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中国银河证券股份有限公司
CHINA GALAXY SECURITIES CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 06881)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

The board of directors of China Galaxy Securities Co., Ltd. (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2015. This announcement, containing the full text of the 2015 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results. The printed version of the Company’s 2015 interim report will be dispatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.chinastock.com.cn by the end of September 2015.

By order of the Board
China Galaxy Securities Co., Ltd.
Chen Youan
Chairman

Beijing, the PRC
28 August 2015

As at the date of this announcement, the executive directors of the Company are Mr. CHEN Youan, Mr. GU Weiguo and Mr. WU Chengming; the non-executive directors are Mr. DU Ping, Mr. SHI Xun, Mr. ZHANG Jinghua and Mr. LI Chaoyang; and the independent non-executive directors are Mr. LIU Feng, Mr. LUO Lin, Mr. Wu Yuwu and Mr. CHI Fulin.

CONTENTS

Definitions	2
Company Information	4
Financial Highlights	5
Management Discussion and Analysis	7
Other Information	22
Report on Review of Condensed Consolidated Financial Statements	29
Condensed Consolidated Statement of Profit or Loss	30
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	31
Condensed Consolidated Statement of Financial Position	32
Condensed Consolidated Statement of Changes In Equity	34
Condensed Consolidated Statement of Cash Flows	35
Notes to the Condensed Consolidated Financial Statements	37



DEFINITIONS

“A Share(s)”	the share(s) that is (are) traded on the SSE or the SZSE in Renminbi
“ABS”	Asset Backed Securitization
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“Board” or “Board of Directors”	the board of Directors of the Company
“bp”	unit of measurement for the change in interest rate of bonds and notes, one bp equals to 1% of a percentage point
“China” or “PRC”	the Peoples’ Republic of China excluding, for the purpose of this interim report, Hong Kong, the Macau Special Administrative Region and Taiwan region
“Company”	China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司), a joint stock limited company incorporated in the PRC on 26 January 2007, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 06881)
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) subscribed for or credited as fully paid in RMB
“End of the Reporting Period”	30 June 2015
“ETF”	exchange-traded funds
“futures IB business”	the business activities in which securities firms, as commissioned by futures companies, introduce clients to futures companies to provide futures brokerage and other related services
“Galaxy Capital”	Galaxy Capital Management Company Limited (銀河創新資本管理有限公司), owned as to 100% by the Company and a wholly-owned subsidiary of the Company
“Galaxy Financial Holdings”	China Galaxy Financial Holdings Company Limited (中國銀河金融控股有限責任公司), which holds approximately 54.71% interests of the Company and is the controlling shareholder of the Company
“Galaxy Futures”	Galaxy Futures Company Limited (銀河期貨有限公司), owned as to approximately 83.32% by the Company and a non wholly-owned subsidiary of the Company
“Galaxy International Holdings”	China Galaxy International Financial Holdings Company Limited (中國銀河國際金融控股有限公司), owned as to 100% by the Company and a wholly-owned subsidiary of the Company
“Galaxy Jinhui”	Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金滙證券資產管理有限公司), owned as to 100% by the Company and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the Hong Kong Stock Exchange and subscribed for and traded in HK dollars
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huijin”	Central Huijin Investment Ltd. (中央匯金投資有限責任公司), which currently holds an equity interest of approximately 78.57% of Galaxy Financial Holdings
“IFRS”	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board (IASB) and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“margin and securities refinancing business”	a business in which securities firms can act as intermediaries to borrow funds or securities from China Securities Finance Corporation Limited and lend such funds and securities to their clients
“MOF bonds”	debt instruments issued by the Ministry of Finance of the PRC on behalf of the PRC government
“New OTC Board”	National Equities Exchange and Quotations for medium and small-sized enterprises
“QFII”	Qualified Foreign Institutional Investor
“Reporting Period”	the six-month period ended 30 June 2015
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RQFII”	Renminbi Qualified Foreign Institutional Investor, a pilot program launched in the PRC which allows Hong Kong subsidiaries of PRC brokerage companies and fund houses to facilitate investments of offshore Renminbi into the PRC capital markets
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SSE”	the Shanghai Stock Exchange (上海證券交易所)
“SSE Composite Index”	Shanghai Stock Exchange Composite Index
“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZSE”	the Shenzhen Stock Exchange (深圳證券交易所)
“USD”	United States dollars, the lawful currency of the United States
“VaR”	value at risk

This interim report has been prepared in Chinese and English. In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.



COMPANY INFORMATION

NAME OF THE COMPANY

Registered Chinese Name: 中國銀河證券股份有限公司
Registered English Name: China Galaxy Securities
Co., Ltd.

LEGAL REPRESENTATIVE

Mr. Chen Youan

BOARD SECRETARY

Mr. Wu Chengming

JOINT COMPANY SECRETARIES

Mr. Wu Chengming, Ms. Yung Mei Yee

AUTHORIZED REPRESENTATIVES

Mr. Wu Chengming, Ms. Yung Mei Yee

HEADQUARTERS IN THE PRC

Registered address: 2-6/F, Tower C, Corporate Square,
35 Finance Street, Xicheng District,
Beijing, PRC, 100033

Office address: 2-6/F, Tower C, Corporate Square,
35 Finance Street, Xicheng District,
Beijing, PRC, 100033

Website of the Company: www.chinastock.com.cn

Email address: yhgf@chinastock.com.cn

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3501-07, 3513-14, 35/F, Cosco Tower, 183 Queen's
Road Central, Sheung Wan, Hong Kong

AUDITORS

Domestic: Deloitte Touche Tohmatsu Certified Public
Accountants LLP
International: Deloitte Touche Tohmatsu

HONG KONG LEGAL ADVISOR

Latham & Watkins

STOCK CODE

Hong Kong Stock Exchange
H Share Stock Code: 06881

SHARE REGISTRARS

Share Registrar for Domestic Shares:	China Securities Depository and Clearing Corporation Limited
Share Registrar for H Shares:	Computershare Hong Kong Investor Services Limited

FINANCIAL HIGHLIGHTS

(Accounting data and financial indicators contained in this report are prepared in accordance with IFRSs)

MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

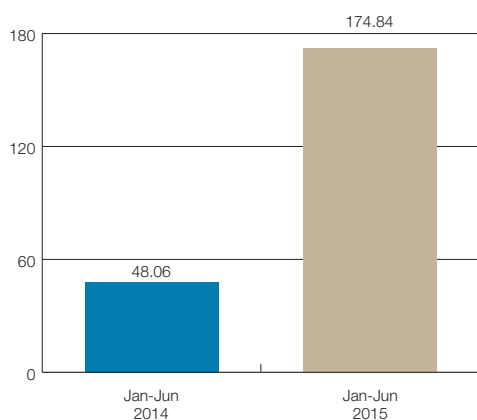
Items	January - June 2015	January - June 2014	Increase
Operating results (RMB'000)			
Revenue and other income	17,484,336	4,805,919	263.81%
Profit before income tax	7,496,497	1,769,924	323.55%
Profit for the period – attributable to owners of the Company	5,642,806	1,346,567	319.05%
Net cash (used in)/from operating activities	(56,764,132)	542,915	NA
Earnings per share (RMB per share)			
Basic earnings per share	0.69	0.18	283.33%
Profitability ratios			
Weighted average return on net assets	14.71%	5.20%	9.51 percentage points
Items	As at 30 June 2015	As at 31 December 2014	Increase
Scale indicator (RMB'000)			
Total assets	406,839,649	180,025,707	125.99%
Total liabilities	353,739,464	150,689,787	134.75%
Accounts payable to brokerage clients	199,522,453	78,407,509	154.47%
Equity attributable to owners of the Company	52,782,037	29,023,797	81.86%
Share capital (in thousand shares)	9,537,259	7,537,259	26.53%
Net assets value per share attributable to owners of the Company (RMB per share)	5.53	3.85	43.64%
Gearing ratio (%)¹	74.39	71.13	3.26 percentage points

1 Gearing ratio = (total liabilities—accounts payable to brokerage clients)/(total assets—accounts payable to brokerage clients)

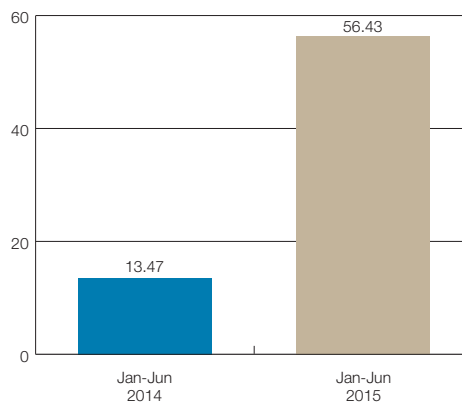


FINANCIAL HIGHLIGHTS

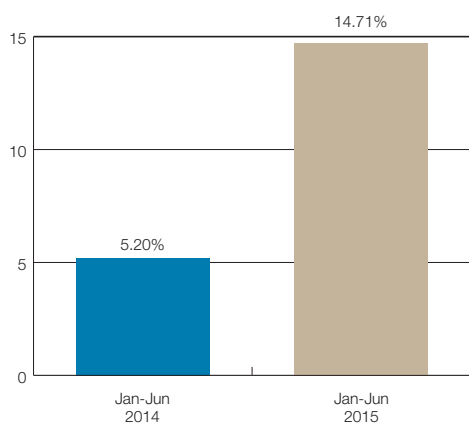
**Revenue and other income
(RMB100 million)**



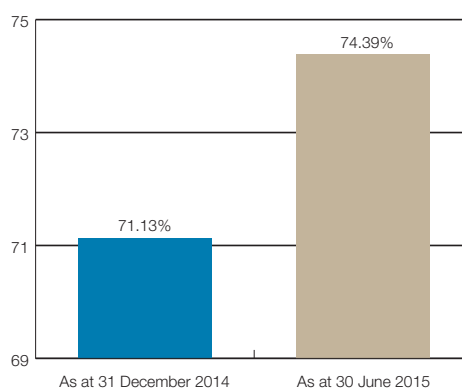
**Profit for the period –
attributable to owners of the Company
(RMB100 million)**



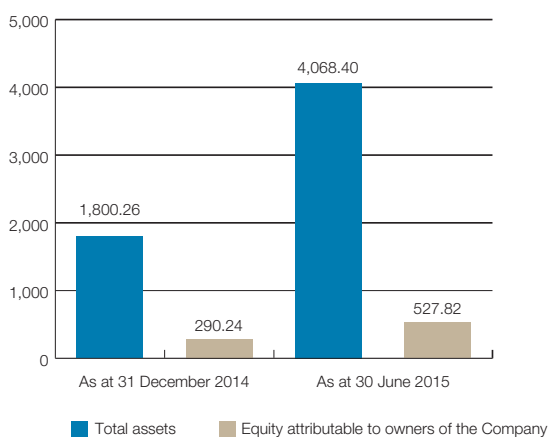
Weighted average return on net assets (%)



Gearing ratio (%)



Scale indicator (RMB100 million)



MANAGEMENT DISCUSSION AND ANALYSIS

I. ECONOMIC ENVIRONMENT AND MARKET CONDITIONS DURING THE REPORTING PERIOD

(I) Economic environment

During the Reporting Period, the global economy recovered in a slow pace. Among the developed countries, USA maintained a stronger recovery momentum. As for Euro zone, although it has come out from the trough, the basis of recovery was still weak. Japan will be at the risk of economic slowdown in the second half of the year due to insufficient domestic demand and the difficulty in resolving economic structural issue. As for emerging economies, they were generally under greater pressure. China economy maintained within a reasonable range, and the economic structural adjustment continued to progress, with sound and active monetary policy and sufficient liquidity in the banking system, while money lending and social financing grew steadily. Loan structure continued to improve and market interest rate decreased significantly. The flexibility of exchange rate increased markedly.

(II) Market conditions

During the Reporting Period, trading in domestic securities market was active. In terms of the stock market, despite a decline in June 2015, it still recorded a higher growth as compared with the beginning of the year. The SSE Composite Index closed at 4,277.22, rising 32.23%, while the index of growth enterprise market was 2,858.61, rising 94.23%. In terms of transaction volume, the turnover of stock market amounted to RMB138.59 trillion, representing a sharp increase of 543.25% as compared with the corresponding period of last year. In terms of margin financing and securities lending, as at the End of the Reporting Period, the balance of margin financing and securities lending amounted to RMB2,049.386 billion, jumping 404.27% as compared with the corresponding period of last year. In terms of the bond market, the yield of 10-year fixed rate MOF bond in the interbank market declined by 46.36bp to 3.5976%. In terms of equity financing, the actual amount of funds raised by listed companies was RMB661.696 billion, representing a 106.93% increase as compared with the corresponding period of last year. In terms of debt financing, the number of newly issued bonds was 5,633, with principal amounts totaling RMB8.81 trillion. As at the End of the Reporting Period, there were a total of 13,681 bonds in issue with balances of RMB40.04 trillion, representing an increase of 32.58% and 22.90% as compared with the corresponding period of last year, respectively.

II. OVERVIEW OF OPERATIONS

During the Reporting Period, the Group continued to promote the strategy of “One Core, Two Branches”, strived to maintain its traditional business position while transforming comprehensively, closely followed the trend of business innovation development, solidly performed all basic preparatory work for rapid development of overseas business, and strived to perform the heavy capital business well and grasped the innovation of internet finance business practically. As such, operating results were enhanced significantly with revenue and other income amounting to RMB17.484 billion, representing an increase of 263.81% as compared with the corresponding period of last year, which hit a record high in recent years.



MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF MAJOR BUSINESS

The business of the Group includes brokerage, sales and trading business, investment banking business, investment management business and overseas business.

(i) Brokerage, sales and trading business

During the Reporting Period, the revenue and other income from the securities brokerage business of the Group amounted to RMB14.528 billion, representing an increase of RMB11.455 billion as compared with the corresponding period of last year.

1. Securities brokerage, sales and trading business

During the Reporting Period, the Company actively adopted a big transaction strategy for its securities brokerage business, carried out a differential competitive strategy to optimize the income structure, customer structure and transaction structure gradually, and actively promoted the development of account opening business, margin financing and securities lending business and financial products selling business so that good operating results were achieved. The Company identified customers by different means, further optimized the business flow, and by making use of the benefits of internet business and branch layout, became the first batch of securities brokers opening accounts on WeChat, and the first batch of pilot securities brokers that can achieve “one person with multi-accounts”. The Company worked hard to create a private equity integration service platform to provide all-round service including rapid transaction system, strategy platform, algorithmic trading, custody outsourcing, for quantitative private equity funds based on clients’ needs; introduced quantitative strategy evaluation system which is of foreign concept, but developed by our own, and selected and recommended quantitative investment advisory services for large-scale commercial banks and third party wealth management companies, the financial products introduced and agency sales ranked top among the industry. The Company further enriched the online wealth management product line, and functions of wealth management accounts gradually improved, functions such as fund deposit and withdrawal, wealth management and payment, consumption payment and fund transfer from different accounts were achieved, thereby optimizing customers’ experience.

The Company made efforts in its futures IB business to satisfy the demands of clients for investment in futures market, thus providing comprehensive and personalized futures investment services for clients. As at the End of the Reporting Period, the Company had a total of 116 securities branches with qualification to conduct futures IB business, and there were 21,900 existing clients of the futures IB business with interest of clients as at the End of the Period of RMB2.609 billion. The Company actively participated in the preparatory work for the stock options business, and received the “Notice on China Galaxy Securities Co., Ltd. Becoming a Participant of Option Transactions of the Shanghai Stock Exchange” on 16 January 2015 and was qualified to become a participant of stock option transactions, and was the first batch of securities brokers of stock option brokerage business. As at the End of the Reporting Period, there were 539 clients for stock option brokerage business, with interest of clients of RMB8.18982 billion.

The development of the margin financing and securities lending of the Company was stably advanced. During the Reporting Period, the margin financing and securities lending balances of the markets grew rapidly, the number of account opened increased significantly. However, along with the market’s accelerated growth, the scale of leverage funding in the market increased, the authorities increased the checking on the margin financing and securities lending, and the securities brokers tightened the leverage for the margin financing and securities lending as a counter-cyclical measure. The Company managed the funding effectively and seized market share. It also firmly grasped the opportunities brought by the securities lending business policy, and put more effort to develop the securities lending business. The Company actively managed, prevented and controlled the risks of margin financing and securities lending businesses in full to ensure the sustainable development of the business. The Company was awarded “The Best Financial Services Securities Broker in 2015”, an event organized by “Securities Times” for the election of “The Best Wealth Managers of China in 2015”. As at the End of the Reporting Period, the balance of the margin financing and securities lending of the Company amounted

MANAGEMENT DISCUSSION AND ANALYSIS

to RMB133.0 billion, representing an increase of 525.34% as compared with the corresponding period of last year with a market share of 6.48%; turnover from margin financing and securities lending amounted to RMB2.06 trillion, representing an increase of 1,052.55% as compared with the corresponding period of last year with a market share of 7.56%; there were totally 277,465 credit fund accounts, representing an increase of 86.84% as compared with the corresponding period of last year; outstanding balance of margin and securities refinancing business was RMB1.792 billion.

The institutional sales business of the Company developed quickly. During the Reporting Period, the Company actively gained understanding of the demands of clients and dealt with clients according to their levels, and cooperated with clients in comprehensive way, through the provision of services such as market research, product sale and product market-making. The Company had establish business cooperative relationship with 80 fund company clients, which covered most of the important fund companies in the market. It had 11 QFIs and RQFIs clients, with three new QFI and RQFI clients were added during the Reporting Period. The Company had 4 new insurance clients who had signed the lease agreements for trading units, the services provided by the Company covered 22 insurance asset management companies, asset management departments of 28 insurance companies and 4 group clients. Besides, the Company actively explored innovative business for the institutional sales business, and cooperated with various fund companies and insurance companies to carry out custody business; and provided personalized assets securitization products to clients in light of the demands of overseas institutional investors.

2. Futures brokerage

The futures industry has unfolded a new norm of innovation and development, the competition of traditional futures brokerage become keener, and the rate of handling fee continued to be lower, and futures companies started to look for innovative development, seeking differential competitive strength. Galaxy Futures continued to carry out the strategic transformation which had started since 2014, and guided the original operation institution to explore growth potential and the transformation was effective. During the Reporting Period, Galaxy Futures realized revenue and other income of RMB477 million, representing an increase of RMB182 million as compared with the corresponding period of last year; daily average interest of futures brokerage clients amounted to RMB15.553 billion, representing an increase of 86.06% as compared with the corresponding period of last year; the trading volume accumulated to 42 million board lots (one side of a trade only), representing an increase of 47.14% as compared with the corresponding period of last year; the trading turnover amounted to RMB9.12 trillion (one side of a trade only), representing an increase of 189.34% as compared with the corresponding period of last year. Also, Galaxy Futures paid great effort to develop innovative businesses such as over-the-counter derivative business and CTA ("Commodity Trading Advisors") investment business; as at the End of the Reporting Period, the notional principal scale of institutional clients of over-the-counter derivative business amounted to RMB63.045 million, representing a 437- fold increase as compared with the end of 2014, and the notional principal scale of individual clients of over-the-counter derivative business amounted to RMB24.4798 million; successfully issued 3 CTA investment business sub-account products, with a scale of RMB13.20 million.

3. Proprietary trading and other securities trading services

During the Reporting Period, the revenue and other income of the Group from the proprietary trading and other securities trading services amounted to RMB1.304 billion, representing an increase of RMB628 million as compared with the corresponding period of last year.

The Company strictly implements relevant rules and regulations and operating procedures for the proprietary equity investment business, closely follows the market, finely selects the types of investment according to scientific decision-making approach, and invests through the participation in private placement and purchase in the secondary market. The Company insisted on strictly controlling risks even when the market was most exuberant, however, as there were drastic fluctuations in the market, the equity investment of the Company also fluctuated accordingly and the Company will adopt relevant measures to carry out subsequent operation reasonably in accordance with market changes.



MANAGEMENT DISCUSSION AND ANALYSIS

The bond proprietary investment business of the Company continued to focus on investing in medium to high rating credit bonds, conducting range trading of interest rate debt and adjusting the portfolio duration in a timely manner. At the beginning of the year, the Company emphasized on substantially increasing the type of bonds with short to medium term and medium to high ratings, which effectively grabbed the investment opportunity brought by the sharp drop of the short end of the yield curve. Approaching the End of the Reporting Period, in view of uncertainty about the future of the market and the low level of bond yields, the Company reduced its holding of short-term debt position. Meanwhile, the Company appropriately subscribed for hybrid open-end funds with the investment strategy of mainly subscribing in new shares.

The proprietary investment of derivatives of the Company developed steadily. As at the End of the Reporting Period, the amount of initial transaction of securities-based lending business (the product “Jin Shi Yu”) to be repurchased amounted to RMB277 million; the amount of initial investment of standardized dealer-quoted securities repurchase business (the product “Xin Xin Yu” and “Xin Yi Yu”) to be repurchased was RMB1,303 million. As the broad customer base of the Company provides a strong foundation for rapid business expansion and the product meets the market needs, “Xin Xin Yu” realized a record-breaking growth during the Reporting Period and the business scales during the period of new shares subscription increased from RMB1.13 billion to RMB7.54 billion; the financing scale of equity income swap business (the product “Jin Hu Huan”) trading financing business amounted to RMB123 million; the accumulative number of accounts opened of Daily Profit, the Company’s dealer-quoted bond repurchase product (the product “Jin Zi Lai”) in SZSE, amounted to 1,039, with existing business scale of RMB34.8824 million, while the existing income receipt business scale (Product “Galaxy Jin Shan”) of RMB20.33 billion. On 5 May 2015, the Company received the “Notice on the Commencement of Price Quotation Business for Debt Financing Instruments of Non-financial Companies” issued by the National Association of Financial Market Institutional Investors, which permitted the Company to conduct the business of inter-bank debt financing instruments price quotation for non-financial companies. Besides, the Company also actively prepared for the application of the qualifications of proprietary trading of gold and sale and purchase of foreign exchange, and began the design of over-the-counter option products etc.

(ii) Investment banking business

During the Reporting Period, revenue and other income of the Group from investment banking business amounted to RMB455 million, representing a decrease of RMB51 million as compared with the corresponding period of last year.

1. Equity financing

In the first half of 2015, the Company actively promoted and expanded equity financing business, and the merger and acquisition and restructuring business. The Company completed 1 IPO project, 5 non-public issuance projects, 2 preferred share projects and 3 M&A and restructuring and fund-raising projects with the amount underwritten as a lead underwriter of RMB27.117 billion, representing an increase of RMB17.798 million as compared with the corresponding period of last year and a growth of 190.99% as compared with the corresponding period of last year.

In terms of the asset securitization business, the Company realized full coverage of business through various means: (1) it successfully launched one corporate ABS project under the centralized management of CSRC named “Galaxy Ruiyang Heat Supply Assets Supporting Scheme (銀河瑞陽供熱資產支持專項計劃)” with a size of RMB900 million and was listed on the Shanghai Stock exchange; (2) it successfully launched one ABN (Asset-Backed Notes) project under the centralized management of the National Association of Financial Market Institutional Investors named “Luck Air Asset-Backed Note Project (祥鵬航空資產支持票據項目)” with a size of RMB2 billion; (3) it successfully launched the 2015 Tranche 2 Credit Loan Asset-Backed Securities of China Development Bank (國家開發銀行2015年第二期信貸資產支持證券) under the centralized management of China Banking Regulatory Commission with a size of RMB10.824 billion, which was exclusively underwritten by the Company. As at the End of the Reporting Period, in terms of the underwriting size of such projects, the Company ranked among top three in the industry. In addition, as at 24 March 2015, in the 2015 annual conference of China Securitization Forum, two corporate ABS projects, namely the “Right to Incomes from the Transportation Service Fee of Special Lines of Huabei Mining Railway (淮北礦業鐵路專用綫運輸服務費收益權)” and the “Hanhua Small Loan Asset-Backed Special Project (瀚華小貸資產支持專項計劃)”, were both granted with the Ten Best Transaction Awards.

MANAGEMENT DISCUSSION AND ANALYSIS

Equity Securities Lead Underwriting Businesses

Item	First half of 2015	First half of 2014	Increase/ Decrease (%)
Amount of equity securities underwritten by the Company as the lead underwriter (RMB100 million)	271.17	93.19	190.99%
Number of equity securities underwritten by the Company as the lead underwriter	8	5	60.00%

2. Bond financing

In the first half of 2015, there were great changes in the regulatory policies for the bond markets. The National Development and Reform Commission made adjustments to the review policies for enterprise bonds, and CSRC made great reforms on the regulatory policies for the issuance of corporate bonds, making key adjustments to the issuing bodies and the ways of examination and approval. For the changes in the bond market, the Company made positive responses, and sought for transformation, appropriately reducing the number of corporate bonds underwritten by the Company as the underwriter and strengthening the efforts of underwriting corporate bonds, and the scale of underwriting corporate bonds by the Company increased 296.60% in the first half of 2015 as compared with the corresponding period in 2014. Meanwhile, the bond financing business of the Company showed a trend of diversification in bond varieties, further reducing the reliance on the underwriting business of enterprise bonds. In relation to the new policies, system establishment work related to issue, underwriting and risk control has been completed by the Company. The promotion of issue projects has been strengthened and a maximum bid volume has been striven. At the same time, project reserves of income bonds and corporate bonds have been actively promoted. During the Reporting Period, the Company undertook totally 20 projects concerning enterprise bonds, corporate bonds and subordinated bonds with the amount underwritten as a lead underwriter of RMB54.33 billion, representing an increase of 44.71% as compared with the same period of last year.

Corporate Bond Financing Business

Name of Project	For the six months ended 30 June 2015		For the six months ended 30 June 2014	
	Amount underwritten by the Company as the lead underwriter (RMB in 100 million)	Number of issuance	Amount underwritten by the Company as the lead underwriter (RMB in 100 million)	Number of issuance
Enterprise bonds	48.5	6	289.33	22
Corporate bonds	198.3	6	50	2
Short-term notes	42	2	30	1
Subordinated bonds (special financial bonds)	251	5	5.1	1
Medium term notes	3.5	1	1	1
Total	543.3	20	375.43	27



MANAGEMENT DISCUSSION AND ANALYSIS

3. New OTC Board

In the first half of 2015, the market of the New OTC Board entered into a new phase of rapid development and various brokers all took it as an opportunity to increase their investment. In order to seize the market opportunity, the Company has established a comprehensive system of risk control for recommending business, establishing the fundamental operation mechanisms of the New OTC Board business of the entire Company and formulating work guideline of the listing projects of the New OTC Board. According to the overall principle of “coordination between headquarters and branches as well as coordination through collaboration”, the Company will enhance the cooperation mechanism between the headquarters and the branches, fully utilize our major advantages in branches and clients to enlarge and strengthen the business of New OTC Board rapidly. During the Reporting Period, the Company completed 13 projects for promotion of listing on New OTC Board, and 9 projects for share issuance on New OTC Board. As one of the first market makers for the National Equity Exchange and Quotation System, the Company accumulatively provided market making quotation services for 10 stocks.

New OTC Board Business

Item	For the six months ended 30 June 2015	For the six months ended 30 June 2014	Increase/ Decrease (%)
Number of New OTC Board projects	22	10	120%
Accumulative number of stocks for market making	10	–	–
Investment amount of stocks for market making (RMB million)	102	–	–

(iii) Investment management business

1. Asset management

Along with the significant increase in demands for asset management, the trend for the rise of the asset management industry was formed. During the Reporting Period, the Company realized revenue and other income of RMB199 million from asset management business, representing an increase of RMB116 million as compared with the same period of last year. Since its establishment in May 2014, Galaxy Jinhui has taken up the asset management business of the Company, set up a complete product system and issued several products; the stock pledge project significantly increased with the management scale of RMB4.183 billion; the earning rates of some traditional net value based products under active management were far beyond the average market level. The assets under management amounted to RMB74.297 billion, representing an increase of 113.9% as compared with the same period of last year. Among them, the scale of collective asset management business amounted to RMB29.744 billion, representing an increase of 229% as compared with the same period of last year; the scale of targeted asset management business amounted to RMB41.203 billion, representing an increase of 60% as compared with the same period of last year; and the scale of special asset management business amounted to RMB3.350 billion. The Company had accumulatively 81 management products (25 collective asset management products, 53 targeted asset management products and 3 special asset management products). Galaxy Jinhui attached great importance to the development of asset securitization productions, and set up 3 ABS products, reaching the leading position in the industry in terms of number of ABS projects that received (or issued) record-filing confirmation from the Asset Management Association.

2. Private equity investment

The Company continued to promote the transformation and development of private equity investment business, paid close attention to the market hot spots and seized market opportunities, focused on promoting investment business concerning New OTC Board projects and New OTC Board fund business, and completed reserve of 28 projects; and meanwhile, the Company insisted on post-investment management of projects, promoted the exit of inventory projects through IPO, merger and acquisition with listed companies. During the Reporting Period, private equity investment business of the Company realized revenue and other income of RMB79 million, representing an increase of RMB47 million as compared with the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(iv) Overseas business

The Company emphasizes on promoting internationalization, studies and verifies the feasibility of establishing foreign institutions in developed and emerging markets according to the established 5-year strategic plan and is currently implementing it actively. During the Reporting Period, the revenue and other income from overseas business of the Company amounting to RMB233 million, representing an increase of RMB133 million as compared with the corresponding period of last year.

Along with the acceleration of business layout of domestic financial institutions in Hong Kong and the gradual increase in the capital scale of securities brokers with Chinese background as well as their rapid expansion by ways such as mergers and acquisitions, the competition in Hong Kong market constantly intensified and upgraded. Under such background, Galaxy International Holdings, according to the annual business plan, actively responded to changes in the market, explored diversified business income sources and consistently improved the quality of customer service, striving to create a one-stop integrated service platform with high quality and efficiency. During the Reporting Period, the brokerage business, investment banking business, financing business and asset management business of Galaxy International Holdings continued to maintain a relatively rapid growth as compared with the corresponding period of last year. Major measures adopted include: (1) improving the supermarket of financial products to develop the securities and futures business, margin financing and securities lending, wealth management and brokerage business, providing a one-stop or personalized investment service to customers; (2) adhering to the strategy of full licences to expand domestic and foreign customer base with the support of policies and in line with the trend of RMB internationalization while serving the existing customers so as to search for the opportunity of cross-selling; (3) relying on brand building, strengthening the capability of research and improving the quality of research report to provide support for the development of business of investment banks, securities and futures brokerage and sales to institutional customers; and (4) making use of the advantage of the Chinese background and strengthening its collaboration with the mainland institutions and peers in Hong Kong so as to adhere to the development strategy of differentiation in aspects such as business expansion, project contracting and reserve.

IV. OUTLOOK AND FUTURE PLANS

In the second half of 2015, various reforms of China will enter into a phase with an accelerated development and the capital market, after experiencing ups and downs in the first half of the year, will become stable gradually while securities brokers still face rare development opportunities and fierce competition and challenges. The Company will continue to pursue the established strategies to become a leading comprehensive financial service provider in the domestic securities industry, and deepen the implementation of the “One Core, Two Branches” strategy, striving to enhance the business performance.

In the second half of the year, we expect that despite the decrease in the stock trading volume and the balance of margin financing and securities lending as compared with the first half of the year, the increase as compared with the corresponding period of last year will still be desirable. The strategy of differentiation will be carried out in the brokerage business of the Company to maintain the leading position in the market and the operation efficiency of margin financing and securities lending business will be enhanced to further enhances the risk control capability. The stock financing volume of the market will decrease as affected by the suspension of IPOs, and the Company will commit to business such as refinancing, mergers and acquisitions, asset securitization and preferred stock to eliminate the effects from the suspension of IPOs. The scale of the bond financing business of the Company will be expanded and transformed to better meet the customers' demand. The Company will promote the business of institutional sales trading in a prudent manner, adapting to the development trend of the market, expanding the service business for new institutional customers such as private equity funds and increasing the market share of QFII business. The Company will continue to closely follow the overall trend of industry innovative development and accelerate the development of innovative businesses such as FICC (Fixed Income, Currency and Commodities) and market-making, consolidating advantageous business, making up weak business, filling up the empty business and streamlining the collaborative business. The Company will effectively increase the scale and market share of proprietary business. The Company will also, through deepening the market-oriented reform of systems and mechanisms and the adjustment and optimization of the Company's organizational structure, comprehensively improve the efficiency and quality for supporting our services and continue to promote the building of a comprehensive risk management system, consistently raising the standard of risk management and deepening risk management under the new market norms.



MANAGEMENT DISCUSSION AND ANALYSIS

V. LIQUIDITY, FINANCIAL RESOURCES AND SHARE CAPITAL STRUCTURE

During the Reporting Period, the Group continuously maintained its profit growth and realized capital preservation and appreciation. As at 30 June 2015, equity attributable to owners of the Company amounted to RMB52.782 billion, representing an increase of RMB23.758 billion or 81.86% as compared with RMB29.024 billion as at the beginning of the year, which was mainly due to the net proceeds from the issuance of H shares of RMB18.864 billion during the first half of the year and the realized earnings.

Asset structure, asset quality and liquidity remained satisfactory. As at 30 June 2015, total assets of the Group, excluding clients' funds, amounted to RMB207.317 billion, representing an increase of RMB105.699 billion, or 104.02%, as compared with the total assets of RMB101.618 billion as at the end of 2014 on a comparable basis. Cash and bank balances accounted for 15% of the total assets. Assets classified as investments, which mainly consisted of investments in high liquidity financial assets, accounted for 16% of the total assets. Margin financing and securities lending business grew rapidly, with advances to customers accounting for 65% of the total assets.

The gearing ratio of the Group increased. As at 30 June 2015, the own gearing ratio of the Group (note: gearing ratio = (total liabilities – amounts payable to customers' accounts of brokerage business) / (total assets – amounts payable to customers' accounts of brokerage business)) was 74.39%, representing an increase of 3.26 percentage points as compared with 71.13% as at the end of year 2014. Operating leverage (own assets/net assets) of the Group was 3.90 times, representing an increase of 11.43% as compared with 3.50 times as at the end of year 2014. The increase in leverage ratio was mainly attributable to the increase in liabilities through the issuance of subordinated bonds, short-term corporate bonds, income receipt and the significant growth in high leverage businesses such as margin financing and securities lending.

Currently, the Company mainly adopts measures such as issuing short-term corporate bonds, short-term subordinated bonds, transfer of income right of margin financing and securities lending business and income right certificate to raise short-term capital. Meanwhile, the Company can also raise long-term capital by various means such as additional issuance, placing, issuing long-term corporate bonds and long-term subordinated bonds according to the market conditions and its own needs. At present, the Company has obtained comprehensive credit lines in various commercial banks and the Company can use the above debt financing instruments to raise funds according to its business needs.

Excluding the effects of changes in customers' margins, as the cash inflow from the financing activities of the Group during this period was greater than the cash outflow resulted from investing activities and operating activities, the net increase in cash and cash equivalents from January to June 2015 was RMB20.452 billion. While that in the corresponding period in 2014 was RMB1.934 billion, representing an increase of RMB18.518 billion as compared with the corresponding period of last year. The net cash flow from the operating activities from January to June 2015 was RMB-56.764 billion while that in the corresponding period in 2014 was RMB543 million, representing a decrease of RMB57.307 billion as compared with the corresponding period of last year, which was mainly due to the increase in advance to customers in margin financing business of RMB73.416 billion; the net cash flow from the investing activities from January to June 2015 was RMB-2.167 billion while that in the corresponding period in 2014 was RMB518 million, representing a decrease of RMB2.685 billion as compared with the corresponding period of last year; the net cash flow from the financing activities from January to June 2015 was RMB79.384 billion while that in the corresponding period in 2014 was RMB873 million, representing an increase of RMB78.511 billion as compared with the corresponding period of last year, which was mainly due to the funds raised of RMB97.926 billion by the Company in the first half of the year through debt financing measures such as issuing short-term corporate bonds and long-term subordinate bonds as well as the raising of capital of RMB18.923 billion due to the additional issuance of H shares by the Company in early May.

VI. ESTABLISHMENT AND DISPOSAL OF SECURITIES BRANCHES AND BRANCH OFFICES

As at the End of the Reporting Period, the Company had 36 branch offices and 330 securities branches.

During the Reporting Period, the Company obtained the "Approval on the Establishment of 30 Branch Offices by China Galaxy Securities Co., Ltd." (Jing Zheng Jian Xu Ke [2015] No. 46) issued by CSRC Beijing Bureau, and was approved to establish 30 branch offices in Taizhou in Zhejiang and other places. The Company is actively preparing for such establishment.

MANAGEMENT DISCUSSION AND ANALYSIS

VII. FINANCING OF THE COMPANY

During the Reporting Period, the significant financing activities of the Company are as follows:

(i) Use of proceeds from previous period

1. Use of proceeds from the IPO of H Shares

On May 2013, the Company carried out public offering and was listed on the Hong Kong Stock Exchange. The Company received an aggregate of proceeds and interest income of HK\$8.148 billion, which was equivalent to RMB6.498 billion. The amount was equivalent to RMB214 million after deducting the issuance expenses and the actual net proceeds amounted to RMB6.284 billion.

The Company undertakes in the prospectus that the following amounts of net proceeds will be used for the following purposes: (i) around 60% will be used to develop the margin financing and securities lending business of the Company; (ii) around 25% will be used to develop the capital-based intermediary securities trading business, which mainly includes dealer-quoted bond repurchase transactions; and (iii) around 15% will be used to expand the capital investment business.

As at 30 June 2015, the Company has accumulatively utilized HK\$7.854 billion (equivalent to RMB6.192 billion) of the net proceeds (including interest of deposits), and the remaining unutilized proceeds (including part of the unpaid issuance expenses) was equivalent to RMB90 million. Details of the use of proceeds are as follows:

Unit: RMB

Total amount of proceeds raised			6,498,257,233.72			Total amount of proceeds utilized accumulatively				6,191,557,787.80		
Net amount of proceeds raised			6,284,158,234.51									
Total amount of proceeds raised with changes of use			-			Utilization of proceeds raised in each year	Utilization in 2013		6,113,371,133.14			
Proportion of amount of proceeds raised with changes of use			0.00%				Utilization in 2014		76,276,432.65			
							Utilization during Jan-Jun 2015		1,910,222.01			
Investment project			Total investment amount from proceeds raised			Total amount of investment from proceeds raised as at closing date				Exchange loss	Total	Date for projects to reach intended use (or the extent of completion as at closing date)
No.	Promised investment project	Actual investment project	Promised investment amount before raising proceeds	Promised investment amount after raising proceeds	Actual investment amount	Promised investment amount before raising proceeds	Promised investment amount after raising proceeds	Actual investment amount				
1	Margin financing and securities lending business	Margin financing and securities lending business	3,770,494,940.70	3,770,494,940.70	3,688,810,379.64	3,770,494,940.70	3,770,494,940.70	3,688,810,379.64	43,432,260.56	3,732,242,640.20	N/A	
2	Capital-based intermediary business	Capital-based intermediary business	1,571,039,558.63	1,571,039,558.63	1,570,084,963.84	1,571,039,558.63	1,571,039,558.63	1,570,084,963.84	18,096,775.24	1,588,181,739.08	N/A	
3	Capital investment business	Capital investment business	942,623,735.18	942,623,735.18	932,662,444.32	942,623,735.18	942,623,735.18	932,662,444.32	10,858,065.14	943,520,509.46	N/A	
Total			6,284,158,234.51	6,284,158,234.51	6,191,557,787.80	6,284,158,234.51	6,284,158,234.51	6,191,557,787.80	72,387,100.94	6,263,944,888.74		

2. Use of proceeds from the placing of H Shares

In May 2015, the Company completed the placing of 2 billion H Shares and received an aggregate of proceeds of HK\$23.98 billion and the actual proceeds credited to the account after deducting the transaction fees and levy by direct payment amounted to HK\$23.978 billion. The total amount of proceeds was equivalent to RMB18.923 billion, and the actual net proceeds received by the Company after deducting the issuance expenses (equivalent to RMB590 million) was equivalent to RMB18.864 billion.

The Company undertakes in the announcement in relation to the placing of H Shares that the following amounts of net proceeds will be used for the following purposes: (1) around 60% will be used in margin financing and securities lending business and share charge repurchase business; (2) around 15% will be used in other capital-based intermediary business; (3) around 15% will be used in investment and innovative business; and (4) around 10% will be used to replenish the working capital of the Company.

As at 30 June 2015, the amount of proceeds utilized accumulatively by the Company amounted to HK\$23.905 billion, which was equivalent to RMB19.118 billion according to the actual settlement exchange rate, and the amount of unutilized proceeds remaining (including part of the unpaid issuance expenses) was equivalent to RMB52 million. Details of the use of proceeds are as follows:

Unit: RMB

Total amount of proceeds raised			18,923,097,600.00			Total amount of proceeds utilized accumulatively			19,118,026,418.17
Net amount of proceeds raised			18,864,276,965.40						
Total amount of proceeds raised with changes of use			-			Utilization of proceeds raised in each year			
Proportion of amount of proceeds raised with changes of use			0.00%			(Note)			
Investment project			Total investment amount from proceeds raised			Total amount of investment from proceeds raised as at closing date			Date for projects to reach intended use (or the extent of completion as at closing date)
No.	Promised investment project	Actual investment project	Promised investment amount before raising proceeds	Promised investment amount after raising proceeds	Actual investment amount (Note)	Promised investment amount before raising proceeds	Promised investment amount after raising proceeds	Actual investment amount (Note)	
1	Margin financing and securities lending business	Margin financing and securities lending business			11,470,815,850.90			11,470,815,850.90	N/A
2	Other capital-based	Intermediary business			2,867,703,962.73			2,867,703,962.73	N/A
3	Investment and innovative business	Investment and innovative business			2,867,703,962.73			2,867,703,962.73	N/A
4	Supplementary working capital	Replenish the working capital of the Company	18,864,276,965.40	18,864,276,965.40	1,911,802,641.81	18,864,276,965.40	18,864,276,965.40	1,911,802,641.81	N/A
Total			18,864,276,965.40	18,864,276,965.40	19,118,026,418.17	18,864,276,965.40	18,864,276,965.40	19,118,026,418.17	

Note: Due to the difference between the actual HK\$ exchange rate and the exchange rate used for the calculation of proceeds raised, the Company generated an exchange gain of RMB253,749,452.77 and the actual proceeds available to the Company increased accordingly.

(ii) Significant Financing

1. Bond financing

- (1) As of 30 June 2015, the Company issued 2015 tranche 1 to tranche 5 subordinated bonds during this period, totaling RMB25.1 billion, with details as follows:

Name	Size of Issuance (RMB)	Use of Proceeds	Date of issue	Maturity Date	Term	Interest Rate
2015 Tranche 1 Subordinated Bond	1.2 billion	To replenish working capital of the Company	30 January 2015	30 January 2017	731 days	5.80%
2015 Tranche 2 Subordinated Bond	2.8 billion	To replenish working capital of the Company	30 January 2015	30 January 2017	731 days	5.90%
2015 Tranche 3 Subordinated Bond	4.3 billion	To replenish working capital of the Company	10 April 2015	10 April 2017	731 days	5.80%
2015 Tranche 4 Subordinated Bond	5.8 billion	To replenish working capital of the Company	24 April 2015	24 April 2018	1,096 days	5.60%
2015 Tranche 5 Subordinated Bond	11 billion	To replenish working capital of the Company	8 May 2015	8 May 2017	731 days	5.70%

MANAGEMENT DISCUSSION AND ANALYSIS

- (2) As of 30 June 2015, the Company issued 2014 Tranche 1 to 2 corporate bond during this period, totaling RMB2.5 billion, with details as follows:

Name	Size of Issuance (RMB)	Use of Proceeds	Date of issue	Maturity Date	Term	Interest Rate
2014 Tranche 1 Corporate Bond	1.5 billion	To replenish working capital of the Company	4 February 2015	4 February 2018	1,096 days	4.65%
2014 Tranche 2 Corporate Bond	1 billion	To replenish working capital of the Company	4 February 2015	4 February 2020	1,826 days	4.80%

- (3) As of 30 June 2015, the Company issued short-term corporate bond of securities companies during this period, totaling RMB19.83 billion, with details as follows:

Name	Size of Issuance (RMB)	Use of Proceeds	Date of issue	Maturity Date	Term	Interest Rate
2014 Tranche 2 Short-term Corporate Bond	3.2 billion	To replenish working capital of the Company	20 January 2015	22 July 2015	183 days	5.00%
2014 Tranche 3 Short-term Corporate Bond	2.63 billion	To replenish working capital of the Company	6 March 2015	6 March 2016	366 days	5.02%
2015 Tranche 1 Short-term Corporate Bond	3 billion	To replenish working capital of the Company	24 March 2015	24 March 2016	366 days	5.40%
2015 Tranche 2 Short-term Corporate Bond	2 billion	To replenish working capital of the Company	29 April 2015	29 April 2016	366 days	5.20%
2015 Tranche 3 Short-term Corporate Bond	7 billion	To replenish working capital of the Company	15 June 2015	10 May 2016	330 days	4.65%
2015 Tranche 4 Short-term Corporate Bond	2 billion	To replenish working capital of the Company	29 June 2015	29 June 2016	366 days	5.30%

2. Placing and financing of H shares

As set out in the announcement dated 5 May 2015, the Company successfully allotted and issued an aggregate of 2 billion H Shares to no less than six placees on 5 May 2015 at the placing price of HK\$11.99 per H Share. The proceeds from the placing amounted to approximately HK\$23.98 billion. After the completion of the placing, the total number of issued shares of the Company increased from 7,537 million shares to 9,537 million shares.

3. Update on the progress of A Share issuance and financing

On 25 April 2014, the Company held the first extraordinary general meeting and the Domestic Share and the H Share class meetings in 2014, at which the amendment to the plan of A Share offering and other relevant resolutions were considered and approved. Pursuant to the A Share offering plan, the number of A Shares that were approved to be issued on SSE by the Company will not be more than 1,693,510,473 shares (including any shares that may be issued under the over-allotment option) and will not exceed 18.35% of the total share capital of the Company immediately after the A Share offering. The total size of actual issue, over-allotment and proportion of allotment will be determined by the Board pursuant to the authorizations from the general meeting of the Company and based on the capital requirements of the Company, communication with the regulatory authorities and the prevailing market conditions at the time of the issuance. The proceeds raised from the A



MANAGEMENT DISCUSSION AND ANALYSIS

Share offering, after deduction of the issue expenses, will all be used for strengthening the capital base of the Company and replenishing the working capital of the Company. The A Share offering plan is valid for 12 months from the date of passing of such resolution at the general meeting and the class meetings. The Company has submitted application materials including the prospectus for A Shares to the CSRC, which have been accepted by the CSRC. The prospectus for A Shares was set out in the website of the CSRC as at 29 August 2014, and in the HKExnews website of the Hong Kong Stock Exchange at the same time.

As at 26 March 2015, the first Extraordinary General Meeting in 2015 and the Domestic Shares and H Shares class meetings considered and approved the resolution to extend the validity period of the A Share offering plan and relevant mandate for 12 months. The new validity period started from the next day upon the expiration of the original validity period. At present, the Company is actively preparing for the issuance of A Shares.

VIII. MATERIAL ASSET ACQUISITION, DISPOSAL, EXTERNAL GUARANTEE, MORTGAGE, PLEDGE AND CONTINGENT LIABILITIES OF THE COMPANY

During the Reporting Period, the Company did not undertake any material asset acquisition, disposal or swap, and merger and acquisition.

During the Reporting Period, there was no off balance sheet item or contingent liability which may have a material impact on the financial condition and operating results of the Company, such as material external guarantee, mortgage and pledge.

IX. EMPLOYEE, REMUNERATION AND TRAINING PLAN

As at the End of the Reporting Period, the Group had 8,715 employees (including sales account managers), of which 7,916 were employees of the Company (including sales account managers) and 799 were employees of its subsidiaries.

The Company will set up a competitive remuneration distribution mechanism covering all employees. For the remuneration market benchmarking mechanism for all employees, especially for those in the highly competitive business field and key positions, competitive remuneration standards will be implemented. The remuneration of all employees of the Company can be high or low. The Company will constantly optimize the remuneration structure of the employees, increase the proportion of performance bonus in the total remuneration, gradually widen the gap among different positions and employees with different performance results and keep improving the remuneration distribution mechanism with no ceilings. In terms of trainings for employees, the Company insists on a management mode combining the project management and quota management, and the tiered regulation mechanism, and enhances the training on the condition of rationally distributing the training resources and improving the training effectiveness. Recently, the Company organized foreign language training and quality training for employees to realize the overall target of value addition of human resources.

X. RISK MANAGEMENT

Since its establishment, the Company has been committed to the philosophy that risk management creates value. It gradually promoted comprehensive risk management through identification, evaluation, monitoring, analysis and response of various kinds of risks, thus solidifying the foundation for the Company's sustainable, steady and healthy development.

(I) Major risks affecting the operation of the Company, including market risk, credit risk, operational risk and liquidity risk

1. Market risk

Market risk is originated from the fluctuation of the fair value or future cash flows in respect of financial instruments held or to be held by the Company resulting from the changes in securities price, interest rate and currency rate, including price risk, interest rate risk and currency rate risk.

- (1) Price risk is the risk that the Company may suffer losses as a result of the fluctuation of the fair value or future cash flows of financial instruments due to the changes in securities prices (other than changes resulting from interest rate risk or currency risk).

MANAGEMENT DISCUSSION AND ANALYSIS

Price risk mainly relates to the Company's proprietary investment and market making businesses. In order to control price risks, the Company mainly adopts the following measures: firstly, constructing securities portfolios and using financial derivatives for effective risk hedging; secondly, implementing unified management of risk exposure, identifying and dealing with risks in time through risk monitoring, assessment and reporting; thirdly, carrying out risk quota management to control exposure scale, concentration and loss quota, and making adjustment timely based on the development of market and businesses and risk tolerance of the Company; fourthly, using quantitative methods such as VaR and combining with other methods such as sensitivity analysis and stress testing to assess the relative and absolute risk of portfolios.

During the Reporting Period, affected by the market fluctuation, the price of securities held by the Company had large volatility. However, the Company effectively controlled the size of exposure of the proprietary business through risk hedging and quota management, and timely monitored the position risks of the securities held by the Company that the large volatility of the prices did not lead to the losses of the Company. As at the End of the Reporting Period, the VaR⁽¹⁾ of the Company's investment portfolio amounted to approximately RMB108 million, not over 0.2% of its net capital.

- (2) Interest rate risk refers to the risks resulting from the change in interest rate. The assets of the Company exposed to interest rate risks mainly include bank deposits, clearing settlement fund, refundable deposits and debt equities, etc. The Company used sensitivity analysis as the main instrument for monitoring interest rate risks. Meanwhile, the Company reduced the interest rate risks of portfolios by allocating the duration and convexity of its investment portfolios of fixed income. During the Reporting Period, the overall risk of the Company was within an acceptable range.
- (3) Currency rate risk is originated from the fluctuation of the fair value or future cash flows of financial instruments resulting from the change of currency rates of other countries. Given that the Company settles most of its transactions in RMB and the proportion of foreign currency assets, liabilities and proceeds of the Company in its total assets, liabilities and proceeds is small, the currency risk actually encountered by the Company is not significant. Nevertheless, with the gradual expansion of overseas businesses as well as the progress in the internationalization of RMB, the currency risks of the Company will increase gradually. The Company will conduct further studies and adopt reasonable and effective measures to mitigate any impact of currency risks.

2. Credit risk

Credit risk refers to the potential possibility of incurring losses resulting from the failure of the borrower or counterparty to timely fulfill its contractual obligations, and it also includes the possibility of incurring losses due to changes in the market value of the debts of the borrower or counterparty resulting from the changes in the credit rating and performance capability of such borrower or counterparty. The Company managed credit risk mainly by evaluating credit risk in advance and following up and monitoring credit risk afterward, and gradually promoting the establishment and application of tools such as internal credit rating and risk management system for financing businesses. On one hand, the Company established the guidance for risk management of financing businesses to determine the standards for evaluating the admission of counterparty and business transaction factors to prepare for risk evaluation in advance; on the other hand, the Company closely monitored the risk movement of collateral, controlled concentration risk and conducted stress tests. In addition, the Company continuously traced its clients' financial conditions, operation standard and other significant events that would affect their credit within the duration of business, and identified, reported and dealt with credit risk in time.

As at the End of the Reporting Period, 69.31% of the bonds held by the Company had a credit rating of AAA, 30.12% had a credit rating of AA, AA+, AAA- with the remaining 0.56% rated AA or below. There was no default from counterparties. During the Reporting Period, affected by the market volatility in June, the size of margin financing and securities lending business decreased from the peak value of RMB155.2 billion to RMB133 billion while the Company incurred no actual losses. There was no credit default in securities-based lending transactions, dealer-quoted securities repurchase transactions and equity swap transactions. The overall credit risk of the Company was under control.

(1) 1 day VaR at 95% confidence level.



MANAGEMENT DISCUSSION AND ANALYSIS

3. Operational risk

Operational risk refers to the risk of incurring losses resulting from the inadequacy or defect of internal operating procedures, personnel or systems, or from such external events. In order to manage operational risk effectively, the Company established a well-developed internal control system, regularly carried out effective assessment of internal control and compliance management throughout the Company. The operational risk management team specially set up by the Risk Management Department was in charge of designing, maintain and constantly developing the management structure of operational risk and monitoring and reporting the operational risks faced by the Company, and effectively identifying and managing the operational risks by operating the risk management tools, policy-making and construction of IT system, training and assessment to maintain the operational risks at a proper level so as to provide a healthy internal operational environment for business development.

During the Reporting Period, the overall operational risk of the Company was under control.

4. Liquidity risk

Liquidity risk refers to the risk resulting from inability to timely obtain sufficient funds at rational costs to repay debts due, fulfill other payment obligations and satisfy the demands for capital in the ordinary course of business.

To cope with and manage liquidity risk effectively, the Company constructed the risk evaluation and measurement methods cored with the Guidance for Securities Companies on Liquidity Risk Management, strengthened the real-time monitoring and management of usage of large amounts of funds in order to achieve centralized fund allocation and coordinated liquidity risk management, adjusted and configured the scale and maturity structure of assets and liabilities to build up a multi-level liquidity reserve system, construct an integrated fund and liquidity risk management system and achieved the target of our liquidity portfolio through accessing the money market, capital market and bank credit.

During the Reporting Period, the overall liquidity risk of the Company was under control and all financial indicators were satisfactory.

(II) Actions and measures taken or proposed to be taken by the Company

When replenishing the capital and seizing the opportunities, the Company transformed the risk management concept, enhanced the cultivation of talent team, strengthened risk management method and tools, accelerated the establishment of the risk management system, carried out risk management throughout all the processes, fully cooperate in developing innovative business, enhanced supports for financing businesses and intensified liquidity risk management to support and ensure for the innovative transformation and strategy implementation of the Company.

1. Promoting the cultivation of a risk management culture and strengthening risk management philosophy

Under the influences of regulatory requirements, industrial trend, business drives and our own effort, the Company's recognition of the importance of risk management has changed materially. With a "top-down approach", the Board and operation management attached high importance to risk management, actively promoted the establishment of a comprehensive risk management system, further defined the Company's risk management strategy and risk appetite and strengthened risk quota and authorisation management. The Company emphasized on the establishment of a risk management reporting system, the involvement of risk management in business decision-making and embedding risk management in business development process. As such, risk management has been playing an increasingly important role in the daily operation and management of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Strengthen the risk management method and instrument, speed up the construction of risk management system

By enhancing the risk management methods and tools, the Company fully identified the risks in a timely manner, prudentially evaluated all kinds of risks, constantly monitored risks, actively responded to all the risks, and timely and comprehensively reported risks. The Company continuously enhanced risk evaluation and measurement methods, developed and applied a series of risk management methods and tools, to evaluate and report risks in a quantitative method: enhancing such market risk evaluation techniques such as sensitivity analysis, scenario analysis, value at risk (VaR), and pressure tests, etc.; carrying out credit risk evaluation method including corporate rating; gradually establishing basic tools for operational risks such as loss database, key risk indicators, risk control and self-evaluation; adopting liquidity risk evaluation measures such as financing capability analysis, asset realization analysis, dynamic and static cash flow forecasts, and stress tests; and exploring and considering risk-correlated overall risk summary techniques.

Based on the principles of “fast effect in the short term and expandable in the long term”, the Company constructed the risk management system cluster with uniform structure, clear layers and well-developed functions to vigorously support the implementation of comprehensive risk management system. The ideal of “integrated design, use in advance in case of urgent demands, planning the implementation as a whole and crushing one by one” was adopted for the integrated construction, and the data integration and governance were based and the demands for risk management were oriented to design the overall structure of the risk management system and cooperate in synchronization in completing the transformation of relevant production system and supporting system. In addition, the Company actively set up projects for the operational risk management system and the financing-related risk monitoring system that the construction progress of the risk management system was significantly expedited.

3. To adopt a comprehensive risk management, cooperate fully with the innovative business development

While the Company actively carry out innovative business, and also focus on the risk management of the innovative business, which mainly included risk valuation for each innovative business, risk control procedure design, risk control indicator design and indicator setting, risk management supporting system design and related construction of risk control information system, and performed innovative risk management by way of assessment and review beforehand, assigned risk limits, concurrent risk measurement, independent monitoring and risk reporting, and risk assessment and participated in risk disposal afterwards etc.

4. Strengthen the support to financing business, strengthen the risk management of liquidity

Along with the effect brought by the market condition, the scale of the margin financing and securities lending business increased rapidly. On one hand, credit risk and market risk rapidly expanded, and on the other hand, difficulty in controlling risk management of liquidity increased. For this, the Company strengthened large amount credit of the financing business and kept tracking the market and gave warnings, and also implemented on-site supplemental due diligence for high risk projects to support the selection of counterparties cautiously and revealing the project risks in full. The Company continued to improve the internal risk control standard, optimized the approval procedures for products, and gradually constructed risk guidelines for financing business such as securities-based lending, stock pledge and return swaps. According to the market condition recently, the Company linked the business scale and net assets to perform dynamic management, actively adjusted the target securities range, discount rate and margin rates.

In addition, on the basis of balance of safety, liquidity and profitability of the Company, the Company supported the healthy and stable development of business through various active means such as asset and liability management, establishment of different levels of liquidity reserves system, replenish the capital etc.



OTHER INFORMATION

I. INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2015.

II. INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES IN THE COMPANY AND ITS ASSOCIATED CORPORATIONS HELD BY THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Based on the information available to the Company and so far as the Directors are aware, as at the End of the Reporting Period, none of the Directors, Supervisors and chief executive of the Company has interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) (i) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) which are required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or (iii) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 to the Listing Rules.

III. RIGHTS OF THE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

As at the End of the Reporting Period, none of the Directors, Supervisors or their respective spouses or minor children were granted rights or had exercised such rights to acquire benefits by means of acquisition of shares or debentures of the Company. The Company or any of its subsidiaries was not a party to any arrangement to enable the Directors, Supervisors or their respective spouses or minor children to acquire such rights from any other body corporate.

IV. INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES IN THE COMPANY HELD BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as Directors are aware after making all reasonable enquiries, as at the End of the Reporting Period, the following persons (other than the Directors, Supervisors or chief executive of the Company) held interests or short positions in shares or underlying shares which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or which are recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name of substantial shareholders	Class of shares	Nature of interest	Number of shares held (share) (Note 1)	Percentage of the total number of issued shares of the Company (%)	Percentage of the total number of issued Domestic Shares/H Shares of the Company (%)	Long positions/short positions/shares available for lending
Huijin (Note 2)	Domestic Shares	Interests of controlled corporation	5,217,743,240	54.71%	89.25%	Long position
Galaxy Financial Holdings	Domestic Shares	Beneficial owner	5,217,743,240	54.71%	89.25%	Long position
Franklin Templeton Sealand Fund Management Co., Ltd	H Shares	Investment manager	288,000,000	3.02%	7.80%	Long position
UBS AG (Note 3)	H Shares	Beneficial owner/Security interest in shares/ Interest of controlled corporation	223,835,022	2.34%	6.06%	Long position
	H Shares	Beneficial owner/ Interest of controlled corporation	14,221,097	0.14%	0.39%	Short position

OTHER INFORMATION

Name of substantial shareholders	Class of shares	Nature of interest	Number of shares held (share) (Note 1)	Percentage of the total number of issued shares of the Company (%)	Percentage of the total number of issued Domestic Shares/H Shares of the Company (%)	Long positions/short positions/shares available for lending
UBS Group AG (Note 4)	H Shares	Security interest in shares/Interest of controlled corporation	223,835,022	2.34%	6.06%	Long position
	H Shares	Interest of controlled corporation	14,221,097	0.14%	0.39%	Short position
BlackRock, Inc. (Note 5)	H Shares	Interest of controlled corporation	222,664,941	2.33%	6.03%	Long position
China Alpha Fund Management (HK) Limited	H Shares	Investment manager	198,000,000	2.07%	5.36%	Long position
China Alpha Fund Management Limited	H Shares	Investment manager	198,000,000	2.07%	5.36%	Long position
Jet Elite Investments Limited (Note 6)	H Shares	Interest of controlled corporation	198,000,000	2.07%	5.36%	Long position
Wang Junyan (Note 7)	H Shares	Interest of controlled corporation	198,000,000	2.07%	5.36%	Long position
China Minsheng Investment Corp., Ltd. (Note 8)	H Shares	Interest of controlled corporation	198,000,000	2.07%	5.36%	Long position
Wenze International Investment Limited	H Shares	Beneficial owner	198,000,000	2.07%	5.36%	Long position
Yan Yuqing (Note 9)	H Shares	Beneficial owner	198,000,000	2.07%	5.36%	Long position
Liao Shuang (Note 10)	H Shares	Beneficial owner	198,000,000	2.07%	5.36%	Long position
JPMorgan Chase & Co. (Note 11)	H Shares	Beneficial owner/ Investment manager	185,607,385	1.94%	5.02%	Long position
	H Shares	Beneficial owner	32,959,145	0.34%	0.89%	Short position
	H Shares	Custodian corporation/ approved lending agent	85,440,775	0.89%	2.31%	Shares available for lending
Morgan Stanley (Note 12)	H Shares	Interest of controlled corporation	146,930,779	1.54%	3.98%	Long position
	H Shares	Interest of controlled corporation	67,123,004	0.70%	1.81%	Short position

Note 1: According to Section 336 of the SFO, shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the shareholders in the Company change, it is not necessary for the shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange.

Note 2: Huijin directly holds approximately 78.57% equity interest in Galaxy Financial Holdings and is therefore deemed to be interested in 5,217,743,240 Domestic Shares directly held by Galaxy Financial Holdings.

Note 3: Out of the 223,835,022 H Shares in long position held by UBS AG, 13,777,372 H Shares are held by UBS AG as the beneficial owner, 205,751,150 H Shares are held by UBS AG as the person having security interest in the shares, and 4,306,500 H Shares are held by UBS AG through various entities under its control. Out of the 14,221,097 H Shares in short position held by UBS AG, 13,591,097 H Shares are held by UBS AG as the beneficial owner, and 630,000 H Shares are held by UBS AG through various entities under its control. In addition, 6,325,621 H Shares in long position and 11,137,097 H Shares in short position involve derivatives, of which the categories are:

- 23,340 H Shares in long position: derivatives listed and traded on a stock exchange or traded on a futures exchange – physically settled;



OTHER INFORMATION

- 4,411,914 H Shares in short position: derivatives listed and traded on a stock exchange or traded on a futures exchange – cash settled;
- 4,484,417 H Shares in long position and 5,067,303 H Shares in short position: unlisted derivatives – physically settled;
- 1,817,864 H Shares in long position and 1,657,880 H Shares in short position: unlisted derivatives – cash settlement.

Note 4: Out of the 223,835,022 H Shares in long position held by UBS Group AG, 205,751,150 H Shares are held by UBS AG as the person having security interest in the shares, 18,083,872 H Shares are held by UBS AG through various entities under its control. The 14,221,097 H Shares in short position held by UBS Group AG are held by UBS Group AG through various entities under its control. In addition, 6,325,621 H Shares in long position and 11,137,097 H Shares in short position involve derivatives, of which the categories are:

- 23,340 H Shares in long position: derivatives listed and traded on a stock exchange or traded on a futures exchange – physically settled;
- 4,411,914 H Shares in short position: derivatives listed and traded on a stock exchange or traded on a futures exchange – cash settled;
- 4,484,417 H Shares in long position and 5,067,303 H Shares in short position: unlisted derivatives – physically settled;
- 1,817,864 H Shares in long position and 1,657,880 H Shares in short position: unlisted derivatives – cash settled.

Note 5: BlackRock, Inc. holds 222,664,941 H Shares in long position through various entities under its control. In addition, 327,000 H Shares in long position involve derivatives, of which the category is: unlisted derivatives – cash settled.

Note 6: Jet Elite Investments Limited is interested in 100% shares of China Alpha Fund Management (HK) Limited, and is hence deemed to be interested in the 198,000,000 H Shares held by China Alpha Fund Management (HK) Limited.

Note 7: Wang Junyan is indirectly interested in 80% shares of China Alpha Fund Management (HK) Limited, and is hence deemed to be interested in the 198,000,000 H Shares held by China Alpha Fund Management (HK) Limited.

Note 8: China Minsheng Investment Corp., Ltd. is indirectly interested in 100% shares of CMI Financial Holding Corporation, and is hence deemed to be interested in the 198,000,000 H Shares held by CMI Financial Holding Corporation.

Note 9: Yan Yuqing is interested in 50% shares of Wenze International Investment Limited and is hence deemed to be interested in the 198,000,000 H Shares held by Wenze International Investment Limited.

Note 10: Liao Shuang is interested in 50% shares of Wenze International Investment Limited, and is hence deemed to be interested in the 198,000,000 H Shares held by Wenze International Investment Limited.

Note 11: Out of the 185,607,385 H Shares in long position held by JPMorgan Chase & Co., 99,842,610 H Shares are held by JPMorgan Chase & Co. as the beneficial owner, 324,000 H Shares are held by JPMorgan Chase & Co. as the investment manager, 85,440,775 H Shares are held by JPMorgan Chase & Co. as the custodian – corporation/approved lending agent. In addition, 8,092,500 H Shares in long position and 9,322,145 H Shares in short position involve derivatives, of which the categories are:

- 8,092,500 H Shares in long position and 3,290,097 H Shares in short position: unlisted derivatives – physically settled;
- 4,343,500 H Shares in short position: derivatives listed and traded on a stock exchange or traded on a futures exchange – cash settled;
- 1,688,548 H Shares in short position: unlisted derivatives – cash settled.

Note 12: Morgan Stanley holds 146,930,779 H Shares in long position and 67,123,004 H Shares in short position through various entities under its control. In addition, 41,245,500 H Shares in long position and 15,131,676 H Shares in short position involve derivatives, of which the category is: unlisted derivatives – cash settled.

OTHER INFORMATION

Save as disclosed above, as at the End of the Reporting Period, the Company was not aware of any other person (other than Directors, Supervisors and chief executive of the Company) who held interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

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

Save as disclosed in the sub-section “VII. Financing of the Company” under the “Management Discussion and Analysis” section, the Company and its subsidiaries did not purchase, sell or redeem any of its listed securities during the Reporting Period.

VI. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company exerted its effort in maintaining high quality corporate governance in order to protect the interest of its shareholders and enhance its corporate value and accountability. The Company has adopted and has been in compliance with the code provisions of Corporate Governance Code set out in Appendix 14 to the Listing Rules during the Reporting Period, and met the requirements of the majority of the recommended best practices set out in the Corporate Governance Code. The Company will continue to review and enhance its corporate governance practice so as to ensure the compliance with the Corporate Governance Code.

VII. COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules for securities transactions by Directors and Supervisors. The Company has made specific enquiries to all Directors and Supervisors with respect to their compliance with the Model Code, and all Directors and Supervisors confirmed that they have complied with all standards set out in the Model Code during the Reporting Period.

VIII. OPERATION OF THE BOARD AND ITS SPECIAL COMMITTEES

On 29 June 2015, the Company held the annual general meeting at which Chen Youan, Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu and Chi Fulin were elected as non-employee representative Directors of the third session of the Board of Directors. Li Chaoyang was elected as an employee representative Director at the 9th meeting of the 1st session of the employees’ representative meeting. The terms of Xu Guoping, Li Chenghui, Wang Shiding, Zhou Ruijin and Qi Xiaoli ended when the term of the 2nd session of the Board of Directors expired. They ceased to be Directors of the Company at the conclusion of the annual general meeting.

The Board currently comprises 11 Directors, including 3 executive Directors, 4 non-executive Directors and 4 independent non-executive Directors.

Board	Chairman and executive Director	Vice chairman, executive Director and president	Executive Director, board secretary and joint company secretary	Non-executive Director	Independent non-executive Director
Director	Chen Youan	Gu Weiguo	Wu Chengming	Du Ping, Shi Xun, Zhang Jinghua, Li Chaoyang	Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin

The Strategy and Development Committee, Risk Management Committee, Nomination and Remuneration Committee and Audit Committee have been established under the Board. The responsibilities of each committee are clearly divided and defined. The committees assist the Board in conducting work within the terms of reference as specified in the procedural rules of meetings, and are accountable to and report to the Board. The majority of the members of the Nomination and Remuneration Committee and the Audit Committee are independent non-executive Directors, and the chairman of each of the two committees is an independent non-executive Director.



OTHER INFORMATION

On 29 June 2015, at the 1st meeting (extraordinary) of the 3rd session of the Board of Directors, members of each special committee under the Board were re-elected. The members of each committee before and after the re-election are as follows:

Before re-election:

Special committees	Chairman	Members
Strategy and Development Committee	Chen Youan	Gu Weiguo, Xu Guoping, Wu Chengming, Li Chenghui, Shi Xun, Qi Xiaoli, Wang Shiding, Liu Feng, Wu Yuwu, Zhou Ruijin
Risk Management Committee	Li Chenghui	Gu Weiguo, Xu Guoping, Wu Chengming, Shi Xun, Qi Xiaoli, Liu Feng
Nomination and Remuneration Committee	Liu Feng	Wang Shiding, Wu Yuwu, Zhou Ruijin, Li Chenghui
Audit Committee	Wang Shiding	Liu Feng, Wu Yuwu, Zhou Ruijin, Shi Xun

After re-election:

Special committees	Chairman	Members
Strategy and Development Committee	Chen Youan	Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin, Li Chaoyang
Risk Management Committee	Shi Xun	Gu Weiguo, Du Ping, Zhang Jinghua, Wu Chengming, Liu Feng, Li Chaoyang
Nomination and Remuneration Committee	Liu Feng	Luo Lin, Wu Yuwu, Chi Fulin, Shi Xun, Li Chaoyang
Audit Committee	Luo Lin	Liu Feng, Wu Yuwu, Chi Fulin, Shi Xun, Zhang Jinghua

All Directors performed their duties honestly and diligently in accordance with the relevant requirements of the laws, regulations and the Articles of Association, so as to protect the interests of the Company and its shareholders. During the Reporting Period, all Directors faithfully and diligently performed their duties entitled by laws and regulations, and have protected the overall interests of the Company, especially the legitimate interests of small and medium shareholders.

During the Reporting Period, the Board convened 1 annual general meeting, 1 extraordinary general meeting, 1 Domestic Share class meeting and 1 H Share class meeting and submitted 30 proposals for shareholders' consideration. The Board actively organized, supervised and followed up the implementation of the resolutions passed at general meetings. The Board has convened 6 Board meetings to consider 36 proposals. The Strategy and Development Committee, the Risk Management Committee, the Nomination and Remuneration Committee and the Audit Committee convened 4 meetings, 3 meetings, 5 meetings and 4 meetings, respectively. The special committees gave full play to their own professional strengths, providing strong support for the decision-making of the Board and further enhancing the efficiency and level of decision-making of the Board.

The Audit Committee and the management have reviewed the accounting policies adopted by the Company, discussed matters including the internal control and financial statements of the Company, and reviewed the consolidated interim financial information of the Company for the six months ended 30 June 2015. The external auditor of the Company has reviewed the interim financial information in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

The financial information set out in this interim report is unaudited.

IX. OPERATION OF THE SUPERVISORY COMMITTEE

The annual general meeting of the Company was held on 29 June 2015. Yu Wenxiu, Zhong Cheng and Feng Heping were elected as non-employee representative Supervisors of the 3rd session of the Supervisory Committee. At the 9th meeting of the 1st session of the employees' representative meeting, Liu Zhiyi and Chen Jijiang were elected as employee representative Supervisors. The terms of Wu Huanliang and Gu Shulin ended when the term of the 2nd session of the Supervisory Committee expired. They ceased to be Supervisors of the Company at the conclusion of the annual general meeting.

On 9 July 2015, at the 1st meeting in 2015 of the 3rd session of the Supervisory Committee, Mr. Yu Wenxiu was elected as the chairman of the Supervisory Committee.

The Supervisory Committee currently comprises 5 Supervisors, including 2 employee Supervisors.

Supervisory Committee	Chairman	Supervisors
Supervisors	Yu Wenxiu	Zhong Cheng, Feng Heping, Liu Zhiyi (employee Supervisor), Chen Jijiang (employee Supervisor)

The Performance Supervision and Inspection Committee and Financial Supervision and Inspection Committee have been established under the Supervisory Committee.

On 9 July 2015, members of each special committee under the Supervisory Committee were re-elected. The members of each committee before and after the re-election are as follows:

Before re-election:

Special committees	Chairman	Members
Performance Supervision and Inspection Committee	Yu Wenxiu	Zhong Cheng, Gu Shulin
Financial Supervision and Inspection Committee	Wu Huanliang	Zhong Cheng, Liu Zhiyi

After re-election:

Special committees	Chairman	Members
Performance Supervision and Inspection Committee	Yu Wenxiu	Zhong Cheng, Chen Jijiang
Financial Supervision and Inspection Committee	Feng Heping	Zhong Cheng, Liu Zhiyi

The Supervisors performed their duties diligently in accordance with relevant laws and regulations, including the Company Law and Securities Law of the PRC, and relevant requirements of the Articles of Association. The Supervisory Committee supervised the operation of the Company so as to protect the legitimate interests of the Company and its shareholders. During the Reporting Period, the Supervisory Committee convened 3 meetings to consider 5 proposals. The Performance Supervision and Inspection Committee convened 1 meeting.



OTHER INFORMATION

X. MATERIAL LITIGATIONS

Out of the three material litigations as disclosed in the 2014 annual report of the Company, final decision has been made for one, which has been disclosed in the 2014 annual report. For the remaining two material litigations, the update of their status is as follows:

(1) Contractual dispute arising from account statements falsified by Bai Weitong (a former employee of Xiaolan branch in Zhongshan)

On 6 July and 13 July 2015, the Securities Business Department of the Company's Xiaolan branch in Zhongshan received the relevant materials from the Guangdong High People's Court respectively that Cai Hualin and Cai Jinglin have submitted petition for retrial and their cases were accepted. Cai Hualin and Cai Jinglin appealed to the Guangdong High People's Court against the ruling of the Intermediate People's Court of Zhongshan in the second trial.

(2) Civil proceedings arising from Yu Xiaolei's illegal absorption of public's deposits

On 3 July 2015, the Company received First Trial Civil Judgment [(2013) Jian Shang Chu Zi No. 214] of People's Court of Jianye District, Nanjing. The court rejected the request of the plaintiff Tang Latou. On 16 July 2015, Tang Latou appealed to the Intermediate People's Court of Nanjing demanding for revocation of ruling of the first trial and support all his claims raised in the first trial. The case has now entered the second trial stage.

The Company considered that the above legal proceedings will not have direct material adverse impact on the business, financial position or operating results of the Company.

XI. ETF INVESTING IN BLUE CHIP STOCKS BY WAY OF RETURN SWAPS WITH CHINA SECURITIES FINANCE CORPORATION LIMITED

On 4 July 2015, 21 securities companies including the Company convened a meeting, at which they analyzed the current stock market situation and expressed their support for the steady development of the stock market. In this regard, the Securities Association of China released the *Joint Announcement of 21 Securities Companies*.

The Board held an ad hoc meeting on 6 July 2015. At such meeting, it was agreed that the Company will, within the authorization given by the shareholders' general meeting, invest an amount equal to 15% of its net assets as of the end of June 2015 mainly on exchange traded funds (ETF) investing in blue chip stocks, by way of return swaps with China Securities Finance Corporation Limited. In this connection, the Company has entered into the *Master Agreement for OTC Derivatives Trading in the China Securities Futures Market* and the *Confirmation Letter for Return Swaps Trading* with China Securities Finance Corporation Limited.

XII. EVALUATION RESULTS OF THE COMPANY BY SECURITIES REGULATORY AUTHORITY

In the evaluation of securities companies of 2015 carried out by the CSRC, the Company was again assigned an AA rating in A class. The Company has been assigned this rating for six consecutive years.

XIII. CHANGE IN DETAILS OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

Details of Directors and Supervisors are disclosed in the Announcement on the Resolutions passed at the Annual General Meeting, Election of Members of the Third Session of the Board of Directors and the Supervisory Committee and Distribution of 2014 Final Dividend dated 29 June 2015.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF CHINA GALAXY SECURITIES CO., LTD.

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Galaxy Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 73, which comprise the condensed consolidated statement of financial position as at 30 June 2015 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing 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"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of these condensed consolidated financial statements consists of making enquiries, 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 August 2015



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2015 (Unaudited)	2014 (Unaudited)
Revenue			
Commission and fee income	3	9,911,090	2,453,868
Interest income	4	6,010,681	1,695,740
Net investment gains	5	1,283,736	646,475
		17,205,507	4,796,083
Other income and gains		278,829	9,836
Total revenue and other income		17,484,336	4,805,919
Depreciation and amortization	6	(88,443)	(96,665)
Staff costs	7	(4,917,052)	(1,540,490)
Commission and fee expenses	8	(209,644)	(77,688)
Interest expenses	9	(3,094,265)	(459,872)
Other operating expenses	10	(1,664,879)	(843,536)
Impairment losses	11	(13,159)	(18,639)
Total expenses		(9,987,442)	(3,036,890)
Share of result of an associate		(397)	895
Profit before income tax		7,496,497	1,769,924
Income tax expense	12	(1,830,252)	(417,391)
Profit for the period		5,666,245	1,352,533
Attributable to:			
Owners of the Company		5,642,806	1,346,567
Non-controlling interests		23,439	5,966
		5,666,245	1,352,533
Earnings per share attributable to owners of the Company (in RMB)			
– Basic	13	0.69	0.18

The notes on pages 37 to 73 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Profit for the period	5,666,245	1,352,533
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Available-for-sale financial assets		
Net fair value changes during the period	936,958	450,498
Reclassification adjustment to profit or loss on disposal	(345,911)	(86,079)
Reclassification adjustment to profit or loss on impairment	–	13,611
Income tax impact	(147,762)	(94,508)
Subtotal	443,285	283,522
Share of other comprehensive income of an associate	–	(190)
Exchange differences arising on translation	(1,029)	4,640
	442,256	287,972
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit obligation	4,383	(47,865)
	4,383	(47,865)
Other comprehensive income for the period, net of income tax	446,639	240,107
Total comprehensive income for the period	6,112,884	1,592,640
Attributable to:		
Owners of the Company	6,089,445	1,586,674
Non-controlling interests	23,439	5,966
	6,112,884	1,592,640

The notes on pages 37 to 73 form an integral part of these condensed consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
ASSETS			
Non-current assets			
Property and equipment	15	392,317	379,572
Goodwill		223,278	223,278
Other intangible assets		351,393	355,161
Investment in an associate		19,614	20,011
Advances to customers	18	68,667	–
Available-for-sale financial assets	16	2,321,244	511,862
Financial assets held under resale agreements	21	452,231	89,652
Investments classified as loan and receivables		742,750	250,000
Deferred tax assets	17	113,381	347,650
Total non-current assets		4,684,875	2,177,186
Current assets			
Advances to customers	18	134,789,956	61,442,657
Accounts receivable	19	959,734	458,257
Other receivables and prepayments	20	1,826,472	1,116,671
Investments classified as loan and receivables		250,000	–
Available-for-sale financial assets	16	12,247,698	11,071,673
Financial assets held under resale agreements	21	5,310,906	7,315,173
Financial assets held for trading	22	11,481,973	5,961,256
Financial assets designated at fair value through profit or loss	23	4,445,010	1,360,847
Derivative financial assets	24	5,717	–
Deposits with exchanges and a non-bank financial institution	25	6,154,097	6,050,015
Clearing settlement funds	26	34,244,701	31,260,370
Bank balances	27	190,438,510	51,811,602
Total current assets		402,154,774	177,848,521
Total assets		406,839,649	180,025,707
EQUITY AND LIABILITIES			
Equity			
Share capital	29	9,537,259	7,537,259
Reserves		30,564,607	13,232,153
Retained profits		12,680,171	8,254,385
Equity attributable to owners of the Company		52,782,037	29,023,797
Non-controlling interests		318,148	312,123
Total equity		53,100,185	29,335,920

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Liabilities			
Non-current liabilities			
Bonds payable	30	33,765,075	6,200,000
Financing instrument payables	32	3,651,770	–
Other payables and accruals	35	–	200,000
Financial assets sold under repurchase agreements	36	14,800,000	2,575,000
Total non-current liabilities		52,216,845	8,975,000
Current liabilities			
Bonds payable	30	38,230,000	20,700,000
Due to banks and non-bank financial institutions	31	2,560,994	1,812,123
Financing instrument payables	32	16,674,270	5,417,910
Accounts payable to brokerage clients	33	199,522,453	78,407,509
Accrued staff costs	34	5,105,115	2,932,674
Other payables and accruals	35	6,097,099	1,901,186
Current tax liabilities		767,941	354,376
Financial liabilities designated at fair value through profit or loss		9,633	–
Derivative financial liabilities	24	131,589	24,084
Financial assets sold under repurchase agreements	36	32,423,525	30,164,925
Total current liabilities		301,522,619	141,714,787
Total Liabilities		353,739,464	150,689,787
Total equity and liabilities		406,839,649	180,025,707
Net current assets		100,632,155	36,133,734
Total assets less current liabilities		105,317,030	38,310,920

The condensed consolidated financial statements on pages 30 to 73 were approved and authorized for issue by the Board of Directors on 28 August 2015 and are signed on its behalf by:

Chen Youan

DIRECTOR

Gu Weiguo

DIRECTOR

The notes on pages 37 to 73 form an integral part of these condensed consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to owners of the Company									
	Reserves								Non-controlling interests	Total equity
	Share capital	Capital reserve	Investment revaluation reserve	Translation reserve	General reserves	Other reserves	Retained profits	Subtotal		
Six months ended 30 June 2015 (Unaudited)										
At 1 January 2015	7,537,259	4,798,418	258,537	(18,060)	8,219,866	(26,608)	8,254,385	29,023,797	312,123	29,335,920
Profit for the period	-	-	-	-	-	-	5,642,806	5,642,806	23,439	5,666,245
Other comprehensive income/(expense) for the period	-	-	443,285	(1,029)	-	4,383	-	446,639	-	446,639
Total comprehensive income/(expense) for the period	-	-	443,285	(1,029)	-	4,383	5,642,806	6,089,445	23,439	6,112,884
Placing of new H shares	2,000,000	16,923,098	-	-	-	-	-	18,923,098	-	18,923,098
Costs of placing of new H shares	-	(58,821)	-	-	-	-	-	(58,821)	-	(58,821)
Dividend distributed to non-controlling interests	-	-	-	-	-	-	-	-	(17,414)	(17,414)
Appropriation to general reserves	-	-	-	-	11,059	-	(11,059)	-	-	-
Cash dividend recognized as distribution (note 14)	-	-	-	-	-	-	(1,205,961)	(1,205,961)	-	(1,205,961)
At 30 June 2015	9,537,259	21,662,695	701,822	(19,089)	8,230,925	(22,225)	12,680,171	52,771,558	318,148	53,089,706
Six months ended 30 June 2014 (Unaudited)										
At 1 January 2014	7,537,259	4,798,418	(334,940)	(17,034)	7,075,584	20,292	6,095,249	25,174,828	246,838	25,421,666
Profit for the period	-	-	-	-	-	-	1,346,567	1,346,567	5,966	1,352,533
Other comprehensive income/(expense) for the period	-	-	283,332	4,640	-	(47,865)	-	240,107	-	240,107
Total comprehensive income/(expense) for the period	-	-	283,332	4,640	-	(47,865)	1,346,567	1,586,674	5,966	1,592,640
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	60,000	60,000
Dividend distributed to non-controlling interests	-	-	-	-	-	-	-	-	(14,371)	(14,371)
Cash dividend recognized as distribution (note 14)	-	-	-	-	-	-	(467,310)	(467,310)	-	(467,310)
At 30 June 2014	7,537,259	4,798,418	(51,608)	(12,394)	7,075,584	(27,573)	6,974,506	26,294,192	298,433	26,592,625

The notes on pages 37 to 73 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	9,785,588	1,985,790
Increase in advances to customers	(73,415,967)	(4,164,476)
Decrease in financial assets held under resale agreements	1,641,688	465,806
Increase in clearing settlement funds-clients	(2,032,072)	(1,252,178)
Increase in cash held on behalf of customers	(119,566,691)	(4,488,058)
Increase in placements from banks and non-bank financial institutions	–	70,000
Increase in accounts payable to brokerage clients, accrued staff costs and other payables and accruals	123,956,637	6,817,245
Increase in financial assets sold under repurchase agreements	14,483,600	2,269,461
Other working capital items	(8,987,517)	(360,220)
Cash (used in)/from operations	(54,134,734)	1,343,370
Income taxes paid	(1,328,609)	(500,259)
Interest paid	(1,300,789)	(300,196)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(56,764,132)	542,915
INVESTING ACTIVITIES		
Dividends and interest received from investments	281,533	237,420
Purchases of property and equipment and other intangible assets	(98,649)	(68,220)
Proceeds from disposal of property and equipment and other intangible assets	1,309	6,990
Purchase of available-for-sale financial assets	(6,098,646)	(3,339,436)
Proceeds from disposal of available-for-sale financial assets	4,050,197	3,585,686
Increase in investments classified as loans and receivables	(742,750)	–
Cash injected to consolidated structured entities, net	–	(43,712)
Placement of bank deposits with original maturity of more than three months	(380,541)	(870,764)
Maturity of bank deposits with original maturity of more than three months	820,568	1,010,485
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(2,166,979)	518,449



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2015 (Unaudited)	2014 (Unaudited)
FINANCING ACTIVITIES			
Proceeds from placing of new H shares		18,923,098	–
Special dividend paid		–	(424,444)
Dividend paid to a non-controlling shareholder		–	(26,098)
Capital injected into a subsidiary from a non-controlling shareholder		–	60,000
Proceeds from borrowing and financing instrument payables		50,495,654	1,060,453
Proceeds from bonds		47,430,000	510,000
Repayment of borrowing and financing instrument payables		(34,838,653)	(306,987)
Repayment of bonds		(2,334,925)	–
Interest paid in respect of bonds, borrowing and financial instrument payables		(287,027)	–
Costs paid on placing of new H shares		(4,385)	–
NET CASH FROM FINANCING ACTIVITIES		79,383,762	872,924
NET INCREASE IN CASH AND CASH EQUIVALENTS		20,452,651	1,934,288
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		7,503,887	2,194,510
Effect of foreign exchange rate changes		(148)	3,749
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	28	27,956,390	4,132,547
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		5,449,150	1,697,781
Total interest paid		(1,587,816)	(304,496)

The notes on pages 37 to 73 form an integral part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION OF THE GROUP

Pursuant to the approval from the China Securities Regulatory Commission (the “CSRC”), China Galaxy Securities Co., Ltd. (the “Company”) was established in Beijing, the People’s Republic of China (the “PRC”) on 26 January 2007 with a registered capital of RMB6 billion. In May 2013, the Company issued overseas listed foreign shares (“H shares”) which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and the issued capital of the Company was increased to RMB7,537 million on completion of the H share offering. On 5 May 2015, the Company completed its placing of 2,000,000,000 H shares on the Main Board of the Hong Kong Stock Exchange and the issued capital of the Company was increased to RMB9,537 million.

The registered office of the Company is located at 2-6F, Tower C, Corporate Square, 35 Finance Street, Xicheng District, Beijing, the PRC.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in securities brokerage, securities investment advisory, financial advisory relating to securities trading and securities investment activities, security underwriting and sponsorship, proprietary trading, asset management, margin financing and securities lending, securities investment fund distribution, agency sale of financial products, project and investment management, equity investment management, industrial investment, commodity futures brokerage, financial futures brokerage, futures investment advisory, wealth management, insurance brokerage and money lending business.

The Company’s immediate holding company is China Galaxy Financial Holdings Company Limited (中國銀河金融控股有限責任公司) (“Galaxy Financial Holdings”).

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company, and all values are rounded to the nearest thousand unless otherwise stated.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The 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 for the year ended 31 December 2014.

(b) Principal accounting policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014, except for the adoption of the amendments to standards effective on 1 January 2015, as follows:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle

The adoption of the above amendments to standards did not have a significant impact on the financial position or performance of the Group for the six months ended 30 June 2015.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

3. COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Commission on securities dealing and broking and handling fee income	9,105,178	1,699,239
Underwriting and sponsors fees	316,074	498,009
Commission on futures and options contracts dealing and broking and handling fee income	208,731	135,730
Consultancy and financial advisory fee income	56,853	34,389
Asset management fee income	202,712	80,984
Others	21,542	5,517
	9,911,090	2,453,868

4. INTEREST INCOME

The following is the analysis excluding interest income from investments:

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Deposits with exchanges and a non-bank financial institution and bank balances	1,509,510	745,428
Advances to customers and securities lending	4,354,484	916,584
Financial assets held under resale agreements	146,687	33,728
	6,010,681	1,695,740

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

5. NET INVESTMENT GAINS

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Investment gains from available-for-sale financial assets	345,911	86,079
Dividend income and interest income from available-for-sale financial assets	291,820	260,030
Investment gains/(losses) from financial assets held for trading	621,553	(5,060)
Dividend income and interest income from financial assets held for trading	322,041	245,071
Investment (losses)/gains from financial assets designated at fair value through profit or loss	(245,334)	25,299
Dividend income and interest income from financial assets designated at fair value through profit or loss	17,122	7,369
Interest income from investments classified as loans and receivables	14,153	8,753
Investment (losses)/ gains from derivatives	(83,670)	18,934
Investment gains from financial liabilities designated at fair value through profit or loss	140	-
	1,283,736	646,475

6. DEPRECIATION AND AMORTIZATION

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Depreciation for property and equipment	74,528	80,166
Amortization of other intangible assets	13,915	16,499
	88,443	96,665



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

7. STAFF COSTS

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Salaries, bonus and allowances	4,416,860	1,225,246
Social welfare	213,879	179,322
Contributions to annuity schemes	79,632	40,676
Supplementary retirement benefits	3,980	4,073
Early retirement benefits	2,262	3,570
Others	200,439	87,603
	4,917,052	1,540,490

8. COMMISSION AND FEE EXPENSES

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Securities and futures dealing and broking expenses	199,785	66,744
Underwriting and sponsors fee expenses	821	6,605
Other service expenses	9,038	4,339
	209,644	77,688

9. INTEREST EXPENSES

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Interest on liabilities that are wholly repayable within five years:		
– Accounts payable to brokerage clients	205,611	62,921
– Due to banks and non-bank financial institutions	77,874	21,793
– Financial assets sold under repurchase agreements	1,176,991	238,995
– Bonds payable	1,301,651	136,163
– financing instrument payables	332,138	–
	3,094,265	459,872

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

10. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
General and administrative expenses	252,672	193,168
Business tax and other taxes	869,129	214,164
Operating lease rentals in respect of rented premises	230,041	213,561
Data transmission expenses	110,020	94,143
Securities investor protection funds	78,066	23,659
Business travel expenses	40,149	36,699
Utilities expenses	22,150	20,625
Sundry expenses	62,652	47,517
	1,664,879	843,536

11. IMPAIRMENT LOSSES

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Impairment loss in respect of accounts receivable	10,104	1,625
Impairment loss in respect of other receivables	3,055	3,403
Impairment loss in respect of available-for-sale financial assets	—	13,611
	13,159	18,639



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

12. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Current income tax	1,743,745	432,755
Deferred income tax	86,507	(15,364)
	1,830,252	417,391

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable to PRC enterprises is 25%.

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

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share for the six months ended 30 June 2015 and the six months ended 30 June 2014 is based on the profit attributable to owners of the Company and the number of ordinary shares in issue during the periods.

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Profit attributable to owners of the Company	5,642,806	1,346,567
Weighted average number of shares in issue (2014: weighted average number of shares in issue) (thousand)	8,170,592	7,537,259
Basic earnings per share (in RMB)	0.69	0.18

No diluted earnings per share has been presented for the six months ended 30 June 2015 and 2014 as the Group had no potential ordinary shares in issue during the periods.

14. DIVIDEND

No interim dividend was proposed by the Board of Directors in respect of the interim period for the six months ended 30 June 2015.

A dividend in respect of 2014 of RMB1.26 per 10 shares (inclusive of tax), or a total of RMB1,205.96 million, based on a total of 9,537,258,757 shares in issue, was approved at the Annual General Meeting on 29 June 2015.

A dividend in respect of 2013 of RMB0.62 per 10 shares (inclusive of tax), or a total of RMB467.31 million, based on a total of 7,537,258,757 shares in issue, was approved at the Annual General Meeting on 12 June 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

15. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired assets with a cost of RMB88.48 million (six months ended 30 June 2014: RMB45.66 million).

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Non-current		
Measured at fair value:		
Other investments ⁽¹⁾	1,978,757	233,724
Measured at cost:		
Equity securities ⁽²⁾		
– issued by corporate entities	342,487	278,138
	2,321,244	511,862
Analyzed as:		
Unlisted	2,321,244	511,862
Current		
Measured at fair value:		
Debt securities	9,089,453	9,008,310
– government bonds	121,537	303,324
– corporate bonds	8,867,916	8,704,986
– financial bonds	100,000	–
Equity securities	1,015,327	424,261
– issued by corporate entities	998,656	376,747
– issued by banks and other financial institutions	15,083	46,434
– issued by public utility entities	1,394	926
– issued by others	194	154
Funds	1,249,943	11,588
Other investments ⁽¹⁾	892,975	1,627,514
	12,247,698	11,071,673
Analyzed as:		
Listed in mainland, PRC ⁽³⁾	10,334,875	9,081,371
Unlisted	1,912,823	1,990,302
Total	12,247,698	11,071,673



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

- (1) Other investments represent investments in collective asset management plans issued and managed by the Group, wealth management products issued by banks and targeted asset management plans managed by non-bank financial institutions, which mainly invest in debt securities and publicly traded equity securities listed in the PRC. The Group has committed to hold its undated collective asset management plans and other investments with investment period ranging from one year to seven years till the end of the investment period.
- (2) During the six months ended 30 June 2015, no impairment loss was provided (31 December 2014: an impairment loss of RMB10.00 million) by the Group in respect of private equity investments measured at cost less impairment.

The private equity investments held by the Group are issued by private companies that are in the mineral resources, manufacturing or information technology sectors, among others. As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably. The values of these securities are measured at cost less impairment at the end of the reporting periods.

- (3) Included in the Group's listed equity securities of approximately RMB948.27 million as at 30 June 2015 (31 December 2014: RMB151.53 million) were restricted shares listed in the PRC with a legally enforceable restriction that prevents the Group to dispose of within the specified period.

In the opinion of the directors of the Company, non-current available-for-sale financial assets are not expected to be realized within one year from the end of the reporting periods.

As at 30 June 2015, the Group entered into securities lending arrangement with clients that resulted in the transfer of certain equity securities and exchange-traded funds ("ETF") to clients with a fair value of RMB49.58 million (31 December 2014: RMB38.40 million). These equity securities and ETF continued to be recognized as financial assets of the Group at the end of the reporting periods.

17. DEFERRED TAXATION

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

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Net deferred income tax assets, at beginning of period/year	347,650	308,204
Recognized in profit or loss	(86,507)	237,335
Recognized in other comprehensive income	(147,762)	(197,889)
Net deferred income tax assets, at end of period/year	113,381	347,650

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes, if any, and the taxes are to be levied by the same tax authority, and of the same taxable entity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

18. ADVANCES TO CUSTOMERS

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Current		
Loans to margin clients	134,789,956	60,960,411
Other loans and advances	–	482,246
	134,789,956	61,442,657
Non-current		
Other loans and advances	68,667	–

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

Based on the agreement terms with margin clients in Hong Kong, the Group is able to repledge clients' securities for margin financing arrangements with qualified financial institutions. The fair values of these listed securities at 30 June 2015 was RMB15,957.36 million (31 December 2014: RMB11,936.98 million).

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value to the users of the condensed consolidated financial statements in view of the nature of business of securities margin financing.

The Group evaluates the collectability of loans based on management's judgement regarding the change in credit quality, collateral value and the past collection history of each client. Management considered that there were no impaired debts as at 30 June 2015 and 31 December 2014.

The concentration of credit risk is limited due to the customer base being large and diversified.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

19. ACCOUNTS RECEIVABLE

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Accounts receivable from/related to:		
Cash clients	282,334	139,501
Brokers, dealers and clearing houses	84,895	70,701
Underwriting and sponsors fee	293,106	87,822
Trading seats commission	199,300	105,083
Asset and fund management fee	109,910	57,866
Others	10,397	7,388
Subtotal	979,942	468,361
Less: Impairment on accounts receivable	(20,208)	(10,104)
Total	959,734	458,257

Aging analysis of accounts receivable is as follows:

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Within 1 year	890,665	457,032
Between 1 and 2 years	69,053	1,209
Between 2 and 3 years	16	16
	959,734	458,257

The movements in the allowance for impairment on accounts receivable are set out below:

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
At beginning of the period/year	10,104	8,857
Impairment losses recognized	10,104	1,247
At end of the period/year	20,208	10,104

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

20. OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Prepaid taxes	4,666	1,572
Interest receivable	1,634,322	889,990
Prepaid expenses	131,599	168,268
Fund redemption receivable	12,711	3,762
Others	53,640	65,276
Subtotal	1,836,938	1,128,868
Less: Impairment on other receivables	(10,466)	(12,197)
Total	1,826,472	1,116,671

The movements in the allowance for impairment on other receivables are set out below:

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
At beginning of the period/year	12,197	9,150
Impairment losses recognized	3,055	15,134
Amounts written off	(4,786)	(12,087)
At end of the period/year	10,466	12,197

21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Non-current		
Analyzed by collateral type:		
Stocks	452,231	89,652
Analyzed by market of collateral:		
Stock exchanges	452,231	89,652



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Current		
Analyzed by collateral type:		
Stocks	2,136,019	313,573
Bonds	3,008,400	7,001,600
Funds	166,487	–
	5,310,906	7,315,173
Analyzed by market of collateral:		
Stock exchanges	5,310,906	7,315,173

22. FINANCIAL ASSETS HELD FOR TRADING

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Debt securities		
– government bonds	1,071,863	758,785
– financial bonds	302,855	464,167
– corporate bonds	3,990,229	2,627,887
Subtotal	5,364,947	3,850,839
Equity securities		
– issued by banks and other financial institutions	274,227	198,880
– issued by corporate entities	549,340	445,701
– issued by public utility entities	21,024	17,485
– issued by others	830	711
Subtotal	845,421	662,777
Funds	5,271,605	1,447,640
Total	11,481,973	5,961,256
Analyzed as:		
Listed in mainland, PRC	3,369,943	2,502,524
Unlisted	8,112,030	3,458,732
Total	11,481,973	5,961,256

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

23. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Convertible bonds ⁽¹⁾		
– financial bonds	–	226,308
– corporate bonds	–	431,066
Subtotal	–	657,374
Equity securities ⁽²⁾		
– issued by banks and other financial institutions	842,029	172,867
– issued by corporate entities	3,042,661	247,023
– issued by public utility entities	86,924	10,406
– issued by others	7,786	1,503
Subtotal	3,979,400	431,799
Funds ⁽²⁾	386,310	201,674
Other investments	79,300	70,000
Total	4,445,010	1,360,847
Analyzed as:		
Listed in mainland, PRC	4,445,010	1,360,847

(1) The convertible bonds held by the Group in 2014 were hybrid instruments, which were designated as financial assets at fair value through profit or loss. All convertible bonds were disposed of during the six months ended 30 June 2015.

(2) These equity securities are used for securities lending business which are designated as financial assets at fair value through profit or loss. As at 30 June 2015, the Group entered into securities lending arrangement with clients that resulted in the transfer of certain equity securities with a fair value of RMB334.47million (31 December 2014: RMB353.29 million) to clients. These equity securities continued to be recognized as financial assets of the Group at the end of the reporting periods.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

24. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2015		As at 31 December 2014	
	Asset (Unaudited)	Liability (Unaudited)	Asset (Audited)	Liability (Audited)
Swap ⁽¹⁾	5,717	131,301	–	24,081
Stock index futures ⁽²⁾	337,734	–	–	37,197
Less: settlement	(337,734)	–	–	(37,197)
Treasury bond futures ⁽²⁾	–	45	–	1,624
Less: settlement	–	(45)	–	(1,624)
Options	–	288	–	3
Total	5,717	131,589	–	24,084

(1) The equity return swaps are carried at fair values and the notional principal amounts of swaps as at 30 June 2015 were RMB244.07million (31 December 2014: RMB54.56 million).

(2) Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures and treasury bond futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net position of the stock index futures and treasury bond futures contracts was nil at the end of the reporting periods.

25. DEPOSITS WITH EXCHANGES AND A NON-BANK FINANCIAL INSTITUTION

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Deposits with stock exchanges		
– Shanghai Stock Exchange	316,495	87,216
– Shenzhen Stock Exchange	174,284	75,356
– Hong Kong Stock Exchange	67,293	19,456
Deposits with futures and commodity exchanges		
– China Financial Futures Exchange	2,537,121	2,084,664
– Shanghai Futures Exchange	1,235,412	1,214,332
– Hong Kong Futures Exchange	61,632	50,678
– Dalian Commodity Exchange	790,111	795,588
– Zhengzhou Commodity Exchange	242,685	502,629
– Shanghai Gold Exchange	2,830	2,820
China Securities Finance Corporation Limited	719,525	1,210,567
Others	6,709	6,709
	6,154,097	6,050,015

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

26. CLEARING SETTLEMENT FUNDS

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Clearing settlement funds held with clearing houses for:		
– House accounts	2,002,648	1,050,389
– Clients	32,242,053	30,209,981
	34,244,701	31,260,370

These clearing settlement funds are held by the clearing houses for the Group, and these balances carry interest at prevailing market interest rates.

27. BANK BALANCES

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
House accounts	26,714,310	7,654,093
Cash held on behalf of customers ⁽¹⁾	163,724,200	44,157,509
	190,438,510	51,811,602

Bank balances comprise time and demand deposits at bank which bear interest at the prevailing market rates.

- (1) The Group maintains bank accounts with banks to hold customers' deposits arising from normal business transactions. The Group has recognized the corresponding amount in accounts payable to brokerage clients (note 33).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Bank balances-house accounts	25,953,742	6,453,498
Clearing settlement funds-house accounts	2,002,648	1,050,389
	27,956,390	7,503,887

Cash and cash equivalents do not include bank deposits with original maturity of more than three months held by the Group and restricted bank deposits. As at 30 June 2015, bank deposits with original maturity of more than three months held by the Group were RMB760.57 million (2014: RMB1,200.60 million).

29. SHARE CAPITAL

The Company's number of shares and nominal value are as follows:

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Issued and fully paid ordinary shares of RMB1 each (in thousands)		
Domestic shares	5,846,274	5,846,274
H shares	3,690,985	1,690,985
	9,537,259	7,537,259
Share capital (in RMB'000)		
Domestic shares	5,846,274	5,846,274
H shares	3,690,985	1,690,985
	9,537,259	7,537,259

On 5 May 2015, the Company completed its placing of 2,000,000,000 H shares at a price of HK\$11.99 per H share on the Main Board of the Hong Kong Stock Exchange.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

30. BONDS PAYABLE

Details of the bonds issued by the Company are as follows:

Issue date	Maturity date	Coupon rate	As at 30 June 2015 Par value (Unaudited)	As at 31 December 2014 Par value (Audited)
Current				
30 October 2014	30 October 2017	5.30%	4,000,000	4,000,000
15 December 2014	15 December 2017	6.00%	2,600,000	2,600,000
26 November 2014	26 November 2017	5.10%	1,500,000	1,500,000
5 December 2014	5 December 2017	5.10%	1,500,000	1,500,000
2 September 2014	2 September 2015	5.60%	1,100,000	1,100,000
2 September 2014	4 March 2015	5.45%	—	1,300,000
17 September 2014	19 June 2015	5.55%	—	1,000,000
23 September 2014	23 September 2015	5.80%	1,700,000	1,700,000
26 December 2014	26 December 2015	6.50%	6,000,000	6,000,000
20 January 2015	22 July 2015	5.00%	3,200,000	—
6 March 2015	6 March 2016	5.02%	2,630,000	—
24 March 2015	24 March 2016	5.40%	3,000,000	—
29 April 2015	29 April 2016	5.20%	2,000,000	—
15 June 2015	10 May 2016	4.65%	7,000,000	—
29 June 2015	29 June 2016	5.30%	2,000,000	—
			38,230,000	20,700,000
Non-Current				
26 November 2014	26 November 2016	5.20%	1,500,000	1,500,000
5 December 2014	5 December 2016	5.30%	1,500,000	1,500,000
15 December 2014	15 December 2016	6.30%	3,200,000	3,200,000
30 January 2015	30 January 2017	5.80%	1,198,200	—
30 January 2015	30 January 2017	5.90%	2,800,000	—
10 April 2015	10 April 2017	5.80%	4,300,000	—
24 April 2015	24 April 2018	5.60%	5,800,000	—
8 May 2015	8 May 2017	5.70%	11,000,000	—
4 February 2015	4 February 2018	4.65%	1,466,875	—
4 February 2015	4 February 2020	4.80%	1,000,000	—
			33,765,075	6,200,000

Bonds maturing within one year and have early redemption options exercisable by the bond holders within one year are classified as current bonds payable.

As at 30 June 2015, bonds payable comprised of subordinated bonds and corporate bonds.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

31. DUE TO BANKS AND NON-BANK FINANCIAL INSTITUTIONS

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Secured short-term bank loans ⁽¹⁾	515,744	306,882
Unsecured short-term bank loans ⁽²⁾	1,045,250	505,241
Placements from a non-bank financial institution ⁽³⁾	1,000,000	1,000,000
	2,560,994	1,812,123

(1) The short-term bank loans borrowed by the Group are secured by the listed shares in Hong Kong pledged to the Group as a security for advances to customers (with customers' consent) with a fair value of approximately RMB1,754.23 million (31 December 2014: RMB1,222.96 million). The short-term bank loans bear interest at 1.37%-2.14% per annum (31 December 2014: 1.49%-1.74% per annum) and are repayable within 3 months.

(2) As at 30 June 2015, the unsecured short-term bank loans bear interest at 1.74%-2.33% per annum (31 December 2014: 1.69%-2.89% per annum) and are repayable within 3 months.

(3) As at 30 June 2015, the placements obtained from China Securities Finance Corporation Limited bear interest at 6.3% per annum (31 December 2014: 5.8% per annum) and due within 182 days.

32. FINANCING INSTRUMENT PAYABLES

As at 30 June 2015, financing instrument payables are all beneficiary certificates issued by the Company in which current financing instrument payables bear interest at 4.90%-6.00% per annum (31 December 2014: 4.75%-7.00% per annum) and are repayable within one year, and non-current financial instrument payables bear interest at 5.40%-6.00% per annum (31 December 2014: nil) and are repayable within 18 months.

33. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under normal course of business. 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 of the Company, the aging analysis does not give additional value to the readers of the condensed consolidated financial statements in view of the nature of these businesses.

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group and are interest bearing at the prevailing market interest rate.

As at 30 June 2015, included in the Group's accounts payable to brokerage clients were approximately RMB22,677.48 million (31 December 2014: RMB6,005.51 million) of cash collateral received from clients for margin financing and securities lending arrangement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

34. ACCRUED STAFF COSTS

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Salaries, bonus and allowances	4,786,765	2,622,697
Social welfare	11,674	5,242
Contributions to annuity schemes	15,508	8,700
Supplementary retirement benefits	196,933	203,301
Early retirement benefits	30,325	36,070
Others	63,910	56,664
	5,105,115	2,932,674

35. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Current		
Third-party interests in consolidated structured entities	1,071,358	313,929
Dividends payable	1,223,375	–
Business taxes and other taxes	296,890	223,114
IPO expenses payable	53,894	56,522
Customer deposits held for swap transactions	46,081	10,938
Accrued expenses	191,400	68,784
Payables to margin client	643,788	380,997
Payables to clearing house	144,725	63,233
Sundry payables	47,166	54,649
Payable for the securities investor protection fund	79,886	41,508
Interest payable	1,882,945	376,496
Others	415,591	311,016
	6,097,099	1,901,186

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Non-current		
Third-party interests in consolidated structured entities	–	200,000



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

36. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Current		
Analyzed by collateral type:		
Bonds	9,463,656	10,057,505
Rights and interests in margin loans	22,925,000	20,107,420
Others	34,869	–
	32,423,525	30,164,925
Analyzed by market of collateral:		
Stock exchanges	7,689,125	9,143,310
Interbank bond market	1,809,400	914,195
Others	22,925,000	20,107,420
	32,423,525	30,164,925
Non-current		
Analyzed by collateral type:		
Rights and interests in margin loans	14,800,000	2,575,000
Analyzed by market of collateral:		
Others	14,800,000	2,575,000

37. CHANGE IN CONSOLIDATED STRUCTURED ENTITIES

During the six months ended 30 June 2015, three new structured entities were consolidated by the Group.

The Group provides credit enhancement for these structured entities by committing to compensate certain losses of the other investors and up to the amount of its share of the net book value of the asset management plan.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

37. CHANGE IN CONSOLIDATED STRUCTURED ENTITIES (Continued)

As at 30 June 2015, total assets of consolidated structured entities which were added to the consolidation in the current period and the Group's initial investments on the date of issuance of these plans are as follows:

	As at 30 June 2015 (Unaudited)	
	Total assets	The Group's initial investments
Galaxy Wenying No.8 collective asset management plan	225,007	75,000
Galaxy Wenying No.9 collective asset management plan	300,010	100,000
Galaxy Wenying No.10 collective asset management plan	300,010	100,000
	825,027	275,000

As at 31 December 2014, total assets of a consolidated structured entity which were added to the consolidation in 2014 and the Group's initial investment on the date of issuance of the plan are as follows:

	As at 31 December 2014 (Audited)	
	Total assets	The Group's initial investment
China Fortune International Trust – Yinhua No.1 collective trust plan	250,000	50,000

38. OPERATING LEASE COMMITMENTS

Leases for the properties are negotiated with agreed rental charges. Lease terms for the properties range from 1 to 15 years.

At 30 June 2015 and 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

The Group as lessee

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Within 1 year	380,598	376,506
Beyond 1 year and not more than 2 years	299,799	328,354
Beyond 2 years and not more than 3 years	182,850	188,412
Beyond 3 years and not more than 5 years	213,322	220,668
More than 5 years	237,895	232,077
	1,314,464	1,346,017

The Group as lessor

At 30 June 2015 and 31 December 2014, the Group did not have material lease commitments as lessor.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

39. CAPITAL COMMITMENTS

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Contracted but not provided for		
– Leasehold improvements	23,710	16,032
Authorized but not contracted for		
– Investments	–	20,000

40. RELATED PARTY TRANSACTIONS

(1) Immediate holding company

Galaxy Financial Holdings is a financial holding company approved by the State Council of the PRC and was established in Beijing on 8 August 2005. Galaxy Financial Holdings owned 5,217,743,240 shares (31 December 2014: 5,217,743,240 shares), representing 54.71% of the entire equity interest of the Company as at 30 June 2015 (31 December 2014: 69.23%). Galaxy Financial Holdings' shareholders are Central Huijin Investment Ltd. ("Central Huijin") with 78.57% equity interest and the Ministry of Finance ("the MOF") with 21.43% equity interest.

Central Huijin is a wholly-owned subsidiary of China Investment Corporation Limited, and is established in Beijing, PRC. Central Huijin was established to hold certain equity investments as authorized by the State Council and does not engage in other commercial activities. Central Huijin exercises legal rights and obligations in the Group on behalf of the PRC Government.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies.

During the six months ended 30 June 2015 and 30 June 2014, the Group provided securities brokerage service to Galaxy Financial Holdings and details of the significant transactions and balances are set out below.

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Accounts payable to brokerage clients	348,850	2,759
Dividends payable	659,768	–
	1,008,618	2,759

In addition to the above related party transactions, the Group also provided asset management services to Galaxy Financial Holdings. As at 30 June 2015, the Group did not manage any investments for Galaxy Financial Holdings as Galaxy Financial Holdings redeemed all its investments during the period (31 December 2014: RMB50.30 million). For the six months ended 30 June 2015 and 2014, no asset management fee was received by the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

40. RELATED PARTY TRANSACTIONS (Continued)

(2) Central Huijin

Central Huijin holds equity interests in a number of banks and non-bank financial institutions in the PRC that are accounted for as subsidiaries, associates and joint ventures (collectively referred to as the “Central Huijin Group”). The Group conducts transactions with Central Huijin Group under normal commercial terms. Such transactions mainly include deposits at banks, securities and futures dealing and broking, underwriting of equity and debt securities, and purchase and sale of equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group.

The Group's transactions with Central Huijin Group

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Commission and fee income	29,205	4,432
Interest income from banks and non-bank financial institutions within the Central Huijin Group	753,403	290,776
Investment gains/(losses) of equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group	5,080	(3,049)
Interest expenses to brokerage clients within the Central Huijin Group	208,064	5,643
Other operating expenses	746	–

The Group's balances with Central Huijin Group

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group classified as		
– financial assets held for trading	100,281	488,374
– financial assets designated at fair value through profit or loss	194,384	14,615
Bank balances deposited with banks within the Central Huijin Group	125,185,652	30,617,616
Accounts receivable within the Central Huijin Group	10,283	–
Accounts payable to brokerage clients within the Central Huijin Group	9,697,659	8,195
Financial assets sold under repurchase agreements	5,300,000	480,000

As at 30 June 2015, a non-bank financial institution within the Central Huijin Group invested in collective asset management plans issued by the Group with a fair value of RMB54.24 million (31 December 2014: RMB53.24 million).

As at 30 June 2015, a bank within the Central Huijin Group invested in targeted asset management plans issued by the Group with a fair value of RMB1,100.00 million (31 December 2014: nil).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

40. RELATED PARTY TRANSACTIONS (Continued)

(3) Transactions with other government-related entities in the PRC

Other than disclosed above, a significant portion of the Group's transactions are entered into with government-related entities including securities and futures dealing and broking, underwriting of debt securities, purchase and sales of government bonds, and equity and debt securities issued by other government-related entities. These transactions are entered into under normal commercial terms and conditions. At the end of the reporting period, the Group holds such investments in equity and debt securities and has balances with these government-related entities including accounts payable to brokerage clients.

Directors of the Company consider that transactions with government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government-related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the counterparties are government-related entities.

(4) Other related parties

Other related parties which have transactions with the Group are as follows:

Name	Relationship
銀河基金管理有限公司 Galaxy Fund Management Company Limited ("Galaxy Fund Management")*	fellow subsidiary
中國銀河投資管理有限公司 China Galaxy Investment Management Company Limited ("Galaxy Investment")*	Note
銀河資本資產管理有限公司 Galaxy Capital Asset Management Limited ("Galaxy Asset Management")*	fellow subsidiary

Note: Galaxy Investment ceased to be a related party of the Group on 29 June 2015 when Mr. Xu Guoping, the chairman of Galaxy Investment, retired as director of the Company on the date. Galaxy Investment's controlling shareholder is the MOF.

* These entities do not have official English names.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

40. RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

The Group's transactions with other related parties

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
<i>Commission and fee income</i>		
Galaxy Fund Management	21,248	1,950
Galaxy Asset Management	60,377	–
<i>Interest expenses</i>		
Galaxy Asset Management	2,715	–
<i>Other income</i>		
Galaxy Investment	846	–
<i>Other operating expenses</i>		
Galaxy Investment	47,956	45,515

For the six months ended 30 June 2015 and 2014, other operating expenses between the Group and Galaxy Investment solely related to the leasing of premises owned by Galaxy Investment.

The Group's balances with other related parties

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
<i>Accounts payable to brokerage clients</i>		
Galaxy Investment	9,248	1,705



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

40. RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

The Group's lease commitments with Galaxy Investment

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
The Group as lessee		
Within 1 year	90,176	90,035
Beyond 1 year and not more than 2 years	1,560	1,940
	91,736	91,975

(5) Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, including the directors, supervisors and senior management.

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Salaries, allowances, bonuses, social welfare and annuity scheme contribution	26,476	25,838

Note: According to the regulations of the PRC relevant authorities, the key management personnel's final emoluments for the six months ended 30 June 2015 have not been finalized. Management of the Group believes the difference in emoluments will not have significant impact on the condensed consolidated financial statements as at 30 June 2015. The amount of actual remuneration will be disclosed when determined.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

41. SEGMENT REPORTING

Information reported to the chief operating decision maker (the “CODM”), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of business activities conducted by the Group, which is also consistent with the Group’s basis of organization, whereby the businesses are organized and managed separately as individual strategic business unit that offers different products and serves different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the board of directors, which are consistent with the accounting and measurement criteria in the preparation of the condensed consolidated financial statements.

Specifically, the Group’s operating segments are as follows:

- (a) Securities brokerage: This segment engages in the provision of securities dealing and broking, margin financing to margin clients and securities lending;
- (b) Futures brokerage: This segment engages in futures dealing and broking, futures information consulting and training;
- (c) Proprietary trading and other securities trading services: This segment engages in trading of equities, bonds, funds, derivatives and other financial products for the Group;
- (d) Investment banking: This segment engages in the provision of corporate finance services including underwriting of equity and debt securities and financial advisory services to institutional clients;
- (e) Asset management: This segment engages in the provision of portfolio management and maintenance, investment advisory and transaction execution services;
- (f) Private equity investment: This segment makes direct equity investments in private companies and realizes capital gains by exiting from these private equity investments through initial public offerings or share sales, or receives dividends from these portfolio companies;
- (g) Overseas business: This segment mainly represents the business operations in securities brokerage, futures brokerage, securities research, investment banking, margin financing, money lending, asset management and insurance brokerage business that are carried out in Hong Kong; and

Others mainly represent head office operations, investment holding as well as interest income and interest expense arising from general working capital.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during both periods.

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

Segment assets or liabilities are allocated to each segment, excluding deferred tax assets. Inter-segment balances mainly resulted from futures brokerage transaction carried out by futures brokerage segment for proprietary trading and other securities trading services segment and are eliminated upon consolidation. The segment result excludes income tax expense while the segment assets and liabilities include prepaid taxes and current tax liabilities respectively.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

41. SEGMENT REPORTING (Continued)

The Group operates in two principal geographical areas in the People's Republic of China, Mainland China and Hong Kong, representing the location of both income from external customers and assets of the Group. Segment revenue and all assets of the Group in respect of overseas business segment are attributable to operations in Hong Kong. Segment revenue and all assets of the Group except for the overseas business segment are attributable to operations in Mainland China. No single customer contributes more than 10% of the Group's income for the six months ended 30 June 2015 and 2014.

The operating and reportable segment information provided to the CODM for the six months ended 30 June 2015 and 2014 is as follows:

	Securities brokerage	Futures brokerage	Proprietary trading and other securities services	Investment banking	Asset management	Private equity investment	Overseas business	Segment total	Others	Eliminations	Consolidated total
For the six months ended 30 June 2015 (Unaudited)											
Segment revenue and results											
Revenue											
– External	14,376,429	473,925	1,304,001	454,953	198,957	78,842	220,370	17,107,477	98,030	–	17,205,507
– Inter-segment	131,764	484	–	–	434	–	10,480	143,162	88,780	(231,942)	–
Other income and gains	19,865	2,242	–	–	–	2	1,947	24,056	254,773	–	278,829
Segment revenue and other income	14,528,058	476,651	1,304,001	454,953	199,391	78,844	232,797	17,274,695	441,583	(231,942)	17,484,336
Segment expenses	(7,405,030)	(317,659)	(552,952)	(328,490)	(172,490)	(26,208)	(129,801)	(8,932,630)	(1,186,138)	131,326	(9,987,442)
Segment result	7,123,028	158,992	751,049	126,463	26,901	52,636	102,996	8,342,065	(744,555)	(100,616)	7,496,894
Share of result of an associate	–	–	–	–	–	–	–	–	(397)	–	(397)
Profit/(loss) before income tax	7,123,028	158,992	751,049	126,463	26,901	52,636	102,996	8,342,065	(744,952)	(100,616)	7,496,497
For the six months ended 30 June 2014 (Unaudited)											
Segment revenue and results											
Revenue											
– External	3,047,607	294,877	675,840	505,884	90,502	31,816	100,075	4,746,601	49,482	–	4,796,083
– Inter-segment	17,552	–	–	–	(6,661)	–	258	11,149	103,638	(114,787)	–
Other income and gains	7,778	502	–	480	–	–	70	8,830	1,006	–	9,836
Segment revenue and other income	3,072,937	295,379	675,840	506,364	83,841	31,816	100,403	4,766,580	154,126	(114,787)	4,805,919
Segment expenses	(1,427,184)	(213,633)	(284,814)	(228,750)	(42,664)	(15,012)	(91,053)	(2,303,110)	(744,929)	11,149	(3,036,890)
Segment result	1,645,753	81,746	391,026	277,614	41,177	16,804	9,350	2,463,470	(590,803)	(103,638)	1,769,029
Share of result of an associate	–	–	–	–	–	–	–	–	895	–	895
Profit/(loss) before income tax	1,645,753	81,746	391,026	277,614	41,177	16,804	9,350	2,463,470	(589,908)	(103,638)	1,769,924

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

41. SEGMENT REPORTING (Continued)

The segment assets and liabilities as at 30 June 2015 and 31 December 2014 are as follow:

	Securities brokerage	Futures brokerage	Proprietary trading and other securities trading services	Investment banking	Asset management	Private equity investment	Overseas business	Segment total	Others	Eliminations	Consolidated total
As at 30 June 2015 (Unaudited)											
Segment assets and liabilities											
Segment assets	337,247,434	22,467,106	30,375,392	530,192	1,857,121	1,464,800	4,802,177	398,744,222	173,224,728	(165,242,682)	406,726,268
Deferred tax assets											113,381
Total assets											406,839,649
Segment liabilities	326,635,906	20,960,617	30,486,687	121,115	1,203,777	548,963	3,878,335	383,835,400	135,147,260	(165,243,196)	353,739,464
As at 31 December 2014 (Audited)											
Segment assets and liabilities											
Segment assets	136,927,113	14,003,815	24,430,553	988,030	868,611	1,414,873	2,817,295	181,450,290	74,771,047	(76,543,280)	179,678,057
Deferred tax assets											347,650
Total assets											180,025,707
Segment liabilities	131,058,089	12,519,060	24,314,342	197,807	248,739	534,513	1,979,785	170,852,335	56,380,732	(76,543,280)	150,689,787

42. FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to a variety of financial risks. The most important components of financial risks are credit risk, market risk and liquidity risk.

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

There have been no significant changes in the Group's risk management processes since 31 December 2014 or in any risk management policies.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

43. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The carrying amounts of the Group's financial assets and liabilities not measured at fair value approximate their fair values as at 30 June 2015 and 31 December 2014 except for the following financial liabilities, for which their carrying amounts including interests payable and fair value are disclosed below:

	As at 30 June 2015 (Unaudited)		As at 31 December 2014 (Audited)	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Non-current				
Bonds payable	34,318,907	35,402,333	6,221,766	6,220,662
Financing instrument payables	3,678,242	3,691,071	—	—

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting periods. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/ financial liabilities	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets held-for-trading				
– Debt securities traded on stock exchanges	2,596,979	1,526,611	Level 1	Quoted bid prices in an active market.
– Debt securities traded on interbank market	2,767,968	2,324,228	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
– Equity securities and funds traded on stock exchanges and unlisted funds (open-ended mutual funds)	6,102,235	2,047,509	Level 1	Quoted bid prices in an active market.
– Equity securities listed on National Equities Exchange and Quotations	14,791	62,908	Level 2	Recent transaction prices.
Financial assets designated at fair value through profit or loss:				
– Debt securities traded on stock exchanges	–	657,374	Level 1	Quoted bid prices in an active market.
– Equity securities and funds traded on stock exchanges	4,202,725	633,473	Level 1	Quoted bid prices in an active market.
– Equity securities listed on National Equities Exchange and Quotations	162,985	–	Level 2	Recent transaction prices.
– Other investments	79,300	70,000	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/ financial liabilities	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Available-for-sale financial assets:				
– Debt securities traded on stock exchanges	8,018,211	8,645,522	Level 1	Quoted bid prices in an active market.
– Debt securities traded on interbank market	1,071,242	362,788	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
– Equity securities and funds traded on stock exchanges	1,316,999	263,778	Level 1	Quoted bid prices in an active market.
– Equity securities listed on National Equities Exchange and Quotations	–	20,539	Level 2	Recent transaction prices.
– Equity securities traded on stock exchanges with lock-up periods (Note 1)	948,271	151,532	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.
– Other investments	1,323,276	1,165,027	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
– Other investments (Note 1)	1,548,456	696,211	Level 3	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.
Financial liabilities designated at fair value through profit or loss:				
– Gold lending	(9,633)	–	Level 2	Determined with reference to the fair value of the underlying gold.
Derivative financial instruments:				
– Equity return swaps-assets	5,717	–	Level 2	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.
– Equity return swaps-liabilities	(131,301)	(24,081)	Level 2	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.
– Stock index futures (Note 2)	337,734	(37,197)	Level 1	Quoted bid prices in an active market.
– Treasury bond futures (Note 2)	(45)	(1,624)	Level 1	Quoted bid prices in an active market.
– Options (Note 3)	(288)	(3)	Level 3	Calculated based on Black-Scholes option pricing model.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Notes:

1. The unobservable inputs to fair value is the discount rate for lack of marketability, determined by reference to the share price of listed entities in similar industries, ranging from 8.39% to 43.74% (31 December 2014: ranging from 5.76% to 53.14%). The higher the discount rate, the lower the fair value.
2. Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures and treasury bond futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 30 June 2015 and 31 December 2014. Accordingly, the net position of the stock index futures and treasury bond futures contracts was nil at the end of the reporting periods. The above analysis only presents the fair value of derivative financial instruments.
3. The unobservable input to fair value is price volatility in relation to the judgement of future price. The higher the price volatility, the higher the fair value.

As at 30 June 2015 (Unaudited)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
– Equity securities	67,056	–	948,271	1,015,327
– Debt securities	8,018,211	1,071,242	–	9,089,453
– Funds	1,249,943	–	–	1,249,943
– Other investments	–	1,323,276	1,548,456	2,871,732
	9,335,210	2,394,518	2,496,727	14,226,455
Financial assets held for trading				
– Equity securities	830,630	14,791	–	845,421
– Debt securities	2,596,979	2,767,968	–	5,364,947
– Funds	5,271,605	–	–	5,271,605
	8,699,214	2,782,759	–	11,481,973
Financial assets designated at fair value through profit or loss				
– Equity securities	3,816,415	162,985	–	3,979,400
– Funds	386,310	–	–	386,310
– Other investments	–	79,300	–	79,300
	4,202,725	242,285	–	4,445,010
Financial liabilities designated at fair value through profit or loss	–	(9,633)	–	(9,633)
Derivative financial instruments	337,689	(125,584)	(288)	211,817



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

As at 31 December 2014 (Audited)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
– Equity securities	252,190	20,539	151,532	424,261
– Debt securities	8,645,522	362,788	–	9,008,310
– Funds	11,588	–	–	11,588
– Other investments	–	1,165,027	696,211	1,861,238
	8,909,300	1,548,354	847,743	11,305,397
Financial assets held for trading				
– Equity securities	599,869	62,908	–	662,777
– Debt securities	1,526,611	2,324,228	–	3,850,839
– Funds	1,447,640	–	–	1,447,640
	3,574,120	2,387,136	–	5,961,256
Financial assets designated at fair value through profit or loss				
– Equity securities	431,799	–	–	431,799
– Debt securities	657,374	–	–	657,374
– Funds	201,674	–	–	201,674
– Other investments	–	70,000	–	70,000
	1,290,847	70,000	–	1,360,847
Derivative financial instruments	(38,821)	(24,081)	(3)	(62,905)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

43.3 Reconciliation of Level 3 fair value measurements

	Available-for-sale financial assets
Six months ended 30 June 2015 (Unaudited)	
At 1 January 2015	847,743
Unrealized gains recognized in other comprehensive income	603,002
Purchases	1,222,796
Transfer out (note)	(176,814)
As at 30 June 2015	2,496,727
Year ended 31 December 2014 (Audited)	
At 1 January 2014	526,489
Unrealized gains recognized in other comprehensive income	267,184
Purchases	651,114
Transfer out (note)	(597,044)
As at 31 December 2014	847,743

Note: The equity securities traded on stock exchanges with lock-up periods and targeted asset management plans holding listed shares with lock-up periods were transferred from Level 3 to Level 1 when the lock-up periods lapsed and they became unrestricted.

The Group has a team headed by the financial controller performing valuations for the financial instruments, including available-for-sale equity securities with lock-up periods which are categorized into Level 3.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

44. MATURITY PROFILE OF ASSETS AND LIABILITIES

An analysis of the maturity profile of certain assets and liabilities of the Group as at 30 June 2015 and 31 December 2014 based on the remaining contractual maturity is as follows:

As at 30 June 2015 (Unaudited)	Repayable on demand	Less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Assets						
Advances to customers	-	134,789,956	-	68,667	-	134,858,623
Investments classified as loans and receivables	-	250,000	742,750	-	-	992,750
Financial assets held under resale agreements	-	5,310,906	452,231	-	-	5,763,137
Available-for-sale financial assets	-	422,182	4,480,057	4,187,214	5,479,489	14,568,942
Financial assets held for trading	-	455,057	3,380,105	1,529,785	6,117,026	11,481,973
Financial assets designated at fair value through profit or loss	-	-	-	-	4,445,010	4,445,010
Deposits with exchanges and a non-bank financial institution	-	-	-	-	6,154,097	6,154,097
Clearing settlement funds	34,244,701	-	-	-	-	34,244,701
Bank balances	190,308,978	129,532	-	-	-	190,438,510
	224,553,679	141,357,633	9,055,143	5,785,666	22,195,622	402,947,743
Liabilities						
Bonds payable	-	38,230,000	33,765,075	-	-	71,995,075
Due to banks and non-bank financial institutions	-	2,560,994	-	-	-	2,560,994
Financing instrument payables	-	16,674,270	3,651,770	-	-	20,326,040
Accounts payable to brokerage clients	199,522,453	-	-	-	-	199,522,453
Financial assets sold under repurchase agreements	-	32,423,525	14,800,000	-	-	47,223,525
	199,522,453	89,888,789	52,216,845	-	-	341,628,087

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

44. MATURITY PROFILE OF ASSETS AND LIABILITIES (Continued)

As at 31 December 2014 (Audited)	Repayable on demand	Less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Assets						
Advances to customers	–	61,442,657	–	–	–	61,442,657
Investments classified as loans and receivables	–	–	250,000	–	–	250,000
Financial assets held under resale agreements	–	7,315,173	89,652	–	–	7,404,825
Available-for-sale financial assets	–	150,638	3,886,387	4,971,285	2,575,225	11,583,535
Financial assets held for trading	–	1,060,040	1,447,347	1,343,452	2,110,417	5,961,256
Financial assets designated at fair value through profit or loss	–	–	454,035	203,339	703,473	1,360,847
Deposits with exchanges and a non-bank financial institution	–	1,000,000	–	–	5,050,015	6,050,015
Clearing settlement funds	31,260,370	–	–	–	–	31,260,370
Bank balances	50,934,621	876,981	–	–	–	51,811,602
	82,194,991	71,845,489	6,127,421	6,518,076	10,439,130	177,125,107
Liabilities						
Bonds payable	–	20,700,000	6,200,000	–	–	26,900,000
Due to banks and non-bank financial institutions	–	1,812,123	–	–	–	1,812,123
Financing instrument payables	–	5,417,910	–	–	–	5,417,910
Accounts payable to brokerage clients	78,407,509	–	–	–	–	78,407,509
Financial assets sold under repurchase agreements	–	30,164,925	2,575,000	–	–	32,739,925
	78,407,509	58,094,958	8,775,000	–	–	145,277,467

45. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 4 July 2015, the Company, together with the other 21 securities companies, convened a meeting and issued a joint announcement to collectively invest in blue chip ETFs by each contributing an amount equivalent to 15% of its net asset position as at 30 June 2015. Following the meeting, the Company entered into the Master Agreement for OTC Derivatives Trading in the China Securities and Futures Market (《中國證券期貨市場場外衍生品交易主協議》) and the Confirmation of Return Swaps Trading (《收益互換交易確認書》) (together referring as the “Agreements”) with China Securities Finance Corporation Limited (“CSFCL”) and completed the transfer of an amount equivalent to 15% of the Company’s net asset position as at 30 June 2015 to CSFCL on 6 July 2015. Based on the terms in the Agreements, a special account has been established by CSFCL to manage the fund contributed by the Company and other securities companies centrally. The Company will be entitled to the profit or loss derived from the special account in proportion to the fund portion contributed.