Limited (雅士利國際控股有限公司)(stock code: 1230) since November 2013, GCL New Energy Holdings Limited (協鑫新能源控股有限公司)(stock code: 0451) since May 2014, WH Group Limited (萬洲國際有限公司)(stock code: 0288) since August 2014 and China Rundong Auto Group Limited (中國潤東汽車集團有限公司)(stock code:1365) since August 2014. Mr. Lee served as an independent non-executive director of CITIC Securities Company Limited (中信證券股份有限公司)(the HKSE stock code: 6030 and the Shanghai Stock Exchange stock code: 600030) from November 2011 to May 2016 and as a non-executive director and the deputy chairman of China Environmental Technology and Bioenergy Holdings Limited (中科生物控股有限公司), a company listed on the HKSE (stock code: 1237), from July 2014 to September 2015. Mr. Lee has been appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province in China from year 2007 to 2017. Mr. Lee has been a member of several institutes of certified accountants, including the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Registered Accountants. Mr. Lee obtained his postgraduate diploma in business.

BOARD OF SUPERVISORS

The Guarantor's Supervisory Committee currently consists of seven Supervisors, amongst whom one is a Supervisor appointed by the municipal government, three are Supervisors appointed by Shareholders at general meeting, and three are employee representative Supervisors. The employee representative Supervisors are elected at employee representative assemblies. Supervisors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

The following table sets out the current members of the Board of Supervisors of the Issuer, their respective position on the Board of Supervisors and their age.

Name	Age	Title
Mr. Shang Hongbo (商洪波)	60	Chairman of the Supervisory Committee
Mr. Zhu Ning (朱寧).	60	Vice chairman of the Supervisory Committee; Employee
Mr. Shao Chong (邵崇)	59	representative Supervisor
Mr. Feng Xiaodong (馮小東)	52	Supervisor
Mr. Zuo Zhipeng (左志鵬).	49	Supervisor
Mr. Wang Weijie (汪衛傑).	56	Employee representative Supervisor
Mr. Liu Xuefeng (劉雪楓)	55	Employee representative Supervisor

Mr. Shang Hongbo (商洪波), aged 60, serves as the chairman of the Supervisory Committee. Mr. Shang has previously held various positions at Ningbo Branch of The People's Bank of China from September 1985 to December 1994, including the head of the liquidation group of the finance company from June 1989 to February 1990; the deputy head of the financial administration division (in charge of execution) from February 1990 to December 1991; the office director from December 1991 to March 1993; and the deputy chief from March 1993 to December 1994. Mr. Shang also served as the chief of Ningbo Branch of SPD Bank (上海浦東發展銀行) from December 1994 to February 2002 and the deputy chief of SPD Bank from February 2002 to March 2015. Mr. Shang has been serving as the chairman of the Supervisory Committee of the Guarantor since October 2015. Mr. Shang obtained a master's degree in business administration.

Mr. Zhu Ning (朱寧), aged 60, is vice chairman of the Supervisory Committee and an employee representative Supervisor. Mr. Zhu has previously served as the deputy director clerk, the director clerk, and the deputy-division level researcher at the comprehensive division of general office of the CPC Shanghai Municipal Committee (中共上海市委) from July 1987 to December 1995; the deputy director of the office of science, education and culture of the CPC Shanghai Municipal Committee from December 1995 to November 2000; the deputy director and the director of the research office of the financial work committee of CPC Shanghai Municipal Committee from November 2000 to September 2002; the director of the research office of the financial work committee of CPC Shanghai Municipal Committee and also the director of the policy research office of the Shanghai Financial Services Office from September 2002 and September 2005. Mr. Zhu has been serving as the deputy secretary of the party committee and the secretary of Commission for Discipline Inspection of the Guarantor from September 2005 to December 2018, and also served as the chairman of the trade union of the Guarantor Concurrently from March 2008 to January 2015; and the chairman of Guotai Junan Investment Management Co., Ltd. Concurrently from February 2010 to July 2013. Mr. Zhu has been serving as a Supervisor of the Guarantor since January 2013 and the vice chairman of the Supervisory Committee of the Guarantor since April 2013. Mr. Zhu obtained a master's degree in business administration and obtained the title of senior economist.

Mr. Shao Chong (邵崇), aged 59, is a Supervisor. From August 1989 to December 1992, Mr. Shao worked as a cadre and then the deputy director of the Social and Economic Research Department of National Bureau of Statistics Research Institute from August 1989 to December 1992 and the deputy director of the preparatory office of Shenzhen Energy Corporation Shenzhen Energy Investment Co., Ltd. (深圳能源總公司深圳能源投資股份有限公司) from January 1993 to June 1993, and held various positions consecutively in Shenzhen Energy Investment Co., Ltd. (深圳能源投資股份有限公司) including the secretary to board of directors, general manager assistant, deputy general manager, executive deputy general manager, director and chief economist from June 1993 to January 2008. He served as the deputy director of the preparatory office of Binhai Power Plant Construction Office of Shenzhen Energy Group Co., Ltd. (深圳能源集團股份有限公司) between January 2008 and August 2008 and the director and the deputy general manager of CNOOC Shenzhen Natural Gas Co., Ltd. (中海石油深圳天然氣有限公司) from August 2008 and January 2015. Mr. Shao has been serving as the vice chairman of Great Wall Securities Co., Ltd.(長城證券股份有限公司)since April 2008 and the secretary of the board of Shenzhen Energy Group Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000027) since January 2015. Mr. Shao obtained a doctorate degree in economics and obtained the title of senior economist.

Mr. Feng Xiaodong(馮小東), aged 52, is a Supervisor. From July 1988 to December 2000, Mr. Feng subsequently served as the workers' supervisor and a deputy division head of workers' division in labour department, and the business head and division head of personnel management division in human resources department of China FAW Group Corporation(一汽集團公司). From December 2000 to July 2002, Mr. Feng served as the department head of personnel department in FAW Foundry Co., Ltd.(一汽鑄造有限公司). From July 2002 to September 2017, he subsequently served as the deputy department head of human resources department, deputy department head of organizational and personnel department, head of the audit department and the general manager of the supervisory committee's office in China FAW Group Corporation. From October 2017 to present, Mr. Feng serves as the supervisor of Guosen Securities Co., Limited. From September 2017 to present, he serves as the department head of compliance department, general manager of supervisory committee's office of China FAW Group Corporation. Mr. Feng obtained a doctorate degree in Management and is a senior economist.

Mr. Zuo Zhipeng(左志鵬), aged 49, is a Supervisor. Mr. Zuo served as the accountant of the finance division of Anqing Textile Factory(安慶紡織廠)from July 1989 to July 1994; and an assistant of the finance division head of AnHui HuaMao Textile Co., Ltd.(安徽華貿紡織有限公司)from July 1994 to July 1999. Mr. Zuo then has held various positions in AnHui HuaMao Textile Company Limited(安徽華貿紡織股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000850), including the chief financial officer, the general manager assistant, the deputy general manager and the board secretary since July 1999. Mr. Zuo has been serving as a director of Anhui HuaMao Group Co., Ltd.(安徽華貿集團有限公司)since March 2007 and the director and general manager of AnHui HuaMao Textile Company Limited since March 2016. Mr. Zuo obtained a master's degree in business administration and was conferred the title of senior accountant.

Mr. Wang Weijie(汪衛傑), aged 56, is an employee representative Supervisor. Mr. Wang has previously worked as the chief accountant of the financial department of Shenzhen Cigarette Factory(深圳卷煙廠)from February 1993 to December 1993, an accountant in the listing company department of Shenzhen Jinpeng Accounting Firm(深圳市金鵬會計師事務所)from December 1993 to March 1994, worked in the finance department of Junan Securities from March 1994 to November 1994; worked as the general manager of the financial department of Shandong Province Securities Company(山東省證券公司)from November 1994 to January 1996; and successively served as the deputy director of the auditing office, the deputy general manager of capital planning department, the general manager of Changsha sales department, and the general manager of the finance department of Junan Securities from January 1996 to August 1999. Mr. Wang held various positions in the Guarantor from August 1999, including the assistant general manager and manager of the planning and finance headquarters of the Shenzhen Branch, the general manager of the planning and finance headquarters, the executive chairman of the assets and liabilities management committee and team leader of the subsidiary management team, the head of the Supervisory Committee office. He has been serving as the head of discipline inspection and the supervision office since November 2011; and the deputy secretary of the discipline inspection commission since February 2016. Mr. Wang obtained a master's degree in economics and obtained the title of senior political officer.

Mr. Liu Xuefeng(劉雪楓), aged 55, is a employee representative Supervisor. Mr. Liu worked as an officer of the competent financial office and an accountant of the financial division successively at Northern China Nonferrous Metals Group of Anyang Geophysical Division(華北有色公司安陽物探大隊)from July 1987 to March 1991, the officer and then deputy section head (managerial work) at the finance office of Shijiazhuang Iron and Steel Plant Co., Ltd.(石家莊鋼鐵廠有限公司)from March 1991 to March 1997, a finance manager at Shijiazhuang sales department of Junan Securities from March 1997 and August 1999, and held various positions in the Guarantor, including the assistant general manager of securities sales department and finance manager and deputy general manager of finance department of Shijiazhuang Jianhua South Street Branch, deputy general manager of Hebei operation and the sales headquarter and the deputy general manager and general manager of the planning and the finance headquarter since August 1999. Mr. Liu has been serving as the general manager of investigation and audit department of the Guarantor since February 2012. Mr. Liu obtained a master's degree in business administration.

SENIOR MANAGEMENT

The Guarantor's senior management is responsible for the management of day-to-day operations of the Guarantor. The following table sets out current senior management of the Issuer, their respective position and their age.

Name	Age	Title
Mr. Wang Song (王松)	55	President
Mr. Zhu Jian (朱健)	47	Vice President
Mr. Jiang Yiming (蔣憶明)	55	Vice President
Mr. Chen Yutao (陳煜濤)	56	Vice President
Mr. Gong Dexiong (龔德雄).	49	Vice President
Mr. Yu Jian (喻健)	54	Secretary to the Board
Ms. Zhang Zhihong (張志紅)	49	Chief Compliance Officer
Mr. Xie Lebin (謝樂斌).	51	Chief Financial Officer, Chief Risk Officer

Mr. Wang Song (王松) is the president. See "*Board of Directors*" for Mr. Wang's biography.

Mr. Zhu Jian (朱健), aged 47, is a vice president. Mr. Zhu worked at Shanghai Dazhong Taxi Co., Ltd. (上海大眾出租汽車股份有限公司) from July 1996 to December 1997 and successively held various positions including the deputy head of general manager office and the secretary of the board. He subsequently served successively as a cadre and a deputy director level clerk at the corporate department of the Shanghai Securities and Futures Supervisory and Management Office (上海市證券期貨監督管理辦公室) and a deputy director level clerk and a director level clerk at the listed company division of CSRC Shanghai Securities Office (中國證監會上海證管辦) from December 1997 to November 2000; a director level clerk and a deputy division head of the information research division of CSRC Shanghai Securities Office successively from November 2000 to March 2004; a deputy division head and division head of the information research division of CSRC Shanghai Branch (中國證監會上海監管局) from March 2004 and October 2004; the head of general office and the division head of the second institution division of CSRC Shanghai Branch from October 2004 to September 2008; an assistant of director general of CSRC Shanghai Branch from September 2008 to August 2010; and a deputy director general of CSRC Shanghai Branch from August 2010 to September 2016. Mr. Zhu has joined in the Guarantor since September 2016 and has been serving as vice president since December 2016. Mr. Zhu obtained a master's degree in law and a master's degree in business management.

Mr. Jiang Yiming (蔣憶明), aged 55, is a vice president. Mr. Jiang worked as the accountant of the accounting office of Nanjing College of Pharmacy (南京藥學院)(currently known as China Pharmaceutical University (中國藥業大學)) from July 1981 to September 1987 and the financial manager for Shenzhen Yu Kang Solar Co., Ltd. (深圳宇康太陽能有限公司) from July 1990 to May 1993, and then held various positions in Junan Securities from May 1993 to August 1999, including the deputy manager and then the manager of the financial department, the deputy general manager of securities brokerage business department, the deputy general manager and then the general manager of fund planning department and the chief financial officer. Mr. Jiang held various positions in the Guarantor since August 1999, including the deputy general manager, the chief accountant, the general manager of the clearance headquarters and the chief financial officer of the Shenzhen Branch. Mr. Jiang has been serving as the vice president of the Guarantor since November 2013. Mr. Jiang obtained a doctorate degree in management.

Mr. Chen Yutao (**陳煜濤**), aged 56, is a vice president and chief information officer. Mr. Chen served as deputy dean of the management department of Shandong Textile Institute of Technology (山東紡織工學院) from August 1990 to July 1991, a lecturer in industrial economics department of Shanghai University of Finance and Economics (上海財經大學) from July 1991 to August 1992, the manager of the department of Shanghai business of Shenzhen Special Economic Zone Securities Company (深圳經濟特區證券公司) from August 1992 to July 1993, and a clerk of the research department and the deputy general manager of the computer department of Guotai Securities from July 1993 to August 1999. Mr. Chen held various positions in the Guarantor since August 1999, including the general manager of information technology headquarters, the general manager of the Shenzhen Branch, the general manager of retail customer headquarter, the general manager of human resources headquarter and the chief engineer. He has been serving as the chief information officer from November 2013 to May 2018 and a vice president since November 2016. Mr. Chen obtained a master's degree in economics.

Mr. Gong Dexiong (**龔德雄**), aged 49, is a vice president. Mr. Gong worked at the Pudong operating office of the securities department of Shanghai Trust from October 1992 to January 1995. Mr. Gong served successively as the deputy head of the Pudong operating office at the securities department, the section chief of the investment research section at the securities department, and the deputy manager of the securities department of Shanghai Trust from January 1995 to February 2001; the deputy general manager of Shanghai Securities from February 2001 to November 2011; the chairman of Hicend Futures (海證期貨) concurrently from July 2008 to November 2011; the general manager of the financial management headquarters of International Group from November 2011 to March 2013; the general manager of Shanghai Securities from March 2013 to September 2015, the vice chairman of Shanghai Securities from May 2014 to November 2015, and the chief executive officer of Guotai Junan Asset Management from August 2015 to April 2016. Mr. Gong has been serving as the chairman of Guotai Junan Asset Management since August 2015, the chairman of Shanghai Securities from May 2016 to June 2018, and a vice president of the Guarantor since November 2016. Mr Gong has also been serving as the chairman of GTJA Innovation Investment Co., Ltd. since August 2017, and the general manager of GTJA Innovation Investment Co., Ltd. concurrently since January 2019. Mr. Gong obtained a master's degree in business administration.

Mr. Yu Jian (**喻健**) is the secretary to the Board and a joint company secretary. See "*Board of Directors*" for Mr. Yu's biography.

Ms. Zhang Zhihong (**張志紅**), aged 49, is the chief compliance officer of the Guarantor. Ms. Zhang joined the work in August 1991. She joined the Shanghai Securities Regulatory Office in March 1994. From May 2000 to August 2004, she served as deputy director of the Office of the Party Committee of the Shanghai Securities Regulatory Office (discipline inspection)(上海證管辦黨委(紀檢)辦公室) and deputy director of the agency department. From August 2004 to March 2008, she served as director of the Office Supervision Department of the Shanghai Securities Regulatory Bureau, director of the Office of Supervision, and director of the Supervision Department of Listed Companies. From March 2008 to October 2011, she served as a member of the Great Wall Securities Party Committee and secretary of the Discipline Inspection Commission, chief compliance officer, and deputy general manager, etc. From October 2011 to December 2016, she served as assistant president and Vice President of Investment Banking Business Committee of the Guarantor. From December 2016 to October 2018, she served as the chief business officer and vice president of the Investment Banking Business Committee of the Guarantor. She has been serving as the chief compliance officer of the Guarantor since November 2018. Ms. Zhang obtained a doctorate degree in economics and was conferred the title of senior economist.

Mr. Xie Lebin (**謝樂斌**), aged 51, is the chief financial officer and the chief risk officer. Mr. Xie worked at the investment banking department of Wanguo Securities (萬國證券有限公司) Co., Ltd. from July 1993 to March 1995. Mr. Xie served as an executive director of the investment banking department of Junan Securities from March 1995 to August 1999 and held various positions in the Guarantor since August 1999, including a deputy general manager of the Shanghai investigation and auditing department; a deputy general manager of the investigation and auditing headquarters; the executive deputy general manager of the investigation and auditing headquarters; the general manager of the investigation and auditing headquarters; the general manager of the planning and finance department; and the deputy chief financial officer and the general manager of the planning and finance department. Mr. Xie has been serving as the chief financial officer and concurrently as general manager of the planning and finance department since January 2017, and has been serving as the chief operating officer of the Guarantor concurrently from May 2018 to January 2019. Mr. Xie has also been serving as the chief risk officer of the Guarantor since October 2018. Mr. Xie obtained a doctorate degree in economics.

EXCHANGE RATE INFORMATION

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets.

On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2 per cent. against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, PBOC further widened the floating band against the U.S. dollar to 2.0 per cent.

On 11 August 2015, PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods presented:

	Renminbi per U.S. dollar Noon Buying Rate(1)			
Period	**Period End**	**Average(2)**	**High**	**Low**
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.5932	6.1870
2016	6.8771	6.6549	6.9580	6.4480
2017	6.4773	6.7350	6.9575	6.5063
2018	6.8755	6.6090	6.9737	6.2649
2019				
January	6.6958	6.7863	6.8708	6.6958
February (up to February 8)	6.7426	6.7426	6.7426	6.7426

(1) Exchange rates between Renminbi and the U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Annual and semi-annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

PRC REGULATIONS

This section summarises the principal PRC laws and regulations which are relevant to the Group's business and operations and the provision of the Guarantee. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Group's business and operations or to the Guarantor.

NDRC FILING

On 14 September 2015, the NDRC issued the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》, the "**NDRC Notice**"), which became effective on the same day. In order to encourage the use of low-cost capital in the international capital markets in promoting investment and steady growth and to facilitate cross-border financing, the NDRC Notice abolishes the case-by-case quota review and approval system for the issuance of foreign debts by PRC enterprises and sets forth the following measures to promote the administrative reform of the issuance of foreign debts by PRC enterprises or their controlled offshore enterprises or branches:

- steadily promoting the administrative reform of the filing and registration system for the issuance of foreign debts by enterprises;
- increasing the size of foreign debts issued by enterprises, and supporting the transformation and upgrading of key sectors and industries;
- simplifying the filing and registration of the issuance of foreign debts by enterprises; and
- strengthening the supervision during and after the process to prevent risks.

For the purposes of the NDRC Notice, "**foreign debts**" means RMB-denominated or foreign currency denominated debt instruments with a maturity of more than one year which are issued offshore by PRC enterprises and their controlled offshore enterprises or branches and for which the principal and interest are repaid as agreed, including offshore bonds and long-term and medium-term international commercial loans. According to this definition, offshore bonds issued by both PRC enterprises and their controlled offshore enterprises or branches shall be regulated by the NDRC Notice.

Pursuant to the NDRC Notice, an enterprise shall: (i) apply to the NDRC for the filing and registration procedures prior to the issuance of the bonds; and (ii) shall report the information on the issuance of the bonds to NDRC within 10 working days after the completion of each issuance. The materials to be submitted by an enterprise shall include an application report and an issuance plan setting out details such as the currency, volume, interest rate, term, use of proceeds and repatriation details.

To issue foreign debts, an enterprise shall meet these basic conditions:

(i) having a good credit history with no default in its issued bonds or other debts;

(ii) having sound corporate governance, risk prevention and control mechanisms for foreign debts; and

(iii) having a good credit standing and relatively strong capability to repay its debts.

Pursuant to the NDRC Notice, the NDRC shall control the overall size of foreign debts that can be raised by PRC enterprises and their controlled overseas branches or enterprises. The NDRC shall reasonably determine the overall size of foreign debts based on the trends in the international capital markets, the need of the PRC economic and social development and the capacity to repay foreign debts, and shall guide the funds towards key industries, key sectors, and key projects encouraged by the State and effectively support the development of the real economy. When the limit of the overall size of foreign debts has been exceeded, the NDRC shall make a public announcement and shall no longer accept applications for filing and registration. According to the NDRC Notice, the proceeds raised may be used onshore or offshore according to the actual need of the enterprises, but priority shall be given to supporting the investment in major construction projects and key sectors, such as "The Belt and Road", the coordinated development of Beijing-Tianjin-Hebei, the Yangtze River Economic Belt, international cooperation on production capacity, and the manufacturing of equipment. As the NDRC Notice is newly published, certain detailed aspects of its interpretation and application remain subject to further clarification.

According to the NDRC Notice, an enterprise shall report the information relating to the issuance of the bonds to the NDRC within 10 working days in the PRC from the completion of the bond issuance (the "**NDRC Post-Issuance Report**"). The NDRC Notice provides that, in the case where the reported information relating to the issuance of foreign debts significantly varies from the information indicated in the filing and registration application filed with the NDRC, the enterprise shall provide an explanation regarding such variance in the NDRC Post-Issuance Report. In addition, if an enterprise maliciously and falsely reports the size of its issuance of foreign debts, the NDRC shall list the enterprise as an enterprise with poor credit in the national credit information platform.

CSRC FILING

On 25 September 2018, the China Securities Regulatory Commission (the "**CSRC**") issued the Administrative Measures on Establishment, Acquisition and Equity Participation in Business Organisations Overseas by Securities Companies and Securities Investment Fund Management Companies(證券公司和證券投資基金管理公司境外設立、收購、參股經營機構管理辦法), the "**CSRC Order No.150**"), which became effective on the same day. The CSRC Order No. 150 provides that, where a security company provides guarantee to an oversea subsidiary pursuant to the law, the security company shall perform internal decision-making procedures and file records with the CSRC within five working days from the date of passing of resolution.

FOREIGN EXCHANGE ADMINISTRATION

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. The State Administration of Foreign Exchange of (國家外匯管理局, the "**SAFE**"), under the authority of the People's Bank of China (中國人民銀行, the "**PBOC**"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The principal law governing foreign exchange in the PRC is the PRC Administrative Regulations on Foreign Exchange (《中華人民共和國外匯管理條例》, the "**Foreign Exchange Regulations**"). The Foreign Exchange Regulations was enacted by the State Council on 29 January 1996 and implemented on 1 April 1996. On 14 January 1997 and 5 August 2008, the State Council amended the Foreign Exchange Regulations. According to the Foreign Exchange Regulations, the RMB is freely convertible for "current account transactions", which refers to any transaction account for international receipts and payments involving goods, services, earnings and frequent transfers. For "capital account transactions" which refers to any transaction account for international receipts and payments that result in any change in external assets and liabilities, including, *inter alia*, capital transfers, direct investments, security investments, derivatives and loans, prior approval of and registration with the SAFE or its local branches is generally required.

Pursuant to the Administrative Regulation of Foreign Exchange Settlement, Sale and Payment(《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on 20 June 1996 and came into effect on 1 July 1996, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at banks authorised to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account transactions, obtaining approval or consummating filling and registration from SAFE or its local branches or the banks authorised by SAFE.

On 9 June 2016, the SAFE promulgated the Notice on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement (《關於改革和規範資本項目結匯管理政策的通知》, the "**SAFE Circular 16**") which took effect on the same day. According to the SAFE Circular 16, enterprises registered in PRC could settle the external debts in foreign currencies to Renminbi at their own discretion. The SAFE Circular 16 sets a uniform standard for discretionary settlement of foreign currencies under capital accounts (including but not limited to foreign currency capital, external debts and repatriated funds raised through overseas listing), which is applicable to all enterprises registered in PRC. It reiterated that the Renminbi funds obtained from the settlement of foreign currencies shall not be used directly or indirectly for purposes beyond the Guarantor's scope of business, and shall not be used for securities investment or investments and wealth management products other than principal-protected products issued by banks, unless otherwise expressly prescribed. Furthermore, such Renminbi funds shall not be used for disbursing loans to non-affiliated enterprises, unless the scope of business expressly provides so; and shall not be used to construct or purchase real estate not for self-use (except for real estate enterprises).

On 12 May 2014, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of Cross-border Security (Hui Fa [2014] No. 29) (《國家外匯管理局關於發佈＜跨境擔保外匯管理規定＞的通知》(匯發[2014]29號), the "**Notice 29**"). Notice 29, which came into force on 1 June 2014, replaces twelve other regulations regarding cross-border security and introduces a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration for two specific types of cross-border security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) removing SAFE approval, registration, filing or any other SAFE administrative requirements for the validity of any cross-border security agreement; and (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under Notice 29. Notice 29 classifies cross-border security into three types:

- Nei Bao Wai Dai ("**NBWD**"): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor.

- Wai Bao Nei Dai ("**WBND**"): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor.

- Other Types of Cross-border Security: any cross-border security/guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-financial institution, it shall conduct a registration of the relevant security/guarantee with the SAFE within 15 working days of the execution of the cross-border security agreement (or 15 working days of the date of any change to the security agreement).

In accordance with Notice 29, the funds borrowed offshore under a NBWD shall not be directly or indirectly repatriated to or used onshore by means of loans, equity investments or securities investments without SAFE approval. On 26 January 2017, SAFE issued the Circular of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Management and Improving Authenticity and Compliance Review (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》)("**SAFE Circular 3**"), which took effect on the same day. Pursuant to this SAFE Circular 3, funds raised offshore under NBWD are allowed to be directly or indirectly repatriated to the PRC by means of loans or equity investments. However, pursuant to the Q&A in relation to SAFE Circular 3 issued by SAFE ("**SAFE Q&A**"), NBWD in special transactions, including the offshore bonds, shall still satisfy the requirements set out in Notice 29 that (a) the domestic entity shall directly or indirectly hold shares in the overseas debtor, (b) the revenues from the overseas issuance of bonds shall be used for overseas investment projects in which the domestic entity has equity interests, and (c) the relevant overseas entities or projects have been approved, registered, recorded or confirmed by the domestic and overseas investment authorities, **provided that** the liability with regard to the guarantee provided to the offshore debtor is the repayment under the project of offshore bond issuance.

TAXATION

The following comments are of a general nature and included herein solely for information purposes. They are based on the relevant laws currently in force and as applied on the date of this Offering Circular, which are subject to change, possibly with retroactive effect. These comments cannot replace legal or tax advice. No representation with respect to the consequences to any particular prospective holder of Bonds is made hereby.

Prospective holders of Bonds should consult their own tax advisers as to the particular tax consequences to them of subscribing, purchasing, holding and disposing of the Bonds, including the application and effect of any federal, state or local taxes in each country in which they are resident or of which they are citizens and in all relevant jurisdictions.

BRITISH VIRGIN ISLANDS

The following summary contains a description of the principal tax laws of the British Virgin Islands, as in effect on the date hereof, and is subject to any change in the tax laws of the British Virgin Islands that may come into effect after such date (which may have retroactive effect).

Income Tax

As of the date of this offering memorandum, the Issuer is exempt from all provisions of the Income Tax Act of the British Virgin Islands. No income, capital gain, estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any debt obligations or other securities of the Issuer.

Withholding Tax

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to payments the Issuer may make under the transaction documents relating to the Bonds.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

If the Bonds are short or medium term debt instruments (as defined in the IRO, Hong Kong profits tax will be assessable at one-half of the standard profits tax rate.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

PRC

Introduction

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under the laws of foreign countries and regions but whose "de facto management bodies" are within the PRC are treated as PRC tax resident enterprises for the purposes of the EIT Law. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purposes of the EIT Law and income or gains paid with respect to the Bonds may considered to be derived from sources within the PRC.

Under the EIT Law and its implementation rules, any income or gains realised by non-resident enterprises may be subject to PRC enterprise income tax if such income or gains are regarded as derived from sources within the PRC. Under the EIT Law, a "**non-resident enterprise**" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future or the Guarantor is required to discharge its obligations under the Guarantee, interest paid on the Bonds or Guarantee may be considered to be PRC source, in which case the Issuer or Guarantor, as the case may be, would be required to withhold income tax at a rate of 10% from payments of interest in respect of the Bonds to any non-resident enterprise Bondholders. Any capital gain realised by a non-resident enterprise from the transfer of the Bonds may be regarded as being derived from sources within the PRC and accordingly may be subject to a PRC tax of up to 10% if the Issuer is treated as a PRC tax resident. Pursuant to the Individual Income Tax Law of the PRC and its implementation regulations, if the Issuer is considered to be a PRC tax resident enterprise or in the event that the Guarantor is required to perform its obligations under the Guarantee, the Issuer or Guarantor, as the case may be, may be obliged to withhold such individual income tax on payments of interests to non-resident individual holders of the Bonds. Any capital gain realised by a non-resident individual holder from transfer of the Bonds may also be regarded as being derived from sources within the PRC and be subject to PRC tax of up to 20% if the Issuer is a PRC tax resident enterprise. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident enterprise Bondholders. The tax so charged on interests paid on the Bonds to non-PRC Bondholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined in the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) which was promulgated on 21 August 2006 (the "**Arrangement**") will be 7 per cent. of the gross amount of the interest pursuant to the Arrangement and relevant interpretation of the Arrangement formulated by the State Administration of Taxation of China ("**SAT**").

Value-added Tax ("VAT")

On 23 March 2016, the Ministry of Finance and the SAT issued the Circular of Full Implementation of Business Tax to VAT Reform (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知)(Caishui [2016] No. 36, "**Circular 36**") which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "**loans**" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT for VAT purposes. In the event the Issuer is deemed to be in the PRC by the PRC tax authorities, the Bondholders may be regarded as providing the financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident Bondholders may subject to withholding VAT and surcharges at the rate of around 6.72%. In addition, as the Guarantor is located in the PRC, in the event that the Guarantor is required to fulfil its obligations under the Guarantee by making interest payments on behalf of the Issuer, the Guarantor may be required to withhold VAT and surcharges at a rate of around 6.72% on such payments to non-resident Bondholders if the Bondholders are regarded as providing financial services within the PRC.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

Circular 36 has been issued quite recently, the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the EIT Law and the VAT reform detailed above, the Issuer shall withhold EIT (should such tax apply) from the payments of interest in respect of the Bonds for any non-PRC-resident Holder and the Issuer shall withhold business tax or VAT (should such tax apply) from the payments of interest in respect of the Bonds for any Bondholders located outside of the PRC.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements.

The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment" and Bonds issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds.

SUBSCRIPTION AND SALE

General

The Issuer has entered into a subscription agreement with the Joint Lead Managers dated [•] 2019 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer and the Guarantor have undertaken, among other things, that the Bonds will be issued on [•] 2019 (the "**Issue Date**"), and have agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to, severally but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for the aggregate principal amount of the Bonds set forth opposite its name below.

Joint Lead Managers	**Principal Amount of the Bonds**
	(U.S.$)
Guotai Junan Securities (Hong Kong) Limited	[•]
The Hongkong and Shanghai Banking Corporation Limited	[•]
ICBC International Securities Limited	[•]
Industrial and Commercial Bank of China (Asia) Limited	[•]
Industrial and Commercial Bank of China Limited, Singapore Branch	[•]
SPDB International Capital Limited	[•]
CCB International Capital Limited	[•]
BOSC International Company Limited	[•]
Bank of China Limited	[•]
China Minsheng Banking Corp., Ltd., Hong Kong Branch	[•]
CMB Wing Lung Bank Limited	[•]
Ping An of China Securities (Hong Kong) Company Limited	[•]
UBS AG Hong Kong Branch	[•]
Oversea-Chinese Banking Corporation Limited	[•]
Total	**[•]**

The Subscription Agreement provides that the Joint Lead Managers under certain circumstances will be entitled to terminate the Subscription Agreement. In such event, no Bonds will be delivered to investors. Furthermore, the Issuer has agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds.

The Joint Lead Managers or their respective affiliates, including parent companies, engage, and may in the future engage, in investment banking, commercial banking (including the provision of loan facilities) and other related transactions with the Issuer and the Guarantor and their affiliates and may perform services for them, for which the Joint Lead Managers or their affiliates have received or will receive customary fees and commissions, in each case in the ordinary course of business.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may place orders, receive allocations and purchase Bonds for their own account (without a view to distributing such Bonds) and such orders and/or allocations of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other Bonds of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other Bonds otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the Bonds being 'offered' should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained (see "*Risk Factors – Risks Related to the Bonds and the Guarantee – An active trading market for the Bonds may not develop*"). The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds among individual investors.

In connection with the issue of the Bonds, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and regulations, over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any loss or profit sustained as a consequence of any such over- allotment or stabilisation shall be for the account of the Stabilisation Manager.

Selling restrictions

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of them is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Manager or such affiliate on behalf of the Issuer in such jurisdiction.

Each Manager has represented and agreed that it will comply with all applicable laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Bonds or has in its possession or distributes any offering material relating to them.

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of Joint Lead Managers has represented, warranted and undertaken that it has not offered or sold, and will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that neither it nor any of its affiliates (including any person acting on behalf of such Joint Lead Manager or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Bonds.

Terms used in the paragraph above have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

1. it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer, and

2. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

The PRC

Each Joint Lead Managers has represented and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

British Virgin Islands

No invitation has been or will be made directly or indirectly to the public in the British Virgin Islands or any natural person resident or citizen in the British Virgin Islands to subscribe for any of the Bonds.

This offering circular does not constitute, and will not be, an offering of the Bonds to any person in the British Virgin Islands.

GENERAL INFORMATION

1. **Clearing Systems**: The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg under ISIN XS1953949549 and Common Code 195394954, respectively. The Legal Entity Identifier of the Issuer is 254900LPP2WWVAHJTP31.

2. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue, execution, delivery and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by a resolution of the board of directors of the Issuer dated 25 February 2019. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of its obligations under the Guarantee, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by a resolution of the board of directors of the Guarantor dated 14 December 2018.

3. **No Material and Adverse Change**: There has been no material adverse change, or any development or event likely to involve a prospective change, in the condition (financial or other), prospects, properties, results of operations, business or general affairs of the Issuer, the Guarantor or the Group since 30 June 2018.

4. **Litigation**: None of the Issuer, the Guarantor or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Guarantor believes are material in the context of the Bonds and the giving of the Guarantee, and so far as the Issuer and the Guarantor are aware, no such proceedings are pending or threatened.

5. **Available Documents**: Copies of the Trust Deed, the Agency Agreement, the Deed of Guarantee and the audited financial statements of the Group for the past two financial years will be available for inspection by any Bondholder from the Issue Date, following prior written request and proof of holding and identity satisfactory to the Trustee and subject in the case of any audited financial statements of the Group to the same having been provided to the Trustee by the Issuer or the Guarantor at the principal place of business of the Trustee (being at the date of this Offering Circular at 39th Floor, Champion Tower, Three Garden Road, Central, Hong Kong) at all reasonable times during normal business hours (being 9:00 a.m. and 3:00 p.m.), so long as any Bond is outstanding.

6. **Financial Statements**: The Guarantor's consolidated financial statements as at and for the year ended 31 December 2017, which are included elsewhere in this Offering Circular, have been audited by EY. The Guarantor's unaudited consolidated financial statements as at and for the six months ended 30 June 2018, which are included elsewhere in this Offering Circular, have been reviewed by EY.

7. **Listing of Bonds**: Application will be made to the HKSE for the listing of and permission to deal in the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about [•] 2019.

INDEX TO THE FINANCIAL STATEMENTS[1]

(1) The Guarantor's audited consolidated financial information as at and for the year ended 31 December 2016 has been extracted from the consolidated financial statements of the Guarantor as at and for the year ended 31 December 2017.

Section X Interim Condensed Consolidated Financial Statements

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the board of directors of Guotai Junan Securities Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 102 to 187 which comprise the condensed consolidated statement of financial position of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as at 30 June 2018 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting ("IAS 34") issued by the International Accounting Standards Board.

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

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong

24 August 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

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

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

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

Section X Interim Condensed Consolidated Financial Statements

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

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

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

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

Section X Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

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

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

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

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

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

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

Yang Dehong
Chairman

Wang Song
Executive Director

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

Section X Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

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

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

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

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

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

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

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

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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

1. CORPORATE INFORMATION

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

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

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

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

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

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

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

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

IFRS 9 *Financial Instruments*

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

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

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

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

IFRS 9 *Financial Instruments (continued)*

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

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

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

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

IFRS 9 *Financial Instruments (continued)*

(a) Classification and measurement

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

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

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

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

Other financial assets are classified and subsequently measured as follows:

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

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

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

IFRS 9 *Financial Instruments (continued)*

(a) Classification and measurement (continued)

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

(b) Impairment

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

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

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

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

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

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

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

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

IFRS 9 *Financial Instruments (continued)*

(b) Impairment (continued)

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

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

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

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

IFRS 9 *Financial Instruments (continued)*

(b) Impairment (continued)

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

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

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

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

(c) Other adjustments

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

3. USE OF JUDGMENTS AND ESTIMATES

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

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

Impairment of financial instruments

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

4. SEGMENT REPORTING

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

(1) Institutional finance-Institutional investor services, which primarily includes prime brokerage, stock-pledged financing and research businesses provided to institutional clients, as well as market-making and proprietary trading;

(2) Institutional finance-Investment banking, which primarily includes listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory services and diversified corporate solutions to corporate and government clients;

(3) Personal finance, which primarily includes securities and futures brokerage, margin financing, securities lending, wealth management and financial planning services provided to retail clients through both online and offline channels;

(4) Investment management, which primarily includes asset management, fund management, direct investment management services to institutions and individuals;

(5) International business, which represents the business operation of overseas subsidiaries of the Company, which mainly engage in brokerage, corporate finance, asset management, margin financing, financial products, market-making and investment businesses; and

(6) Other, which primarily includes other operations of head office, including investment holding as well as interest income and interest expense incurred for general working capital purposes.

4. SEGMENT REPORTING *(continued)*

(a) Operating segments

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

4. SEGMENT REPORTING *(continued)*

(a) Operating segments *(continued)*

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

4. SEGMENT REPORTING *(continued)*

(b) Geographical segments

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

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

(c) Information about a major customer

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

5. FEE AND COMMISSION INCOME

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

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

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

6. INTEREST INCOME

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

7. NET INVESTMENT GAINS

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

8. GAIN ON DISPOSAL OF A SUBSIDIARY

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

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

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

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

9. OTHER INCOME AND GAINS

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

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

10. FEE AND COMMISSION EXPENSES

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

11. INTEREST EXPENSES

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

12. STAFF COSTS

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

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

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

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

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

13. DEPRECIATION AND AMORTIZATION EXPENSES

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

14. OTHER OPERATING EXPENSES AND COSTS

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

15. PROVISION FOR IMPAIRMENT LOSSES

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

16. CREDIT LOSS EXPENSE

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

17. INCOME TAX EXPENSE

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

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

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

18. DIVIDENDS

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

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

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

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

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

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

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

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

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

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

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

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

Section X Interim Condensed Consolidated Financial Statements

20. PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	Construction in progress	Others	Total
Unaudited									
Cost									
As at 1 January 2018	2,880,380	472,056	31,339	1,287,230	18,842	156,994	753,300	46,816	5,646,957
Additions	4,100	23,420	1,263	53,209	639	1,606	214,594	2,041	300,872
Transfers during the period	–	48,984	3,351	25,323	–	–	(94,282)	–	(16,624)
Disposals	–	(5,253)	(2,687)	(56,437)	(314)	(6,282)	–	(278)	(71,251)
As at 30 June 2018	2,884,480	539,207	33,266	1,309,325	19,167	152,318	873,612	48,579	5,859,954
Accumulated depreciation									
As at 1 January 2018	(634,451)	(260,138)	(13,051)	(777,209)	(11,964)	(106,838)	–	(20,454)	(1,824,105)
Depreciation charge	(50,914)	(41,193)	(1,796)	(92,810)	(833)	(5,922)	–	(1,290)	(194,758)
Disposals	–	5,242	2,375	46,603	291	5,953	–	264	60,728
As at 30 June 2018	(685,365)	(296,089)	(12,472)	(823,416)	(12,506)	(106,807)	–	(21,480)	(1,958,135)
Impairment									
As at 1 January 2018 and 30 June 2018	(92,253)	–	–	–	–	–	–	–	(92,253)
Net carrying amount									
As at 30 June 2018	2,106,862	243,118	20,794	485,909	6,661	45,511	873,612	27,099	3,809,566

Audited	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	Construction in progress	Others	Total
Cost									
As at 1 January 2017	2,912,621	408,063	30,476	1,151,927	17,208	151,445	523,656	74,740	5,270,136
Additions	32,914	70,437	3,769	159,680	2,953	19,117	428,881	3,228	720,979
Transfers during the year	–	40,811	46	56,958	–	–	(199,237)	479	(100,943)
Disposals	(65,155)	(47,255)	(2,952)	(81,335)	(1,319)	(13,568)	–	(31,631)	(243,215)
As at 31 December 2017	2,880,380	472,056	31,339	1,287,230	18,842	156,994	753,300	46,816	5,646,957
Accumulated depreciation									
As at 1 January 2017	(560,468)	(235,193)	(12,781)	(686,422)	(11,863)	(106,939)	–	(21,101)	(1,634,767)
Depreciation charge	(105,269)	(63,187)	(3,083)	(165,528)	(1,348)	(13,002)	–	(2,309)	(353,726)
Disposals	31,286	38,242	2,813	74,741	1,247	13,103	–	2,956	164,388
As at 31 December 2017	(634,451)	(260,138)	(13,051)	(777,209)	(11,964)	(106,838)	–	(20,454)	(1,824,105)
Impairment									
As at 1 January 2017 and 31 December 2017	(92,253)	–	–	–	–	–	–	–	(92,253)
Net carrying amount									
As at 31 December 2017	2,153,676	211,918	18,288	510,021	6,878	50,156	753,300	26,362	3,730,599

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

21. PREPAID LAND LEASE PAYMENTS

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

22. GOODWILL

	As at 30 June 2018 *(Unaudited)*	As at 31 December 2017 *(Audited)*
Cost	**581,407**	581,407
Less: Impairment losses	**—**	—
Carrying amount	**581,407**	581,407

22. GOODWILL *(continued)*

Impairment testing on goodwill:

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

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

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

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

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

23. OTHER INTANGIBLE ASSETS

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

23. OTHER INTANGIBLE ASSETS *(continued)*

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

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

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

24. INTERESTS IN STRUCTURED ENTITIES

(a) INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

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

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

(b) INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

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

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

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

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

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

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

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

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

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

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

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

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

	Six months ended 30 June **2018** ***(Unaudited)***	2017 *(Unaudited)*
Share of associates' profit for the period	**52,637**	5,107
Share of joint ventures' profit for the period	**41,314**	9,879
Total	**93,951**	14,986

	Six months ended 30 June **2018** ***(Unaudited)***	2017 *(Unaudited)*
Share of associates' total comprehensive income for the period	**34,406**	4,601
Share of joint ventures' total comprehensive income for the period	**(442,516)**	25,154
Total	**(408,110)**	29,755

	As at 30 June 2018 ***(Unaudited)***	As at 31 December 2017 *(Audited)*
Aggregate carrying amount of the Group's investments in associates	**1,333,460**	1,309,278
Aggregate carrying amount of the Group's investments in joint ventures	**1,797,522**	2,303,249

26. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

Current	**As at 30 June 2018 *(Unaudited)***	As at 31 December 2017 *(Audited)*
At fair value:		
— Debt securities	—	1,631,794
Total	—	1,631,794
Analyzed as:		
Listed outside Hong Kong	—	1,631,794
Total	—	1,631,794

27. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

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

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

28. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

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

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

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

29. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analyzed by collateral type:

Non-current	**As at 30 June 2018** ***(Unaudited)***	As at 31 December 2017 *(Audited)*
Equity securities	**15,536,985**	27,619,010
Less: Allowance for ECL/impairment losses	**(290,450)**	(262,006)
Total	**15,246,535**	27,357,004

Current	**As at 30 June 2018** ***(Unaudited)***	As at 31 December 2017 *(Audited)*
Equity securities	**41,331,902**	50,007,920
Funds	**—**	214
Debt securities	**16,712,515**	12,562,764
Precious metals	**2,333,110**	3,110,746
Less: Allowance for ECL/impairment losses	**(1,082,917)**	(439,449)
Total	**59,294,610**	65,242,195

(b) Analyzed by market:

Non-current	**As at 30 June 2018** ***(Unaudited)***	As at 31 December 2017 *(Audited)*
Stock exchanges	**15,536,985**	27,619,010
Less: Allowance for ECL/impairment losses	**(290,450)**	(262,006)
Total	**15,246,535**	27,357,004

Current	**As at 30 June 2018** ***(Unaudited)***	As at 31 December 2017 *(Audited)*
Stock exchanges	**43,476,602**	51,192,234
Interbank market	**13,429,015**	9,426,365
Over the counter	**3,471,910**	5,063,045
Less: Allowance for ECL/impairment losses	**(1,082,917)**	(439,449)
Total	**59,294,610**	65,242,195

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

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

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

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

(1) As at 30 June 2018, the Group entered into securities lending arrangements with clients that resulted in the transfers of financial assets at fair value through profit or loss with total fair values of RMB51,537 thousand to external clients (31 December 2017: nil). As at 30 June 2018 and 31 December 2017, The Group had securities transferred to CSFC with total fair values of RMB1,084,886 thousand and RMB1,626,780 thousand as pledges for placement. These have not resulted in the derecognition of the financial assets in accordance with the accounting policy.

(2) As at 30 June 2018 and 31 December 2017, the listed equity securities of the Group included approximately RMB12,793 thousand and RMB166,056 thousand of restricted shares. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group from disposing of them within the specified period. The fair value of the securities is determined by reference to the quoted market prices and discounted to reflect the effect of the restriction.

(3) Other investments mainly represent investments in perpetual bonds, limited partnerships, precious metals, etc.

31. REFUNDABLE DEPOSITS

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

32. DEFERRED TAX

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

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

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

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

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

33. OTHER NON-CURRENT ASSETS

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

33. OTHER NON-CURRENT ASSETS *(continued)*

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

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

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

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

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

34. ACCOUNTS RECEIVABLE

(a) Analyzed by nature:

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

34. ACCOUNTS RECEIVABLE *(continued)*

(b) Analyzed by aging:

	As at 30 June 2018 *(Unaudited)*	As at 31 December 2017 *(Audited)*
Within 1 year	**3,771,266**	4,288,361

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

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

35. OTHER CURRENT ASSETS

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

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

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

36. MARGIN ACCOUNTS RECEIVABLE

(a) Analyzed by nature:

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

36. MARGIN ACCOUNTS RECEIVABLE *(continued)*

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

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

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

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

37. DERIVATIVE FINANCIAL INSTRUMENTS

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

37. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

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

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

38. CLEARING SETTLEMENT FUNDS

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

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

39. CASH HELD ON BEHALF OF BROKERAGE CUSTOMERS

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

40. CASH AND BANK BALANCES

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

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

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

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) cash and cash equivalents

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

(b) Changes in liabilities arising from financing activities

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

42. LOANS AND BORROWINGS

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

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

43. SHORT-TERM DEBT INSTRUMENTS

Unaudited	**Nominal interest rate**	**Balance as at 1 January 2018**	**Increase**	**Decrease**	**Balance as at 30 June 2018**
Short-term financing bills payable	**4.23%-4.99%**	**6,000,000**	**13,500,000**	**(12,500,000)**	**7,000,000**
Medium-term notes	**0.90%-2.80%**	**3,756,035**	**2,465,280**	**(903,220)**	**5,318,095**
Short-term corporate bonds	**5.10%**	**1,999,950**	**36**	**—**	**1,999,986**
Structured notes	**3.85%-5.45%**	**24,698,650**	**14,719,530**	**(27,173,940)**	**12,244,240**
Total		**36,454,635**	**30,684,846**	**(40,577,160)**	**26,562,321**

Audited	Nominal interest rate	Balance as at 1 January 2017	Increase	Decrease	Balance as at 31 December 2017
Short-term financing bills payable	2.75%-4.99%	6,000,000	8,000,000	(8,000,000)	6,000,000
Medium-term notes	0.90%-2.80%	57,606	3,889,446	(191,017)	3,756,035
Short-term corporate bonds	4.30%-5.10%	—	7,999,826	(5,999,876)	1,999,950
Structured notes	3.90%-6.66%	8,789,980	41,998,780	(26,090,110)	24,698,650
Total		14,847,586	61,888,052	(40,281,003)	36,454,635

44. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

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

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

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

45. ACCOUNTS PAYABLE TO BROKERAGE CUSTOMERS

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

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

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

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

46. EMPLOYEE BENEFITS PAYABLE

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

Non-current	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Salaries, bonuses and allowances	**—**	622,458
Total	**—**	622,458

47. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analyzed by collateral type:

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

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

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

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

(b) Analyzed by market:

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

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

48. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Non-current	**As at 30 June 2018** ***(Unaudited)***	As at 31 December 2017 *(Audited)*
Designated as at fair value through profit or loss		
– Debt securities (2)	**—**	1,013,019
– Interest attributable to other holders of consolidated structured entities (3)	**621,662**	—
Total	**621,662**	1,013,019

(1) As at 30 June 2018 and 31 December 2017, included in the Group's financial liabilities through profit or loss were bonds and gold borrowed by the Group.

(2) As at 30 June 2018 and 31 December 2017, included in the Group's financial liabilities designated as at fair value through profit or loss were structured notes generally in the form of notes or certificates with the underlying investments related to listed equity investments, listed debt investments and unlisted fund investments.

(3) As at 30 June 2018 and 31 December 2017, the financial liabilities arising from the consolidation of structured entities were designated as at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon the maturity dates of the structured entities based on the net asset value and related terms of those consolidated structured entities.

49. BONDS PAYABLE

Current	As at 30 June 2018 *(Unaudited)*	As at 31 December 2017 *(Audited)*
Corporate bonds (1)	**3,302,235**	—
Subordinated bonds (1)	**—**	1,279,944
Total	**3,302,235**	1,279,944

Non-current	As at 30 June 2018 *(Unaudited)*	As at 31 December 2017 *(Audited)*
Corporate bonds (1)	**46,636,153**	41,140,610
Subordinated bonds (1)	**24,993,396**	24,991,537
Structured notes	**900,000**	900,000
Total	**72,529,549**	67,032,147

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

As at 30 June 2018

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

49. BONDS PAYABLE *(continued)*

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

As at 30 June 2018 *(continued)*

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

49. BONDS PAYABLE *(continued)*

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

As at 31 December 2017

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

49. BONDS PAYABLE *(continued)*

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

(i) In April 2015, Shanghai Securities issued 3-year subordinated bonds with par value of RMB2.1 billion. The bonds bear a fixed annual interest rate of 6.00% payable on an annual basis. At the end of the second year, Shanghai Securities has the right to adjust the interest rate. The Company has an option to redeem and the investors have an option to put back the bond at the end of the second year. In April 2017, a total of RMB820 million was redeemed as a result of the exercise of the option by investors. The interest rate has been decreased by issuer by 100bps to 5.00%. In April 2018, the remaining bonds were redeemed.

(ii) In May 2014, Guotai Junan Financial Holding Limited (BVI Co.) issued 5-year credit enhancement bonds with a par value of USD500 million. The bonds are listed on the Hong Kong Stock Exchange with the bond code of 5754 and bear a fixed annual interest rate of 3.625% payable on a semi-annual basis.

(iii) In November 2015, as approved by the CSRC, the Company issued 5-year corporate bonds with par value of RMB5 billion. The bonds bear a fixed annual interest rate of 3.60% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the third year.

(iv) In November 2015, as approved by the CSRC, the Company issued 7-year corporate bonds with par value of RMB1 billion. The bonds bear a fixed annual interest rate of 3.80% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the fifth year.

(v) In April 2016, as approved by the CSRC, the Company issued 5-year corporate bonds with par value of RMB5 billion. The bonds bear an annual interest rate of 2.97% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the third year.

(vi) In April 2016, as approved by the CSRC, the Company issued 7-year corporate bonds with par value of RMB1 billion. The bonds bear an annual interest rate of 3.25% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the fifth year.

(vii) In August 2016, as approved by the CSRC, the Company issued 5-year corporate bonds with par value of RMB5 billion. The bonds bear a fixed annual interest rate of 2.90% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the third year.

49. BONDS PAYABLE *(continued)*

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

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

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

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

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

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

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

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

50. OTHER CURRENT LIABILITIES

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

51. OTHER NON-CURRENT LIABILITIES

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

52. SHARE CAPITAL

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

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

53. OTHER EQUITY INSTRUMENTS

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

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

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

53. OTHER EQUITY INSTRUMENTS *(continued)*

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

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

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

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

54. RESERVES AND RETAINED PROFITS

(1) Capital reserve

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

(2) Investment revaluation reserve

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

(3) Translation reserve

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

(4) Surplus reserve

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

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

54. RESERVES AND RETAINED PROFITS *(continued)*

(5) General reserve

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

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

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

(6) Retained profits

The movements of retained profits are set out below:

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

55. TRANSFERRED FINANCIAL ASSETS

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

55. TRANSFERRED FINANCIAL ASSETS *(continued)*

(1) Repurchase agreements

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

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

(2) Securities lending

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

(3) Margin financing borrowing

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

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

30 June 2018	**Repurchase agreements**	**Securities lending**	**Margin financing borrowing**
Carrying amount of transferred assets	**6,910,924**	**550,257**	**2,271,430**
Carrying amount of related liabilities	**6,676,309**	**N/A**	**N/A**

31 December 2017	Repurchase agreements	Securities lending	Margin financing borrowing
Carrying amount of transferred assets	11,326,213	572,566	2,224,070
Carrying amount of related liabilities	10,966,582	N/A	N/A

56. COMMITMENTS

(1) Capital commitments

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

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

(2) Operating lease commitments

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

57. CONTINGENCIES

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

58. SHARE-BASED PAYMENTS OF A SUBSIDIARY

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

59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(1) Major shareholders

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

Share percentages in the Company:

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

(2) Associates and joint ventures of the Company

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

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

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

(3) Other related parties of the Group

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

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

(b) Transactions between the Company and its subsidiaries

(1) Fee and commission income from related parties

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

(2) Dividend income from related parties

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

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

(c) Transactions between the Group and other related parties

(1) Fee and commission income from related parties

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

(2) Fee and commission expense to related parties

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

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

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

(3) Interest received from related parties

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

(4) Interest paid to related parties

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

(5) Operating expenses and costs paid to related parties

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

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

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

(1) Receivables from or payables to the subsidiaries

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

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

(1) Deposits with related parties

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

(2) Accounts receivable

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

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

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

(3) Financial assets held under resale agreements

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

(4) Other current assets

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

(5) Accounts payable

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

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

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

(6) Bonds payable to related parties

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

(7) Financial assets sold under repurchase agreements

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

(8) Other current liabilities

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

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

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

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

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

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

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

(f) Remuneration of key management personnel

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

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

60. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

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

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

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

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

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

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

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

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

(2) Valuation process and methods for specific investments

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

Level 1

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

Level 2

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

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

Level 3

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

61. EVENTS AFTER THE REPORTING PERIOD

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

(1) Issuance of corporate bonds

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

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

62. COMPARATIVE AMOUNTS

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

63. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Section XI Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the members of Guotai Junan Securities Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Guotai Junan Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for *Accountants' Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Consolidation of structured entities	
The Group acted as an asset manager for or invested in a number of structured entities including asset management schemes, trust schemes or limited partnerships, etc. Management makes significant judgement on whether the Group controls these structured entities and these structured entities should be consolidated in the consolidated financial statements. Judgment is required to consider if the Group is able to exercise the power so to direct the relevant activities of the entity, obtain variable return, and its exposure to and ability to influence the Group's return from the entity. As at 31 December 2017, the carrying amount of the Group's interests in unconsolidated structured entities amounted to RMB 9,226 million. We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement in determining whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position could be significant. The disclosures for interests in structured entities are included in note 26 to the consolidated financial statements.	We assessed and evaluated the design and operating effectiveness of the controls of the management in determining the consolidation scope of interests in structured entities. We obtained and checked the contracts, documents and other public information of the structured entities on a sample basis to assess the management judgement in determining whether a structured entity is required to be consolidated or not by considering the power the Group is able to exercise so to direct the relevant activities of the entity, obtain variable returns and its exposure to and ability to influence the Group's return from the entity. We assessed the disclosures related to structured entities in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Key audit matter	How our audit addressed the key audit matter
Impairment of margin accounts receivable and financial assets held under resale agreements	
The Group assessed whether objective evidence of impairment exists for margin accounts receivable and financial assets held under resale agreements that were individually significant at each reporting date. If there was objective evidence of impairment, impairment loss was recognized individually. Management performed a collective assessment for the remaining portfolio that were not individually significant or for which impairment had not yet been identified. They were included in one group of financial assets because of their similar credit risk characteristics. As at 31 December 2017, the Group had margin accounts receivable amounting to RMB73,984 million with cumulative impairment losses of RMB409 million and financial assets held under resale agreements amounting to RMB92,599 million with cumulative impairment losses of RMB701million. We identified the impairment of margin accounts receivable and financial assets held under resale agreements as a key audit matter because the size of the balance and the significant management judgement involved in assessing the impairment. The disclosures for impairment of margin accounts receivable and financial assets held under resale agreements are included in notes 36 and 29 to the consolidated financial statements, respectively.	We assessed and evaluated the design and operating effectiveness of the controls over impairment tests process of margin accounts receivable and financial assets held under resale agreements. For individual impairment assessment, we assessed the market prices of the collateral and the estimated recoverable amounts used for determining the impairment losses by management. For collective assessment, we assessed the appropriateness of the model and inputs used by comparing against those used in market practice and historical loss experience. We also performed a reasonable test to the management's calculation result.

Key audit matter	How our audit addressed the key audit matter
Impairment of available–for-sale financial assets	
The Group performed impairment test for available–for-sale financial assets and recognized impairment losses accordingly at each reporting date. Objective evidence of impairment for debt instruments included whether the issuer or debtor had significant financial difficulties or breached any contract terms, etc. Objective evidence of impairment for equity instruments included a "significant" or "prolonged" decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. As at 31 December 2017, the Group had available–for-sale financial assets amounting to RMB39,972 million with cumulative impairment losses of RMB639 million. We identified the impairment of available–for-sale financial assets as a key audit matter because the size of the balance and the significant management judgement involved in assessing the impairment. The disclosures for impairment of available-for-sale financial assets are included in note 28 to the consolidated financial statements.	We assessed and evaluated the design and operating effectiveness of the controls over impairment test process of available–for-sale financial assets. We obtained understanding of the management's judgement in determining if there are indicators of impairment events and the relevant or the portion of the impairment losses of available-for-sale financial assets. We performed independent assessment for the key assumptions applied and judgement made by management and performed a reasonable test to the management's calculation result.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Choi Kam Cheong, Geoffrey.

Ernst & Young
Certified Public Accountants
Hong Kong

29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

	notes	Year ended 31 December 2017	2016
Revenue			
Fee and commission income	6	**12,584,403**	15,628,144
Interest income	7	**12,412,952**	11,718,386
Net investment gains	8	**6,434,621**	4,795,276
Total revenue		**31,431,976**	32,141,806
Gain on disposal of a subsidiary		**—**	2,835,339
Other income and gains	9	**1,521,376**	1,045,363
Total revenue and other income		**32,953,352**	36,022,508
Fee and commission expenses	10	**(2,134,063)**	(2,368,410)
Interest expenses	11	**(6,706,110)**	(7,163,756)
Staff costs	12	**(6,023,921)**	(6,949,018)
Depreciation and amortization expenses	13	**(463,474)**	(404,234)
Business tax and surcharges		**(153,356)**	(566,044)
Other operating expenses and costs	14	**(3,087,931)**	(2,629,298)
Provision for impairment losses	15	**(737,949)**	(1,211,189)
Total expenses		**(19,306,804)**	(21,291,949)
Operating profit		**13,646,548**	14,730,559
Share of profits of associates and joint ventures		**14,760**	42,965
Profit before income tax		**13,661,308**	14,773,524
Income tax expense	16	**(3,178,399)**	(3,420,560)

The accompanying notes form part of the consolidated financial statements.

	notes	Year ended 31 December 2017	2016
Profit for the year		**10,482,909**	11,352,964
Attributable to:			
Equity holders of the Company		**9,881,545**	9,841,417
Non-controlling interests		**601,364**	1,511,547
Total		**10,482,909**	11,352,964
Earnings per share attributable to ordinary equity holders of the Company (expressed in Renminbi yuan per share)	20		
— Basic		**1.11**	1.21
— Diluted		**1.10**	1.21

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December	
	2017	2016
Profit for the year	**10,482,909**	11,352,964
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
— Net changes in fair value	**3,161,199**	(1,423,970)
— Reclassified to profit or loss	**(2,181,123)**	78,007
Share of other comprehensive income of associates and joint ventures	**22,538**	9,882
Exchange differences on translation of financial statements in foreign currencies	**(566,192)**	499,761
Income tax impact	**(237,273)**	315,007
Other comprehensive income for the year, net of tax	**199,149**	(521,313)
Total comprehensive income for the year	**10,682,058**	10,831,651
Attributable to:		
Equity holders of the Company	**10,434,925**	9,114,127
Non-controlling interests	**247,133**	1,717,524
Total	**10,682,058**	10,831,651

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

		As at 31 December	
	notes	**2017**	2016
Non-current assets			
Property and equipment	21	**3,730,599**	3,543,116
Prepaid land lease payments	22	**804,388**	823,495
Goodwill	23	**581,407**	581,407
Other intangible assets	24	**1,442,271**	1,384,441
Investments in associates	27	**1,309,278**	431,685
Investments in joint ventures	27	**2,303,249**	829,655
Available-for-sale financial assets	28	**38,340,006**	38,638,640
Financial assets held under resale agreements	29	**27,357,004**	23,605,425
Financial assets at fair value through profit or loss	30	**300,000**	46,247
Refundable deposits	31	**6,914,654**	9,742,881
Deferred tax assets	32	**333,909**	762,365
Other non-current assets	33	**677,498**	1,669,793
Total non-current assets		**84,094,263**	82,059,150
Current assets			
Accounts receivable	34	**4,288,361**	1,891,376
Other receivables and prepayments	35	**6,270,510**	4,503,402
Margin accounts receivable	36	**73,983,947**	68,892,785
Available-for-sale financial assets	28	**1,631,794**	1,842,582
Financial assets held under resale agreements	29	**65,242,195**	39,605,953
Financial assets at fair value through profit or loss	30	**98,202,115**	76,676,991
Derivative financial assets	37	**315,233**	175,424
Clearing settlement funds	38	**2,157,689**	1,779,380
Cash held on behalf of brokerage customers	39	**79,476,131**	106,378,892
Cash and bank balances	40	**15,985,949**	27,943,107
Total current assets		**347,553,924**	329,689,892
Total assets		**431,648,187**	411,749,042

The accompanying notes form part of the consolidated financial statements.

	notes	As at 31 December 2017	2016
Current liabilities			
Loans and borrowings	42	**11,520,278**	6,262,230
Short-term debt instruments	43	**36,454,635**	14,847,586
Placements from other financial institutions	44	**7,600,000**	4,700,000
Accounts payable to brokerage customers	45	**84,356,232**	112,956,690
Employee benefits payable	46	**5,005,954**	6,269,165
Income tax payable		**1,531,137**	2,599,026
Financial assets sold under repurchase agreements	47	**43,849,585**	39,691,470
Financial liabilities at fair value through profit or loss	48	**23,454,372**	16,318,339
Derivative financial liabilities	37	**402,828**	290,500
Bonds payable	49	**1,279,944**	17,156,246
Other current liabilities	50	**8,656,571**	18,670,688
Total current liabilities		**224,111,536**	239,761,940
Net current assets		**123,442,388**	89,927,952
Total assets less current liabilities		**207,536,651**	171,987,102
Non-current liabilities			
Loans and borrowings	42	**—**	1,878,471
Bonds payable	49	**67,032,147**	55,582,519
Employee benefits payable	46	**622,458**	631,789
Deferred tax liabilities	32	**181,608**	103,920
Financial assets sold under repurchase agreements	47	**3,000,000**	26,950
Financial liabilities at fair value through profit or loss	48	**1,013,019**	197,017
Other non-current liabilities	51	**1,992,196**	2,814,714
Total non-current liabilities		**73,841,428**	61,235,380
Net assets		**133,695,223**	110,751,722

The accompanying notes form part of the consolidated financial statements.

	notes	As at 31 December 2017	2016
Equity			
Share capital	52	**8,713,934**	7,625,000
Other equity instruments	53	**11,129,841**	10,000,000
Reserves	54	**64,936,992**	47,782,061
Retained profits	54	**38,347,216**	34,557,357
Equity attributable to equity holders of the Company		**123,127,983**	99,964,418
Non-controlling interests		**10,567,240**	10,787,304
Total equity		**133,695,223**	110,751,722

Approved and authorized for issue by the Board of Directors on 29 March 2018.

Yang Dehong

Chairman

Wang Song

Executive Director

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to equity holders of the Company										
			Reserves								
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Translation reserve	Surplus reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2017	7,625,000	10,000,000	29,374,285	346,532	137,774	5,729,487	12,193,983	34,557,357	99,964,418	10,787,304	110,751,722
Profit for the year	–	–	–	–	–	–	–	9,881,545	9,881,545	601,364	10,482,909
Other comprehensive income for the year	–	–	–	863,490	(310,110)	–	–	–	553,380	(354,231)	199,149
Total comprehensive income for the year	–	–	–	863,490	(310,110)	–	–	9,881,545	10,434,925	247,133	10,682,058
IPO of H shares (i)	1,088,934	–	14,029,256	–	–	–	–	–	15,118,190	–	15,118,190
Issuance of the convertible bond	–	1,129,841	–	–	–	–	–	–	1,129,841	–	1,129,841
Appropriation to surplus reserve	–	–	–	–	–	767,335	–	(767,335)	–	–	–
Appropriation to general reserve	–	–	–	–	–	–	1,760,601	(1,760,601)	–	–	–
Dividends (note 19)	–	–	–	–	–	–	–	(2,973,750)	(2,973,750)	–	(2,973,750)
Distribution to other equity instrument holders (note 19)	–	–	–	–	–	–	–	(590,000)	(590,000)	–	(590,000)
Distribution to non-controlling shareholders and other equity instrument holders of subsidiaries	–	–	–	–	–	–	–	–	–	(499,148)	(499,148)
Others	–	–	44,359	–	–	–	–	–	44,359	31,951	76,310
At 31 December 2017	8,713,934	11,129,841	43,447,900	1,210,022	(172,336)	6,496,822	13,954,584	38,347,216	123,127,983	10,567,240	133,695,223

(i) Capital reserve movement of the Group during the year arose from the issuance of the H shares and it was arrived at after elimination of transaction costs of RMB155,821 thousand.

The accompanying notes form part of the consolidated financial statements.

	Attributable to equity holders of the Company										
			Reserves								
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Translation reserve	Surplus reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2016	7,625,000	10,000,000	29,293,409	1,337,817	(126,221)	4,989,709	10,266,703	31,937,998	95,324,415	6,312,306	101,636,721
Profit for the year	–	–	–	–	–	–	–	9,841,417	9,841,417	1,511,547	11,352,964
Other comprehensive income for the year	–	–	–	(991,285)	263,995	–	–	–	(727,290)	205,977	(521,313)
Total comprehensive income for the year	–	–	–	(991,285)	263,995	–	–	9,841,417	9,114,127	1,717,524	10,831,651
Issue of perpetual subordinated bonds by subsidiaries	–	–	–	–	–	–	–	–	–	3,150,020	3,150,020
Appropriation to surplus reserve	–	–	–	–	–	739,778	–	(739,778)	–	–	–
Appropriation to general reserve	–	–	–	–	–	–	1,928,745	(1,928,745)	–	–	–
Dividends (note 19)	–	–	–	–	–	–	–	(3,965,000)	(3,965,000)	–	(3,965,000)
Distribution to other equity instrument holders (note 19)	–	–	–	–	–	–	–	(590,000)	(590,000)	–	(590,000)
Distribution to non-controlling shareholders and other equity instrument holders of subsidiaries	–	–	–	–	–	–	–	–	–	(417,261)	(417,261)
Others	–	–	80,876	–	–	–	(1,465)	1,465	80,876	24,715	105,591
At 31 December 2016	7,625,000	10,000,000	29,374,285	346,532	137,774	5,729,487	12,193,983	34,557,357	99,964,418	10,787,304	110,751,722

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

(Amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December	
	2017	2016
Cash flows from operating activities:		
Profit before income tax	**13,661,308**	14,773,524
Adjustments for:		
Interest expenses	**6,706,110**	7,163,756
Share of profits of associates and joint ventures	**(14,760)**	(42,965)
Depreciation and amortization expenses	**463,474**	404,234
Provision for impairment losses	**737,949**	1,211,189
Net losses on disposal of property and equipment	**4,980**	6,641
Gain on disposal of a subsidiary, an associate and a joint venture	**—**	(2,894,663)
Gain on purchase of an associate	**(238,196)**	—
Foreign exchange losses/(gains)	**193,190**	(30,791)
Listing cost of H-shares	**20,860**	—
Net realized gains from available-for-sale financial assets	**(2,433,871)**	(718,689)
Dividend income and interest income from available-for-sale financial assets	**(608,106)**	(764,737)
Interest income from time deposits, loans and receivables	**(541,943)**	(510,632)
Unrealized fair value changes in financial instruments at fair value through profit or loss	**160,123**	381,443
Unrealized fair value changes in derivatives	**(162,111)**	133,197
Gain on other investing activities	**(495,885)**	—
	17,453,122	19,111,507

The accompanying notes form part of the consolidated financial statements.

	Year ended 31 December	
	2017	2016
Decrease/(Increase) in refundable deposits	**2,828,227**	(3,229,385)
(Increase)/decrease in margin accounts receivable	**(5,201,893)**	13,361,203
Increase in accounts receivable, other receivables and prepayments and other non-current assets	**(4,222,424)**	(11,968)
Increase in financial assets held under resale agreements	**(26,584,780)**	(28,242,904)
(Increase)/decrease in financial instruments at fair value through profit or loss and derivative financial instruments	**(13,845,244)**	23,892,517
Decrease in cash held on behalf of brokerage customers	**24,882,761**	40,952,642
Decrease in accounts payable to brokerage customers	**(28,600,458)**	(34,833,057)
(Decrease)/increase in other current liabilities	**(8,641,631)**	8,176,128
Decrease in employee benefits payable	**(1,272,542)**	(489,414)
Increase/(decrease) in financial assets sold under repurchase agreements	**7,131,165**	(42,400,992)
Increase/(decrease) in placements from other financial institutions	**2,900,000**	(3,712,000)
Cash used in operations	**(33,173,697)**	(7,425,723)
Income taxes paid	**(3,977,417)**	(5,121,979)
Interest paid	**(2,554,662)**	(3,195,035)
Net cash used in operating activities	**(39,705,776)**	(15,742,737)

The accompanying notes form part of the consolidated financial statements.

	note	Year ended 31 December 2017	2016
Cash flows from investing activities:			
Proceeds from disposal of property and equipment, other intangible assets and other non-current assets		**76,695**	34,650
Dividends and interest received from available-for-sale financial assets and other investments		**988,221**	1,281,699
Proceeds from disposal of available-for-sale financial assets and other investments		**58,034,614**	45,865,113
Disposal of a subsidiary, associate and joint venture		**1,045,000**	(184,355)
Cash used in acquisition of an associate		**(20,100)**	—
Purchases of property and equipment, other intangible assets and other non-current assets		**(897,902)**	(677,524)
Purchases of available-for-sale financial assets and other investments		**(52,704,831)**	(48,112,475)
Cash used in other investing activities		**(30,532)**	—
Net cash generated from/(used in) investing activities		**6,491,165**	(1,792,892)
Cash flows from financing activities:			
Net proceeds from issuance of H shares		**15,301,493**	—
Proceeds from issuance of convertible bonds		**7,000,000**	—
Issue of perpetual subordinated bonds by subsidiaries		**—**	3,150,020
Proceeds from issuance of short-term debt instruments		**61,888,052**	38,177,362
Proceeds from issuance of bonds payable		**19,900,000**	32,175,063
Proceeds from loans and borrowings		**72,594,513**	35,376,371
Repayment of debt securities issued		**(70,552,464)**	(42,749,246)
Repayment of loans and borrowings		**(72,119,953)**	(46,443,847)
Interest paid		**(4,317,730)**	(4,444,869)
Dividends paid		**(3,407,048)**	(4,189,972)
Distribution to other equity instrument holders		**(725,146)**	(609,611)
Cash used in other financing activities		**(307,755)**	—
Net cash generated from financing activities		**25,253,962**	10,441,271
Net decrease in cash and cash equivalents		**(7,960,649)**	(7,094,358)
Cash and cash equivalents at the beginning of the year		**35,192,601**	42,163,328
Effect of foreign exchange rate changes		**(174,913)**	123,631
Cash and cash equivalents at the end of the year	41(a)	**27,057,039**	35,192,601

The accompanying notes form part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 December 2017
(Amounts expressed in thousands of RMB unless otherwise stated)

1. CORPORATE INFORMATION

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

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

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

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

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 7	*Disclosure initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealized Losses*
Amendments to IFRS 12 included in Annual improvements to IFRSs 2014-2016 Cycle	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 41(b) to the financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the consolidated financial statements:

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture*[4]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Annual Improvements 2014-2016 Cycle	*Amendments to IFRS1*[1] *and IAS 28*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to IFRS 3*[2]*, IFRS 11*[2]*, IAS 12*[2] *and IAS 23*[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after 1 January 2021

4 No mandatory effective date yet determined but available for adoption

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs *(continued)*

Except as described below, the application of the new and revised IFRSs will not have significant impact on the Group's and Company's financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognize any transition adjustments against the opening balance of equity at 1 January. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements are summarized as follows:

(a) Classification and measurement

The Group classify its financial assets in accordance with the features of contractual cash flow characteristics and the entity's business model into financial assets measured at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortized cost or at fair value through other comprehensive income to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its debt instruments and other receivables, etc. within the next twelve months.

Management has performed detailed assessment and concluded that upon adoption of the standard, the Group's total equity as of 31 December 2017 will decrease by 0.2%.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs *(continued)*

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It introduces a new five-step model to account for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 provides specific guidance on capitalization of contract cost and license arrangement. It also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In 2017, the Group continued the testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

The Group will adopt IFRS 15 from 1 January 2018 and plans to adopt the full retrospective approach. The Group has performed a detailed assessment that the adoption of this amendment will not have a significant impact on the Group's consolidated financial statements.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payment and a right-of-use asset for virtually all lease contracts, unless the underlying asset is of low value, in the statement of financial position. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability in profit or loss, and also classifies cash repayments of the lease liability into the principal portion and the interest portion for presentation in the statement of cash flows.

In respect of lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 December 2017, the total operating lease commitments of the Group amounted to RMB1,783 million. The Directors do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that a certain portion of these lease commitments will be required to be recognized in the consolidated statement of financial position as right-of-use assets and lease liabilities. The Group expects to adopt IFRS 16 on 1 January 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

In the Company's statement of financial position, investments in associates and joint ventures of the Company are accounted for using the equity method, unless they are classified as held for sale (or included in a disposal group that is classified as held for sale).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquirees' identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property and equipment and depreciation

Property and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.71%-2.74%
Leasehold improvements	Over the shorter of the lease terms and 20%
Machinery	8.64%-19.20%
Electronic equipment	19.00%-50.00%
Communication equipment	10.55%-32.00%
Motor vehicles	10.55%-32.00%
Others	9.50%-32.00%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level, whether there is any indicator of impairment or not. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Useful lives of each category of intangible assets are as follows:

	Useful lives
Trading seats rights	Indefinite
Securities and futures brokerage qualification	Indefinite
Software	5 years

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as net investment gains or losses in the statement of profit or loss. The net investment gains recognized in profit or loss include any dividend or interest earned on the financial assets.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Available-for-sale financial investments

Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the investment revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the statement of profit or loss in net investment gains or losses, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the investment revaluation reserve to the statement of profit or loss in provision for impairment losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in the statement of profit or loss as net investment gains.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statement of profit or loss, is removed from other comprehensive income and recognized in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss – is removed from other comprehensive income and recognized in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Assets carried at cost *(continued)*

The determination of what is "significant" or "prolonged" requires judgement. The Group considers the extent and duration of the decline in evaluating whether a decline in fair value is significant or prolonged. The Group generally considers a significant decline to be one in which the fair value is below the weighted average cost by more than 30% or a prolonged decline to be one in which fair value is below the weighted average cost for a continuous period of more than twelve months or longer. The Group also takes into consideration of other specific relevant factors when assessing whether there is objective evidence that an investment is impaired or not. Regarding the funds contributed by the Group to the designated accounts managed by China Securities Finance Corporation Limited, owing to the unique characteristics of this investment, that is, the Group cannot control the way in which China Securities Finance Corporation Limited uses the Group's fund contributions and when the contributions are redeemed, after further considering other relevant factors such as industry practice, etc., the Group considers the threshold for the determination of impairment for this investment to be the fair value below the cost by more than 50% or for a continuous period of more than thirty six months.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings, short-term debt instruments, placements from other financial institutions, accounts payable to brokerage customers, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, derivative financial liabilities, bonds payable, other current liabilities and other non-current liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Other financial liabilities

After initial recognition, interest-bearing other financial liabilities are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognized as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognized.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements and financial assets sold under repurchase agreements are recorded at the amount actually paid or received when the transactions occur, and are recognized in the statement of financial position. The assets held under the agreements to resell are registered as off-balance-sheet items, while the assets sold under the agreements to repurchase are recorded in the statement of financial position.

The bid-ask spread of the financial assets under agreements to resell and financial assets sold under agreements to repurchase are recognized as interest income or interest expense using the effective interest rate method in the reselling or repurchasing period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accounts payable to brokerage customers

Accounts payable to brokerage customers are all deposited in the bank accounts designated by the Group. The Group recognizes the funds as liabilities for settlement to the customers.

The Group executes trade orders through stock exchanges on behalf of the customers. If the total amount of purchased securities exceeds that of sold securities, accounts payable to brokerage customers decrease by the difference in addition to the withholding stamp duty and commission. If the total amount of sold securities exceeds that of purchased securities, accounts payable to brokerage customers increase by the difference after deducting withholding stamp duty and commission.

Margin financing and securities lending services

Margin financing and securities lending services refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for short-selling of securities, for which the customers provide the Group with collateral.

Margin financing services

The Group recognizes margin financing services to customers as margin accounts receivable, and recognizes the commission as interest income accordingly.

The policy of provision for impairment of margin accounts receivables is determined with reference to policy of provision for impairment of financial assets measured at amortized cost.

Securities lending services

The Group lends securities to their customers with agreed expiry dates and interest rates, and the same amount of similar securities received on the expiry date. Commission is recognized as interest income according to the margin financing agreement. The securities lending services are not derecognized. The financial assets are recognized as securities lending services in available-for-sale investments, and are subsequently measured according to available-for-sale investments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognized in accordance with the general guidance for provisions above; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants related to income which are to compensate relevant expenditures or losses in future periods are recognized as deferred income and released to profit or loss during the period when the expense is incurred. Government grants that are to compensate incurred expenses or losses are recognized in profit or loss directly.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Revenue is recognized when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

Securities brokerage and investment consulting business

Income from the securities brokerage is recognized on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from the brokerage business is recognized when the related services are rendered.

Income from the investment consulting business is recognized when the relevant transactions have been arranged or the relevant services have been rendered.

Underwriting and sponsorship business

Income from the underwriting and sponsorship business is recognized when the obligation of underwriting or sponsoring is completed, that is, the economic interests may flow into the Group and the relevant revenue and costs may be measured reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants *(continued)*

Asset management business

Income from the asset management business is recognized when the Group is entitled to receive the income under the asset management agreement.

Interest income

Interest income is recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

Other income

Other income is recognized on an accrual basis.

Expenses recognition

Commission expenses

Commission expenses relate mainly to transactions, which are recognized as expenses when the services are received.

Interest expenses

Interest expenses are recognized based on the principal outstanding and at the effective interest rate applicable.

Other expenses

Other expenses are recognized on an accrual basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

Share-based payments consist of equity-settled share-based payments and cash-settled share-based payments. The term "equity-settled share-based payments" refers to a transaction in which the Group grants shares or other equity instruments as a consideration in return for services rendered.

The equity-settled share-based payment in return for employee services is measured at the fair value of the equity instruments granted to the employees. If the right of an equity-settled share-based payment may be exercised immediately after the grant date, the fair value of the equity instruments on the grant date is recognized in profit or loss, with a corresponding increase in capital reserve. When the grant of equity instruments is conditional upon the achievement of a performance or service condition, an amount for the services received during the vesting period is recognized based on the best available estimate of the number of equity instruments expected to vest which will be revised, if subsequent information (such as the change on the number of employees who satisfies all vesting conditions, achievement of performance and so on) indicates that the number of equity instruments expected to vest differs from previous estimates. The fair value of equity instruments is calculated based on the binomial model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in capital reserve, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest.

No expense is recognized for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, an expense is recognized as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where equity-settled share-based payment is cancelled, it is treated as if it vested on the date of cancellation, and any expense that otherwise would have been recognized for services received over the remaining vesting period is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

A cash-settled share-based payment rendered by the Group shall be measured in accordance with the fair value of liability based on the shares or other equity instruments undertaken by the Group. It shall be initially measured at fair value on the grant date using the binomial model, taking into account the clauses and conditions of the equity instruments granted. If the right may be exercised immediately after the grant, the fair value of the liability shall, on the date of the grant, be included in the relevant costs or expenses, with a corresponding increase in the liability. If the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, at the end of each reporting period within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses with a corresponding increase in the liability. The Group shall, at the end of each reporting period and settlement date prior to the settlement of the liability, re-assess the fair values of the liability with changes in fair value recognized in the statement of profit or loss.

Fiduciary wealth management

The Group's fiduciary wealth management business includes targeted asset management, collective asset management and specified asset management. The Group keeps separate accounting records for each of these investment schemes, and periodically reconciles the accounting and valuation results of each scheme with the custodians.

Employee benefits

Employee benefits refer to all forms of consideration and other related expense except share based payments given by the Group in exchange for service rendered by employees. The employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependants, family members of deceased employees, or other beneficiaries are also employee benefits.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Post-employment benefits (Defined contribution plan)

The Group participates in a defined contribution plan in which the employees benefit from pensions and unemployment insurance managed by the government, and annuity plans managed by the Group. Such expenditure is charged to the statement of profit or loss in the period when it is incurred.

Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes restructuring costs involving the payment of termination benefits.

Other long-term employee benefits

Other long-term employee benefits are applicable to the rules on post-employment benefits, to recognize their net liabilities or net assets, while the changes are recorded in current profit or loss or related asset cost.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividend distributions

After-tax profit for the year is firstly applied to make up for the losses of previous years. Secondly, the Company sets aside 10% of after-tax profit for a statutory reserve, 10% of after-tax profit for a general risk reserve, and according to the requirements of the CSRC, sets aside 10% of after-tax profit for a transaction risk reserve. The remaining after-tax profit is distributed according to the resolution approved at the Annual General Meeting. If the aggregate balance of the statutory reserve funds has reached 50% of the Company's registered capital, appropriation for the statutory reserve is no longer mandatory.

Dividends proposed by the directors are not deducted from equity, until they have been approved by the shareholders in a shareholder meeting. When the dividends have been approved by the shareholders, they are recognized as a liability.

Foreign currencies

The consolidated financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is transferred to the statement of profit or loss.

Cash flows denominated in foreign currencies and cash flows of overseas subsidiaries are translated using the average exchange rates for the year. The impact on cash caused by the fluctuation of exchange rates is presented as a separate line item in the statement of cash flows.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgement

In the process of applying the Group's accounting policies, apart from those assumptions involving estimations, management has made the following judgements including the classification of financial assets, the transfer of financial assets and consolidation of structured entities, which have significant effects on the amounts recognized in the financial statements.

Classification of financial assets

Management needs to make significant judgement on the classification of financial assets. Different classifications may affect accounting methods as well as the financial position and operating results of the Group.

Transfer of financial assets

Management needs to make significant judgement on the transfer of financial assets. Whether financial assets being transferred or not may affect accounting methods as well as the financial position and operating results of the Group.

Consolidation of structured entities

Management needs to make significant judgement on whether a structured entity is under control and shall be combined. Such judgement may affect accounting methods as well as the financial position and operating results of the Group.

When assessing control, the Group considers: (a) power over the investee, (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgement *(continued)*

When judging the level of the control over the structured entities, the Group considers the following four elements:

(a) The decisions the Group applied when setting up the structured entities and the involvement in those entities;

(b) The related agreement arrangements;

(c) The Group will only take specific actions under certain conditions or incidents; and

(d) The commitments made by the Group to the structured entities.

When assessing whether there is control over the structured entities, the Group also considers whether the decisions it makes are as a principal or as an agent. Aspects of considerations normally include the decision making scope over the structured entities, substantive rights of third parties, reward of the Group, and the risk of undertaking variable returns from owning other benefits of the structured entities.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, which may result in a significant adjustment to the carrying amounts of assets and liabilities in the next accounting period.

Fair values of financial assets and derivative financial instruments determined using valuation techniques

If the market for a financial instrument is not active, the Group estimates fair value by using valuation techniques, such as the discounted cash flow analysis model, etc. In practice, the discounted cash flow analysis model makes the maximum use of observable inputs, but the management still needs to make estimations on counterparty credit risk, volatility of market interest rate and correlation factors and etc. If there is a change in any assumption of the above factors, the assessment of fair value of financial instruments will be affected.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Deferred income tax assets and liabilities

According to the provisions of the tax law, deferred income tax assets and liabilities are measured at the applicable tax rates that are expected to apply to the period when the assets are realized or when the liabilities are settled. Deferred income tax assets are recognized for all unused tax losses, to the extent that it is likely that taxable profit will be available to offset these unused tax losses. Many judgements are needed from management to estimate the amount, timing and applicable tax rate of future taxable profit, together with the tax planning strategies, to determine the amount of deferred income tax assets and liabilities to be recognized.

Impairment of margin accounts receivable and financial assets held under resale agreements

The Group reviews its margin accounts receivable and financial assets held under resale agreements to assess impairment on a periodic basis. In determining whether an impairment loss should be recognized in profit or loss, the Group assesses the recoverable amounts firstly on an individual basis principally by reviewing the collateral received and the creditworthiness of the customers. If the Group determines that no objective evidence of impairment exists for an individually assessed credit asset, then on a collective basis in determining the impairment. The policy for collective impairment allowances for margin accounts receivable and financial assets held under resale agreements of the Group is based on the collateral securities, collateral ratio, volatilities, and concentration, etc. The methodology and assumptions used for estimating the impairment of margin accounts receivable and financial assets held under resale agreements are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of available-for-sale investments

If there has been a significant or prolonged (after considering all related factors) decline in the fair value of available-for-sale investments, the impairment losses shall be provided by reclassification the cumulative unrealized loss arising from decline in fair value and previously recorded in other comprehensive loss to profit or loss. The Group considers the extent and duration of the decline in evaluating whether a decline in fair value is significant or prolonged. The Group generally considers a significant decline to be one in which the fair value is below the weighted average cost by more than 30% or a prolonged decline to be one in which fair value is below the weighted average cost for a continuous period of twelve months or longer. The Group also takes into consideration of other specific relevant factors when assessing whether there is objective evidence that an investment is impaired or not. Regarding the funds contributed by the Group to the designated accounts managed by China Securities Finance Corporation Limited, owing to the unique characteristics of this investment, that is, the Group cannot control the way in which China Securities Finance Corporation Limited uses the Group's fund contributions and when the contributions are redeemed, after further considering other relevant factors such as industry practice, etc., the Group considers the threshold for the determination of impairment for this investment to be the fair value below the cost by more than 50% or for a continuous period of more than thirty six months.

Impairment losses on debt instruments are reversed through the statement of profit or loss if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognized in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rate
Corporate income tax	Taxable profits	16.5%-25%
Business tax	Taxable revenue	5%
Value added tax ("VAT")	Taxable revenue	6%-17%
City maintenance and construction tax	Business tax and value added tax paid	1%-7%
Education surcharge	Business tax and value added tax paid	3%

Corporate Income tax

The income tax rate applicable to the Company and its subsidiaries in Mainland China is 25%. The income tax rate applicable to subsidiaries in Hong Kong is 16.5%.

Value added tax

Pursuant to the "Circular regarding the Comprehensive Implementation of the Pilot Programs for Transformation from Business Taxes to Value-added Taxes (the "VAT Pilot Programs")" (Cai Shui [2016] No. 36), the "Circular regarding Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs (Cai Shui [2016] No. 46) and the "Supplementary Circular regarding VAT Policies Applicable to Transactions between Financial Institutions" (Cai Shui [2016] No. 70) issued by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") of the PRC, effective from 1 May 2016, the Group is subject to value-added taxes on its income from principal businesses at 6%, instead of business tax at 5% prior to 1 May 2016.

According to the Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products (《關於資管產品增值稅有關問題的通知》) promulgated by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") of the PRC on 30 June 2017, starting from 1 January 2018, with respect to any VAT-able activities in the course of managing asset management products, managers of the asset management products could be temporarily subject to the simplified VAT calculation method and thus liable to VAT at 3%. With respect to VAT-able income arising from asset management products prior to 1 January 2018, if no VAT has been paid previously, no VAT will be payable; if VAT has been paid previously, the previously paid VAT can be used to offset against the VAT payable of the managers.

6. FEE AND COMMISSION INCOME

	Year ended 31 December	
	2017	2016
Securities brokerage and investment consulting business	**6,814,977**	8,546,821
Underwriting and sponsorship business	**2,707,298**	3,333,361
Asset management business	**1,785,966**	2,375,048
Futures brokerage business	**531,251**	582,318
Financial advisory business	**387,241**	510,799
Custodian fee	**334,538**	233,559
Others	**23,132**	46,238
Total	**12,584,403**	15,628,144

7. INTEREST INCOME

	Year ended 31 December	
	2017	2016
Margin financing and securities lending	**5,311,538**	5,370,290
Stock-pledged financing and securities repurchase	**3,592,342**	2,342,232
Deposit in financial institutions	**3,019,777**	3,533,345
Other financial assets held under resale agreements	**478,015**	350,902
Debt instruments classified as receivables	**2,397**	47,406
Others	**8,883**	74,211
Total	**12,412,952**	11,718,386

8. NET INVESTMENT GAINS

	Year ended 31 December	
	2017	2016
Dividend and interest income		
Financial instruments at fair value through profit or loss	**2,430,691**	2,445,230
Available-for-sale financial assets	**608,106**	764,737
Net realized gains/(losses)		
Available-for-sale financial assets	**2,433,871**	718,689
Financial instruments at fair value through profit or loss	**1,073,478**	1,043,617
Derivative financial instruments	**(150,123)**	291,798
Unrealized gains/(losses)		
Derivative financial instruments	**152,927**	(87,352)
Financial liabilities at fair value through profit or loss	**98,308**	(534,898)
Financial assets at fair value through profit or loss	**(258,431)**	153,455
Others (i)	**45,794**	—
Total	**6,434,621**	4,795,276

(i) Third-party interests in consolidated structured entities.

9. OTHER INCOME AND GAINS

	Year ended 31 December	
	2017	2016
Government grants [(1)]	**727,649**	743,159
Gain on purchase of an associate [(2)]	**238,196**	—
Income from bulk commodity trading	**182,097**	168,137
Commission from tax withholding and remitting	**36,349**	17,511
Gains on disposal of property and equipment	**505**	350
Foreign exchange (losses)/gains	**(193,190)**	30,791
Gain on deemed disposal of an associate	**—**	59,324
Others	**529,770**	26,091
Total	**1,521,376**	1,045,363

(1) The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

(2) In October 2017, as approved by the CSRC, the Company's wholly-owned subsidiary, Guotai Junan Innovation Investment Co., Ltd. acquired a 20% equity interest in Hua An Fund Management Co., Ltd. ("Hua An Fund") from Shanghai Electric Group Corp. The excess of the Group's share of the fair value of Hua An Fund's net identifiable assets and liabilities over the cost of the investment was RMB238,196 thousand, which was recognized as other income and gains for the year.

10. FEE AND COMMISSION EXPENSES

	Year ended 31 December	
	2017	2016
Securities brokerage and investment consulting business	**1,616,584**	1,873,365
Underwriting and sponsorship business	**379,458**	346,080
Futures brokerage business	**84,022**	87,487
Others	**53,999**	61,478
Total	**2,134,063**	2,368,410

11. INTEREST EXPENSES

	Year ended 31 December	
	2017	2016
Bonds payable	**2,938,240**	2,999,944
Financial assets sold under repurchase agreements	**1,601,008**	2,259,421
Short-term debt instruments	**785,139**	218,018
Accounts payable to brokerage customers	**424,468**	459,494
Placements from other financial institutions	**348,819**	270,375
Loans and borrowings	**274,985**	297,006
Priority tranche holders of structured entities	**141,429**	514,402
Securities lending	**105,360**	80,134
Gold borrowing	**53,726**	48,455
Derivative financial instruments	**31,179**	16,015
Others	**1,757**	492
Total	**6,706,110**	7,163,756

12. STAFF COSTS

	Year ended 31 December	
	2017	2016
Salaries, bonuses and allowances	**4,947,692**	5,994,452
Contributions to defined contribution schemes	**658,247**	536,349
Other social welfare	**417,982**	418,217
Total	**6,023,921**	6,949,018

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

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

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

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

13. DEPRECIATION AND AMORTIZATION EXPENSES

	Year ended 31 December	
	2017	2016
Depreciation of property and equipment	**353,726**	324,599
Amortization of other intangible assets	**88,538**	70,497
Amortization of long-term deferred expenses	**21,180**	9,108
Amortization of prepaid land lease payments	**30**	30
Total	**463,474**	404,234

14. OTHER OPERATING EXPENSES AND COSTS

	Year ended 31 December	
	2017	2016
Rental expenses	**699,468**	565,225
Promotion and business development expenses	**294,213**	236,869
Administrative and office operating expenses	**290,589**	222,937
Business travel expenses	**237,463**	186,427
IT expenses	**229,677**	179,225
Postal and communication expenses	**203,505**	198,107
Cost of bulk commodity trading	**185,045**	167,743
Marketing and advertising expenses	**182,689**	115,293
Consulting fees	**142,523**	152,765
Stock exchanges management fees	**96,887**	98,711
Securities investor protection funds	**92,875**	121,640
Fund and asset management scheme distribution expenses	**71,263**	91,916
Provisions	**50,028**	30,000
Utilities	**49,446**	59,896
Donation	**28,473**	5,406
Auditors' remuneration	**10,972**	10,464
Others	**222,815**	186,674
Total	**3,087,931**	2,629,298

15. PROVISION FOR IMPAIRMENT LOSSES

	Year ended 31 December	
	2017	2016
Available-for-sale financial assets	**324,538**	836,025
Financial assets held under resale agreements	**155,572**	256,510
Margin accounts receivable	**116,832**	17,486
Other receivables and prepayments	**65,605**	—
Other non-current assets	**63,491**	100,354
Other intangible assets	**10,000**	—
Accounts receivable	**1,911**	814
Total	**737,949**	1,211,189

16. INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
Current tax		
Mainland China income tax	**2,783,584**	3,745,491
Hong Kong profits tax	**194,116**	122,144
Adjustment in respect of prior years		
Mainland China income tax	**(66,106)**	(71,768)
Hong Kong profits tax	**(2,066)**	305
Deferred tax	**268,871**	(375,612)
Total tax charges for the year	**3,178,399**	3,420,560

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

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

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries is domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December	
	2017	2016
Profit before income tax	**13,661,308**	14,773,524
Tax at the PRC statutory tax rate of 25%	**3,415,327**	3,693,381
Effect of different tax rates of subsidiaries	**(98,678)**	(76,000)
Adjustments in respect of current tax and deferred tax of prior years	**(68,172)**	(71,463)
Non-taxable income	**(281,023)**	(281,729)
Profits and losses attributable to joint ventures and associates	**(9,190)**	(1,179)
Non-deductible expenses	**265,309**	130,093
Utilization of tax losses and deductible temporary differences previously not recognized	**(60,003)**	(14,787)
Tax losses and deductible temporary differences not recognized	**14,829**	42,244
Total tax charges for the year	**3,178,399**	3,420,560

17. DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of directors and supervisors paid by the Group who held office for the years ended 31 December 2017 and 2016 is as follows:

	Year ended 31 December 2017				
Name	Fees	Salaries, allowances and benefits	Pension scheme contributions and other social welfare	Discretionary bonuses	Total remuneration
Executive Directors					
Yang Dehong	—	644	89	376	1,109
Wang Song	—	920	89	756	1,765
Yu Jian	—	1,674	146	3,559	5,379
Non-Executive Directors					
Fu Fan(1)	—	—	—	—	—
Zhong Maojun(1)	—	—	—	—	—
Zhou Lei(1)	—	—	—	—	—
Wang Yongjian	150	—	—	—	150
Xiang Dong(3)	150	—	—	—	150
Liu Qiang(1)(3)	—	—	—	—	—
Liu Ying(1)	—	—	—	—	—
Independent Non-executive Directors					
Xia Dawei	250	—	—	—	250
Shi Derong (1)	—	—	—	—	—
Chen Guogang	250	—	—	—	250
Ling Tao	250	—	—	—	250
Jin Qingjun	250	—	—	—	250
LEE Conway Kong Wai(2)	188	—	—	—	188

17. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

Year ended 31 December 2017

Name	Fees	Salaries, allowances and benefits	Pension scheme contributions and other social welfare	Discretionary bonuses	Total remuneration
Supervisors					
Shang Hongbo	—	—	—	—	—
Zhu Ning	—	580	88	516	1,184
Teng Tieqi(3)	150	—	—	—	150
Shao Chong	150	—	—	—	150
Zuo Zhipeng	150	—	—	—	150
Wang Weijie	—	1,182	118	2,032	3,332
Liu Xuefeng	—	1,195	118	2,125	3,438
	1,938	6,195	648	9,364	18,145

(1) Except for these directors, none of the directors or supervisors waived any remuneration during the year.

(2) Appointed on 11 April 2017.

(3) Resigned on 29 March 2018.

Year ended 31 December 2016

Name	Fees	Salaries, allowances and benefits	Pension scheme contributions and other social welfare	Discretionary bonuses	Total remuneration
Executive Directors					
Yang Dehong	—	644	214	394	1,252
Wang Song	—	644	214	1,223	2,081
Yu Jian(4)	—	1,185	324	4,394	5,903
Tuo Qibin(2)	—	261	82	669	1,012
Non-Executive Directors					
Fu Fan(1)	—	—	—	—	—
Zhong Maojun(1)	—	—	—	—	—
Zhou Lei(1)	—	—	—	—	—
Wang Yongjian(1)	—	—	—	—	—

17. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

	Year ended 31 December 2016				
Name	Fees	Salaries, allowances and benefits	Pension scheme contributions and other social welfare	Discretionary bonuses	Total remuneration
Xiang Dong[1][4]	—	—	—	—	—
Liu Qiang[1]	—	—	—	—	—
Liu Ying[1][5]	—	—	—	—	—
Xiong Peijin[1][2]	—	—	—	—	—
Deng Weili[1][3]	—	—	—	—	—
Independent Non-executive Directors					
Xia Dawei[4]	167	—	—	—	167
Shi Derong[1]	—	—	—	—	—
Chen Guogang	207	—	—	—	207
Ling Tao	207	—	—	—	207
Jin Qingjun	207	—	—	—	207
Ma Weihua[2]	40	—	—	—	40
Supervisors					
Shang Hongbo	—	—	—	—	—
Zhu Ning	—	580	213	660	1,453
Teng Tieqi	127	—	—	—	127
Shao Chong	127	—	—	—	127
Zuo Zhipeng[4]	100	—	—	—	100
Wang Weijie	—	869	258	3,563	4,690
Liu Xuefeng	—	917	279	3,663	4,859
Zhan Lingzhi[2]	27	—	—	—	27
	1,209	5,100	1,584	14,566	22,459

(1) Except for these directors, none of the directors or supervisors waived any remuneration during the year.

(2) Retired on 19 May 2016.

(3) Resigned on 25 September 2016.

(4) Appointed on 19 May 2016.

(5) Appointed on 24 October 2016.

18. FIVE HIGHEST PAID EMPLOYEES

Among the five highest paid employees, there were neither directors nor supervisors for the years ended 31 December 2017 and 2016. Details of the remuneration of the five highest paid employees are as follows:

	Year ended 31 December	
	2017	2016
Salaries, allowances and benefits	**11,353**	12,686
Pension scheme contributions and other social welfare	**326**	333
Discretionary bonuses	**64,145**	41,940
Share-based payments	**12,954**	30,562
Total	**88,778**	85,521

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2017	2016
RMB14,000,001 to RMB15,000,000 yuan	**—**	3
RMB15,000,001 to RMB16,000,000 yuan	**2**	—
RMB17,000,001 to RMB18,000,000 yuan	**1**	—
RMB18,000,001 to RMB19,000,000 yuan	**1**	—
RMB19,000,001 to RMB20,000,000 yuan	**—**	1
RMB20,000,001 to RMB21,000,000 yuan	**1**	—
RMB22,000,001 to RMB23,000,000 yuan	**—**	1
	5	5

19. DIVIDENDS

	Year ended 31 December	
	2017	2016
Proposed and paid dividends	**2,973,750**	3,965,000
Distribution to other equity instrument holders	**590,000**	590,000

Pursuant to the resolution of the meeting of shareholders held on 13 March 2017, the Company distributed cash dividends of RMB3.90 yuan for every 10 shares (tax included) amounting to RMB2,974 million in total for the year ended 31 December 2016.

Pursuant to the resolution of the meeting of shareholders held on 19 May 2016, the Company distributed cash dividends of RMB5.20 yuan for every 10 shares (tax included) amounting to RMB3,965 million in total for the year ended 31 December 2015.

Pursuant to the resolution of the 7th meeting of the 5th term of the Board held on 29 March 2018, the Board has proposed the annual profit distribution plan for the year ended 31 December 2017 as follows: after withholding a 10% after-tax profit as statutory common reserve fund, general risk reserves, and trading risk reserves respectively, in accordance with relevant regulations, based on the total common stock on the registered common shareholders as indicated in the statutory records on that date, the Company shall distribute cash dividends of RMB4.00 yuan for every 10 shares (tax included) amounting to RMB3,486 million in total for the year ended 31 December 2017. The total amount of cash dividend is calculated based on the total common stock amounting to 8,713,933,800 shares as at 31 December 2017 (without considering the shares converted from convertible bond during Conversion Period. The profit distribution plan is subject to shareholders' approval in the upcoming shareholders' meeting.

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

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

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

20. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(continued)*

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

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

	Year ended 31 December	
	2017	2016
Earnings		
Profit attributable to equity holders of the Company	**9,881,545**	9,841,417
Less: Profit attributable to other equity instrument holders	**590,000**	590,000
Profit attributable to ordinary equity holders of the Company	**9,291,545**	9,251,417
Add: Interest expense on convertible bonds, net of tax	**104,446**	—
Less: Dilutive effect of a subsidiary's potential ordinary shares	**4,377**	5,727
Adjusted profit attributable to ordinary equity holders of the Company	**9,391,614**	9,245,690
Shares (in thousand)		
Weighted average number of ordinary shares in issue during the year	**8,346,878**	7,625,000
Weighted average number of ordinary shares assuming conversion of all dilutive shares	**168,995**	—
Adjusted weighted average number of ordinary shares in issue during the year	**8,515,873**	7,625,000
Earnings per share attributable to ordinary equity holders of the Company (RMB yuan per share)		
– Basic	**1.11**	1.21
– Diluted	**1.10**	1.21

21. PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	CIP	Others	Total
Cost									
As at 1 January 2017	**2,912,621**	**408,063**	**30,476**	**1,151,927**	**17,208**	**151,445**	**523,656**	**74,740**	**5,270,136**
Additions	**32,914**	**70,437**	**3,769**	**159,680**	**2,953**	**19,117**	**428,881**	**3,228**	**720,979**
Transfers during the year	**–**	**40,811**	**46**	**56,958**	**–**	**–**	**(199,237)**	**479**	**(100,943)**
Disposals	**(65,155)**	**(47,255)**	**(2,952)**	**(81,335)**	**(1,319)**	**(13,568)**	**–**	**(31,631)**	**(243,215)**
As at 31 December 2017	**2,880,380**	**472,056**	**31,339**	**1,287,230**	**18,842**	**156,994**	**753,300**	**46,816**	**5,646,957**
Accumulated depreciation									
As at 1 January 2017	**(560,468)**	**(235,193)**	**(12,781)**	**(686,422)**	**(11,863)**	**(106,939)**	**–**	**(21,101)**	**(1,634,767)**
Depreciation charge	**(105,269)**	**(63,187)**	**(3,083)**	**(165,528)**	**(1,348)**	**(13,002)**	**–**	**(2,309)**	**(353,726)**
Disposals	**31,286**	**38,242**	**2,813**	**74,741**	**1,247**	**13,103**	**–**	**2,956**	**164,388**
As at 31 December 2017	**(634,451)**	**(260,138)**	**(13,051)**	**(777,209)**	**(11,964)**	**(106,838)**	**–**	**(20,454)**	**(1,824,105)**
Impairment									
As at 1 January 2017 and 31 December 2017	**(92,253)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(92,253)**
Net carrying amount									
As at 31 December 2017	**2,153,676**	**211,918**	**18,288**	**510,021**	**6,878**	**50,156**	**753,300**	**26,362**	**3,730,599**

	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	CIP	Others	Total
Cost									
As at 1 January 2016	2,874,799	370,909	50,779	1,123,916	17,680	149,512	348,656	77,754	5,014,005
Additions	37,822	88,322	1,765	129,743	2,316	10,216	349,412	2,965	622,561
Transfers during the year	–	–	193	32,507	–	–	(174,276)	–	(141,576)
Disposals	–	(51,168)	(22,261)	(134,239)	(2,788)	(8,283)	(136)	(5,979)	(224,854)
As at 31 December 2016	2,912,621	408,063	30,476	1,151,927	17,208	151,445	523,656	74,740	5,270,136
Accumulated depreciation									
As at 1 January 2016	(446,376)	(234,929)	(31,083)	(650,183)	(13,186)	(101,175)	–	(24,095)	(1,501,027)
Depreciation charge	(114,092)	(47,659)	(2,948)	(161,260)	(1,343)	(12,771)	–	(2,393)	(342,466)
Disposals	–	47,395	21,250	125,021	2,666	7,007	–	5,387	208,726
As at 31 December 2016	(560,468)	(235,193)	(12,781)	(686,422)	(11,863)	(106,939)	–	(21,101)	(1,634,767)
Impairment									
As at 1 January 2016 and 31 December 2016	(92,253)	–	–	–	–	–	–	–	(92,253)
Net carrying amount									
As at 31 December 2016	2,259,900	172,870	17,695	465,505	5,345	44,506	523,656	53,639	3,543,116

As at 31 December 2017 and 2016, the Group has not yet obtained the relevant building certificates for buildings with costs of RMB239,571 thousand and RMB239,571 thousand, respectively.

22. PREPAID LAND LEASE PAYMENTS

	Year ended 31 December	
	2017	2016
Cost		
As at 1 January	**876,029**	876,029
As at 31 December	**876,029**	876,029
Accumulated amortization		
As at 1 January	**(52,534)**	(33,429)
Amortization	**(19,107)**	(19,105)
As at 31 December	**(71,641)**	(52,534)
Carrying amount		
As at 31 December	**804,388**	823,495

23. GOODWILL

	As at 31 December	
	2017	2016
Cost	**581,407**	581,407
Less: Impairment losses	**—**	—
Carrying amount	**581,407**	581,407

Impairment testing on goodwill

	As at 31 December	
	2017	2016
Cost and carrying value		
Unit A — Shanghai Securities Co., Ltd.	**578,916**	578,916
Unit B — Guotai Junan Futures Co., Ltd.	**2,491**	2,491
Total	**581,407**	581,407

23. GOODWILL *(continued)*

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

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

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

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

24. OTHER INTANGIBLE ASSETS

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

24. OTHER INTANGIBLE ASSETS *(continued)*

	Software	Trading seats rights	Securities and futures brokerage qualification	Others	Total
Cost					
As at 1 January 2016	365,145	207,240	1,066,264	33,174	1,671,823
Additions	104,455	—	—	68	104,523
Disposal	(2,454)	—	—	(1)	(2,455)
As at 31 December 2016	467,146	207,240	1,066,264	33,241	1,773,891
Accumulated amortization					
As at 1 January 2016	(180,359)	(128,079)	—	(1,235)	(309,673)
Amortization	(70,457)	—	—	(40)	(70,497)
Disposal	1,728	—	—	—	1,728
As at 31 December 2016	(249,088)	(128,079)	—	(1,275)	(378,442)
Impairment					
As at 1 January 2016 and 31 December 2016	—	(4,756)	—	(6,252)	(11,008)
Net carrying amount					
As at 31 December 2016	218,058	74,405	1,066,264	25,714	1,384,441

The respective recoverable amounts of the cash-generating units relating to the securities brokerage business whereby these trading seats rights are allocated to, using a value in use calculation, exceed the carrying amounts. Management determined that there was no impairment of the trading seats rights as at 31 December 2017 and 2016.

The other intangible assets of securities and futures brokerage qualification are generated from the acquisition of Shanghai Securities, and the impairment of which is tested together with the goodwill arising from the acquisition of Shanghai Securities, that is, the carrying amount of securities and futures brokerage qualification was included in the cash-generating unit to which the goodwill was allocated for impairment testing purposes. Management believes that there was no impairment of the securities and futures brokerage qualification as at 31 December 2017 and 2016. Refer to Note 23 for impairment testing of goodwill arising from the acquisition of Shanghai Securities.

25. INVESTMENTS IN SUBSIDIARIES

	As at 31 December	
	2017	2016
Unlisted shares, carried at cost	**12,240,770**	11,040,770
Less: Impairment losses	**—**	—
Total	**12,240,770**	11,040,770

(a) Details of the subsidiaries held by the Company

The following list contains particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of registration or primary business	Paid-in capital (Expressed in yuan)	Principal activities	Equity interests held as at 31 December 2017	2016
Guotai Junan Innovation Investment Co., Ltd. [2]	Shanghai PRC	RMB4,900,000,000	Equity investment and investment consulting	**100%**	100%
Shanghai Guotai Junan Securities Assets Management Co., Ltd. ("GTJA Assets Management") [2]	Shanghai PRC	RMB2,000,000,000	Securities assets management	**100%**	100%
Shanghai Guoxiang Real Estate Co., Ltd. [2]	Shanghai PRC	RMB480,000,000	Real estate and property management	**100%**	100%
Guotai Junan Financial Holdings Limited (HK Co.) [2]	HK PRC	HKD31,980,000	Investment service	**100%**	100%
Guotai Junan Futures Co., Ltd. [2]	Shanghai PRC	RMB1,200,000,000	Futures brokerage Future Investment Consulting	**100%**	100%
Shanghai Securities Co., Ltd. [2]	Shanghai PRC	RMB2,610,000,000	Securities brokerage Securities investment Underwriting and consulting	**51%**	51%
GTJA Allianz Funds Co., Ltd. [1][2] ("GTJA Allianz")	Shanghai PRC	RMB150,000,000	Fund management	**51%**	51%
Shanghai Gelong Entrepreneurship Investment Co., Ltd.	Shanghai PRC	RMB100,000,000	Venture capital investment and management	**100%**	100%
Guotai Junan Risk Management Co., Ltd.	Shanghai PRC	RMB200,000,000	Warehouse service Cooperation hedge Investment management Corporate management consulting	**100%**	100%
Shanghai GTJA Juntong Investment Management Co., Ltd.	Shanghai PRC	RMB10,000,000	Investment management Industrial Investment Investment consulting	**90%**	90%
Guotai Junan (Shanghai) Science and Technology Equity Investment Fund Management Co., Ltd.	Shanghai PRC	RMB20,000,000	Equity investment Venture capital investment Asset management	**90%**	90%

25. INVESTMENTS IN SUBSIDIARIES *(continued)*

(a) Details of the subsidiaries held by the Company *(continued)*

Name of company	Place of registration or primary business	Paid-in capital (Expressed in yuan)	Principal activities	Equity interests held as at 31 December 2017	2016
Guotai Junan Capital Management Co., Ltd. (Guotai Junan Capital")	Shanghai PRC	RMB100,000,000	Asset management Equity investment Fund management	**90%**	90%
Shanghai Shipping Capital (Hong Kong) Holding Co., Ltd.	HK PRC	HKD5,000,000	Equity investment Fund management	**90%**	90%
Hicend Futures Co., Ltd.	Shanghai PRC	RMB160,000,000	Futures brokerage Future investment consulting	**51%**	51%
Guotai Junan Investments (Hong Kong) Limited	HK PRC	HKD33,500,000	Investment	**100%**	100%
Guotai Junan Consultancy Services (Shenzhen) Limited	Shenzhen PRC	HKD12,000,000	Investment consulting Marketing planning Corporate management consulting	**100%**	100%
Guotai Junan Holdings Limited (BVI)	British Virgin Is.	USD1	Investment	**100%**	100%
Guotai Junan International Holdings Limited	HK PRC	HKD700,568,049	Investment and financing	**64.62%**	64.99%
Guotai Junan (Hong Kong) Limited	Samoa	USD816,300,000	Investment Administrative management	**64.62%**	64.99%
Guotai Junan Fund Management Limited [(3)]	HK PRC	HKD10,000,000	Fund management Securities trading	**32.31%**	32.50%
Guotai Junan Securities (Hong Kong) Limited	HK PRC	HKD7,500,000,000	Securities brokerage	**64.62%**	64.99%
Guotai Junan Finance (Hong Kong) Limited	HK PRC	HKD300,000,000	Investment and financing	**64.62%**	64.99%
Guotai Junan Futures (Hong Kong) Limited	HK PRC	HKD50,000,000	Futures brokerage	**64.62%**	64.99%
Guotai Junan Capital (Hong Kong) Limited	HK PRC	HKD50,000,000	Investment consulting	**64.62%**	64.99%
Guotai Junan Assets (Asia) Limited	HK PRC	HKD50,000,000	Fund management	**64.62%**	64.99%
Guotai Junan FX Limited	HK PRC	HKD30,000,000	Foreign exchange dealing	**64.62%**	64.99%
Guotai Junan Finance Holdings Limited (BVI)	British Virgin Is.	USD1	Financial financing	**100%**	100%
Guotai Junan International (Singapore) Holdings Pte. Limited	Singapore	SGD300,000	Investment management	**64.62%**	64.99%
Guotai Junan International Asset Management (Singapore) Pte. Limited	Singapore	SGD1,000,000	Assets management	**64.62%**	64.99%
Guotai Junan Financial Products Limited	HK PRC	HKD1,000,000	Investment and securities trading	**64.62%**	64.99%
Guotai Junan International Securities (Singapore) Pte. Limited	Singapore	SGD500,000	Securities brokerage	**64.62%**	64.99%
Guotai Junan Global Limited	British Virgin Is.	USD5,000,000	Investment management	**100%**	100%
Guotai Junan Securities USA Holding, Inc	USA	USD5,000,000	Investment management	**100%**	100%
Guotai Junan Securities USA, Inc.	USA	USD5,000,000	M&A Consulting services	**100%**	100%

25. INVESTMENTS IN SUBSIDIARIES *(continued)*

(a) Details of the subsidiaries held by the Company *(continued)*

(1) In April 2017, the Company agreed to transfer its 51% stake in GTJA Allianz to Pacific Asset Management Co., Ltd. at a price of RMB1,045 million and the consideration has been fully received by the Company. As at 31 December 2017, GTJA Allianz is included in the reportable operating segment of "Investment management" in note 60 to the financial statements. GTJA Allianz engages in fund management services. The Group decided to dispose of the investment in GTJA Allianz in order to integrate the Group's business resources and optimize the Company's asset management business. The transaction was approved by the CSRC in March 2018, After the completion of the share transfer, GTJA Allianz will cease to be a subsidiary of the Company.

(2) These subsidiaries are directly held by the Company.

(3) GJIHL, a subsidiary which is controlled by the Company through its voting rights of 64.62%, via its wholly-owned subsidiary Guotai Junan (Hong Kong) Limited controls Guotai Junan Fund Management Limited through contractual arrangement between shareholders whereby Guotai Junan (Hong Kong) Limited has been granted the authority to direct relevant activities of Guotai Junan Fund Management Limited unilaterally. As a result, Guotai Junan Fund Management Limited is accounted for as a subsidiary of the Company.

25. INVESTMENTS IN SUBSIDIARIES *(continued)*

(b) Partly-owned subsidiaries with material non-controlling interests

The following table lists the information related to the major subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarized financial information presented below represents the amounts before any inter-company elimination.

Shanghai Securities

	As at 31 December	
	2017	2016
NCI percentage	**49.00%**	49.00%
Current assets	**27,621,601**	25,909,052
Non-current assets	**6,543,025**	6,909,925
Current liabilities	**16,701,816**	16,460,543
Non-current liabilities	**6,109,379**	4,918,197
Net assets	**11,353,431**	11,440,237
Carrying amount of NCI	**6,561,333**	6,603,869

	Year ended 31 December	
	2017	2016
Total revenue and other income	**2,164,232**	5,224,907
Total expenses and income tax expense	**1,709,760**	3,014,094
Profit for the year	**454,472**	2,210,813
Total comprehensive income	**256,191**	2,160,326
Profit attributable to NCI	**264,512**	1,112,169
Distribution to NCI	**209,890**	184,312
Cash flows (used in)/generated from operating activities	**(278,821)**	419,848
Cash flows used in investing activities	**(205,119)**	(1,299,991)
Cash flows used in financing activities	**(776,542)**	(614,000)

25. INVESTMENTS IN SUBSIDIARIES *(continued)*

(b) Partly-owned subsidiaries with material non-controlling interests *(continued)*

GJIHL

	As at 31 December	
	2017	2016
NCI percentage	**35.38%**	35.01%
Current assets	**61,404,784**	39,526,477
Non-current assets	**420,179**	727,139
Current liabilities	**52,575,349**	28,922,773
Non-current liabilities	**29,444**	1,908,224
Net assets	**9,220,170**	9,422,619
Carrying amount of NCI	**3,746,972**	3,897,608

	Year ended 31 December	
	2017	2016
Total revenue and other income	**2,766,660**	2,157,799
Total expenses and income tax expense	**1,765,246**	1,279,817
Profit for the year	**1,001,414**	877,982
Total comprehensive income	**1,000,072**	878,601
Profit attributable to NCI	**314,423**	333,668
Distribution to NCI	**240,258**	160,616
Cash flows used in operating activities	**(12,571,118)**	(5,753,021)
Cash flows used in investing activities	**(21,840)**	(13,757)
Cash flows generated from financing activities	**12,727,968**	5,386,017

26. INTERESTS IN STRUCTURED ENTITIES

(a) INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

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

The total assets of these consolidated structured entities amounted to RMB12,806 million and RMB15,707 million as at 31 December 2017 and 2016 respectively.

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

(b) INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group exercises the power throughout the structured entities including limited partnerships and asset management products by acting as manager or general partner during the year. Except for the structured entities the Group has consolidated stated in note 26(a), in management's opinion, the variable returns the Group exposed to over these structured entities that the Group has interests in are not significant. The Group therefore did not consolidate these structured entities.

The Group classified the investments in unconsolidated limited partnerships and asset management products managed by the Group as available-for-sale financial assets, financial assets at fair value through profit or loss and investments in associates and joint ventures. As at 31 December 2017 and 2016, the carrying amounts of the Group's interests in unconsolidated structured entities were RMB9,226 million and RMB11,738 million, respectively. The management fee arising from these unconsolidated structured entities amounted to RMB1,075 million and RMB1,005 million for the years ended 31 December 2017 and 2016, respectively.

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

27. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at 31 December	
	2017	2016
Share of net assets		
– Associates	**1,309,278**	431,685
– Joint ventures	**2,303,249**	829,655
Total	**3,612,527**	1,261,340

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

Name of associates and joint ventures	Place of incorporation or primary business	Registered capital (Expressed in yuan)	Principal activities	Percentage of equity interests as at 31 December 2017	2016
Associates:					
Anhui Guozhen Group Co., Ltd.	Hefei PRC	RMB82,810,000	Project investment and investment management	**25%**	25%
Anhui Panguhongye Equity Investment Centre LLP	Suzhou PRC	RMB30,300,000	Equity investment	**33%**	33%
Shenzhen GTJA Shenyi Phase I Investment Fund LLP	Shenzhen PRC	RMB400,000,000	Investment management and advisory	**25%**	25%
Shenzhen GTJA Leading Junding Phase 1 Investment Fund LLP	Shenzhen PRC	RMB130,000,000	Investment management and advisory	**38%**	38%
Yingtanshi GTJA Chuangtoulongxin Equity Investment Centre LLP	Yingtan PRC	RMB169,181,800	Investment management and advisory	**18%**	18%
Xiamen Hongxin Electron-Tech Co., Ltd.	Xiamen PRC	RMB104,000,000	Flexible printed circuit board research and design	**6%**	N/A
Shanghai Kechuang Center Equity Investment Fund Management Co.,Ltd.	Shanghai PRC	RMB100,000,000	Investment management and equity investment	**13%**	N/A
Huaan Funds Management Co., Ltd.	Shanghai PRC	RMB150,000,000	Fund management	**20%**	N/A
Joint ventures:					
GTJA Shenyi (Shenzhen) Funds Management Co., Ltd. [(1)]	Shenzhen PRC	RMB20,000,000	Investment management and equity investment	**51%**	51%
Shenzhen GTJA Leading Investment Management Co., Ltd. [(1)]	Shenzhen PRC	RMB15,000,000	Investment management and equity investment	**51%**	51%
Xiamen GTJA Jianfa Equity Investment Company LLP	Xiamen PRC	RMB200,100,000	Investment management and equity investment	**20%**	10%
Shanghai Guojun Chuangtou Longxu Investment Management Centre LLP	Shanghai PRC	RMB100,000,000	Investment management and equity investment	**25%**	25%

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

At the end of each reporting period, the Group had the following associates and joint ventures: *(continued)*

Name of associates and joint ventures	Place of incorporation or primary business	Registered capital (Expressed in yuan)	Principal activities	Percentage of equity interests as at 31 December 2017	2016
Joint ventures: *(continued)*					
Shanghai Guojun Chuangtou Longsheng Investment Centre LLP	Shanghai PRC	RMB500,000,000	Investment management and equity investment	**20%**	20%
Shanghai Guojun Chuangtou Longzhao Investment Management Centre LLP (1)	Shanghai PRC	RMB1,000,200,000	Investment management and equity investment	**55%**	55%
Shanghai North Industries GTJA Investment Management Co., Ltd.	Shanghai PRC	RMB10,000,000	Investment management and advisory	**40%**	40%
Shanghai Junzheng Investment Management Co., Ltd. (1)	Shanghai PRC	RMB10,000,000	Investment management and advisory	**51%**	51%
Shanghai GTJA Haojing Investment Management Co., Ltd.	Shanghai PRC	RMB10,000,000	Investment management and advisory	**50%**	50%
Shanxi GTJA Chuangtou Equity Investment Company LLP	Shanghai PRC	RMB200,000,000	Investment management and advisory	**30%**	30%
Shanghai Guojun Chuangtou Zhengjun No.4 Equity Investment LLP (1)	Shanghai PRC	RMB42,240,000	Investment management and advisory	**63%**	N/A
Shanghai Guojun Chuangtou Zhengjun No.2 Equity Investment LLP	Shanghai PRC	RMB100,010,000	Investment management and advisory	**25%**	N/A
Shanghai Guojun Chuangtou Longbo Investment Management Centre LLP	Shanghai PRC	RMB139,400,000	Investment management and advisory	**18%**	N/A
Shanghai Guojun Chuangtou Longzhang Investment Management Centre LLP	Shanghai PRC	RMB233,000,000	Investment management and advisory	**17%**	N/A
Shanghai Juntong Jinglian Investment LLP (1)	Shanghai PRC	RMB701,000,000	Investment management and advisory	**100%**	N/A
Juntong Phase II Fund (1)	Shanghai PRC	RMB401,000,000	Investment management and advisory	**51%**	N/A

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

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

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

	Year end 31 December	
	2017	2016
Share of associates' profit for the year	**23,423**	1,731
Share of joint ventures' profit for the year	**(8,663)**	41,234

	Year end 31 December	
	2017	2016
Share of associates' total comprehensive income for the year	**22,526**	9,929
Share of joint ventures' total comprehensive income for the year	**14,772**	42,918

	As at 31 December	
	2017	2016
Aggregate carrying amount of the Group's investments in associates	**1,309,278**	431,685
Aggregate carrying amount of the Group's investments in joint ventures	**2,303,249**	829,655

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current

	As at 31 December	
	2017	2016
At fair value:		
– Debt securities	**10,601,881**	4,195,794
– Equity securities [(2) (3)]	**5,345,716**	6,910,880
– Funds [(3)]	**639,178**	143,981
– Contribution to designated accounts at China Securities Finance Corporation Limited [(1)]	**14,078,132**	15,964,176
– Other investments [(2) (4)]	**5,829,002**	9,348,659
At cost:		
– Equity investments	**1,846,097**	2,075,150
Total	**38,340,006**	38,638,640
Analyzed as:		
Listed in Hong Kong	**1,416,326**	2,104,388
Listed outside Hong Kong	**7,501,068**	6,553,649
Unlisted	**29,422,612**	29,980,603
Total	**38,340,006**	38,638,640

Current

	As at 31 December	
	2017	2016
At fair value:		
– Debt securities	**1,631,794**	1,842,582
Total	**1,631,794**	1,842,582
Analyzed as:		
Listed outside Hong Kong	**1,631,794**	1,842,582
Total	**1,631,794**	1,842,582

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

(1) As at 31 December 2017, the non-current available-for-sale financial assets included funds contributed by the Company together with various PRC securities firms, to designated accounts managed by China Securities Finance Corporation Limited ("CSFC"). Under the relevant agreements with CSFC, the Company contributed a total amount of RMB17,014 million in July and September 2015. CSFC manages the operation and investment of the designated accounts and securities firms will share the risks and returns from the investments in proportion to their respective contributions. As at 31 December 2017, the cost and fair value of the Company's contribution were RMB12,688 million and RMB14,078 million based on the investment account statement provided by CSFC.

(2) As at 31 December 2017 and 2016, the listed equity securities of the Group included restricted shares of approximately RMB56,228 thousand and RMB1,516,551 thousand, respectively. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair value of the securities is determined by reference to the quoted market prices and discounted to reflect the effect of the restriction.

As at 31 December 2017 and 2016, the collective asset management schemes with lock-up periods held by the Group amounted to approximately RMB163,044 thousand and RMB225,284 thousand, respectively.

As at 31 December 2017 and 2016, the Group entered into securities lending arrangements with clients that resulted in the transfer of available-for-sale investments with total fair values of RMB572,566 thousand and RMB435,835 thousand to external clients, respectively. As at 31 December 2017, the Group had securities transferred to CSFC with a total fair value of RMB597,290 thousand. These have not resulted in the derecognition of the financial assets in accordance with the accounting policy.

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

(4) Other investments mainly represent investments in asset management schemes issued and managed by the Group, wealth management products issued by banks and targeted asset management schemes (or trust investments) and assets-back securities managed by non-bank financial institutions.

(5) As at 31 December 2017 and 2016, the impairment losses for the available-for-sale financial assets amounted to RMB639,112 thousand and RMB592,611 thousand, respectively.

29. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analyzed by collateral type:

	As at 31 December	
Non-current	**2017**	2016
Equity securities	**27,619,010**	23,858,208
Precious metals	**—**	26,950
Less: Impairment losses	**(262,006)**	(279,733)
Total	**27,357,004**	23,605,425

	As at 31 December	
Current	**2017**	2016
Equity securities	**50,007,920**	30,111,995
Funds	**214**	2,209
Debt securities	**12,562,764**	8,492,422
Precious metals	**3,110,746**	1,265,611
Less: Impairment losses	**(439,449)**	(266,284)
Total	**65,242,195**	39,605,953

(b) Analyzed by market:

	As at 31 December	
Non-current	**2017**	2016
Stock exchanges	**27,619,010**	23,858,208
Over the counter	**—**	26,950
Less: Impairment losses	**(262,006)**	(279,733)
Total	**27,357,004**	23,605,425

	As at 31 December	
Current	**2017**	2016
Stock exchanges	**51,192,234**	30,684,535
Interbank market	**9,426,365**	6,166,931
Over the counter	**5,063,045**	3,020,771
Less: Impairment losses	**(439,449)**	(266,284)
Total	**65,242,195**	39,605,953

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
Non-current	**2017**	2016
Designated as at fair value through profit or loss:		
Funds	**300,000**	46,247
Total	**300,000**	46,247
Analyzed as:		
Unlisted	**300,000**	46,247
Total	**300,000**	46,247

	As at 31 December	
Current	**2017**	2016
Held for trading:		
Equity securities (1)	**8,125,365**	6,292,979
Funds	**18,735,986**	13,064,423
Debt securities	**40,775,513**	43,219,996
Other investments (3)	**2,794,585**	4,291,577
Designated as at fair value through profit or loss:		
Equity securities (2)	**584,556**	1,151,682
Funds	**6,987,350**	7,428,325
Debt securities	**19,245,246**	1,228,009
Other investments (3)	**953,514**	—
Total	**98,202,115**	76,676,991
Analyzed as:		
Listed in Hong Kong	**6,516,210**	2,486,731
Listed outside Hong Kong	**40,193,011**	22,860,700
Unlisted (4)	**51,492,894**	51,329,560
Total	**98,202,115**	76,676,991

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

(1) As at 31 December 2017 and 2016, The Group had securities transferred to CSFC with total fair values of RMB1,626,780 thousand and 795,207 thousand. These have not resulted in the derecognition of the financial assets in accordance with the accounting policy.

(2) As at 31 December 2017, the listed equity securities of the Group included approximately RMB166,056 thousand of restricted shares. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair value of the securities is determined by reference to the quoted market prices and discounted to reflect the effect of the restriction.

(3) Other investments mainly represent investments in asset management schemes issued and managed by the Group, wealth management products issued by banks and targeted asset management schemes (or trust investments) and assets-back securities managed by non-bank financial institutions.

(4) Unlisted securities mainly comprise debt securities traded in the Interbank Bond Market.

31. REFUNDABLE DEPOSITS

	As at 31 December	
	2017	2016
Deposits with exchanges and other financial institutions:		
Futures business	**5,887,261**	8,282,456
Credit business	**515,737**	778,889
Trading business	**476,442**	650,084
Others	**35,214**	31,452
Total	**6,914,654**	9,742,881

32. DEFERRED TAX

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

	As at 31 December	
	2017	2016
Deferred tax assets	**333,909**	762,365
Deferred tax liabilities	**(181,608)**	(103,920)
	152,301	658,445

32. DEFERRED TAX *(continued)*

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

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments	Fair value adjustment arising from acquisition of subsidiaries	Deductible tax losses	Others	Total
As at 1 January 2016	268,176	1,176,592	(980,875)	(470,988)	–	(25,079)	(32,174)
Recognized in profit or loss	170,546	14,887	124,738	9,334	30,107	26,000	375,612
Recognized in other comprehensive income	–	–	317,478	–	–	(2,471)	315,007
As at 31 December 2016	438,722	1,191,479	(538,659)	(461,654)	30,107	(1,550)	658,445
Recognized in profit or loss	55,300	(299,015)	(10,945)	9,333	(16,279)	(7,265)	(268,871)
Recognized in other comprehensive income	–	–	(231,638)	–	–	(5,635)	(237,273)
As at 31 December 2017	494,022	892,464	(781,242)	(452,321)	13,828	(14,450)	152,301

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

33. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2017	2016
Long-term deferred expenses [(1)]	**67,922**	57,515
Prepayments [(2)]	**572,268**	1,212,971
Advances to be recovered from the lawsuit	**256,037**	256,037
Term loan	**25,008**	224,950
Others	**462,491**	579,019
Less: Impairment losses [(3)]	**(706,228)**	(660,699)
Total	**677,498**	1,669,793

33. OTHER NON-CURRENT ASSETS *(continued)*

(1) The movements in long-term deferred expenses are shown below:

	As at 31 December	
	2017	2016
Balance at beginning of the year	**57,515**	44,420
Increase	**34,243**	22,203
Decrease	**(23,836)**	(9,108)
Balance at the end of the year	**67,922**	57,515

(2) The details of prepayments are shown below:

	As at 31 December	
	2017	2016
Prepaid construction expenditure (i)	**572,268**	572,268
Prepaid equity investments	**—**	640,703
Total	**572,268**	1,212,971

(i) Prepaid construction expenditure

On 16 October 2013, the Company entered into an agreement with Shanghai Bund & Riverside Comprehensive Development Co., Ltd. ("Bund & Riverside Development"). According to this agreement, the Company agreed to purchase one of the 6 properties to be developed by Bund & Riverside Development, on a land lot located at Huangpu District, Shanghai, provided that Bund & Riverside Development acquired this land use right at auction. Bund & Riverside Development obtained the land use right in December 2013. The consideration includes land cost, construction cost, allocated expenses, etc. As of 31 December 2017 and 2016, the prepayment for this project amounted to RMB572.3 million.

33. OTHER NON-CURRENT ASSETS *(continued)*

(3) Analysis of the movements of provision for impairment losses:

	As at 31 December	
	2017	2016
At the beginning of the year	**660,699**	560,356
Charge for the year	**63,491**	100,354
Amounts written off or decrease	**(17,962)**	(11)
At the end of the year	**706,228**	660,699

34. ACCOUNTS RECEIVABLE

(a) Analyzed by nature:

	As at 31 December	
	2017	2016
Accounts receivable from:		
– Brokers and dealers	**2,630,485**	1,179,862
– Fee and commission	**782,652**	592,564
– Settlement	**639,885**	35,640
– Cash and custodian clients	**156,758**	32,307
– Fund management fee	**92,768**	63,279
Less: Impairment losses	**(14,187)**	(12,276)
Total	**4,288,361**	1,891,376

(b) Analyzed by aging:

	As at 31 December	
	2017	2016
Within 1 year	**4,288,361**	1,891,376

34. ACCOUNTS RECEIVABLE *(continued)*

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

	As at 31 December	
	2017	2016
At the beginning of the year	**12,276**	11,464
Charge for the year	**1,911**	812
At the end of the year	**14,187**	12,276

35. OTHER RECEIVABLES AND PREPAYMENTS

(a) Analyzed by nature:

	As at 31 December	
	2017	2016
Interest receivable	**2,977,099**	2,475,654
Term loans	**2,541,659**	892,709
Dividends receivable	**149,399**	20,478
Prepayment for expenses	**125,068**	171,865
Deposit	**111,601**	112,372
Prepayments	**63,722**	42,243
Debt Instruments classified as receivables	**—**	571,670
Others	**367,567**	216,411
Less: Impairment losses	**(65,605)**	—
Total	**6,270,510**	4,503,402

35. OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

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

	As at 31 December	
	2017	2016
At the beginning of the year	**—**	—
Charge for the year	**65,605**	—
At the end of the year	**65,605**	—

36. MARGIN ACCOUNTS RECEIVABLE

(a) Analyzed by nature:

	As at 31 December	
	2017	2016
Individuals	**60,712,237**	57,737,496
Institutions	**13,680,943**	11,453,791
Less: Impairment losses	**(409,233)**	(298,502)
Total	**73,983,947**	68,892,785

36. MARGIN ACCOUNTS RECEIVABLE *(continued)*

(b) Analysis of the movements of provision for impairment losses:

	As at 31 December	
	2017	2016
At the beginning of the year	**298,502**	281,016
Charge for the year	**116,832**	17,486
Amounts written off or decrease	**(6,101)**	—
At the end of the year	**409,233**	298,502

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

	As at 31 December	
	2017	2016
Fair value of collateral:		
– Equity securities	**265,299,828**	217,419,588
– Cash	**7,037,093**	8,635,462
Total	**272,336,921**	226,055,050

37. DERIVATIVE FINANCIAL INSTRUMENTS

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

37. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

	As at 31 December 2016		
	Nominal	Fair value	
	amount	Assets	Liabilities
Interest rate derivatives			
– Treasury futures	1,513,195	3,116	—
– Interest rate swap	70,871,213	12,868	(145,065)
Currency derivatives			
– Currency swaps	2,114,081	40,589	(49,027)
– Foreign exchange forward	989,574	1,951	(17,301)
Equity derivatives			
– Stock index futures	2,106,678	74	(12,469)
– Forward contracts	2,785,769	8,163	(121,280)
– Stock options	7,267,246	111,853	(68,901)
Others			
– Precious metals futures	4,256,463	39,053	—
– Au (T+D)	1,621,405	—	(4,864)
– Commodity futures	814,064	—	(10,129)
Less: Cash (received)/paid as settlement		(42,243)	138,536
Total		175,424	(290,500)

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

38. CLEARING SETTLEMENT FUNDS

	As at 31 December	
	2017	2016
Deposits with stock exchanges		
– China Securities Depository and Clearing Corporation Limited	**2,128,688**	1,367,523
– Others	**29,001**	411,857
Total	**2,157,689**	1,779,380

As at 31 December 2017 and 2016, the Group's clearing settlement funds of RMB11,945 thousand and RMB30,009 thousand, respectively, were restricted.

39. CASH HELD ON BEHALF OF BROKERAGE CUSTOMERS

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

40. CASH AND BANK BALANCES

	As at 31 December	
	2017	2016
Cash on hand	**516**	780
Bank balances	**15,985,433**	27,942,327
Total	**15,985,949**	27,943,107

As at 31 December 2017 and 2016, the Group's bank balances of RMB447,789 thousand and RMB710,533 thousand, respectively, were restricted.

41. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

(a) Cash and cash equivalents

	As at 31 December	
	2017	2016
Cash on hand	**516**	780
Bank balances	**15,985,433**	27,942,327
Clearing settlement funds	**2,157,689**	1,779,380
Financial assets held under resale agreements with original maturity of less than three months	**11,273,135**	8,314,656
Less: bank deposits with original maturity of more than three months, restricted bank balances and clearing settlement funds	**(2,359,734)**	(2,844,542)
Total	**27,057,039**	35,192,601

(b) Changes in liabilities arising from financing activities

	Loans and borrowings	**Short-term debt instrument**	**Bonds payable**
At 1 January 2017	8,140,701	14,847,586	72,738,765
Changes from financing cash flows	3,425,371	21,607,049	(3,457,026)
Equity component of convertible bonds	—	—	(1,129,841)
Non-cash changes	(45,794)	—	160,193
As 31 December 2017	11,520,278	36,454,635	68,312,091

42. LOANS AND BORROWINGS

Current	As at 31 December	
	2017	2016
Unsecured loans and borrowings (1)	**11,520,278**	6,262,230
Total	**11,520,278**	6,262,230

Non-current	As at 31 December	
	2017	2016
Unsecured loans and borrowings (2)	**—**	1,878,471
Total	**—**	1,878,471

(1) As at 31 December 2017 and 2016, the current unsecured loans and borrowings of the Group were repayable within one year, bearing interest at rates ranging from 1.60% to 2.78% and from 1.74% to 4.80%, respectively.

(2) As at 31 December 2017, there were no non-current unsecured loans and borrowings. As at 31 December 2016, the non-current unsecured loans and borrowings of the Group were repayable within a period of more than one year but not exceeding two years, bearing interest at a rate of 2.67%. The non-current unsecured loans and borrowings were fully settled in 2017.

43. SHORT-TERM DEBT INSTRUMENTS

	Nominal interest rate	**Balance as at 1 January 2017**	**Increase**	**Decrease**	**Balance as at 31 December 2017**
Short-term financing bills payable	**2.75%-4.99%**	**6,000,000**	**8,000,000**	**(8,000,000)**	**6,000,000**
Medium-term notes	**0.90%-2.80%**	**57,606**	**3,889,446**	**(191,017)**	**3,756,035**
Short-term corporate bonds	**4.30%-5.10%**	**—**	**7,999,826**	**(5,999,876)**	**1,999,950**
Structured notes	**3.90%-6.66%**	**8,789,980**	**41,998,780**	**(26,090,110)**	**24,698,650**
Total		**14,847,586**	**61,888,052**	**(40,281,003)**	**36,454,635**

	Nominal interest rate	Balance as at 1 January 2016	Increase	Decrease	Balance as at 31 December 2016
Short-term financing bills payable	2.48%-3.15%	1,298,954	25,000,000	(20,298,954)	6,000,000
Medium-term notes	0.90%	260,566	123,212	(326,172)	57,606
Structured notes	2.90%-6.70%	759,950	13,054,150	(5,024,120)	8,789,980
Total		2,319,470	38,177,362	(25,649,246)	14,847,586

44. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2017	2016
Placements from banks (1)	**900,000**	—
Placements from China Securities Finance Co., Ltd. (2)	**6,700,000**	4,700,000
Total	**7,600,000**	4,700,000

(1) As at 31 December 2017, placements from banks were repayable within one year, bearing annual interest rates ranging from 3.20% to 6.10%.

(2) As at 31 December 2017 and 2016, placements from CSFC were repayable within one year, bearing annual interest rates ranging from 5.10% to 5.40% and from 3.00% to 3.20%, respectively.

45. ACCOUNTS PAYABLE TO BROKERAGE CUSTOMERS

	As at 31 December	
	2017	2016
Margin financing and securities lending deposits	**10,605,418**	11,965,276
Other brokerage business deposits	**73,750,814**	100,991,414
Total	**84,356,232**	112,956,690

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

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

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

46. EMPLOYEE BENEFITS PAYABLE

Current	As at 31 December	
	2017	2016
Salaries, bonuses and allowances	**4,658,925**	5,874,042
Contributions to a defined contribution schemes	**16,515**	14,300
Social welfare and others	**330,514**	380,823
Total	**5,005,954**	6,269,165

Non-current	As at 31 December	
	2017	2016
Salaries, bonuses and allowances	**622,458**	631,789
Total	**622,458**	631,789

47. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analyzed by collateral type:

Current	As at 31 December	
	2017	2016
Bonds	**31,263,560**	18,661,203
Margin accounts receivable-backed repurchase	**4,900,000**	14,800,000
Funds	**3,512,237**	3,605,049
Precious metals	**4,173,788**	2,625,218
Total	**43,849,585**	39,691,470

Non-current	As at 31 December	
	2017	2016
Margin accounts receivable-backed repurchase	**3,000,000**	—
Precious metals	**—**	26,950
Total	**3,000,000**	26,950

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

(b) Analyzed by market:

Current	**As at 31 December**	
	2017	2016
Interbank market	**17,147,994**	10,105,829
Stock exchanges	**17,927,803**	12,160,423
Over the counter	**8,773,788**	17,425,218
Total	**43,849,585**	39,691,470

Non-current	**As at 31 December**	
	2017	2016
Over the counter	**3,000,000**	26,950
Total	**3,000,000**	26,950

48. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Current	As at 31 December	
	2017	2016
Held for trading (1)		
— Debt securities	**2,740,626**	7,744,920
— Gold	**2,460,958**	—
Designated as at fair value through profit or loss		
— Debt securities (2)	**17,852,004**	8,573,419
— Interest attributable to other holders of consolidated structured entities (3)	**400,784**	—
Total	**23,454,372**	16,318,339

Non-current	As at 31 December	
	2017	2016
Designated as at fair value through profit or loss		
— Debt securities (2)	**1,013,019**	—
— Interest attributable to other holders of consolidated structured entities (3)	**—**	197,017
Total	**1,013,019**	197,017

(1) As at 31 December 2017 and 2016, included in the Group's financial liabilities held for trading through profit or loss were debt securities and gold borrowed by the Group.

(2) As at 31 December 2017 and 2016, included in the Group's financial liabilities designated as at fair value through profit or loss were structured notes generally in the form of notes or certificates with the underlying investments related to equity investments and debt investments.

(3) As at 31 December 2017 and 2016, the financial liabilities arising from the consolidation of structured entities were designated as at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon the maturity dates of the structured entities based on the net asset value and related terms of those consolidated structured entities.

49. BONDS PAYABLE

Current	**As at 31 December**	
	2017	2016
Corporate bonds [(1)]	**—**	3,099,568
Subordinated bonds [(1)]	**1,279,944**	12,356,678
Structured notes	**—**	1,700,000
Total	**1,279,944**	17,156,246

Non-current	**As at 31 December**	
	2017	2016
Corporate bonds [(1)]	**41,140,610**	26,383,076
Subordinated bonds [(1)]	**24,991,537**	28,599,443
Structured notes	**900,000**	600,000
Total	**67,032,147**	55,582,519

49. BONDS PAYABLE *(continued)*

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

As at 31 December 2017

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

49. BONDS PAYABLE *(continued)*

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

As at 31 December 2016

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Corporate Bonds				
11 GTJA Bond	3,000,000	2011.01	2017.01	5.50%
MTN 34	50,000	2015.07	2017.07	4.10%
MTN 35	50,000	2015.07	2017.07	4.10%
Subordinated Bonds				
13 GTJA Bond	3,000,000	2013.07	2017.07	6.00%
14 GUOJUN 05	3,000,000	2014.09	2017.09	6.10%
14 GUOJUN 06	5,000,000	2014.12	2017.12	5.40%
14 Shanghai Securities 01(xiv)	450,000	2014.09	2017.09	4.80%
14 Shanghai Securities 02(xiv)	908,000	2014.09	2017.09	5.30%
Non-current				
Corporate Bonds				
GUOTAI FH B1905(iv)	3,059,553	2014.05	2019.05	3.625%
15 GUOJUN G1(v)	5,000,000	2015.11	2020.11	3.60%
15 GUOJUN G2(vi)	1,000,000	2015.11	2022.11	3.80%
16 GUOJUN G1(vii)	5,000,000	2016.04	2021.04	2.97%
16 GUOJUN G2(viii)	1,000,000	2016.04	2023.04	3.25%
16 GUOJUN G3(ix)	5,000,000	2016.08	2021.08	2.90%
16 GUOJUN G4	3,000,000	2016.08	2021.08	3.14%
16 GUOJUN G5(x)	3,000,000	2016.09	2021.09	2.94%
Subordinated Bonds				
15 GUOJUN C1(i)	10,000,000	2015.04	2018.04	5.70%
15 Shanghai Securities 01(ii)	1,500,000	2015.03	2018.03	6.00%
15 Shanghai Securities 02(iii)	2,100,000	2015.04	2018.04	6.00%
16 GUOJUN C1(xii)	5,000,000	2016.07	2020.07	3.30%
16 GUOJUN C2(xiii)	4,000,000	2016.10	2020.10	3.14%
16 GUOJUN C3	3,000,000	2016.11	2019.11	3.34%
16 GUOJUN C4	3,000,000	2016.11	2021.11	3.55%

49. BONDS PAYABLE *(continued)*

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

(i) In April 2015, as approved by the CSRC, the Company issued a 3-year subordinated bond with par value of RMB10 billion. The bond bears an annual interest rate of 5.70% payable on an annual basis. The issuer has an option to redeem the bond at the end of the second year. If the redemption option is not exercised, the nominal interest rate of the subordinated bond will increase by 300 bps. The bond was fully redeemed in April 2017.

(ii) In March 2015, Shanghai Securities issued a 3-year subordinated bond with par value of RMB1.5 billion. The bond bears a fixed annual interest rate of 6.00% payable on an annual basis. At the end of the second year, Shanghai Securities has a right to adjust the interest rate. The Company has an option to redeem and the investors have an option to put back the bond at the end of the second year. The bond was fully redeemed in March 2017.

(iii) In April 2015, Shanghai Securities issued a 3-year subordinated bond with par value of RMB2.1 billion. The bond bears a fixed annual interest rate of 6.00% payable on an annual basis. At the end of the second year, Shanghai Securities has a right to adjust the interest rate. The Company has an option to redeem and the investors have an option to put back the bond at the end of the second year. In April 2017, a total amount of RMB820 million was redeemed as a result of the exercise of the option by investors. the interest rate has been decreased by issuer for 100bps to 5.00%.

(iv) In May 2014, Guotai Junan Financial Holding Limited (BVI Co.) issued a 5-year credit enhancement bond with a par value of USD500 million. The bond is listed on the Hong Kong Stock Exchange with the bond code of 5754 and bears a fixed annual interest rate of 3.625% payable on a semi-annual basis.

(v) In November 2015, as approved by the CSRC, the Company issued a 5-year corporate bond with par value of RMB5 billion. The bond bears a fixed annual interest rate of 3.60% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the third year.

(vi) In November 2015, as approved by the CSRC, the Company issued a 7-year corporate bond with par value of RMB1 billion. The bond bears a fixed annual interest rate of 3.80% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the fifth year.

(vii) In April 2016, as approved by the CSRC, the Company issued a 5-year corporate bond with par value of RMB5 billion. The bond bears an annual interest rate of 2.97% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the third year.

49. BONDS PAYABLE *(continued)*

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

(viii) In April 2016, as approved by the CSRC, the Company issued a 7-year corporate bond with par value of RMB1 billion. The bond bears an annual interest rate of 3.25% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the fifth year.

(ix) In August 2016, as approved by the CSRC, the Company issued a 5-year corporate bond with par value of RMB5 billion. The bond bears a fixed annual interest rate of 2.90% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the third year.

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

(xi) In July 2017, as approved by the CSRC, the Company issued a 6-year A-share convertible bond with par value of RMB7 billion. The convertible bond bears a fixed annual interest rate of 0.20% for the first year, 0.50% for the second year, 1.00% for the third year, 1.50% for the fourth year, 1.80% for the fifth year and 2.00% for the sixth year. The initial conversion price is RMB 20.20 per share. The convertible bond holders may exercise their rights to convert the convertible bond into the Company's A shares at the stipulated conversion price during the period ("Conversion Period") beginning six months after the date of issuance until the maturity date. Within 5 trading days after maturity, the Company shall redeem the outstanding convertible bonds at 105% of par value, including interest for the sixth year.

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

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

49. BONDS PAYABLE *(continued)*

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

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

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

(xiv) In September 2014, Shanghai Securities issued a 3-year subordinated bond with par value of RMB1.5 billion. The bond includes two tranches. Tranche one is fully secured by China National Investment & Guaranty Corporation, bearing an annual interest rate of 5.80% payable on an annual basis, tranche two is unsecured subordinated bonds, bearing a fixed annual interest rate of 6.30% payable on annual basis. At the end of the first year, the issuer has an option to adjust the interest rate and the investors have a redemption option. In September 2015, a total amount of RMB142 million of tranche two was redeemed as a result of the exercise of the option by investors. The interest rate of tranche one and tranche two has been decreased by issuer for 100bps to 4.80% and 5.30%, respectively.

50. OTHER CURRENT LIABILITIES

	As at 31 December	
	2017	2016
Accounts payable to brokers	**1,852,254**	347,145
Interest payable	**1,492,725**	1,814,357
Business tax and other tax payable	**1,075,694**	1,221,960
Advance received from disposal of a subsidiary	**1,045,000**	—
Dividends payable	**700,673**	769,969
Payables to priority tranche holders of structured entities	**590,881**	3,073,961
Advance received from issuance of financial products	**467,879**	—
Underwriting fee payable in relation to IPO	**294,854**	312,881
Accounts payable arising from derivative brokerage	**247,162**	279,290
Unsettled transaction payables	**84,983**	217,444
Proceeds from underwriting securities received on behalf of customers	**59,674**	9,922,296
Payable for a construction project	**55,513**	65,647
Payables for the securities investor protection fund	**50,876**	54,754
Distribution expense payable	**43,740**	34,055
Others	**594,663**	556,929
Total	**8,656,571**	18,670,688

51. OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2017	2016
Payables to priority tranche holders of structured entities	**1,791,190**	2,676,064
Risk reserve for the futures brokerage business	**118,864**	106,537
Provisions (1)	**82,142**	32,113
Total	**1,992,196**	2,814,714

(1) The Company was sued as a result of a wealth management product dispute with a total claimed amount of RMB124.7 million. As at the reporting date, these lawsuits are on-going, it is uncertain when the court trial will be completed and what the outcome will be. The Company made a provision of RMB50 million based on its assessment of the lawsuits for the year ended 31 December 2017 and RMB30 million for the year ended 31 December 2016.

52. SHARE CAPITAL

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

	As at 31 December	
	2017	2016
Registered, issued and fully paid ordinary shares of RMB1 yuan each:		
At beginning of the year	**7,625,000**	7,625,000
Issuance of shares (1)	**1,088,934**	—
At the end of the year	**8,713,934**	7,625,000

(1) In April 2017, the Company listed on the Stock Exchange and issued 1,040,000,000 HKD-denominated ordinary shares to the public and the issue price is HKD15.84 per share. In May 2017, the Company additionally issued 48,933,800 HKD-denominated ordinary shares to the public upon the exercise of over-allotment options and the issue price is HKD15.84 per share. Total proceeds from the issuance of those shares were approximately RMB15,301 million.

53. OTHER EQUITY INSTRUMENTS

	As at 31 December	
	2017	2016
Perpetual subordinated bonds[(1)]	**10,000,000**	10,000,000
Equity of convertible bonds[(2)]	**1,129,841**	—
Total	**11,129,841**	10,000,000

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

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

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

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

As at 31 December 2017 and 2016, the Company recognized dividends payable to holders of the Perpetual Subordinated Bonds amounting to RMB590 million and RMB590 million (note 19), respectively.

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

54. RESERVES AND RETAINED PROFITS

(1) Capital reserve

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

(2) Investment revaluation reserve

Investment revaluation reserve mainly represents the fair value changes of available-for-sale financial assets.

(3) Translation reserve

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

(4) Surplus reserve

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

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

(5) General reserve

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

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

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

54. RESERVES AND RETAINED PROFITS *(continued)*

(6) Retained profits

The movements in retained profits are set out below:

	As at 31 December	
	2017	2016
At beginning of the year	**34,557,357**	31,937,998
Profit for the year	**9,881,545**	9,841,417
Appropriation to surplus reserve	**(767,335)**	(739,778)
Appropriation to general reserve	**(1,760,601)**	(1,928,745)
Dividends	**(2,973,750)**	(3,965,000)
Distribution to other equity instrument holders	**(590,000)**	(590,000)
Others	**—**	1,465
At end of the year	**38,347,216**	34,557,357

55. TRANSFERRED FINANCIAL ASSETS

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

(1) Repurchase agreements

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

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

55. TRANSFERRED FINANCIAL ASSETS *(continued)*

(2) Securities lending

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

(3) Margin financing borrowing

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

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

31 December 2017	**Repurchase agreements**	**Securities lending**	**Margin financing borrowing**
Carrying amount of transferred assets	**11,326,212**	**572,566**	**2,224,070**
Carrying amount of related liabilities	**10,966,582**	**N/A**	**N/A**

31 December 2016	Repurchase agreements	Securities lending	Margin financing borrowing
Carrying amount of transferred assets	18,180,285	435,835	795,207
Carrying amount of related liabilities	16,913,971	N/A	N/A

56. COMMITMENTS

(1) Capital commitments

In June 2014, the Company commenced its self-used office buildings construction project on No. 49 land lot in Jingan District, Shanghai, after obtaining the relevant permit. The total budget of the project is RMB1.62 billion, of which RMB748 million is the development cost and RMB876 million is the land cost. This budget has been approved in the 5th meeting of the 4th term of the board of directors. In August 2016, the adjustment of budget amounting to RMB1.88 billion has been approved in the 2nd meeting of the 5th term of the board of directors. As at 31 December 2017 and 2016, the accumulated amounts paid by Shanghai Guoxiang Real Estate Co., Ltd. were RMB1,352 million and RMB1,139 million, respectively.

On 16 October 2013, the Company entered into an agreement with Bund & Riverside Development. According to this agreement, the Company agreed to purchase one of the six properties to be developed by Bund & Riverside Development on a land lot located at Huangpu District, Shanghai, provided that Bund & Riverside Development acquired this land use right at auction. Bund & Riverside Development obtained the land use right in December 2013. The consideration includes land cost, construction cost, allocated expenses, etc. The budget for this project is RMB1.18 billion, which was approved in the 10th meeting of the 4th term of the board of directors. As at 31 December 2017 and 2016, the accumulated amounts paid by the Company were RMB572 million and RMB572 million, respectively.

(2) Operating lease commitments

	As at 31 December	
	2017	2016
Within 1 year (inclusive)	**659,675**	529,644
1 to 2 years (inclusive)	**394,716**	395,693
2 to 3 years (inclusive)	**303,303**	192,691
After 3 years	**425,571**	412,229
Total	**1,783,265**	1,530,257

57. CONTINGENCIES

As at 31 December 2017 and 2016, the contingent liabilities due to pending litigation amounted to RMB42,415 thousand and RMB155,744 thousand, respectively.

58. SHARE-BASED PAYMENTS OF A SUBSIDIARY

GJIHL, a subsidiary of the Company, operated two equity-settled share-based compensation schemes including a share option scheme (the "Share Option Scheme") and a share award scheme (the "Share Award Scheme") for the purpose of motivating and rewarding staff who contributed to GJIHL's operations. During the year ended 31 December 2017, the total equity-settled share-based compensation expense of RMB65,535 thousand was recognized in profit or loss (For the year ended 31 December 2016: RMB 87,444 thousand).

59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(1) Major shareholders

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

Share percentage in the Company:

	As at 31 December	
	2017	2016
Shanghai State-owned Assets Operation Co., Ltd. ("SSAOC")	**21.82%**	25.57%
Shanghai International Group Co., Ltd. ("SIG")	**7.83%**	9.16%
Shenzhen Investment Holding Co., Ltd. ("SIHC")	**6.99%**	8.18%

(2) Subsidiaries of the Company

The detailed information of the Company's subsidiaries is set out in note 25.

(3) Associates and joint ventures of the Group

The detailed information of the Group's associates and joint ventures is set out in note 27.

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

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

(4) Other related parties of the Group

Name of the related parties	Relationship of the related parties
Shanghai Rural Commercial Bank ("SRCB")	The director of the Company acts as a director of the entity
Zheng Tong Co., Ltd.	The senior management of the Company acts as a director of the entity
Shanghai Pudong Development Bank Co., Ltd. ("SPDB")	The director of the Company acts as a director of the entity
Anhui Huamao Endi Aishi Fashion Co., Ltd.	The supervisor of the Company acts as a director of the entity
China Minsheng Investment Group ("CMIG")	The director of the Company acts as a senior management of the entity
Great Wall Securities Co., Ltd.	The supervisor of the Company acts as the vice chairman of the entity
Shanghai Huarui Bank Co., Ltd.	The director of the Company acts as the chairman of the entity
Shenzhen Energy Group Co., Ltd. ("Shenzhen Energy")	The supervisor of the Company acts as a senior management of the entity
Yangtze River Economic United Development (Group) Co., Ltd. ("YUDC")	The director of the Company acts as the vice chairman of the entity
Shenzhen Guosen Securities Co., Ltd. ("Guosen Securities")	The director of the Company acts as a director of the entity
Guotai Junan Leasing (Shanghai) Co., Ltd. ("Guotai Junan Leasing")	The SSAOC holds more than 30% equity interests of the entity's parent company
Bright Food (Group) Co., Ltd. ("Bright Food")	The director of the Company acted as a director of the entity
Shanghai International Trust Co., Ltd. ("Shanghai Trust")	The entity used to be under the control of SIG
China International Fund Management Co., Ltd. ("China International Fund")	The entity used to be under the control of SIG
Tullett Prebon SITICO (China) Ltd.	The entity used to be under the control of SIG
Ping An Insurance (Group) Company of China, Ltd. ("Ping An Insurance")	The resigned director of the Company acts as a director of the entity
Shanghai Ai Jian Group Co., Ltd. ("Ai Jian Group")	The senior management of SIG acted as a director of the entity

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

(b) Transactions between the Company and its subsidiaries

(1) Fee and commission income from related parties

Name of related parties	Description of transaction	Year ended 31 December 2017	2016
GTJA Assets Management	Agency sale of financial products	**640,260**	625,441
Guotai Junan Futures Co., Ltd.	Introducing brokerage	**134,720**	128,234
Guotai Junan Financial Holdings Limited	Securities brokerage	**1,953**	2,112

(2) Dividend income from related parties

Name of related parties	Description of transaction	Year ended 31 December 2017	2016
Shanghai Securities Co., Ltd.	Dividend income	**133,110**	106,488
GTJA Allianz Funds Co., Ltd.	Dividend income	**51,000**	73,950
Guotai Junan Futures Co., Ltd.	Dividend income	**—**	200,000
GTJA Assets Management	Dividend income	**—**	200,000

(3) H-share IPO related expense paid to subsidiaries

The Company paid the H-share IPO related sponsoring fee of RMB3,447 thousand to Guotai Junan Capital Limited and paid an underwriting fee of RMB152,374 thousand to Guotai Junan Securities (Hong Kong) Limited. The total H-share IPO related expense was RMB155,821 thousand.

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

(c) Transactions between the Group and other related parties

(1) Fee and commission income from related parties

		Year ended 31 December	
Name of related parties	**Description of transaction**	**2017**	2016
SSAOC	Securities brokerage	**20,462**	639
SIG	Securities brokerage	**1,429**	979
Shenzhen Energy	Securities brokerage	**13,241**	—
Shanghai Trust	Securities brokerage	**76**	487
Hua An Fund	Trading seats lending	**24,156**	51,242
China International Fund	Trading seats lending	**2,673**	33,499
SPDB	Underwriting	**6,134**	954
YUDC	Underwriting	**3,538**	—
Bright Food	Underwriting	**3,396**	—
CMIG	Underwriting	**2,025**	—
Shanghai Trust	Underwriting	**—**	41,285
SPDB	Assets management	**26,570**	33,962
YUDC	Assets management	**1,200**	—
SSAOC	Assets management	**900**	—
SRCB	Assets management	**711**	1,019
Ai Jian Group	Assets management	**—**	16,559
Ping An Insurance	Assets management	**2,085**	4,343
SIHC	Financial advisory	**708**	—
Shanghai Trust	Financial advisory	**—**	444

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

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

(2) Fee and commission expense to related parties

Name of related parties	Description of transaction	Year ended 31 December 2017	2016
SPDB	Third-party funds depository business	**2,146**	1,143
Tullett Prebon SITICO (China) Ltd.	Currency brokerage	**873**	4,122

(3) Interest received from related parties

Name of related parties	Description of transaction	Year ended 31 December 2017	2016
SPDB	Financial assets held under resale agreements	**8,370**	—
Great Wall Securities Co., Ltd.	Financial assets held under resale agreements	**815**	9
Shanghai Huarui Bank Co., Ltd.	Financial assets held under resale agreements	**756**	—
SRCB	Financial assets held under resale agreements	**—**	1,923
Hua An Fund	Financial assets held under resale agreements	**9**	256
SPDB	Deposit in financial institutions	**326,686**	242,955

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

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

(4) Interest paid to related parties

		Year ended 31 December	
Name of related parties	**Description of transaction**	**2017**	2016
SRCB	Financial assets sold under repurchase agreements	**12,470**	14,212
SPDB	Financial assets sold under repurchase agreements	**213**	58
Hua An Fund	Financial assets sold under repurchase agreements	**259**	1,092
Shanghai Trust	Financial assets sold under repurchase agreements	**—**	340
SPDB	Placements from other financial institutions	**6,545**	12,787
SPDB	Bonds	**18,000**	45,500
Guosen Securities	Bonds	**1,570**	—
SIG	Accounts payable to brokerage customers	**330**	453
SIG	Loans and borrowings	**—**	9,333

(5) Operating expenses and costs paid to related parties

		Year ended 31 December	
Name of related parties	**Description of transaction**	**2017**	2016
Zheng Tong Co., Ltd.	Information inquiry fees	**1,100**	4,200
SPDB	Sales of financial products	**239**	991
Shanghai Trust	Advisory fee	**—**	668

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

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

(6) Related party transactions with Shanghai International Group Co., Ltd. constitute continuing connected transactions as defined by Hong Kong Listing Rules. For the year ended 31 December 2017, the annual caps and the actual amounts of securities and financial products transactions and financial services related continuing connected transactions with Shanghai International Group Co., Ltd. and its associates are as follows:

	Year ended 31 December 2017	
Description of transaction	Caps RMB in million	Actual amount RMB in million
Securities and financial products		
Inflow		
Products with fixed income features	**3,262.60**	**951.37**
Other products and financing transactions	**24.10**	**—**
Outflow		
Products with fixed income features	**4,942.40**	**2,169.09**
Other products and financing transactions	**20.60**	**—**
Financial services		
Revenue generated	**36.88**	**32.39**
Fees paid	**58.71**	**0.67**

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

(1) Receivables from or payables to the subsidiaries

		As at 31 December	
Name of related parties	Description of transaction	2017	2016
GTJA Assets Management	Accounts receivable	**1,341,643**	662,967
Shanghai Guoxiang Real Estate Co., Ltd.	Other non-current assets	**892,109**	698,218
Guotai Junan Futures Co., Ltd.	Accounts receivable	**142,803**	135,928

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

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

(1) Deposits in related parties

Name of related parties	As at31 December 2017	2016
SPDB	**2,951,986**	9,408,384
SRCB	**2,517**	213,146

(2) Accounts receivable

Name of related parties	Description of transaction	As at31 December 2017	2016
Hua An Fund	Trading seats lending	**7,650**	11,727
China International Fund	Trading seats lending	**N/A**	7,678

(3) Accounts payable

Name of related party	Description of transaction	As at31 December 2017	2016
SPDB	Third-party funds depository business	**556**	1,958

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

Name of related parties	As at31 December 2017	2016
Shanghai Trust	**N/A**	476,673
Hua An Fund	**—**	601,754
China International Fund	**N/A**	310,030

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

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

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

	As at31 December	
Name of related parties	**2017**	2016
Anhui Huamao Endi Aishi Fashion Co., Ltd.	**7,471**	1,008
Guotai Junan Leasing	**5,523**	16,772
Shanghai Trust	**N/A**	674,822
SSAOC	**—**	54,155
SPDB	**—**	26,000

(6) Bonds payable to related parties

	As at31 December	
Name of related party	**2017**	2016
SPDB	**500,000**	1,000,000

(f) Remuneration of key management personnel

Remuneration of key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 17, is as follows:

	Year ended 31 December	
	2017	2016
Salaries, allowances and benefits	**12,638**	5,837
Pension scheme contributions and other social welfare	**1,235**	1,784
Discretionary bonuses	**20,965**	16,119
Total	**34,838**	23,740

60. SEGMENT REPORTING

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

(1) The institutional finance-Institutional investor services segment, which primarily includes prime brokerage, stock-pledged financing and securities repurchase, research businesses provided to institutional clients, as well as market-making and proprietary trading;

(2) The institutional finance-Investment banking segment, which primarily includes listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory services and diversified corporate solutions to corporate and government clients;

(3) The personal finance segment, which primarily includes securities and futures brokerage, margin financing, securities lending, wealth management and financial planning services provided to retail clients through both online and offline channels;

(4) The investment management segment, which primarily includes asset management, fund management, direct investment management services to institutions and individuals;

(5) The international business segment, which represents the business operation of overseas subsidiaries of the Company, which mainly engage in brokerage, corporate finance, asset management, margin financing, financial products, market-making and investment businesses; and

(6) The other segment, which primarily includes other operations of head office, including investment holding as well as interest income and interest expense incurred for general working capital purposes.

60. SEGMENT REPORTING *(continued)*

(a) Operating segments

	Year ended 31 December 2017						
	Institutional finance						
	Institutional investor services	Investment banking	Personal finance	Investment management	International business	Other	Total
Segment total revenue and other income							
Fee and commission income	703,681	2,659,284	6,520,665	1,747,216	953,557	—	12,584,403
Interest income	4,932,795	—	6,342,090	41,804	1,096,230	33	12,412,952
Net investment gains	5,181,651	—	—	533,437	719,533	—	6,434,621
Other income and gains	37,196	—	26,553	803,114	(44,427)	698,940	1,521,376
Total revenue and other income	10,855,323	2,659,284	12,889,308	3,125,571	2,724,893	698,973	32,953,352
Segment expenses	(5,503,849)	(1,366,018)	(9,250,872)	(836,156)	(1,719,754)	(630,155)	(19,306,804)
Including: Interest expenses	(3,492,460)	—	(2,686,738)	(29,631)	(497,281)	—	(6,706,110)
Provision for impairment losses	(390,336)	—	20,901	(139,763)	(218,751)	(10,000)	(737,949)
Segment operating profit	5,351,474	1,293,266	3,638,436	2,289,415	1,005,139	68,818	13,646,548
Share of profits of associates and joint ventures	—	—	—	14,760.00	—	—	14,760
Segment profit before income tax	5,351,474	1,293,266	3,638,436	2,304,175	1,005,139	68,818	13,661,308
Income tax expense	(1,259,773)	(304,444)	(856,513)	(542,418)	(199,051)	(16,200)	(3,178,399)
Segment profit for the year	4,091,701	988,822	2,781,923	1,761,757	806,088	52,618	10,482,909
As at 31 December 2017							
Segment total assets	185,747,221	540,669	160,513,532	16,178,073	63,363,860	5,304,832	431,648,187
Segment total liabilities	130,817,301	1,554,101	106,754,629	3,265,240	54,922,796	638,897	297,952,964
Year ended 31 December 2017							
Other segment information:							
Depreciation and amortization expenses	105,235	27,393	227,238	11,149	34,068	58,391	463,474
Capital expenditure	218,908	71,540	166,643	51,006	55,320	334,485	897,902

60. SEGMENT REPORTING *(continued)*

(a) Operating segments *(continued)*

	Year ended 31 December 2016						
	Institutional finance						
	Institutional investor services	Investment banking	Personal finance	Investment management	International business	Other	Total
Segment total revenue and other income							
Fee and commission income	775,960	3,451,906	8,272,430	2,326,873	800,975	–	15,628,144
Interest income	3,634,116	184	6,975,272	40,491	1,068,280	43	11,718,386
Net investment gains	4,077,851	–	–	384,569	332,856	–	4,795,276
Gain on disposal of a subsidiary	–	–	–	2,835,339	–	–	2,835,339
Other income and gains	189,828	–	15,383	150,252	13,168	676,732	1,045,363
Total revenue and other income	8,677,755	3,452,090	15,263,085	5,737,524	2,215,279	676,775	36,022,508
Segment expenses	(6,551,388)	(1,641,194)	(10,146,318)	(977,174)	(1,321,156)	(654,719)	(21,291,949)
Including: Interest expenses	(3,568,727)	–	(3,133,467)	–	(461,562)	–	(7,163,756)
Provision for impairment losses	(1,100,352)	–	56,455	(71,125)	(96,167)	–	(1,211,189)
Segment operating profit	2,126,367	1,810,896	5,116,767	4,760,350	894,123	22,056	14,730,559
Share of profits of associates and joint ventures	–	–	–	42,965	–	–	42,965
Segment profit before income tax	2,126,367	1,810,896	5,116,767	4,803,315	894,123	22,056	14,773,524
Income tax expense	(501,642)	(427,218)	(1,207,122)	(1,133,174)	(146,201)	(5,203)	(3,420,560)
Segment profit for the year	1,624,725	1,383,678	3,909,645	3,670,141	747,922	16,853	11,352,964
As at 31 December 2016							
Segment total assets	162,420,115	804,392	190,508,846	13,126,225	41,518,707	3,370,757	411,749,042
Segment total liabilities	112,376,754	2,045,387	149,750,026	3,273,021	33,256,225	295,907	300,997,320
Year ended 31 December 2016							
Other segment information:							
Depreciation and amortization expenses	142,531	1,227	209,766	9,822	30,033	10,855	404,234
Capital expenditure	215,284	1,171	256,825	11,032	62,993	130,219	677,524

60. SEGMENT REPORTING *(continued)*

(b) Geographical segments

Revenue

	Year ended 31 December	
	2017	2016
Mainland, China	**28,662,656**	29,939,695
Hong Kong, China	**2,769,320**	2,202,111
Total	**31,431,976**	32,141,806

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

(c) Information about a major customer

The Group has no single customer which contributed to 10 percent or more of the Group's revenue for the years ended 31 December 2017 and 2016.

61. FINANCIAL RISK MANAGEMENT

(1) Policies for and structure of risk management

Policies for risk management

The Group faces various financial risks in the normal course of business, mainly including credit risk, liquidity risk and market risk. The Group has established policies and procedures to identify and evaluate these risks, and continually monitors these risks by setting appropriate risk limits and internal control systems and through reliable management and information systems. The Group's risk management policies include two aspects: the objective of risk management and the principles of risk management.

61. FINANCIAL RISK MANAGEMENT *(continued)*

(1) Policies for and structure of risk management *(continued)*

Policies for risk management *(continued)*

Objective for risk management

The overall objective of the Group's risk management is to establish a management mechanism that enables scientific decision-making, standardized operation, efficient management and sustainable development; that can maintain the Group's financial stability and improve its market position and performance. Specifically, it includes:

- ensuring strict compliance with relevant laws, regulations and the Group's policies;
- establishing and improving corporate governance that meets current requirements, and building scientific and proper processes of decision-making, execution, supervision and feedback;
- establishing a set of robust and effective risk management policies to identify errors and fraud, close loopholes, and ensure a healthy conduct of business activities;
- setting up a proper and effective risk measurement and analysis system, which can effectively identify, measure, analyze and evaluate various risks that may arise from the normal course of business, to ensure the safety and integrity of the Group's assets;
- improving management efficiency and effectiveness, striving to keep assets secured and risks well managed based on effective control of risk.

Principles for risk management

The principles for risk management include: compliance, completeness, independence, segregation of duties, prudence, effectiveness, timeliness, Chinese wall and a combination of qualitative and quantitative analyses.

Structure of risk management

The Group's risk management structure includes corporate governance structure and risk management organizational structure.

Corporate governance structure

According to the "Company Law", "Securities Law" and "Code of Corporate Governance for Securities Companies" and other laws and regulations, the Group has established a modern corporate governance structure that features management comprising of Shareholders' Meetings, the Board of Directors, the Board of Supervisors and the senior management. The Group manages risks by explicitly stipulating management's authorization, responsibility and business objectives, and regulating their behavior.

61. FINANCIAL RISK MANAGEMENT *(continued)*

(1) Policies for and structure of risk management *(continued)*

Structure of risk management *(continued)*

Organizational structure of risk management

The Group has established a four-level risk management system, which consists of the Board of Directors as the core, top management level, dedicated risk supervision departments, and relevant functional and business departments. The dedicated risk supervision departments comprise the First Risk Management Department, the Internal Audit Department, the Compliance Department, the Legal Department and the Second Risk Management Department.

(2) Credit risk

The Group's cash and bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks with adequate capital. Clearing settlement funds are mainly deposited with China Securities Depository and Clearing Corporation Limited. The credit risk on cash and cash equivalents is relatively low.

The Group primarily faces three types of credit risks: firstly, the risk of loss arising from the Group's obligation to settle on behalf of its customers in securities trading or derivative trading on the customers' accounts which become under-margined on the settlement date due to the Group's failure to require full margin deposits before the transactions or because the customers are unable to cover their transactions due to other reasons; secondly, the credit risk associated with its securities financing activities, which is risk of losses due to defaults of its margin financing and securities lending clients, securities repurchase clients and stock-pledged financing clients; thirdly, the default risk of investments in credit products, namely the risk of asset impairment and changes in investment returns due to defaults of borrowers or issuers who refuse to repay the principal and interest when due.

In order to manage the credit risk arising from the brokerage business, securities brokerage transactions in Mainland China are all settled on a full-pledged basis, which enables the Group's credit risk associated with the brokerage business to be well under control.

61. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Credit risk arises from the margin financing and securities lending business, securities repurchase and stock-pledged financing primarily due to fraudulent information from clients, failure of customers to repay debts in full on a timely manner, customers' breach of contracts with respect to the size and structure of trading positions, customers' violation of regulatory requirements in their trading actions, involvement of collateral in legal disputes, among others. The Credit Business Department of the Company and its Hong Kong subsidiary has dedicated employees who are responsible for the approval of limits of margin deposits, stock-pledged financing business, and the margin financing and securities lending business, which are updated based on periodic assessment of customers' ability to repay. The credit and risk management monitors the status of margin deposits and stock-pledged financing, and makes margin call when necessary. In cases where customers fail to deposit more money as required, collateralized securities will be sold to control the risk. The Company has also put a policy in place which requires a review of individual customer's account balance periodically or whenever it considers necessary. A provision for impairment losses might be made based on the review results.

In order to manage default risks associated with investments in credit products, for bond investments, the Group has established credit lines for counterparties and investment restrictions in accordance with their credit ratings. In respect of investments in trust products, the Group sets entrance criteria and investment caps, and manages its credit risk by means of risk assessment, risk warning, and rights of recourse.

(i) Maximum exposure to credit risk

The table below summarizes the Group's maximum exposure to credit risk without taking account of any collateral and other credit enhancements.

	As at 31 December	
	2017	2016
Available-for-sale financial assets	**12,233,675**	6,038,374
Financial assets held under resale agreements	**92,599,199**	63,211,378
Financial assets at fair value through profit or loss	**60,020,759**	44,448,005
Refundable deposits	**6,914,654**	9,742,881
Other non-current assets	**37,308**	399,307
Accounts receivable	**4,288,361**	1,891,376
Other receivables and prepayments	**5,985,385**	4,283,120
Margin accounts receivable	**73,983,947**	68,892,785
Derivative financial assets	**200,041**	55,408
Clearing settlement funds	**2,157,689**	1,779,380
Cash held on behalf of brokerage customers	**79,476,131**	106,378,892
Bank balances	**15,985,433**	27,942,327
Total maximum credit risk exposure	**353,882,582**	335,063,233

61. FINANCIAL RISK MANAGEMENT *(continued)*

(3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities for shortage of capital or fund. The Group has adopted the following measures to manage liquidity risk:

Risk monitoring system built using net capital as the core indicator

The Group establishes a risk monitoring system using net capital as the core indicator and includes other indicators such as the assets liability ratio, the debt to net assets ratio, the proprietary equity investment ratio and the net capital ratio, etc. according to "Administrative Measures for Risk Control Indicators of Securities Companies". Meanwhile, the Company strictly adheres to the requirements as per"Guidance for Liquidity Risk Management of Securities Companies"and sets up a framework of the liquidity risk management which features with liquidity coverage ratio and the net stable funding ratio as the core indicators. The Company continually monitors these indicators and maintains sufficient liquidity reserves by establishing multi-hierarchies of an efficient liquid asset management system.

Strictly controlling scale of the proprietary trading business

The Group controls the scale of the proprietary trading business strictly. The proprietary investment to net capital ratio falls within the safety zone determined by the regulators. In addition, the Group also sets limits on the percentage of investments in securities and monitors them on a timely basis.

Implementation of risk budget

With the authorization of the Board of Directors, the Group prepares a risk budget for all businesses twice a year, i.e. at the beginning and in the middle of a year. Liquidity risk management is included as part of the risk budget.

Temporary liquidity replenishment mechanism

The Group has good cooperation with various commercial banks and obtains appropriate credit facility, so as to establish a temporary liquidity replenishment mechanism. The commercial banks agreed to provide an overdraft facility amounting to RMB8,300 million and RMB6,300 million as at 31 December 2017 and 2016 respectively, in case of any temporary position shortage.

61. FINANCIAL RISK MANAGEMENT *(continued)*

(3) Liquidity risk *(continued)*

The table below lists the maturity profiles of financial liabilities of the Group based on the remaining undiscounted contractual cash flows:

31 December 2017	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Overdue	With no fixed terms	Total
Financial liabilities									
Loans and borrowings	–	7,853,868	3,693,071	–	–	–	–	–	11,546,939
Short-term debt instruments	–	3,406,056	12,802,502	21,233,323	–	–	–	–	37,441,881
Placements from other financial institutions	–	1,052,683	2,614,847	4,101,721	–	–	–	–	7,769,251
Accounts payable to brokerage customers	84,356,232	–	–	–	–	–	–	–	84,356,232
Financial assets sold under repurchase agreements	–	38,314,834	3,802,030	2,059,842	3,270,555	–	–	–	47,447,261
Financial liabilities at fair value through profit or loss	10,331,148	926,126	6,176,673	6,092,715	1,088,341	–	–	–	24,615,003
Derivative financial liabilities	–	71,746	34,938	296,144	–	–	–	–	402,828
Bonds payable	–	–	230,000	2,019,366	65,323,901	8,298,500	–	–	75,871,767
Other current liabilities	247,162	1,981,777	25,007	2,288,630	–	–	–	–	4,542,576
Other non-current liabilities	–	–	–	57,804	1,557,927	291,070	–	–	1,906,801
Total financial liabilities	94,934,542	53,607,090	29,379,068	38,149,545	71,240,724	8,589,570	–	–	295,900,539

31 December 2016	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Overdue	With no fixed terms	Total
Financial liabilities									
Loans and borrowings	–	6,102,925	73,834	103,152	1,945,507	–	–	–	8,225,418
Short-term debt instruments	–	6,482,688	465,687	8,120,047	–	–	–	–	15,068,422
Placements from other financial institutions	–	–	4,748,882	–	–	–	–	–	4,748,882
Accounts payable to brokerage customers	112,956,690	–	–	–	–	–	–	–	112,956,690
Financial assets sold under repurchase agreements	–	25,425,533	8,379,152	8,003,349	27,154	–	–	–	41,835,188
Financial liabilities at fair value through profit or loss	5,051,773	5,280,522	3,598,997	2,470,989	197,017	–	–	–	16,599,298
Derivative financial liabilities	–	93,582	36,759	160,159	–	–	–	–	290,500
Bonds payable	–	3,167,027	100,902	17,248,775	58,495,135	2,103,000	–	–	81,114,839
Other current liabilities	–	11,230,641	189,065	4,284,925	–	–	–	–	15,704,631
Other non-current liabilities	–	–	–	63,768	2,258,857	555,162	–	–	2,877,787
Total financial liabilities	118,008,463	57,782,918	17,593,278	40,455,164	62,923,670	2,658,162	–	–	299,421,655

61. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates, exchange rates and securities' market prices.

The Group also engages in stock and bond underwriting business, and may commit to purchase any remaining shares or bonds in standby underwriting agreements. Under these circumstances, the Group faces the risk that the market prices of the left-over portion may fall below the subscription price due to changes in market conditions.

The Group sets the maximum exposure for market risk. The monitoring and measurement of the exposure is determined according to the principal amount and the stop-loss limit. The market risk is controlled to be within a predetermined range set by management.

(i) Interest rate risk

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

The Group's exposure to interest rate risk relates primarily to cash and bank balances, cash held on behalf of brokerage clients, clearing settlement funds, margin accounts receivable, derivative financial assets/liabilities, financial assets held under resale agreements, accounts receivable, refundable deposits, other receivables and prepayments, other non-current assets, loans and borrowings, short-term debt instruments, placements from other financial institutions, financial assets sold under repurchase agreements, accounts payable to brokerage clients, other current liabilities, bonds payable, other non-current liabilities, financial assets/liabilities at fair value through profit or loss and available-for-sale financial assets that are interest bearing.

The tables below summarize the interest rate risk of the Group. Financial assets and liabilities are presented with reference to the earlier of the contractual repricing or maturity dates, and are stated in their carrying amounts.

61. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk *(continued)*

(i) Interest rate risk *(continued)*

31 December 2017	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Available-for-sale financial assets	40,000	366,796	1,224,998	7,607,913	2,993,968	27,738,125	39,971,800
Financial assets held under resale agreements	13,709,402	7,966,415	43,566,378	20,497,658	6,859,346	—	92,599,199
Financial assets at fair value through profit or loss	1,583,545	3,809,147	31,665,094	18,484,257	4,478,716	38,481,356	98,502,115
Refundable deposits	1,295,416	—	—	—	—	5,619,238	6,914,654
Other non-current assets	—	—	—	25,008	—	12,300	37,308
Accounts receivable	2,630,485	—	—	—	—	1,657,876	4,288,361
Other receivables and prepayments	113,524	2,152,409	210,119	—	—	3,509,333	5,985,385
Margin accounts receivable	23,291,015	19,679,236	31,013,696	—	—	—	73,983,947
Derivative financial assets	—	1,294	52	—	—	313,887	315,233
Clearing settlement funds	2,157,689	—	—	—	—	—	2,157,689
Cash held on behalf of brokerage customers	65,580,995	6,385,737	7,509,399	—	—	—	79,476,131
Cash and bank balances	13,935,247	643,498	1,406,688	—	—	516	15,985,949
Total	124,337,318	41,004,532	116,596,424	46,614,836	14,332,030	77,332,631	420,217,771

31 December 2017	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial liabilities							
Loans and borrowings	7,842,274	3,678,004	—	—	—	—	11,520,278
Short-term debt instruments	3,379,248	12,608,403	20,466,984	—	—	—	36,454,635
Placements from other financial institutions	1,050,000	2,550,000	4,000,000	—	—	—	7,600,000
Accounts payable to brokerage customers	75,121,139	—	—	—	—	9,235,093	84,356,232
Financial assets sold under repurchase agreements	38,229,534	3,663,495	1,956,556	3,000,000	—	—	46,849,585
Financial liabilities at fair value through profit or loss	10,846,900	3,661,442	6,084,288	1,013,019	—	2,861,742	24,467,391
Derivative financial liabilities	8,644	11,922	651	—	—	381,611	402,828
Bonds payable	—	—	1,279,944	60,115,421	6,916,726	—	68,312,091
Other current liabilities	267,162	—	100,000	—	—	5,655,840	6,023,002
Other non-current liabilities	—	—	—	1,204,258	—	586,932	1,791,190
Total	136,744,901	26,173,266	33,888,423	65,332,698	6,916,726	18,721,218	287,777,232
Interest rate sensitivity exposure	(12,407,583)	14,831,266	82,708,001	(18,717,862)	7,415,304	58,611,413	132,440,539

61. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk *(continued)*

(i) Interest rate risk *(continued)*

31 December 2016	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Available-for-sale financial assets	89,495	597,064	1,156,021	3,324,620	871,174	34,442,848	40,481,222
Financial assets held under resale agreements	11,162,690	3,299,106	25,144,157	23,605,425	–	–	63,211,378
Financial assets at fair value through profit or loss	361,262	2,853,232	13,311,008	22,031,303	5,891,200	32,275,233	76,723,238
Refundable deposits	1,911,353	–	–	–	–	7,831,528	9,742,881
Other non-current assets	–	–	–	224,950	–	174,357	399,307
Accounts receivable	1,179,862	–	–	–	–	711,514	1,891,376
Other receivables and prepayments	675,959	260,646	527,774	–	–	2,818,741	4,283,120
Margin accounts receivable	20,772,058	17,169,353	30,951,374	–	–	–	68,892,785
Derivative financial assets	–	12,711	157	–	–	162,556	175,424
Clearing settlement funds	1,779,380	–	–	–	–	–	1,779,380
Cash held on behalf of brokerage customers	89,304,095	5,859,660	11,215,137	–	–	–	106,378,892
Cash and bank balances	25,306,977	1,231,350	1,404,000	–	–	780	27,943,107
Total	152,543,131	31,283,122	83,709,628	49,186,298	6,762,374	78,417,557	401,902,110

31 December 2016	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial liabilities							
Loans and borrowings	6,092,895	69,767	99,568	1,878,471	–	–	8,140,701
Short-term debt instruments	6,438,730	451,250	7,957,606	–	–	–	14,847,586
Placements from other financial institutions	–	4,700,000	–	–	–	–	4,700,000
Accounts payable to brokerage customers	101,408,836	–	–	–	–	11,547,854	112,956,690
Financial assets sold under repurchase agreements	24,919,440	7,668,588	7,103,442	26,950	–	–	39,718,420
Financial liabilities at fair value through profit or loss	10,308,569	3,564,199	2,445,571	–	–	197,017	16,515,356
Derivative financial liabilities	10,068	23,135	789	–	–	256,508	290,500
Bonds payable	3,000,000	–	14,156,246	53,595,450	1,987,069	–	72,738,765
Other current liabilities	712,289	90,000	2,000,000	–	–	14,597,032	17,399,321
Other non-current liabilities	–	–	–	1,428,518	–	1,247,546	2,676,064
Total	152,890,827	16,566,939	33,763,222	56,929,389	1,987,069	27,845,957	289,983,403
Interest rate sensitivity exposure	(347,696)	14,716,183	49,946,406	(7,743,091)	4,775,305	50,571,600	111,918,707

61. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk *(continued)*

(i) Interest rate risk *(continued)*

Sensitivity analysis

The Group uses the sensitive analysis to measure the impact on net interest income, fair value gains or losses and equity due to changes in interest rates. The sensitivity of net interest income represents the fluctuation of net interest income, as a result of certain changes in interest rates, arising from financial assets and liabilities held at year end which will be repriced within the next year. The sensitivity of fair value gains or losses and equity are calculated as the fluctuations in fair values of fixed-rate financial assets that are classified at fair value through profit or loss and available-for-sale, due to certain changes in interest rates.

The table below summarizes the results of sensitivity analysis, and shows the impact on net profits and other comprehensive income (net of tax) resulting from a reasonably possible change in the interest rate, based on the assets and liabilities held as at 31 December 2017 and 2016, with all other variables held constant.

	As at 31 December			
	2017		2016	
	+50 BP	**-50 BP**	+50 BP	-50 BP
Change in				
– net profit	**(295,224)**	**303,532**	(252,994)	261,558
– other comprehensive income	**(122,228)**	**125,647**	(45,112)	45,921
Change in equity	**(417,452)**	**429,179**	(298,106)	307,479

61. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk *(continued)*

(ii) Currency risk

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from movements in foreign exchange rates. The Group's currency risk primarily relates to business activities denominated in foreign currencies different from the Group's functional currency, and its net investments in foreign subsidiaries.

Except for the subsidiaries incorporated in Hong Kong which hold assets mainly denominated in HKD, the assets and liabilities denominated in foreign currencies represent only an insignificant portion of the Group's entire assets and liabilities.

	As at 31 December	
	2017	2016
Total assets of subsidiaries in HK /total assets of the Group	**14.69%**	10.09%
Total liabilities of subsidiaries in HK /total liabilities of the Group	**18.44%**	11.05%
Net assets of subsidiaries in HK /net assets of the Group	**6.31%**	7.46%

The Group's currency risk is not material, because the net foreign currency exposure is relatively low.

61. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk *(continued)*

(iii) Price risk

Price risk is the risk that the fair value of equity securities declines because of unfavorable changes in stock index level or the price of individual security.

The Group mainly invests in listed equity securities, warrants, funds and stock futures, etc. The Group's maximum exposure to price risk is determined by the fair value of financial instruments it holds.

The above financial instruments are exposed to price risk due to fluctuations in fair values, which can be caused by factors specific to individual financial instruments or their issuers, or factors affecting all financial instruments traded in the market.

The analysis below is to show the impact on net profit and other comprehensive income (net of tax) due to changes in fair values of investments in equity securities, funds, equity derivative financial assets/liabilities, trust products, stock futures and other equity investments by 10%, based on the carrying amounts at the end of each reporting period, with all other variables held constant. As for available-for-sale equity investments, the impact only takes into account of changes in fair value, without considering the impact on profit or loss due to possible impairment.

Sensitivity analysis

	As at 31 December			
	2017		2016	
	+10%	**-10%**	+10%	-10%
Change in				
– net profit	**2,851,209**	**(2,851,209)**	2,781,030	(2,781,030)
– other comprehensive income	**1,939,004**	**(1,939,004)**	2,563,618	(2,563,618)
Change in equity	**4,790,213**	**(4,790,213)**	5,344,648	(5,344,648)

61. FINANCIAL RISK MANAGEMENT *(continued)*

(5) Capital management

The Group's objectives for capital management are:

- to safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- to support the Group's stability and growth;
- to maintain a strong capital base to support the development of their business; and
- to comply with the capital requirements under the PRC and Hong Kong regulations.

The Group manages and adjusts its capital structure in accordance with changes in economic situation and risk characteristics of relevant assets. In order to maintain or adjust its capital structure, the Company may adjust profit distribution to shareholders, return capital, issue new shares, subordinated debts and convertible bonds, etc.

The Group adopts the indicator of net capital to manage its capital. Net capital is a comprehensive risk control indicator which is calculated as net assets minus risk adjustments on certain assets, liabilities and business, determined in accordance with securities companies' business scope and liquidity of their assets and liabilities.

On 16 June 2016, the CSRC issued the Administrative Measures for Risk Control Indicators of Securities Companies (2016 amended) and the Calculation Rules for Risk Control Indicators of Securities Companies with amendments to the framework and criteria of risk control indicators with which the securities companies must be continually compliant, and the amended rules came into effect on 1 October 2016. Since then, the Company is required to meet the following standards for risk control indicators on a continual basis:

(i) the ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");

(ii) the ratio of net capital divided by net assets shall be no less than 20% ("Ratio 2");

(iii) the ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");

(iv) the ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 4");

(v) the ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5");

(vi) the ratio of the value of non-equity securities and non-equity derivatives held divided by net capital shall not exceed 500% ("Ratio 6");

(vii) the ratio of core net capital divided by total assets on and off-balance sheet shall be no less than 8% ("Ratio 7");

(viii) the ratio of high quality liquid assets divided by net cash outflows within 30 days shall be no less than 100% ("Ratio 8");

61. FINANCIAL RISK MANAGEMENT *(continued)*

(5) Capital management *(continued)*

(ix) the ratio of stable funds available divided by stable funds required shall be no less than 100% ("Ratio 9"); and

(x) the ratio of the value of margin financing, securities lending, stock-pledged financing and securities repurchase divided by net capital shall not exceed 400% ("Ratio 10");

As at 31 December 2017 and 2016, the Company has maintained the above ratios as follows:

	As at 31 December	
	2017	2016
Net capital	**96,365,266**	80,338,196
Ratio 1	**312.79%**	313.10%
Ratio 2	**86.23%**	89.04%
Ratio 3	**63.04%**	56.80%
Ratio 4	**73.11%**	63.79%
Ratio 5	**27.92%**	32.23%
Ratio 6	**82.27%**	82.46%
Ratio 7	**29.32%**	26.53%
Ratio 8	**364.80%**	180.03%
Ratio 9	**137.73%**	127.17%
Ratio 10	**136.62%**	128.60%

The above ratios are calculated based on the financial information prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in Mainland China.

Certain subsidiaries of the Company are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively.

62. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable and willing parties in an arm's length transaction.

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

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

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

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

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

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

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

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Held for trading				
– Equity securities	5,545,084	747,895	—	6,292,979
– Funds	8,231,261	4,833,162	—	13,064,423
– Debt securities	4,202,534	39,017,462	—	43,219,996
– Other investments	771,354	3,520,223	—	4,291,577
Designated as at fair value through profit or loss				
– Equity securities	—	—	1,151,682	1,151,682
– Funds	—	7,428,325	46,247	7,474,572
– Debt securities	—	1,228,009	—	1,228,009
Available-for-sale financial assets				
– Equity securities	4,720,851	691,759	1,498,270	6,910,880
– Funds	132,461	11,520	—	143,981
– Debt securities	477,986	5,560,390	—	6,038,376
– Other investments	1,000,000	23,859,987	452,848	25,312,835
Derivative financial assets	37,268	138,156	—	175,424
Total	25,118,799	87,036,888	3,149,047	115,304,734
Financial liabilities at fair value through profit or loss				
Held for trading				
– Debt securities	71,133	7,673,787	—	7,744,920
Designated as at fair value through profit or loss				
– Debt securities	—	7,524,771	1,048,648	8,573,419
– Others	—	197,017	—	197,017
Derivative financial liabilities	24,149	266,351	—	290,500
Total	95,282	15,661,926	1,048,648	16,805,856

During the years ended 31 December 2017 and 2016, there were no significant transfers of fair value measurements between Level 1 and Level 2.

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

(2) Valuation process and methods for specific investments

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

Level 1

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

Level 2

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

During the years ended 31 December 2017 and 2016, the Group held no changes in the valuation techniques for Level 2.

Level 3

Fair value of financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. For listed equity investments with disposal restriction in a specific period, unlisted equity investments, other investments, financial liabilities and derivative instruments, etc., the Group adopts the counterparties quotations or valuation techniques to determine the fair value. Valuation techniques include a discounted cash flow analysis, and the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as discount for lack of marketability, volatility and risk adjusted discount rate, etc. Fair value changes resulting from changes in the unobservable inputs were not significant. The Finance Department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

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

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

Year ended 31 December 2017

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

Year ended 31 December 2016

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss
As at 1 January	309,964	2,049,221	—
(Losses)/Gains for the year	(23,280)	—	406
Changes in fair value recognized in other comprehensive income	—	(365,344)	—
Purchases	1,048,784	1,023,697	—
Issues	—	—	(1,049,054)
Disposal and settlements	(72,603)	(756,456)	—
Transfer out from Level 3	(64,936)	—	—
As at 31 December	1,197,929	1,951,118	(1,048,648)

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

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

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

Financial assets/ liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Listed equity investment with disposal restriction in a specific period	Level 3	Option pricing model	Volatility	The higher the volatility, the lower the fair value
Unlisted equity investments	Level 3	Market comparable Model	Discount for lack of marketability	The higher the discount, the lower the fair value
Other investments	Level 3	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discounted rate, the lower the fair value
Derivative assets	Level 3	Option pricing model	Volatility	The higher the volatility, the higher the fair value
Financial liabilities	Level 3	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Derivative liabilities	Level 3	Option pricing model	Volatility	The higher the volatility, the higher the fair value

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

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

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

At 31 December 2017 and 2016, the carrying amounts of the Group's financial instruments carried at cost or amortized cost approximate to the their fair values, except for bonds payable whose carrying amounts and fair values are summarized below:

	As at 31 December	
Bonds payable	**2017**	2016
Carrying amounts	**68,312,091**	72,738,765
Fair values		
– Level 1	**7,341,152**	—
– Level 2	**60,654,792**	70,394,226
– Level 3	**846,857**	2,416,381
	68,842,801	72,810,607

63. EVENTS AFTER THE REPORTING PERIOD

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

(1) Establishment of a subsidiary

In July 2017, pursuant to the approval of the 11th meeting of the 5th term of the board of directors, the Company established a wholly-owned subsidiary for alternative investment business ("Alternative Investment Company") with registered capital of RMB1,000 million.

In February 2018, the Company completed the registration of the Alternative Investment Company and obtained the business license.

(2) Placing and subscription shares of subsidiary

In January 2018, the Group's subsidiaries, including GJIHL, Guotai Junan Holdings Limited and Guotai Junan Securities (Hong Kong) Limited, entered into a placing and subscription agreement. A total of 700,000,000 placing shares beneficially owned by Guotai Junan Holdings Limited were placed to not less than 6 placees at HKD2.85 per placing share. In February 2018, 700,000,000 subscription shares of GJIHL were issued and allotted to Guotai Junan Holdings Limited at HKD2.85 per subscription share. The net proceeds of HKD1,987 million have been applied towards the general working capital of GJIHL.

(3) Issuance of corporate bonds

On 21 March 2018, the Company issued the first batch of 3-year corporate bonds of Year 2018 amounting to RMB4.3 billion. The bonds bear a fixed annual interest rate of 5.15% payable on an annual basis.

64. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2017	2016
Non-current assets		
Property and equipment	**1,545,861**	1,498,790
Other intangible assets	**320,436**	269,783
Investments in subsidiaries	**12,240,770**	11,040,770
Investments in associates	**261,469**	225,152
Available-for-sale financial assets	**33,063,479**	31,861,582
Financial assets held under resale agreements	**27,357,004**	23,049,785
Financial assets at fair value through profit or loss	**300,000**	—
Refundable deposits	**1,030,226**	1,393,850
Deferred tax assets	**221,843**	921,033
Other non-current assets	**1,531,099**	800,126
Total non-current assets	**77,872,187**	71,060,871
Current assets		
Accounts receivable	**1,773,097**	1,003,398
Other receivables and prepayments	**2,744,561**	3,478,020
Margin accounts receivable	**57,362,515**	50,497,693
Available-for-sale financial assets	**1,195,727**	562,470
Financial assets held under resale agreements	**59,690,525**	36,708,474
Financial assets at fair value through profit or loss	**50,599,412**	54,657,629
Derivative financial assets	**243,277**	65,864
Clearing settlement funds	**1,687,359**	1,218,403
Cash held on behalf of brokerage customers	**49,696,777**	72,122,660
Cash and bank balances	**11,173,907**	21,034,577
Total current assets	**236,167,157**	241,349,188
Total assets	**314,039,344**	312,410,059

64. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

	As at 31 December	
	2017	2016
Current liabilities		
Short-term debt instruments	**30,298,650**	14,789,980
Placements from other financial institutions	**7,400,000**	4,500,000
Accounts payable to brokerage customers	**49,426,727**	70,879,422
Employee benefits payable	**3,769,414**	4,530,880
Income tax payable	**1,128,574**	1,520,019
Financial assets sold under repurchase agreements	**36,011,907**	38,316,646
Financial liabilities at fair value through profit or loss	**6,361,505**	8,695,118
Derivative financial liabilities	**385,394**	186,167
Bonds payable	**—**	15,400,000
Other current liabilities	**4,921,054**	14,174,500
Total current liabilities	**139,703,225**	172,992,732
Net current assets	**96,463,932**	68,356,456
Total assets less current liabilities	**174,336,119**	139,417,327
Non-current liabilities		
Bonds payable	**57,883,520**	48,532,093
Employee benefits payable	**600,000**	600,000
Financial assets sold under repurchase agreements	**3,000,000**	26,950
Financial liabilities at fair value through profit or loss	**1,013,019**	—
Other non-current liabilities	**82,115**	32,113
Total non-current liabilities	**62,578,654**	49,191,156
Net assets	**111,757,465**	90,226,171
Equity		
Share capital	**8,713,934**	7,625,000
Other equity instruments	**11,129,841**	10,000,000
Reserves	**63,145,838**	45,640,910
Retained profits	**28,767,852**	26,960,261
Total equity	**111,757,465**	90,226,171

64. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

	Share capital	Other equity instruments	Reserves: Capital reserve	Reserves: Investment revaluation reserve	Reserves: Surplus reserve	Reserves: General reserve	Retained profits	Total
At 1 January 2016	7,625,000	10,000,000	28,453,165	447,426	4,989,708	9,679,867	26,336,811	87,531,977
Profit for the year	–	–	–	–	–	–	7,397,786	7,397,786
Other comprehensive income for the year	–	–	–	(199,890)	–	–	–	(199,890)
Total comprehensive income for the year	–	–	–	(199,890)	–	–	7,397,786	7,197,896
Appropriation to surplus reserve	–	–	–	–	739,778	–	(739,778)	–
Appropriation to general reserve	–	–	–	–	–	1,479,558	(1,479,558)	–
Dividends	–	–	–	–	–	–	(3,965,000)	(3,965,000)
Distribution to other equity instrument holders	–	–	–	–	–	–	(590,000)	(590,000)
Others	–	–	51,298	–	–	–	–	51,298
At 31 December 2016	7,625,000	10,000,000	28,504,463	247,536	5,729,486	11,159,425	26,960,261	90,226,171
Profit for the year	–	–	–	–	–	–	7,673,344	7,673,344
Other comprehensive income for the year	–	–	–	1,304,669	–	–	–	1,304,669
Total comprehensive income for the year	–	–	–	1,304,669	–	–	7,673,344	8,978,013
IPO of H shares	1,088,934	–	13,873,435	–	–	–	–	14,962,369
Issuance of convertible bond	–	1,129,841	–	–	–	–	–	1,129,841
Appropriation to surplus reserve	–	–	–	–	767,335	–	(767,335)	–
Appropriation to general reserve	–	–	–	–	–	1,534,668	(1,534,668)	–
Dividends	–	–	–	–	–	–	(2,973,750)	(2,973,750)
Distribution to other equity instrument holders	–	–	–	–	–	–	(590,000)	(590,000)
Others	–	–	24,821	–	–	–	–	24,821
At 31 December 2017	8,713,934	11,129,841	42,402,719	1,552,205	6,496,821	12,694,093	28,767,852	111,757,465

65. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 29 March 2018.

Issuer

Guotai Junan Holdings Limited
國泰君安控股有限公司
Units 1804-1807, 18/F
Tower 1, Lippo Centre
89 Queensway
Hong Kong

Guarantor

Guotai Junan Securities Co., Ltd.
（國泰君安證券股份有限公司）
17th Floor, Guotai Junan Building
No. 768 West Nanjing Road
Shanghai

Trustee

Citicorp International Limited
39th Floor, Champion Tower
Three Garden Road
Central
Hong Kong

Principal Paying Agent and Transfer Agent

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
1 North Wall Quay
Dublin 1
Ireland

Registrar

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Auditors

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Legal Advisers

To the Issuer and the Guarantor as to English law

Clifford Chance
27th Floor, Jardine House
One Connaught Place
Central, Hong Kong

To the Issuer and the Guarantor as to PRC law

Haiwen & Partners
20/F Fortune Financial Center
5 Dong San Road, Chaoyang District
Beijing 100020
PRC

To the Joint Lead Managers and the Trustee as to English law

Linklaters
10th Floor, Alexandra House
Chater Road
Hong Kong

To the Joint Lead Managers as to PRC law

Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road, Chaoyang District,
Beijing 100025
PRC

To the Issuer and the Guarantor as to British Virgin Islands law

Walkers (Hong Kong)
15th Floor, Alexandra House
18 Chater Road
Hong Kong

A.Plus International
FINANCIAL PRESS LIMITED
190280062