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9 May 2013

The Directors
China Galaxy Securities Co., Ltd.
China Galaxy International Securities (Hong Kong) Co., Limited
Goldman Sachs (Asia) L.L.C.
J.P. Morgan Securities (Far East) Limited

Dear Sirs,

We set out below our report on the financial information regarding China Galaxy Securities Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2010, 2011 and 2012 (the "Relevant Periods") ("Financial Information") for inclusion in the prospectus of the Company dated 9 May 2013 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company was established in Beijing, the People's Republic of China (the "PRC"), as a joint-stock limited company on 26 January 2007. The establishment of the Company was approved by the China Securities Regulatory Commission (the "CSRC").

The Company and all its subsidiaries have adopted 31 December as their financial year end dates. During the Relevant Periods and as at the date of this report, the Company has direct or indirect interests in subsidiaries as set out in note 20 to section G of this report.

The statutory financial statements of the Group prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP") for the year ended 31 December 2010 were audited by Ernst & Young Hua Ming Certified Public Accountants Ltd. (安永華明會計師事務所有限公司), a firm of certified public accountants registered in the PRC, and for each of the years ended 31 December 2011 and 2012 were audited by Deloitte Touche Tohmatsu Certified Public Accountants Ltd. (德勤華永會計師事務所有限公司) and Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥)) respectively, both are firms of certified public accountants registered in the PRC. The statutory financial statements of the subsidiaries, directly or indirectly held by the Company, were audited by independent auditors as set out in note 20 to section G of this report.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Group for the Relevant Periods, in accordance with the International Financial Reporting Standards (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the three years ended 31 December 2010, 2011 and 2012 were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments are deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements and the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010, 2011 and 2012 and of the consolidated results and consolidated cash flows of the Group for each of the three years ended 31 December 2010, 2011 and 2012.

A. CONSOLIDATED INCOME STATEMENTS

	Notes	Year ended 31 December 2010 RMB'000	2011 RMB'000	2012 RMB'000
Revenue				
Commission and fee income	5	6,869,190	4,664,192	3,830,546
Interest income	6	1,243,137	1,629,268	1,698,648
Net investment gains	7	313,626	104,410	394,813
Total revenue		8,425,953	6,397,870	5,924,007
Other income and gains	8	34,229	33,169	37,553
Total revenue and other income		8,460,182	6,431,039	5,961,560
Depreciation and amortization	9	(250,663)	(273,476)	(283,809)
Staff costs	10	(2,173,259)	(1,812,397)	(1,870,806)
Commission and fee expenses	11	(209,006)	(168,973)	(107,650)
Interest expenses	12	(328,949)	(309,322)	(279,105)
Other operating expenses	13	(1,586,795)	(1,586,349)	(1,506,907)
Impairment losses	14	(20,883)	(19,544)	(26,970)
Total expenses		(4,569,555)	(4,170,061)	(4,075,247)
Profit before income tax		3,890,627	2,260,978	1,886,313
Income tax expense	15	(1,100,157)	(676,138)	(453,775)
Profit for the year		2,790,470	1,584,840	1,432,538
Attributable to:				
Owners of the Company		2,777,016	1,578,130	1,419,779
Non-controlling interests		13,454	6,710	12,759
		2,790,470	1,584,840	1,432,538
Earnings per share attributable to owners of the Company (Expressed in RMB Yuan per share)				
- Basic	16	0.46	0.26	0.24

B. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Profit for the year	2,790,470	1,584,840	1,432,538
Other comprehensive (expense)/income:			
Available-for-sale financial assets			
Net fair value changes during the year	(55,652)	(68,453)	(12,740)
Reclassification adjustment to profit or loss on disposal	22,619	41,777	(5,433)
Reclassification adjustment to profit or loss on impairment	—	—	29,966
Income tax impact	8,258	6,669	(2,948)
Subtotal	(24,775)	(20,007)	8,845
Exchange differences arising on translation	—	(1,471)	(1,535)
Other comprehensive (expense)/ income for the year, net of income tax	(24,775)	(21,478)	7,310
Total comprehensive income for the year	2,765,695	1,563,362	1,439,848
Attributable to:			
Owners of the Company	2,752,241	1,556,652	1,427,089
Non-controlling interests	13,454	6,710	12,759
	2,765,695	1,563,362	1,439,848

C. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2010	2011	2012
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property and equipment	17	608,777	583,943	515,600
Goodwill	18	223,278	223,278	223,278
Other intangible assets	19	322,088	353,311	362,811
Available-for-sale financial assets	21	324,220	391,136	742,976
Deferred tax assets	22	461,589	304,870	174,385
Total non-current assets		1,939,952	1,856,538	2,019,050
Current assets				
Advances to customers	23	532,829	2,548,727	5,438,668
Accounts receivable	24	129,343	108,025	209,709
Prepaid taxes		18,317	149,389	268,136
Other receivables and prepayments	25	447,294	322,062	426,637
Available-for-sale financial assets	21	1,833,024	640,965	5,908,000
Financial assets held under resale agreements	27	60,000	591,753	809,523
Financial assets held for trading	28	6,514,532	5,010,774	4,622,021
Financial assets designated as at fair value through profit or loss	29	182,098	925	831,037
Deposits with exchanges and a non-bank financial institution	31	2,346,742	2,137,039	2,614,323
Clearing settlement funds	32	24,675,490	3,584,131	4,541,475
Bank balances	33	55,584,908	42,264,407	36,607,005
Total current assets		92,324,577	57,358,197	62,276,534
Total assets		94,264,529	59,214,735	64,295,584
Current liabilities				
Due to banks and a non-bank financial institution	35	—	—	318,858
Accounts payable to brokerage clients	36	76,794,509	41,231,089	39,745,629
Accrued staff costs	37	2,343,388	1,487,420	1,104,837
Other payables and accruals	38	393,692	337,142	363,707
Current tax liabilities		188,262	29,687	20,269
Financial assets sold under repurchase agreements	39	—	2,602	5,183,436
Total current liabilities		79,719,851	43,087,940	46,736,736
Net current assets		12,604,726	14,270,257	15,539,798
Net assets		14,544,678	16,126,795	17,558,848
Equity				
Share capital	40	6,000,000	6,000,000	6,000,000
Capital reserve		41	—	—
Investment revaluation reserve	41	(16,003)	(36,010)	(27,165)
Translation reserve		—	(1,471)	(3,006)
General reserves	42	4,971,869	5,720,521	6,298,403
Retained profits		3,504,328	4,321,099	5,161,627
Equity attributable to owners of the Company		14,460,235	16,004,139	17,429,859
Non-controlling interests		84,443	122,656	128,989
Total equity		14,544,678	16,126,795	17,558,848

D. STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2010	2011	2012
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property and equipment	17	598,725	561,220	480,812
Goodwill	18	223,278	223,278	223,278
Other intangible assets	19	318,068	348,218	354,971
Investments in subsidiaries	20	1,245,228	1,607,802	2,014,752
Available-for-sale financial assets	21	190,020	160,186	300,526
Deferred tax assets	22	460,493	292,970	150,991
Total non-current assets		3,035,812	3,193,674	3,525,330
Current assets				
Advances to customers	23	532,829	2,548,727	5,171,621
Accounts receivable	24	129,343	102,416	88,602
Prepaid taxes		18,317	149,389	268,136
Other receivables and prepayments	25	426,554	283,570	392,470
Amounts due from subsidiaries	26	88,496	146,893	127,189
Available-for-sale financial assets	21	1,833,024	640,965	5,908,000
Financial assets held under resale agreements	27	60,000	91,753	659,523
Financial assets held for trading	28	6,514,532	4,860,774	4,427,645
Financial assets designated as at fair value through profit or loss	29	182,098	925	831,037
Deposits with exchanges and a non-bank financial institution	31	977,378	776,442	620,251
Clearing settlement funds	32	24,244,359	3,123,356	4,146,477
Bank balances	33	52,019,598	39,108,331	31,939,024
Total current assets		87,026,528	51,833,541	54,579,975
Total assets		90,062,340	55,027,215	58,105,305
Current liabilities				
Due to banks and a non-bank financial institution	35	—	—	300,000
Accounts payable to brokerage clients	36	72,860,963	37,381,078	33,996,895
Accrued staff costs	37	2,300,692	1,418,375	998,312
Other payables and accruals	38	353,233	274,138	284,724
Current tax liabilities		180,463	14,285	—
Financial assets sold under repurchase agreements	39	—	2,602	5,183,436
Total current liabilities		75,695,351	39,090,478	40,763,367
Net current assets		11,331,177	12,743,063	13,816,608
Net assets		14,366,989	15,936,737	17,341,938
Equity				
Share capital	40	6,000,000	6,000,000	6,000,000
Investment revaluation reserve	41	(16,003)	(36,010)	(27,165)
General reserves	42	4,971,869	5,720,521	6,298,403
Retained profits	43	3,411,123	4,252,226	5,070,700
Total equity		14,366,989	15,936,737	17,341,938

E. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company								
	Share capital	Capital reserve	Investment revaluation reserve	Translation reserve	General reserves	Retained profits	Subtotal	Non-controlling interests	Total equity
	RMB'000 (Note 40)	RMB'000	RMB'000 (Note 41)	RMB'000	RMB'000 (Note 42)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	6,000,000	—	8,772	—	3,705,187	3,193,994	12,907,953	33,466	12,941,419
Profit for the year	—	—	—	—	—	2,777,016	2,777,016	13,454	2,790,470
Other comprehensive expense for the year	—	—	(24,775)	—	—	—	(24,775)	—	(24,775)
Total comprehensive (expense)/ income for the year	—	—	(24,775)	—	—	2,777,016	2,752,241	13,454	2,765,695
Capital injection from non-controlling shareholders	—	41	—	—	—	—	41	37,523	37,564
Appropriation to general reserves	—	—	—	—	1,266,682	(1,266,682)	—	—	—
Dividends recognized as distribution (note 43)	—	—	—	—	—	(1,200,000)	(1,200,000)	—	(1,200,000)
At 31 December 2010	6,000,000	41	(16,003)	—	4,971,869	3,504,328	14,460,235	84,443	14,544,678
Profit for the year	—	—	—	—	—	1,578,130	1,578,130	6,710	1,584,840
Other comprehensive expense for the year	—	—	(20,007)	(1,471)	—	—	(21,478)	—	(21,478)
Total comprehensive (expense)/ income for the year	—	—	(20,007)	(1,471)	—	1,578,130	1,556,652	6,710	1,563,362
Capital injection from non-controlling shareholders	—	—	—	—	—	—	—	54,934	54,934
Acquisition of non-controlling interest in a subsidiary	—	(41)	—	—	—	(12,707)	(12,748)	(17,220)	(29,968)
Appropriation to general reserves	—	—	—	—	748,652	(748,652)	—	—	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	(6,211)	(6,211)
At 31 December 2011	6,000,000	—	(36,010)	(1,471)	5,720,521	4,321,099	16,004,139	122,656	16,126,795
Profit for the year	—	—	—	—	—	1,419,779	1,419,779	12,759	1,432,538
Other comprehensive income/ (expense) for the year	—	—	8,845	(1,535)	—	—	7,310	—	7,310
Total comprehensive income/ (expense) for the year	—	—	8,845	(1,535)	—	1,419,779	1,427,089	12,759	1,439,848
Disposal of a subsidiary	—	—	—	—	—	—	—	(909)	(909)
Acquisition of non-controlling interest in a subsidiary	—	—	—	—	—	(1,369)	(1,369)	—	(1,369)
Appropriation to general reserves	—	—	—	—	577,882	(577,882)	—	—	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	(5,517)	(5,517)
At 31 December 2012	6,000,000	—	(27,165)	(3,006)	6,298,403	5,161,627	17,429,859	128,989	17,558,848

F. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2010	2011	2012
		RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES				
Profit before income tax		3,890,627	2,260,978	1,886,313
Adjustments for				
Interest expenses		328,949	309,322	279,105
Depreciation and amortization		250,663	273,476	283,809
Impairment losses		20,883	19,544	26,970
Gain on disposal of property and equipment and other intangible assets		(361)	(792)	(350)
Gain on disposal of a subsidiary		—	—	(4,554)
Foreign exchange (gains)/losses, net		(224)	10,087	1,216
Net realized losses/(gains) from disposal of available-for-sale financial assets		22,619	41,777	(5,433)
Dividend income and interest income from available-for-sale financial assets		(48,338)	(44,142)	(157,393)
Operating cash flows before movements in working capital		4,464,818	2,870,250	2,309,683
Increase in advances to customers		(532,829)	(2,015,898)	(2,889,941)
(Increase)/decrease in accounts and other receivables and prepayments		(296,180)	119,390	(72,687)
Decrease/(increase) in financial assets held under resale agreements		1,769,643	(531,753)	(217,770)
(Increase)/decrease in financial assets at fair value through profit or loss		(1,293,137)	1,684,931	(441,359)
(Increase)/decrease in deposits with exchanges and a non-bank financial institution		(643,117)	209,703	(477,284)
(Increase)/decrease in clearing settlement funds-clients		(8,533,225)	20,670,276	(975,534)
Decrease in cash held on behalf of customers		17,566,605	14,575,143	3,031,777
Decrease in accounts payable to brokerage clients, accrued staff costs and other payables and accruals		(8,416,660)	(36,486,290)	(1,834,184)
(Decrease)/increase in financial assets sold under repurchase agreements		(4,252,700)	2,602	5,180,834
Increase in placements from a non-bank financial institution		—	—	300,000
Cash (used in)/from operations		(166,782)	1,098,354	3,913,535
Income taxes paid		(1,077,483)	(802,398)	(454,402)
Interest paid		(331,312)	(309,941)	(275,428)
NET CASH (USED IN)/ FROM OPERATING ACTIVITIES		(1,575,577)	(13,985)	3,183,705
INVESTING ACTIVITIES				
Dividends and interest received from investments		37,186	47,727	22,214
Purchases of property and equipment and other intangible assets		(201,408)	(287,749)	(238,254)
Proceeds from disposal of property and equipment and other intangible assets		4,443	8,676	13,638
Disposal of a subsidiary	20	—	—	4,259
Purchase or proceeds from disposal of available-for-sale financial assets, net		(1,714,911)	1,056,691	(5,631,615)
NET CASH (USED IN)/ FROM INVESTING ACTIVITIES		(1,874,690)	825,345	(5,829,758)
FINANCING ACTIVITIES				
Dividends paid		(1,200,000)	—	—
Dividends paid to non-controlling shareholders		—	—	(11,728)
Capital injection from non-controlling shareholders		37,564	54,934	—
New bank loans raised		—	—	18,858
Acquisition of non-controlling interest in a subsidiary		—	(25,208)	(4,760)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(1,162,436)	29,726	2,370
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(4,612,703)	841,086	(2,643,683)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		10,347,853	5,731,298	6,564,857
Effect of foreign exchange rate changes		(3,852)	(7,527)	(132)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	34	5,731,298	6,564,857	3,921,042
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:				
Interest received		1,365,094	1,797,379	1,925,619

G. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION OF THE GROUP

Pursuant to the approval from the CSRC, the Company was established in Beijing, the PRC on 26 January 2007 with a registered capital of RMB 6 billion.

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

The Company and its subsidiaries (hereinafter 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, project and investment management, commodity futures brokerage, financial futures brokerage, futures investment advisory, wealth management 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") throughout the Relevant Periods.

The Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information, the Group has consistently applied International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs") (herein collectively referred to as the "IFRSs") issued by the International Accounting Standards Board ("IASB") which are effective for the accounting period beginning on 1 January 2012 throughout the Relevant Periods.

G. NOTES TO THE FINANCIAL INFORMATION—continued

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS—continued

The Group has not early applied the following new and revised IFRSs which are relevant to the Group that have been issued but are not yet effective.

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle[1]
Amendments to IFRS 7	Disclosures—Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[4]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[2]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[3]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[4]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2015.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2014.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities and Amendments to IFRS 7 Disclosures—Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of setoff" and "simultaneous realization and settlement".

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures in the consolidated financial statements.

G. NOTES TO THE FINANCIAL INFORMATION—continued

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS—continued

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments (as issued in 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial instruments (as amended in 2010) adds the new requirements for the financial liabilities and for derecognition.

All recognized financial assets that are within the scope of IAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The directors anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 will affect the classification and measurement of the Group's available-for-sale financial assets particularly, equity securities currently measured at cost, and may have impact on the Group's other financial assets but not on the Group's financial liabilities.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (Revised 2011) and IAS 28 (Revised 2011).

Key requirements of these five standards that are relevant to the Group are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC 12 Consolidation—Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

G. NOTES TO THE FINANCIAL INFORMATION—continued

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS—continued

New and revised Standards on consolidation, joint arrangements, associates and disclosures—continued

Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

IAS 28 is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

Amendments to IFRS 10, IFRS 12 and IAS 27 were issued in October 2012 for providing an exception to the consolidation requirement in IFRS 10 and requiring "investment entities" to measure its investments of controlled investees at fair value through profit or loss, instead of consolidation. Disclosure requirements for investment entities are set out in IFRS 12.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards would have no significant impact on amounts reported in the consolidated financial statements but will lead to more extensive disclosures.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

G. NOTES TO THE FINANCIAL INFORMATION—continued

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS—continued

IFRS 13 Fair Value Measurement—continued

The directors anticipate that the application of the new standard is not expected to have a material effect on the Group's consolidated financial statements but will result in more disclosures in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the "statement of comprehensive income" is renamed as "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as "statement of profit or loss". The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The directors anticipate that the amendments to IAS 1 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

IAS 19 (Revised 2011) Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the current version of IAS 19. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual period beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and the actuarial gains and losses currently recognized in profit or loss will be recognized through other comprehensive income. However, the application of the amendments to IAS 19 would have no significant impact on amounts reported in respect of the Groups' defined benefit plans on the consolidated financial statements.

The directors anticipate that the application of other new and revised IFRSs will have no material impact on the Group's consolidated financial statements.

G. NOTES TO THE FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform to IFRSs and included applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Hong Kong Companies Ordinance. The Financial Information has been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses, if any.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the Group's and the Company's statements of financial position.

G. NOTES TO THE FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Goodwill—continued

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Property and equipment

Property and equipment including leasehold land (classified as finance lease) and building held for use in the supply of service, or for administrative purpose, are stated in the Group's and the Company's statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property and equipment, less their residual values over their estimated useful lives, using straight-line method.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

Classes	Estimated residual value rates	Useful lives
Leasehold land and buildings	5%	20 - 40 years
Electronic and communication equipment	0 - 4%	3 - 5 years
Motor vehicles	4 - 5%	4 - 10 years
Office equipment	nil	5 years
Leasehold improvements	nil	Over the lease term ranging from 11 months to 6 years

G. NOTES TO THE FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

The estimated useful lives of each class of intangible assets are as follows:

Computer software	3 years

Trading rights which have no legal period of expiry and are expected to generate net cash inflows indefinitely are regarded by the Group as having an indefinite useful life.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Impairment losses on tangible and intangible assets as well as investments in subsidiaries other than goodwill and financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets as well as investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the

G. NOTES TO THE FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Impairment losses on tangible and intangible assets as well as investments in subsidiaries other than goodwill and financial assets—continued

carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as finance lease and accounted for as property and equipment, where applicable, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the

G. NOTES TO THE FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Foreign currencies—continued

reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

G. NOTES TO THE FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the employee benefits expenses for those services in profit or loss.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognized in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Annuity scheme

The Group also sets up annuity scheme for qualified employees. Annuity contributions are accrued based on a certain percentage of the participants' total salary when employees have rendered service entitling them to the contributions. The contribution is recognized in profit or loss.

Supplementary retirement benefits

The Group provides supplementary retirement benefits to qualified employees in Mainland China who have already retired and those who will retire before 31 December 2014. Supplementary retirement benefits include supplementary pension payments and medical expense coverage.

The liability related to the above supplementary benefit obligations existing at the end of each reporting period, is calculated by independent actuaries using the Projected Unit Credit Method and is recorded as a liability in the Group's and Company's statements of financial position. The liability is determined through discounting the amount of future benefits that the employees are entitled for their services in the current and prior periods. The discount rates are based on the yields of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The gains or losses including those arising from the changes in actuarial assumptions and amendments to pension plans that the benefits are already vested immediately are recognized in profit or loss for the period in which they occur.

Early retirement benefits

The Group provides early retirement benefits to those employees in Mainland China who accepted an early retirement arrangement.

The liability related to early retirement benefits is recognized when the employees accepted the voluntary retirement before the normal retirement date, as approved by management and measured using the Projected Unit Credit Method as described above with gains or losses recognized in profit or loss for the period in which they occur.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

G. NOTES TO THE FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Taxation—continued

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before income tax" as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that there will be sufficient taxable profits against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

G. NOTES TO THE FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments

Financial assets and financial liabilities are recognized in the Group's and the Company's statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets can be classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, available-for-sale financial assets and held-to-maturity investments. The Group's financial assets are classified into one of the three categories, including FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets at fair value through profit or loss

Financial assets at FVTPL have two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

G. NOTES TO THE FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments—continued

Financial assets—continued

Financial assets at fair value through profit or loss—continued

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes dividends and interest earned on financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables including advances to customers, accounts receivable, other receivables, amounts due from subsidiaries, financial assets held under resale agreements, deposits with exchanges and a non-bank financial institution, clearing settlement funds, bank balances, are subsequently carried at amortized cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

G. NOTES TO THE FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments—continued

Financial assets—continued

Impairment of financial assets—continued

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest and principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as advances to customers and accounts receivable, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of advances to customers, accounts receivable and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When an advance to customers, an account receivable or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the

G. NOTES TO THE FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments—continued

Financial assets—continued

Impairment of financial assets—continued

impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in the investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognized directly in profit or loss for the period in which they arise. The net gain or loss recognized in profit or loss excludes interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including due to banks and a non-bank financial institution, accounts payable to brokerage clients, other payables and financial assets sold under repurchase agreements are subsequently measured at amortized cost, using the effective interest method.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received from external parties, net of direct issue costs.

G. NOTES TO THE FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments—continued

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability on initial recognition.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in profit or loss.

Financial assets sold under repurchase agreements and financial assets held under resale agreements

Financial assets sold subject to repurchase agreements, which do not result in derecognition of the financial assets, are continued to be recorded as "financial assets held for trading" or "available-for-sale financial assets" as appropriate. The corresponding liability is included in "financial assets sold under repurchase agreements". Consideration paid for financial assets held under agreements to resell are recorded as "financial assets held under resale agreements". Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method.

Securities lending

The Group lends securities to clients and the cash collateral balances required under the securities lending agreements and the interests arisen from these are included in "accounts payable to brokerage clients". For those securities held by the Group that were lent to clients, they are not derecognized and are continued to be recorded as "available-for-sale financial assets" or "financial assets designated as at fair value through profit or loss" as appropriate.

G. NOTES TO THE FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments—continued

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire, or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Revenue is recognized when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

(i) Commission income from broking business is recorded as income on a trade date basis, and service fees arising from broking business are recognized when services are rendered;

(ii) Underwriting and sponsors fees are recognized as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed;

(iii) Interest income from a financial asset is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;

(iv) Consultancy and advisory fee income is recognized when the relevant transactions have been arranged or the relevant services have been rendered; and

(v) Asset management fee income is recognized when management services are provided.

Provision

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties

G. NOTES TO THE FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Provision—continued

surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to section G of this report, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Fair value of available-for-sale equity investments with restriction on disposal

For available-for-sale equity investments which are subject to legally enforceable restriction that prevents the holders from disposing them within the specified period, the fair value of these listed shares is determined with reference to the quoted market prices with an adjustment of discount to reflect the effect of the restriction. The estimation of fair value of these shares includes some assumptions not supported by observable data. Changes in assumptions could affect the fair value of the available-for-sale equity investments.

Impairment of available-for-sale financial assets

The determination of whether available-for-sale financial assets are impaired requires significant judgement. For listed available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the asset has been below its original cost. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. The Group also takes into account other factors, such as the historical data on market volatility and the price of the specific investment, significant changes in technology, markets, economies or the law, as well as industry and sector performance and the financial information regarding the investee that provide evidence that the cost of the equity securities may not be recoverable. For available-for-sale debt instruments, the Group makes the judgments as to whether there is an objective evidence of impairment which indicates a measurable decrease in the estimated future cash flows of these debt instruments. This requires a significant level of management judgement which would affect the amount of impairment losses.

Impairment of advances to customers

The Group reviews its advances to customers to assess impairment on a periodic basis. In determining whether an impairment loss should be recognized in profit or loss, the Group reviews the

G. NOTES TO THE FINANCIAL INFORMATION—continued

4. KEY SOURCES OF ESTIMATION UNCERTAINTY—continued

Impairment of advances to customers—continued

value of the securities collateral received from the customers firstly on individual basis, then on collective basis in determining the impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are disclosed in note 18 to section G of this report.

Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realization of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognized in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the tax losses are disclosed in note 22 to section G of this report.

Retirement benefit obligations

The determination of retirement benefit obligations is based on various assumptions, including discount rate, mortality rate and expected rate of benefits increase. There may be difference between the actual amount and the estimated amount. Any difference arising from the actual result or changes in assumptions may affect the amount of expense recognized in the consolidated income statement in the period during which such changes take place and the corresponding liability recognized in the Group's and the Company's statements of financial position.

G. NOTES TO THE FINANCIAL INFORMATION—continued

5. COMMISSION AND FEE INCOME

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Commission on securities dealing and broking and handling fee income	5,813,563	3,672,683	2,732,345
Underwriting and sponsors fees	715,237	634,166	674,864
Commission on futures and options contracts dealing and broking and handling fee income	253,297	267,465	337,734
Consultancy and financial advisory fee income	47,699	49,901	33,163
Asset management fee income	31,269	27,169	41,231
Others	8,125	12,808	11,209
	6,869,190	4,664,192	3,830,546

6. INTEREST INCOME

The following is the analysis excluding interest income from investments:

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Deposits with banks and non-bank financial institutions	1,232,072	1,454,937	1,313,462
Advances to customers and securities lending	6,678	162,187	355,194
Financial assets held under resale agreements	4,387	12,144	29,992
	1,243,137	1,629,268	1,698,648

7. NET INVESTMENT GAINS

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Net realized (losses)/gains from disposal of available-for-sale financial assets	(22,619)	(41,777)	5,433
Dividend income and interest income from available-for-sale financial assets	48,338	44,142	157,393
Net realized gains/(losses) from disposal of financial assets held for trading	47,647	(158,326)	(270,931)
Dividend income and interest income from financial assets held for trading	191,188	199,459	380,709
Net realized gains from disposal of financial assets designated as at fair value through profit or loss	84,128	20,501	120
Interest income from financial assets designated as at fair value through profit or loss	314	302	5,389
Net realized gains from derivatives	3,561	62,188	73,992
Unrealized fair value change of financial instruments at fair value through profit or loss			
—financial assets held for trading	(53,502)	(4,862)	31,751
—financial assets designated as at fair value through profit or loss	14,881	(15,141)	37,543
—derivatives	(310)	(2,076)	(26,586)
	313,626	104,410	394,813

G. NOTES TO THE FINANCIAL INFORMATION—continued

8. OTHER INCOME AND GAINS

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Rental income	8,551	10,746	8,754
Government grants	14,103	12,668	10,778
Gain on disposal of property and equipment and other intangible assets	361	792	350
Incentives from PRC stock and futures exchanges	4,139	3,533	1,559
Gain on disposal of a subsidiary (note 20)	—	—	4,554
Others	7,075	5,430	11,558
	34,229	33,169	37,553

The government grants were received unconditionally by the Group from the local governments to support operations in the designated locations.

9. DEPRECIATION AND AMORTIZATION

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Depreciation for property and equipment	240,878	256,004	248,237
Amortization of other intangible assets	9,785	17,472	35,572
	250,663	273,476	283,809

10. STAFF COSTS

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Salaries, bonus and allowances	1,546,659	1,184,410	1,275,879
Social welfare	221,858	332,262	368,111
Contributions to annuity schemes	60,534	56,432	42,496
Retirement benefit obligations	192,378	12,248	7,569
Others	151,830	227,045	176,751
	2,173,259	1,812,397	1,870,806

The domestic employees of the Group in the PRC participate in social security plans, including pension, medical, housing and other welfare benefits, organized and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated on regular basis and paid to the labor and social welfare authorities. These social security plans are defined contribution plans and contributions to the plans are expensed as incurred.

In addition to the above social security plans, the Company also provides annuity schemes for certain qualified employees in the PRC. Employees' and employer's contributions are calculated based on certain percentage of employees' salaries and recognized in profit or loss as expense. These annuity schemes are defined contribution plans.

G. NOTES TO THE FINANCIAL INFORMATION—continued

10. STAFF COSTS—continued

The Group also operates a defined contribution scheme for all qualified employees in Hong Kong under the Mandatory Provident Fund Scheme Ordinance. The Group contributes certain percentage of relevant payroll costs to the scheme, and the contribution is matched by employees but subject to a maximum amount for each employee. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Details of the retirement benefit obligations for qualified employees in the PRC are set out in note 37(1) to section G.

11. COMMISSION AND FEE EXPENSES

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Securities and futures dealing and broking expenses	171,110	105,241	76,565
Underwriting and sponsors fee expenses	33,546	50,277	23,458
Other service expenses	4,350	13,455	7,627
	209,006	168,973	107,650

12. INTEREST EXPENSES

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Interest on liabilities that are wholly repayable within five years:			
—Accounts payable to brokerage clients	269,501	261,964	157,440
—Financial assets sold under repurchase agreements	58,299	47,358	109,227
—Due to banks and non-bank financial institutions	1,149	—	12,438
	328,949	309,322	279,105

13. OTHER OPERATING EXPENSES

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Auditors' remuneration	1,940	2,036	2,995
General and administrative expenses	457,198	493,619	446,977
Business taxes and surcharges	397,104	278,077	254,352
Operating lease rentals in respect of rented premises	277,239	335,869	371,935
Data transmission expenses	151,314	159,634	162,203
Securities investor protection funds	75,946	55,914	25,008
Business travel expenses	61,340	84,563	81,055
Utilities expenses	49,293	51,119	52,136
Foreign exchange (gains)/losses, net	(224)	10,087	1,216
Litigation provision (note 38)	—	—	18,900
Sundry expenses	115,645	115,431	90,130
	1,586,795	1,586,349	1,506,907

G. NOTES TO THE FINANCIAL INFORMATION—continued

14. IMPAIRMENT LOSSES

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Allowance for/(reversal of) impairment loss in respect of accounts receivable	5,813	9,181	(13,746)
Impairment loss in respect of other receivables	15,070	10,363	10,750
Impairment loss in respect of available-for-sale financial assets	—	—	29,966
	20,883	19,544	26,970

15. INCOME TAX EXPENSE

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Current tax:			
PRC Enterprise Income Tax	1,168,015	458,438	361,273
Under/(over) provision in prior years:			
PRC Enterprise Income Tax	23,609	54,312	(35,035)
Subtotal	1,191,624	512,750	326,238
Deferred tax:			
Current year (note 22)	(91,467)	163,388	127,537
	1,100,157	676,138	453,775

The statutory income tax rate applicable to PRC enterprises is 25% throughout the Relevant Periods. The Company's branches set up in Shenzhen and Haikou in the PRC are subject to special tax rates of 22%, 24% and 25%, respectively, for the years ended 31 December 2010, 2011 and 2012.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods. No Hong Kong profits tax is provided for as the Group has tax losses arising from its subsidiaries located in Hong Kong.

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Profit before income tax	3,890,627	2,260,978	1,886,313
Tax at the statutory tax rate of 25%	972,657	565,245	471,578
Tax effect of expenses not deductible for tax purposes	80,589	59,068	53,889
Tax effect of income not taxable for tax purpose	(10,188)	(6,037)	(45,025)
Tax effect of tax losses not recognized	—	2,314	5,643
Effect of different tax rates of branches and subsidiaries	(2,497)	540	2,725
Utilization of tax losses previously not recognized	(501)	—	—
Under/(over) provision in prior years	23,609	54,312	(35,035)
Others	36,488	696	—
Income tax expense for the year	1,100,157	676,138	453,775

G. NOTES TO THE FINANCIAL INFORMATION—continued

16. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Earnings for the purpose of basic earnings per share:			
Profit for the year attributable to owners of the Company	2,777,016	1,578,130	1,419,779
Number of shares:			
Number of shares in issue (in thousand)	6,000,000	6,000,000	6,000,000
Earnings per share:			
Earnings per share (RMB Yuan)	0.46	0.26	0.24

For the years ended 31 December 2010, 2011 and 2012, there were no potential ordinary shares in issue.

G. NOTES TO THE FINANCIAL INFORMATION—continued

17. PROPERTY AND EQUIPMENT

Group

	Leasehold land and buildings	Electronic and communication equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
As at 1 January 2010	241,740	619,688	68,010	80,766	166,339	1,176,543
Additions	2,371	88,342	5,212	14,400	76,072	186,397
Disposals/written-off	—	(83,866)	(3,120)	(6,746)	(22,406)	(116,138)
As at 31 December 2010	244,111	624,164	70,102	88,420	220,005	1,246,802
ACCUMULATED DEPRECIATION						
As at 1 January 2010	54,820	331,064	25,163	38,721	59,825	509,593
Charge for the year	10,918	151,621	13,120	13,632	51,587	240,878
Disposals/written-off	—	(81,896)	(2,237)	(5,907)	(22,406)	(112,446)
As at 31 December 2010	65,738	400,789	36,046	46,446	89,006	638,025
CARRYING VALUES						
As at 31 December 2010	178,373	223,375	34,056	41,974	130,999	608,777
COST						
As at 1 January 2011	244,111	624,164	70,102	88,420	220,005	1,246,802
Additions	—	104,189	18,702	26,031	90,132	239,054
Disposals/written-off	—	(47,132)	(2,903)	(5,494)	(34,484)	(90,013)
As at 31 December 2011	244,111	681,221	85,901	108,957	275,653	1,395,843
ACCUMULATED DEPRECIATION						
As at 1 January 2011	65,738	400,789	36,046	46,446	89,006	638,025
Charge for the year	10,898	143,921	15,600	15,220	70,365	256,004
Disposals/written-off	—	(39,957)	(2,587)	(5,101)	(34,484)	(82,129)
As at 31 December 2011	76,636	504,753	49,059	56,565	124,887	811,900
CARRYING VALUES						
As at 31 December 2011	167,475	176,468	36,842	52,392	150,766	583,943
COST						
As at 1 January 2012	244,111	681,221	85,901	108,957	275,653	1,395,843
Additions	929	61,602	6,571	24,215	99,747	193,064
Disposals/written-off	—	(58,421)	(3,915)	(6,672)	(47,215)	(116,223)
As at 31 December 2012	245,040	684,402	88,557	126,500	328,185	1,472,684
ACCUMULATED DEPRECIATION						
As at 1 January 2012	76,636	504,753	49,059	56,565	124,887	811,900
Charge for the year	10,940	106,625	19,387	19,699	91,586	248,237
Disposals/written-off	—	(48,079)	(2,446)	(5,313)	(47,215)	(103,053)
As at 31 December 2012	87,576	563,299	66,000	70,951	169,258	957,084
CARRYING VALUES						
As at 31 December 2012	157,464	121,103	22,557	55,549	158,927	515,600

G. NOTES TO THE FINANCIAL INFORMATION—continued

17. PROPERTY AND EQUIPMENT—continued

Company

	Leasehold land and buildings	Electronic and communication equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
As at 1 January 2010	241,740	609,047	67,180	79,996	164,736	1,162,699
Additions	2,371	84,616	5,212	14,386	74,841	181,426
Disposals/written-off	—	(83,755)	(3,120)	(6,746)	(22,406)	(116,027)
As at 31 December 2010	244,111	609,908	69,272	87,636	217,171	1,228,098
ACCUMULATED DEPRECIATION						
As at 1 January 2010	54,820	326,434	24,778	38,566	59,174	503,772
Charge for the year	10,918	149,363	13,035	13,549	51,099	237,964
Disposals/written-off	—	(81,813)	(2,237)	(5,907)	(22,406)	(112,363)
As at 31 December 2010	65,738	393,984	35,576	46,208	87,867	629,373
CARRYING VALUES						
As at 31 December 2010	178,373	215,924	33,696	41,428	129,304	598,725
COST						
As at 1 January 2011	244,111	609,908	69,272	87,636	217,171	1,228,098
Additions	—	90,262	18,702	24,019	88,372	221,355
Disposals/written-off	—	(47,067)	(2,903)	(5,465)	(34,289)	(89,724)
As at 31 December 2011	244,111	653,103	85,071	106,190	271,254	1,359,729
ACCUMULATED DEPRECIATION						
As at 1 January 2011	65,738	393,984	35,576	46,208	87,867	629,373
Charge for the year	10,898	140,324	15,521	14,929	69,308	250,980
Disposals/written-off	—	(39,895)	(2,587)	(5,073)	(34,289)	(81,844)
As at 31 December 2011	76,636	494,413	48,510	56,064	122,886	798,509
CARRYING VALUES						
As at 31 December 2011	167,475	158,690	36,561	50,126	148,368	561,220
COST						
As at 1 January 2012	244,111	653,103	85,071	106,190	271,254	1,359,729
Additions	929	48,101	6,571	17,281	97,641	170,523
Disposals/written-off	—	(51,426)	(3,750)	(6,559)	(47,215)	(108,950)
As at 31 December 2012	245,040	649,778	87,892	116,912	321,680	1,421,302
ACCUMULATED DEPRECIATION						
As at 1 January 2012	76,636	494,413	48,510	56,064	122,886	798,509
Charge for the year	10,940	99,658	19,305	17,992	90,270	238,165
Disposals/written-off	—	(41,420)	(2,286)	(5,263)	(47,215)	(96,184)
As at 31 December 2012	87,576	552,651	65,529	68,793	165,941	940,490
CARRYING VALUES						
As at 31 December 2012	157,464	97,127	22,363	48,119	155,739	480,812

G. NOTES TO THE FINANCIAL INFORMATION—continued

17. PROPERTY AND EQUIPMENT—continued

The carrying amounts of leasehold land and buildings located on land in the PRC with the following lease terms are:

Group and Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
On long-term lease (over 50 years)	7,404	6,972	6,540
On medium-term lease (10-50 years)	170,969	160,503	150,924
	178,373	167,475	157,464

The Group was still in the process of applying for the title certificates for its leasehold land and buildings with a net book value of RMB41.32 million, RMB38.75 million, RMB30.99 million as at 31 December 2010, 2011 and 2012 respectively. The directors of the Company consider that this would not have significant impact on the Financial Information as at 31 December 2010, 2011 and 2012.

18. GOODWILL

Group and Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Cost and carrying value, at beginning and end of the year	223,278	223,278	223,278

Impairment testing on goodwill

The Company acquired the securities brokerage business, investment banking business together with the relevant assets and liabilities, and the interest in Galaxy Futures Company Limited from China Galaxy Securities LLC. (the "former Galaxy") in January 2007. The Group recognized the excess of acquisition cost over the fair value of the net identifiable assets acquired as the goodwill of the securities brokerage cash-generating unit (the "CGU"), which is the securities brokerage operating segment.

During the years ended 31 December 2010, 2011 and 2012, management of the Group determined that there was no impairment of the securities brokerage CGU containing the goodwill and trading rights with indefinite useful lives (see note 19) as the recoverable amounts of the CGU exceed its carrying amounts.

The basis of the recoverable amount of the securities brokerage CGU and its major underlying assumptions are summarized below:

The recoverable amount of the securities brokerage CGU has been determined on the basis of value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and at a discount rate of 18.95%, 17.32% and 15.52%, as at 31 December 2010, 2011 and 2012. The discount rates used reflect specific risks relating to the CGU.

G. NOTES TO THE FINANCIAL INFORMATION—continued

18. GOODWILL—continued

Impairment testing on goodwill—continued

Other key assumptions for the value in use calculation relate to the estimation of cash flows which include budgeted income and gross margin, such estimation is based on the past performance and management's expectations for the market development.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

19. OTHER INTANGIBLE ASSETS

Group

	Trading rights	Computer software	Total
	RMB'000	RMB'000	RMB'000
COST			
As at 1 January 2010	302,599	63,169	365,768
Additions	—	15,011	15,011
Disposals/written-off	—	(27,241)	(27,241)
As at 31 December 2010	302,599	50,939	353,538
ACCUMULATED AMORTIZATION			
As at 1 January 2010	—	48,516	48,516
Charge for the year	—	9,785	9,785
Disposals/written-off	—	(26,851)	(26,851)
As at 31 December 2010	—	31,450	31,450
CARRYING VALUES			
As at 31 December 2010	302,599	19,489	322,088
COST			
As at 1 January 2011	302,599	50,939	353,538
Additions	811	47,884	48,695
Disposals/written-off	—	(1,834)	(1,834)
As at 31 December 2011	303,410	96,989	400,399
ACCUMULATED AMORTIZATION			
As at 1 January 2011	—	31,450	31,450
Charge for the year	—	17,472	17,472
Disposals/written-off	—	(1,834)	(1,834)
As at 31 December 2011	—	47,088	47,088
CARRYING VALUES			
As at 31 December 2011	303,410	49,901	353,311
COST			
As at 1 January 2012	303,410	96,989	400,399
Additions	—	45,190	45,190
Disposals/written-off	—	(1,285)	(1,285)
As at 31 December 2012	303,410	140,894	444,304
ACCUMULATED AMORTIZATION			
As at 1 January 2012	—	47,088	47,088
Charge for the year	—	35,572	35,572
Disposals/written-off	—	(1,167)	(1,167)
As at 31 December 2012	—	81,493	81,493
CARRYING VALUES			
As at 31 December 2012	303,410	59,401	362,811

G. NOTES TO THE FINANCIAL INFORMATION—continued

19. OTHER INTANGIBLE ASSETS—continued

Company

	Trading rights	Computer software	Total
	RMB'000	RMB'000	RMB'000
COST			
As at 1 January 2010	301,199	61,114	362,313
Additions	—	13,140	13,140
Disposals/written-off	—	(27,241)	(27,241)
As at 31 December 2010	301,199	47,013	348,212
ACCUMULATED AMORTIZATION			
As at 1 January 2010	—	47,638	47,638
Charge for the year	—	9,357	9,357
Disposals/written-off	—	(26,851)	(26,851)
As at 31 December 2010	—	30,144	30,144
CARRYING VALUES			
As at 31 December 2010	301,199	16,869	318,068
COST			
As at 1 January 2011	301,199	47,013	348,212
Additions	—	46,849	46,849
Disposals/written-off	—	(1,834)	(1,834)
As at 31 December 2011	301,199	92,028	393,227
ACCUMULATED AMORTIZATION			
As at 1 January 2011	—	30,144	30,144
Charge for the year	—	16,699	16,699
Disposals/written-off	—	(1,834)	(1,834)
As at 31 December 2011	—	45,009	45,009
CARRYING VALUES			
As at 31 December 2011	301,199	47,019	348,218
COST			
As at 1 January 2012	301,199	92,028	393,227
Additions	—	41,303	41,303
Disposals/written-off	—	(1,285)	(1,285)
As at 31 December 2012	301,199	132,046	433,245
ACCUMULATED AMORTIZATION			
As at 1 January 2012	—	45,009	45,009
Charge for the year	—	34,432	34,432
Disposals/written-off	—	(1,167)	(1,167)
As at 31 December 2012	—	78,274	78,274
CARRYING VALUES			
As at 31 December 2012	301,199	53,772	354,971

Trading rights mainly comprise the trading rights in the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Stock Exchange and the Hong Kong Futures Exchange Limited. These rights allow the Group to trade securities and futures contracts on or through these exchanges.

G. NOTES TO THE FINANCIAL INFORMATION—continued

19. OTHER INTANGIBLE ASSETS—continued

Impairment testing on trading rights with indefinite useful lives

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortized until their useful life is determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The trading rights are being used in the following CGUs and the carrying amount of trading rights is allocated as follows:

Group

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Securities brokerage	292,715	292,715	290,359
Others	9,884	10,695	13,051
	302,599	303,410	303,410

Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Securities brokerage	292,715	292,715	290,359
Others	8,484	8,484	10,840
	301,199	301,199	301,199

The respective recoverable amounts of these CGUs where the trading rights are allocated to, using a value in use calculation, exceed their carrying amounts. Accordingly, there were no impairment of the trading rights as at 31 December 2010, 2011 and 2012.

20. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	1,245,228	1,607,802	2,014,752
Less: Allowance for impairment losses	—	—	—
	1,245,228	1,607,802	2,014,752

G. NOTES TO THE FINANCIAL INFORMATION—continued

20. INVESTMENTS IN SUBSIDIARIES—continued

At the end of each reporting period and on the date of this report, the Company has the following subsidiaries comprising the Group:

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest held by the Group				Share capital/registered and paid-up capital as at 31 December 2012	Principal activities	Statutory auditors[2]
		As at 31 December			As at the date of this report			
		2010	2011	2012				
銀河創新資本管理有限公司 Galaxy Capital Management Company Limited ("Galaxy Capital")*[1]	Beijing, PRC 21 October 2009	100%	100%	100%	100%	RMB1,000,000,000	Assets management, project investment and investment management	E&Y PRC
China Galaxy International Financial Holdings Company Limited[1] (Note 1)	Hong Kong, PRC 9 February 2011	—	100%	100%	100%	HKD600,000,000	Investment holding	KPMG HK
銀河期貨有限公司 Galaxy Futures Company Limited. ("Galaxy Futures")*[1] (Note 2)	Beijing, PRC 2 May 1995	79.16%	83.32%	83.32%	83.32%	RMB600,000,000	Commodity futures broking, financial futures broking, and futures investment consultancy	Zhonglei CPA
China Galaxy International Futures (Hong Kong) Company Limited (Note 3)	Hong Kong, PRC 2 March 2011	—	100%	100%	100%	HKD30,000,000	Futures contracts dealing and broking	KPMG HK
China Galaxy International Securities (Hong Kong) Company Limited	Hong Kong, PRC 2 March 2011	—	100%	100%	100%	HKD300,000,000	Securities broking	KPMG HK
China Galaxy International Finance (Hong Kong) Company Limited	Hong Kong, PRC 10 January 2012	—	—	100%	100%	HKD1,000,000	Money lending	KPMG HK
China Galaxy International Assets Management (Hong Kong) Company Limited	Hong Kong, PRC 28 June 2012	—	—	100%	100%	HKD10,000,000	Asset management	KPMG HK
銀河金岩投資諮詢(深圳)有限公司 Galaxy Golden Rock Investment Consultancy (Shenzhen) Company Limited*	Shenzhen, PRC 24 July 2012	—	—	100%	100%	RMB2,200,000	Economic information consultancy, enterprise management consultancy and project investment consultancy	KPMG PRC
China Galaxy International Wealth Management (Hong Kong) Company Limited	Hong Kong, PRC 30 October 2012	—	—	100%	100%	HKD100,000	Wealth management and insurance broking	KPMG HK
銀河達華低碳產業(天津)基金管理有限公司 Galaxy Dahua Low Carbon Industry (Tianjin) Fund Management Company Limited ("Galaxy Dahua")* (Note 4)	Tianjin, PRC 28 June 2011	—	51%	—	—	RMB10,000,000	Equity investment, fund management, finance and investment management and advisory	E&Y PRC

G. NOTES TO THE FINANCIAL INFORMATION—continued

20. INVESTMENTS IN SUBSIDIARIES—continued

Note 1: According to CSRC's "Reply on Approving the Establishment of the China Galaxy International Financial Holdings Company Limited by China Galaxy Securities Co., Ltd", the Company contributed capital of HKD100 million to set up a wholly-owned subsidiary, China Galaxy International Financial Holdings Company Limited, in February 2011. On 1 June 2012, the Company contributed an additional capital of HKD500 million and the share capital was increased to HKD600 million as at 31 December 2012.

Note 2: The paid-up capital of Galaxy Futures was increased from RMB120 million to RMB300 million during the year ended 31 December 2010. The Company and the non-controlling interest of Galaxy Futures paid RMB142.49 million and RMB37.51 million, respectively, to subscribe for the additional interests. The interest in Galaxy Futures held by the Group remained at 79.16% as at 31 December 2010.

During the year ended 31 December 2011, the Company acquired the 4.16% interest in Galaxy Futures from a fellow subsidiary, Galaxy Insurance Brokerage (Beijing) Company Limited (銀河保險經紀（北京）有限責任公司) ("Galaxy Insurance Brokerage"), for a consideration of RMB25.21 million and at the same time, the paid-up capital of Galaxy Futures was increased from RMB300 million to RMB600 million. The Company and the non-controlling interest of Galaxy Futures paid RMB249.97 million and RMB50.03 million, respectively, to subscribe for the additional interests. The interest in Galaxy Futures held by the Group increased from 79.16% to 83.32% as at 31 December 2011.

Note 3: On 4 October 2012, China Galaxy International Financial Holdings Company Limited contributed an additional capital of HKD20 million to China Galaxy International Futures (Hong Kong) Company Limited. As at 31 December 2012, the share capital of China Galaxy International Futures (Hong Kong) Company Limited was increased to HKD30 million.

G. NOTES TO THE FINANCIAL INFORMATION—continued

20. INVESTMENTS IN SUBSIDIARIES—continued

Note 4: Galaxy Capital signed an equity transfer agreement with Galaxy Financial Holdings in December 2012 to transfer all equity interests of Galaxy Dahua that it held to Galaxy Financial Holdings at a consideration of RMB5.50 million. Upon completion of the transfer on 31 December 2012, Galaxy Dahua ceased to be a subsidiary of the Group.

Assets and liabilities of Galaxy Dahua at the date of disposal are as follows:

	RMB'000
Net assets disposed of:	
Property and equipment	126
Other receivables and prepayments	831
Bank balances	1,241
Accrued staff costs	(111)
Other payables and accruals	(232)
	1,855
Non-controlling interest	(909)
Gain on disposal of a subsidiary	4,554
	5,500
Satisfied by:	
Cash	5,500
Cash flow from disposal of a subsidiary:	
Cash consideration	5,500
Bank balances disposed of	(1,241)
Net cash inflow from disposal of a subsidiary	4,259

The impact of Galaxy Dahua on the Group's results and cash flows in the Relevant Periods was insignificant.

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* These subsidiaries do not have official English names.

(1) These subsidiaries are directly held by the Company.

(2) Statutory auditors of the respective subsidiaries of the Group are as follows:

- E&Y PRC represents Ernst & Young Hua Ming Certified Public Accountants Ltd. (安永華明會計師事務所有限公司) or Ernst & Young Hua Ming LLP (安永華明會計師事務所（特殊普通合夥）), both are firms of certified public accountants registered in the PRC as appropriate;
- KPMG HK represents KPMG in Hong Kong, a firm of certified public accountants registered in Hong Kong;
- KPMG PRC represents KPMG Huazhen (Special General Partnership) (畢馬威華振會計師事務所（特殊普通合夥）), a firm of certified public accountants registered in the PRC; and
- Zhonglei CPA represents Zhonglei Certified Public Accountants Co., Ltd (中磊會計師事務所有限責任公司), a firm of certified public accountants registered in the PRC.

G. NOTES TO THE FINANCIAL INFORMATION—continued

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

Non-current	As at 31 December 2010 RMB'000	2011 RMB'000	2012 RMB'000
Measured at fair value:			
Other investments	190,020	160,186	300,526
Measured at cost:			
Equity securities	134,200	230,950	442,450
	324,220	391,136	742,976
Analyzed as:			
Unlisted	324,220	391,136	742,976

Current	As at 31 December 2010 RMB'000	2011 RMB'000	2012 RMB'000
Measured at fair value:			
Debt securities	1,829,461	602,936	5,517,098
Equity securities	3,563	30,169	383,346
Funds	—	7,860	7,556
	1,833,024	640,965	5,908,000
Analyzed as:			
Listed outside Hong Kong(1)	1,833,024	640,965	5,908,000

Company

Non-current	As at 31 December 2010 RMB'000	2011 RMB'000	2012 RMB'000
Measured at fair value:			
Other investments	190,020	160,186	300,526
Analyzed as:			
Unlisted	190,020	160,186	300,526

G. NOTES TO THE FINANCIAL INFORMATION—continued

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS—continued

Company—continued

Current	As at 31 December 2010 RMB'000	2011 RMB'000	2012 RMB'000
Measured at fair value:			
Debt securities	1,829,461	602,936	5,517,098
Equity securities	3,563	30,169	383,346
Funds	—	7,860	7,556
	1,833,024	640,965	5,908,000
Analyzed as:			
Listed outside Hong Kong(1)	1,833,024	640,965	5,908,000

(1) Securities and funds traded on the Interbank Bond Market, the Shanghai Stock Exchange, and the Shenzhen Stock Exchange are included in "Listed outside Hong Kong".

Other investments represent investments in collective asset management plans issued and managed by the Company, which mainly invest in debt securities and publicly traded equity securities listed in the PRC. The investment period of collective asset management plans ranges from 3 years to 8 years. The Group and the Company have committed to hold these collective asset management plans till the end of the investment period.

The fair value of the Group's and the Company's other investments are valued based on the net asset values of these investments by reference to their underlying assets' and liabilities' fair values.

The unlisted equity securities held by the Group are issued by private companies that are in the mineral resources, manufacturing, advertising or electronic communication 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 value of the securities is measured at cost less impairment at the end of each reporting period.

Included in the Group's and the Company's listed equity securities of approximately RMB3.40 million and RMB349.44 million as at 31 December 2010 and 2012 respectively were restricted shares listed in the PRC with a legally enforceable restriction that prevents the Group to dispose of within the specified period. Fair values of these restricted shares are determined with reference to the quoted market prices with an adjustment of discount to reflect the effect of the restriction. There were no restricted shares as at 31 December 2011.

The fair values of the Group's and the Company's investments in equity securities listed on stock exchanges without restriction, exchange-traded funds, and debt securities listed on stock exchanges are determined with reference to their quoted prices at the end of each reporting period. Fair values of debt securities traded on Interbank Bond Market are determined using valuation techniques.

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 respective reporting periods.

G. NOTES TO THE FINANCIAL INFORMATION—continued

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS—continued

As at 31 December 2010, 2011 and 2012, the Group and the Company entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale equity securities and exchange-traded funds with total fair value of RMB0.16 million, RMB9.44 million and RMB35.50 million, respectively, to clients. These securities continued to be recognized as financial assets of the Group and the Company.

22. 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:

Group

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Deferred tax assets	461,589	304,870	174,385

Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Deferred tax assets	460,493	292,970	150,991

The following are the major deferred tax assets and liabilities recognized and movements thereon in the Relevant Periods:

Group

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Accrued staff costs	Allowance of impairment losses	Accrued interest expenses	Accrued expenses	Changes in fair value of derivative financial instruments	Accrued interest income	Provisions	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	(8,071)	(2,924)	356,845	15,760	—	254	—	—	—	—	361,864
Credit/(charge) to profit or loss	9,655	—	92,344	3,965	1,807	18,336	78	(34,718)	—	—	91,467
Credit to other comprehensive income	—	8,258	—	—	—	—	—	—	—	—	8,258
At 31 December 2010	1,584	5,334	449,189	19,725	1,807	18,590	78	(34,718)	—	—	461,589
Credit/(charge) to profit or loss	5,001	—	(150,515)	1,882	(155)	(12,903)	519	(7,217)	—	—	(163,388)
Credit to other comprehensive income	—	6,669	—	—	—	—	—	—	—	—	6,669
At 31 December 2011	6,585	12,003	298,674	21,607	1,652	5,687	597	(41,935)	—	—	304,870
(Charge)/credit to profit or loss	(17,323)	—	(84,111)	(12,822)	919	(735)	6,646	(26,365)	4,725	1,529	(127,537)
Charge to other comprehensive income	—	(2,948)	—	—	—	—	—	—	—	—	(2,948)
At 31 December 2012	(10,738)	9,055	214,563	8,785	2,571	4,952	7,243	(68,300)	4,725	1,529	174,385

G. NOTES TO THE FINANCIAL INFORMATION—continued

22. DEFERRED TAXATION—continued

Company

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Accrued staff costs	Allowance of impairment losses	Accrued interest expense	Accrued expenses	Changes in fair value of derivative financial instruments	Accrued interest income	Provisions	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	(8,071)	(2,924)	356,845	15,760	—	—	—	—	—		361,610
Credit/(charge) to profit or loss	9,655	—	90,704	3,965	1,807	18,336	78	(33,920)	—		90,625
Credit to other comprehensive income	—	8,258	—	—	—	—	—	—	—		8,258
At 31 December 2010	1,584	5,334	447,549	19,725	1,807	18,336	78	(33,920)	—	—	460,493
Credit/(charge) to profit or loss	5,001	—	(165,592)	1,882	(155)	(13,377)	519	(2,470)	—	—	(174,192)
Credit to other comprehensive income	—	6,669	—	—	—	—	—	—	—	—	6,669
At 31 December 2011	6,585	12,003	281,957	21,607	1,652	4,959	597	(36,390)	—	—	292,970
(Charge)/credit to profit or loss	(16,906)	—	(93,239)	(12,822)	919	(735)	6,646	(28,951)	4,725	1,332	(139,031)
Charge to other comprehensive income	—	(2,948)	—	—	—	—	—	—	—	—	(2,948)
At 31 December 2012	(10,321)	9,055	188,718	8,785	2,571	4,224	7,243	(65,341)	4,725	1,332	150,991

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.

The Group has tax losses arising from its subsidiaries located in Hong Kong since their incorporations that can be carried forward indefinitely for offsetting against future taxable profits of the respective companies.

The Group has estimated unutilized tax losses of nil, RMB12.60 million and RMB46.59 million as at 31 December 2010, 2011 and 2012 respectively, available for offset against future profits of subsidiaries, and a portion of which have not been agreed with the PRC tax bureau or the Hong Kong tax authority. No deferred tax asset has been recognized due to the unpredictability of future profit streams of these PRC and Hong Kong entities in the Group. The tax losses of PRC group entities amounting to nil, RMB2.76 million and RMB2.76 million as at 31 December 2010, 2011 and 2012 respectively, will expire in 2016, and those of Hong Kong group entities amounting to nil, RMB9.84 million and RMB43.83 million as at 31 December 2010, 2011 and 2012 respectively, can be carried forward indefinitely.

G. NOTES TO THE FINANCIAL INFORMATION—continued

23. ADVANCES TO CUSTOMERS

Group

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Loans to margin clients	532,829	2,548,727	5,438,668
Less: Impairment on advances to customers	—	—	—
	532,829	2,548,727	5,438,668

Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Loans to margin clients	532,829	2,548,727	5,171,621
Less: Impairment on advances to customers	—	—	—
	532,829	2,548,727	5,171,621

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 31 December 2010, 2011 and 2012 were nil, RMB7 million and RMB1,380 million respectively.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value to the users of this report 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 31 December 2010, 2011 and 2012.

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

24. ACCOUNTS RECEIVABLE

Group

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Accounts receivable of:			
Client securities settlement	—	5,609	60,823
Brokers, dealers and clearing house	—	—	60,284
Trading rights rental commission	113,944	104,057	51,873
Asset management and funds distribution handling fee	12,710	4,945	17,115
Underwriting and sponsors fee	8,500	7,550	13,820
Investment advisory fee	—	—	3,105
Others	2	820	3,899
Subtotal	135,156	122,981	210,919
Less: Impairment on accounts receivable	(5,813)	(14,956)	(1,210)
Total	129,343	108,025	209,709

G. NOTES TO THE FINANCIAL INFORMATION—continued

24. ACCOUNTS RECEIVABLE—continued

Group—continued

Impairment on accounts receivable is assessed collectively. Ageing analysis of accounts receivable is as follows:

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Within 1 year	92,745	69,431	207,351
Between 1 and 2 years	36,598	12,436	2,283
Between 2 and 3 years	—	26,158	75
	129,343	108,025	209,709

Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Accounts receivable of:			
Trading rights rental commission	113,944	104,057	51,873
Asset management and funds distribution handling fee	12,710	4,945	17,115
Underwriting and sponsors fee	8,500	7,550	13,820
Investment advisory fee	—	—	3,105
Others	2	820	3,899
Subtotal	135,156	117,372	89,812
Less: Impairment on accounts receivable	(5,813)	(14,956)	(1,210)
Total	129,343	102,416	88,602

Impairment on accounts receivable is assessed collectively. Ageing analysis of accounts receivable is as follows:

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Within 1 year	92,745	63,822	86,244
Between 1 and 2 years	36,598	12,436	2,283
Between 2 and 3 years	—	26,158	75
	129,343	102,416	88,602

G. NOTES TO THE FINANCIAL INFORMATION—continued

24. ACCOUNTS RECEIVABLE—continued

Movements in the allowance for impairment on accounts receivable are as follows:

Group and Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
At beginning of the year	—	5,813	14,956
Impairment losses recognized	5,813	9,181	—
Reversal of impairment losses	—	—	(13,746)
Amounts written off	—	(38)	—
At end of the year	5,813	14,956	1,210

The credit term of accounts receivable is generally within three months. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimize credit risk. Overdue balances are regularly monitored by management.

25. OTHER RECEIVABLES AND PREPAYMENTS

Group

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Interest receivable	150,900	173,239	300,361
Withholding tax receivables from customers	78,837	78,837	—
Prepaid expenses	74,177	98,100	68,489
Advance payments(1)	181,856	—	27,041
Others	34,613	43,358	34,711
Subtotal	520,383	393,534	430,602
Less: Impairment on other receivables	(73,089)	(71,472)	(3,965)
Total	447,294	322,062	426,637

Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Interest receivable	138,248	151,061	288,317
Withholding tax receivables from customers	78,837	78,837	—
Prepaid expenses	73,065	97,254	64,603
Advance payments(1)	181,856	—	27,041
Others	27,637	27,890	16,474
Subtotal	499,643	355,042	396,435
Less: Impairment on other receivables	(73,089)	(71,472)	(3,965)
Total	426,554	283,570	392,470

(1) The Company entered into agreements to dispose of certain restricted shares on behalf of third parties at a pre-agreed price (the "Agreements") in 2010 and 2012. Advance payments represent amounts advanced by the Company to third parties in connection with the Agreements in 2010 and 2012 and were fully settled subsequent to 31 December 2010 and 2012 respectively.

G. NOTES TO THE FINANCIAL INFORMATION—continued

25. OTHER RECEIVABLES AND PREPAYMENTS—continued

Movements in the allowance for impairment on other receivables are as follows:

Group and Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
At beginning of the year	63,041	73,089	71,472
Impairment losses recognized	15,070	10,363	10,750
Amounts written off	(5,022)	(11,980)	(78,257)
At end of the year	73,089	71,472	3,965

26. AMOUNTS DUE FROM SUBSIDIARIES

Amounts due from subsidiaries are unsecured, repayable on demand, and interest bearing. The Company expected to recover the amounts due from subsidiaries within one year from the end of the reporting periods.

27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Group

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Analyzed by collateral type:			
Bonds	60,000	585,300	162,000
Stocks	—	6,453	647,523
	60,000	591,753	809,523
Analyzed by market:			
Stock exchanges	60,000	91,753	659,523
Interbank bond market	—	500,000	150,000
	60,000	591,753	809,523

G. NOTES TO THE FINANCIAL INFORMATION—continued

27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS—continued

Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Analyzed by collateral type:			
Bonds	60,000	85,300	12,000
Stocks	—	6,453	647,523
	60,000	91,753	659,523
Analyzed by market:			
Stock exchanges	60,000	91,753	659,523

28. FINANCIAL ASSETS HELD FOR TRADING

Group

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Debt securities	5,644,122	2,860,711	3,346,520
Equity securities	163,685	204,856	20,856
Funds	706,725	1,945,207	1,060,269
Other investments	—	—	194,376
	6,514,532	5,010,774	4,622,021
Analyzed as:			
Listed outside Hong Kong(1)	6,014,530	3,342,662	3,499,402
Unlisted	500,002	1,668,112	1,122,619
	6,514,532	5,010,774	4,622,021

G. NOTES TO THE FINANCIAL INFORMATION—continued

28. FINANCIAL ASSETS HELD FOR TRADING—continued

Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Debt securities	5,644,122	2,860,711	3,346,520
Equity securities	163,685	204,856	20,856
Funds	706,725	1,795,207	1,060,269
	6,514,532	4,860,774	4,427,645
Analyzed as:			
Listed outside Hong Kong(1)	6,014,530	3,342,662	3,499,402
Unlisted	500,002	1,518,112	928,243
	6,514,532	4,860,774	4,427,645

(1) Securities and funds traded on the Interbank Bond Market, the Shanghai Stock Exchange, and the Shenzhen Stock Exchange are included in "Listed outside Hong Kong".

The Group's and the Company's investments in unlisted funds and other investments, which are collective asset management plans issued and managed by the Company, mainly consist of debt securities and publicly traded equity securities listed in Hong Kong and the PRC. The fair value of the Group's and the Company's investments in unlisted funds and other investments are valued based on the net asset values of these investments by reference to their underlying assets' and liabilities' fair values.

29. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group and Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Convertible bonds(1)	182,098	925	485,400
Equity securities(2)	—	—	318,076
Funds(2)	—	—	27,561
	182,098	925	831,037
Analyzed as:			
Listed outside Hong Kong(3)	182,098	925	831,037

(1) The convertible bonds held by the Group are hybrid instruments, which are designated as financial assets at fair value through profit or loss.

(2) These equity securities and exchange-traded funds are used for securities lending business which are designated as financial assets at fair value through profit or loss. As at 31 December 2010, 2011 and 2012, the Group and the Company entered into securities lending arrangement with clients that resulted in the transfer of financial assets designated as at fair value through profit of loss with total fair value of nil, nil and RMB169.76 million, respectively, to clients. These equity securities and exchange-traded funds continued to be recognized as financial assets of the Group and the Company.

(3) Securities and funds traded on the Interbank Bond Market, the Shanghai Stock Exchange, and the Shenzhen Stock Exchange are included in "Listed outside Hong Kong".

G. NOTES TO THE FINANCIAL INFORMATION—continued

30. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's and the Company's derivatives are stock index futures contracts. Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures ("SIF") were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 31 December 2010, 2011 and 2012. Accordingly, the net position of the SIF contracts was nil at the end of each reporting period.

Group and Company

As at 31 December 2010

Stock Index Futures	Contracts	Purchase/sale	Positions	Contract value	Fair value
			Number of contracts	RMB'000	RMB'000
CSI 300	IF1101	Sale	21	19,850	426
CSI 300	IF1102	Sale	84	80,312	593
CSI 300	IF1103	Sale	87	84,225	(944)
CSI 300	IF1106	Sale	25	24,755	(385)
Total				209,142	(310)
Less: settlement					310
Net position of SIF contracts					—

As at 31 December 2011

Stock Index Futures	Contracts	Purchase/sale	Positions	Contract value	Fair value
			Number of contracts	RMB'000	RMB'000
CSI 300	IF1201	Sale	571	403,069	(2,173)
CSI 300	IF1203	Sale	33	23,538	(213)
Total				426,607	(2,386)
Less: settlement					2,386
Net position of SIF contracts					—

As at 31 December 2012

Stock Index Futures	Contracts	Purchase/sale	Positions	Contract value	Fair value
			Number of contracts	RMB'000	RMB'000
CSI 300	IF1301	Sale	513	390,506	(18,745)
CSI 300	IF1303	Sale	209	160,876	(10,227)
Total				551,382	(28,972)
Less: settlement					28,972
Net position of SIF contracts					—

G. NOTES TO THE FINANCIAL INFORMATION—continued

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

Group

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Deposits with stock exchanges			
—Shanghai Stock Exchange	39,735	39,971	42,018
—Shenzhen Stock Exchange	911,643	705,721	524,358
—Hong Kong Stock Exchange	—	1,382	3,052
Deposits with futures and commodity exchanges			
—China Financial Futures Exchange	238,359	393,440	511,310
—Shanghai Futures Exchange	682,090	595,073	752,357
—Dalian Commodity Exchange	289,979	207,343	528,459
—Zhengzhou Commodity Exchange	158,936	163,359	198,894
China Securities Finance Corporation Limited (note 35)	—	—	16,125
Guarantee fund paid to Shenzhen Stock Exchange	26,000	30,750	37,750
	2,346,742	2,137,039	2,614,323

Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Deposits with stock exchanges			
—Shanghai Stock Exchange	39,735	39,971	42,018
—Shenzhen Stock Exchange	911,643	705,721	524,358
China Securities Finance Corporation Limited (note 35)	—	—	16,125
Guarantee fund paid to Shenzhen Stock Exchange	26,000	30,750	37,750
	977,378	776,442	620,251

32. CLEARING SETTLEMENT FUNDS

Group

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Clearing settlement funds held with clearing houses for:			
House	905,299	484,216	466,026
Clients	23,770,191	3,099,915	4,075,449
	24,675,490	3,584,131	4,541,475

G. NOTES TO THE FINANCIAL INFORMATION—continued

32. CLEARING SETTLEMENT FUNDS—continued

Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Clearing settlement funds held with clearing houses for:			
House	723,278	342,729	337,240
Clients	23,521,081	2,780,627	3,809,237
	24,244,359	3,123,356	4,146,477

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

33. BANK BALANCES

Group

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
House accounts	4,825,999	6,080,641	3,455,016
Cash held on behalf of customers(1)	50,758,909	36,183,766	33,151,989
	55,584,908	42,264,407	36,607,005

Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
House accounts	3,624,492	5,244,954	2,303,395
Cash held on behalf of customers(1)	48,395,106	33,863,377	29,635,629
	52,019,598	39,108,331	31,939,024

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

(1) The Group and the Company maintain bank accounts with banks to hold customers' deposits arising from normal business transactions. The Group and the Company have recognized the corresponding amount in accounts payable to brokerage clients (note 36).

34. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

Group

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Bank balances—house	4,825,999	6,080,641	3,455,016
Clearing settlement funds—house	905,299	484,216	466,026
	5,731,298	6,564,857	3,921,042

G. NOTES TO THE FINANCIAL INFORMATION—continued

35. DUE TO BANKS AND A NON-BANK FINANCIAL INSTITUTION

Group

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Secured short-term bank loans(1)	—	—	18,858
Placements from a non-bank financial institution(2)	—	—	300,000
	—	—	318,858

Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Placements from a non-bank financial institution(2)	—	—	300,000
	—	—	300,000

(1) As at 31 December 2012, the short-term bank loans were secured by readily marketable securities listed on the Main Board of the Hong Kong Stock Exchange with total fair value of RMB88.28 million held by the Group as collateral of the loans to margin clients in Hong Kong. The short-term bank loans bear interest at 1.50% per annum and were repayable within one month from the end of the reporting period.

(2) As at 31 December 2012, placements from a non-bank financial institution were obtained from China Securities Finance Corporation Limited and bear interest at 5.80% per annum. The placements were secured by a cash deposit of RMB16.13 million included in deposits with exchanges and a non-bank financial institution and debt securities with total fair value of RMB61.80 million included in available-for-sale financial assets and repayable within one month from the end of the reporting period.

36. 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 ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value to the readers of this report 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 the Company, and are interest bearing at the prevailing market interest rate.

As at 31 December 2010, 2011 and 2012, included in the Group's accounts payable to brokerage clients were approximately RMB11.12 million, RMB256.49 million and RMB785.11 million of margin deposits and cash collateral received from clients for margin financing and securities lending arrangement, and included in the Company's accounts payable to brokerage clients were approximately RMB11.12 million, RMB256.49 million and RMB758.11 million of cash collateral received from clients for margin financing and securities lending arrangement.

G. NOTES TO THE FINANCIAL INFORMATION—continued

37. ACCRUED STAFF COSTS

Group

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Salaries, bonus and allowances	1,914,289	1,058,986	788,828
Social welfare	3,523	8,574	9,154
Annuity schemes	83,261	90,596	13,310
Retirement benefit obligations (Note 1)	262,471	251,784	236,900
Others	79,844	77,480	56,645
	2,343,388	1,487,420	1,104,837

Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Salaries, bonus and allowances	1,873,411	992,117	685,395
Social welfare	3,433	8,515	8,919
Annuity schemes	83,261	90,596	13,310
Retirement benefit obligations (Note 1)	262,471	251,784	236,900
Others	78,116	75,363	53,788
	2,300,692	1,418,375	998,312

Note 1 Retirement benefit obligations

Retirement benefit obligations include supplementary retirement benefits and early retirement benefits.

For the years ended 31 December 2010, 2011 and 2012, the total expenses recognized in profit or loss amounted to RMB192.38 million, RMB12.25 million and RMB7.57 million respectively.

The present value of retirement benefit obligations, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The independent actuarial valuations on plan assets and the calculation of present value of retirement benefit obligations at 31 December 2010, 2011 and 2012 were carried out by Mercer Consulting (China) Ltd.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation at		
	31 December 2010	31 December 2011	31 December 2012
	%	%	%
Discount rates of supplementary retirement benefits	4.20	4.00	4.10
Discount rates of early retirement benefits	3.40	2.90	3.10
Expected rates of benefits increase	4.00	4.00	4.00
Mortality rates	According to the China Life Insurance Mortality Table (published historical statistics in China)		

G. NOTES TO THE FINANCIAL INFORMATION—continued

37. ACCRUED STAFF COSTS—continued

Note 1 Retirement benefit obligations—continued

Amounts recognized in profit or loss in respect of retirement benefit obligations are as follows:

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Current service cost	910	930	968
Interest on obligation	2,038	9,855	8,837
Actuarial losses/(gains) recognized	25,937	1,463	(2,236)
Past service cost[i]	163,493	—	—
	192,378	12,248	7,569

The expenses for the years ended 31 December 2010, 2011 and 2012 were included in staff costs on the consolidated income statements.

Movements in the present value of retirement benefit obligations for the Group and the Company were as follows:

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Opening retirement benefit obligations	92,951	262,471	251,784
Current service cost	910	930	968
Interest on obligation	2,038	9,855	8,837
Actuarial losses/(gains) recognized	25,937	1,463	(2,236)
Benefits paid	(22,858)	(22,935)	(22,453)
Past service cost[i]	163,493	—	—
Closing retirement benefit obligations	262,471	251,784	236,900

(i) Past service cost represents one-off adjustment to the supplementary retirement benefit obligations at 31 December 2010 as the Company expanded the coverage of the plan to include more employees.

38. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Business taxes and surcharges	134,202	96,380	83,215
Accrued expense	75,861	32,477	33,670
Interest payable	7,228	6,609	10,286
Securities investor protection funds	49,237	28,865	17,901
Sundry payables	52,493	94,762	98,455
Provision[1]	—	—	18,900
Others	74,671	78,049	101,280
	393,692	337,142	363,707

G. NOTES TO THE FINANCIAL INFORMATION—continued

38. OTHER PAYABLES AND ACCRUALS—continued

Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Business taxes and surcharges	129,225	93,337	78,111
Accrued expense	75,857	32,477	27,565
Interest payable	7,228	6,609	10,286
Securities investor protection funds	49,237	28,865	17,901
Sundry payables	36,023	77,938	96,661
Provision[(1)]	—	—	18,900
Others	55,663	34,912	35,300
	353,233	274,138	284,724

(1) The provision for outstanding litigations as set out in note 55 to section G of this report was made by the Company based on the estimated settlement amount of the outstanding litigations.

39. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Group and Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Analyzed by collateral type:			
Bonds	—	2,602	5,183,436
Analyzed by market:			
Stock exchanges	—	2,602	4,333,436
Interbank bond market	—	—	850,000
	—	2,602	5,183,436

40. SHARE CAPITAL

All shares issued by the Company are fully paid common shares. The par value per share is RMB 1. The Company's number of shares issued and their nominal value are as follows:

	As at 31 December		
	2010	2011	2012
Number of shares registered, issued and fully paid at RMB1 per share (in thousands)	6,000,000	6,000,000	6,000,000
Nominal value (RMB'000)	6,000,000	6,000,000	6,000,000

G. NOTES TO THE FINANCIAL INFORMATION—continued

41. INVESTMENT REVALUATION RESERVE

The movements of the investment revaluation reserve of the Group and the Company are set out below:

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
At beginning of the year	8,772	(16,003)	(36,010)
Available-for-sale financial assets			
Net fair value changes during the year	(55,652)	(68,453)	(12,740)
Reclassification adjustments to profit or loss on disposal	22,619	41,777	(5,433)
Reclassification adjustments to profit or loss on impairment	—	—	29,966
Income tax impact	8,258	6,669	(2,948)
At end of the year	(16,003)	(36,010)	(27,165)

42. GENERAL RESERVES

The general reserves comprise statutory reserve, discretionary reserve, reserve for general risk and transaction risk reserve.

Pursuant to the Company Law of the PRC, in accordance with the Company's articles of association, 10% of the net profit of the Company, determined in accordance with PRC GAAP, is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for expansion of production scale and capitalization. If the statutory reserve is capitalized into share capital, the remaining reserve is required to be not less than 25% of the Company's registered capital before capitalization.

The Company may also make appropriations from its net profit to the discretionary reserve provided the appropriation is approved by a resolution of the shareholders.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit before distribution, determined in accordance with PRC GAAP, to the reserve for general risk.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate 10% of the net profit before distribution, determined in accordance with PRC GAAP, to the transaction risk reserve.

In accordance with the relevant regulations, the distributable profits of the Company is deemed to be the lower of (i) the retained profits determined in accordance with PRC GAAP and (ii) the retained profits determined in accordance with IFRSs.

G. NOTES TO THE FINANCIAL INFORMATION—continued

42. GENERAL RESERVES—continued

Group and Company

As at 31 December 2010	Opening	Addition	Closing
	RMB'000	RMB'000	RMB'000
Statutory reserve	1,167,299	271,725	1,439,024
Discretionary reserve	203,290	451,507	654,797
Reserve for general risk	1,167,299	271,725	1,439,024
Transaction risk reserve	1,167,299	271,725	1,439,024
	3,705,187	1,266,682	4,971,869

As at 31 December 2011	Opening	Addition	Closing
	RMB'000	RMB'000	RMB'000
Statutory reserve	1,439,024	158,976	1,598,000
Discretionary reserve	654,797	271,724	926,521
Reserve for general risk	1,439,024	158,976	1,598,000
Transaction risk reserve	1,439,024	158,976	1,598,000
	4,971,869	748,652	5,720,521

As at 31 December 2012	Opening	Addition	Closing
	RMB'000	RMB'000	RMB'000
Statutory reserve	1,598,000	139,635	1,737,635
Discretionary reserve	926,521	158,977	1,085,498
Reserve for general risk	1,598,000	139,635	1,737,635
Transaction risk reserve	1,598,000	139,635	1,737,635
	5,720,521	577,882	6,298,403

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to the statutory reserve and the reserve for general risk.

43. RETAINED PROFITS

The movements of retained profits of the Company are set out below:

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
At beginning of the year	3,160,555	3,411,123	4,252,226
Profit for the year	2,717,251	1,589,755	1,396,356
Appropriation to general reserves	(1,266,683)	(748,652)	(577,882)
Dividends recognized as distribution	(1,200,000)	—	—
At end of the year	3,411,123	4,252,226	5,070,700

Pursuant to the resolution of annual general meeting held on 21 June 2010, the Company declared a final cash dividend of RMB0.20 per share, amounted to RMB1,200 million in total for the year ended 31 December 2009.

Pursuant to the resolution of the fourth extraordinary general meeting for 2012 held on 16 November 2012, the retained profits of the Company as at 31 December 2012 will be attributable to the existing and new shareholders on a pro rata basis according to their respective shareholdings after the completion of its initial public offering.

G. NOTES TO THE FINANCIAL INFORMATION—continued

44. TRANSFER OF FINANCIAL ASSETS

Repurchase agreements

The Group and the Company entered into repurchase agreements with certain counterparties to sell debt securities classified as available-for-sale financial assets of carrying amount of nil, RMB2.68 million and RMB5,160.37 million, and debt securities classified as financial assets held for trading of carrying amount of nil, nil and RMB1,151.81 million as at 31 December 2010, 2011 and 2012, respectively, which subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices. The proceeds from selling such debt securities totalling nil, RMB2.60 million and RMB5,183.44 million as at 31 December 2010, 2011 and 2012 respectively are presented as "financial assets sold under repurchase agreements". As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities to the counterparties during the covered period. However, the Group and the Company are not allowed to sell or repledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group and the Company have determined that it retains substantially all the risks and rewards of these debt securities and therefore have not derecognized these securities in the Financial Information but regarded them as "collateral" for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there is an event of default on the secured lending.

Securities lending arrangement

The Group and the Company entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as available-for-sale financial assets and financial assets designated as at fair value through profit or loss of carrying amount totalling RMB0.16 million, RMB9.44 million and RMB205.26 million as at 31 December 2010, 2011 and 2012, respectively, which are secured by client's securities and deposits held as collateral. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group and the Company at specified future dates and the maximum covered period is 180 days. The Group and the Company have determined that it retains substantially all the risks and rewards of these securities and therefore have not derecognized these securities in the Financial Information.

G. NOTES TO THE FINANCIAL INFORMATION—continued

45. OPERATING LEASE COMMITMENTS

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

At 31 December 2010, 2011 and 2012, the Group and the Company 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 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Within 1 year	188,015	278,113	311,857
Beyond 1 year and not more than 2 years	151,060	255,381	192,435
Beyond 2 years and not more than 3 years	132,993	142,784	140,546
Beyond 3 years and not more than 5 years	147,412	159,656	195,234
More than 5 years	120,797	123,566	79,384
	740,277	959,500	919,456

The Company as lessee

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Within 1 year	181,131	259,876	279,409
Beyond 1 year and not more than 2 years	146,961	238,341	170,774
Beyond 2 years and not more than 3 years	130,028	131,151	131,859
Beyond 3 years and not more than 5 years	146,228	158,657	180,729
More than 5 years	120,797	123,566	79,384
	725,145	911,591	842,155

The Group and the Company as lessor

During the Relevant Periods, the Group and the Company did not have material lease commitments as lessor.

46. CAPITAL COMMITMENTS

Group

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Contracted but not provided for	28,791	23,588	5,788

G. NOTES TO THE FINANCIAL INFORMATION—continued

46. CAPITAL COMMITMENTS—continued

Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Contracted but not provided for	28,791	23,588	5,617

47. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid/payable by the Group for each of the years ended 31 December 2010, 2011 and 2012 are set out below:

For the year ended 31 December 2010

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:					
Gu Weiguo(1)	—	571	40	812	1,423
Wu Chengming(2)	—	—	—	—	—
Non-executive Directors:					
Chen Youan(3)	—	590	40	842	1,472
Hu Changsheng(4)	—	183	9	265	457
Hu Guanjin(4)	—	180	5	265	450
Li Chenghui(2)	—	—	—	—	—
Xu Guoping(2)	—	—	—	—	—
Zhu Li(2)	—	—	—	—	—
Independent Non-executive Directors:					
Wang Shiding	290	—	—	—	290
Zhong Wei	283	—	—	—	283
Supervisors:					
Qi Xiaoli	—	603	29	520	1,152
Yu Wenxiu	—	543	40	741	1,324
Zhong Cheng	—	388	35	968	1,391
	573	3,058	198	4,413	8,242

(1) Appointed as executive director in April 2010.
(2) The emoluments of these executive and non-executive directors of the Company were borne by its shareholders and other related parties included in note 49 to section G during the Relevant Periods. No allocation of the emoluments between these related parties and the Group has been made during the Relevant Periods.
(3) Appointed as non-executive director in January 2010.
(4) Resigned as non-executive director in April 2010.

G. NOTES TO THE FINANCIAL INFORMATION—continued

47. DIRECTORS' AND SUPERVISORS' EMOLUMENTS—continued

For the year ended 31 December 2011

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:					
Gu Weiguo	—	632	43	981	1,656
Wu Chengming[(1)]	—	—	—	—	—
Non-executive Directors:					
Chen Youan	—	643	43	1,003	1,689
Li Chenghui[(1)]	—	—	—	—	—
Shi Xun[(1)(2)]	—	—	—	—	—
Xu Guoping[(1)]	—	—	—	—	—
Zhu Li[(1)(3)]	—	—	105	—	105
Independent Non-executive Directors:					
Liu Feng[(4)]	137	—	—	—	137
Wang Shiding	290	—	—	—	290
Zhong Wei	290	—	—	—	290
Supervisors:					
Qi Xiaoli	—	652	30	557	1,239
Yu Wenxiu	—	589	41	863	1,493
Zhong Cheng	—	681	46	534	1,261
	717	3,197	308	3,938	8,160

(1) The emoluments of these executive and non-executive directors of the Company were borne or partially borne by its shareholders and other related parties included in note 49 to section G during the Relevant Periods. No allocation of the emoluments between these related parties and the Group has been made during the Relevant Periods.

(2) Appointed as non-executive director in August 2011.

(3) Resigned as non-executive director in April 2011.

(4) Appointed as independent non-executive director in April 2011.

G. NOTES TO THE FINANCIAL INFORMATION—continued

47. DIRECTORS' AND SUPERVISORS' EMOLUMENTS—continued

For the year ended 31 December 2012

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:					
Gu Weiguo	—	633	46	981	1,660
Wu Chengming(1)	—	710	19	906	1,635
Non-executive Directors:					
Chen Youan	—	646	46	1,003	1,695
Li Chenghui(1)	—	—	—	—	—
Shi Xun(1)	—	—	—	—	—
Xu Guoping(1)	—	—	—	—	—
Qi Xiaoli(2)	—	675	33	557	1,265
Independent Non-executive Directors:					
Liu Feng	270	—	—	—	270
Wang Shiding	290	—	—	—	290
Zhong Wei	290	—	—	—	290
Supervisors:					
Yu Wenxiu	—	594	44	863	1,501
Zhong Cheng	—	688	48	534	1,270
Gu Shulin(3)	—	740	33	307	1,080
	850	4,686	269	5,151	10,956

(1) The emoluments of these executive and non-executive directors of the Company were borne or partially borne by its shareholders and other related parties included in note 49 to section G during the Relevant Periods. No allocation of the emoluments between these related parties and the Group has been made during the Relevant Periods.

(2) Ceased to be a supervisor and appointed as non-executive director in October 2012. The emoluments received for the year ended 31 December 2012 included both the remuneration for her role as supervisor and non-executive director in 2012.

(3) Appointed as supervisor in October 2012.

The bonuses are discretionary and determined by reference to the Group's and the individuals' performance.

The total compensation packages for these directors and supervisors for the year ended 31 December 2012 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed when determined.

During the Relevant Periods, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

G. NOTES TO THE FINANCIAL INFORMATION—continued

48. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none of them are directors or supervisors of the Company. Details of the emolument of the five highest paid employees during the Relevant Periods are as follows:

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Basic salaries and allowances	5,968	5,032	3,293
Bonuses	40,363	32,001	33,097
Employer's contribution to pension schemes	277	287	296
	46,608	37,320	36,686

Bonuses are discretionary and determined by reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	Year ended 31 December		
	2010	2011	2012
	No. of employees	No. of employees	No. of employees
Emolument bands			
—HKD6,500,001 to HKD7,000,000	—	2	—
—HKD7,000,001 to HKD7,500,000	—	1	—
—HKD7,500,001 to HKD8,000,000	—	—	—
—HKD8,000,001 to HKD8,500,000	2	—	1
—HKD8,500,001 to HKD9,000,000	—	1	2
—HKD9,000,001 to HKD9,500,000	—	—	1
—HKD9,500,001 to HKD10,000,000	1	—	1
—HKD10,000,001 to HKD15,000,000	1	1	—
—HKD15,000,001 to HKD20,000,000	1	—	—
	5	5	5

49. 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 5,993,000,000 shares of the Company as at 31 December 2010 and 2011, representing 99.89% of the entire equity interest of the Company. During the year ended 31 December 2012, the number of shares of the Company held by Galaxy Financial Holdings was reduced to 5,364,121,983 shares, representing 89.40% of the entire equity interest of the Company as at 31 December 2012. 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 incorporated in Beijing, PRC. Central Huijin was established to hold certain equity investments as

G. NOTES TO THE FINANCIAL INFORMATION—continued

49. RELATED PARTY TRANSACTIONS—continued

(1) Immediate holding company—continued

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 Relevant Periods, the Group provided securities brokerage services to Galaxy Financial Holdings and details of the significant transactions and balances are set out below.

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Interest expenses	1,055	202	148

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Accounts payable to brokerage clients	3,483	90,102	1

Disposal of a subsidiary

In December 2012, Galaxy Capital transferred all equity interests of Galaxy Dahua that it held to Galaxy Financial Holdings for a consideration of RMB5.50 million. Please refer to note 20 to section G of this report for details.

(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

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Commission and fee income	114,729	1,931	2,407
Interest income from banks and non-bank financial institutions within the Central Huijin Group	923,225	1,201,662	1,093,574
Investment gains of equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group	—	19,483	15,740
Interest expenses to brokerage clients within the Central Huijin Group	8,405	4,173	5,911

G. NOTES TO THE FINANCIAL INFORMATION—continued

49. RELATED PARTY TRANSACTIONS—continued

(2) Central Huijin—continued

The Group's balances with Central Huijin Group

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group classified as			
—available-for-sale financial assets	—	1,341	1,506
—financial assets held for trading	393,037	8,342	592
—financial assets designated as at fair value through profit or loss	182,098	—	375,218
Accounts receivable from the Central Huijin Group	—	—	1,605
Bank balances deposited with banks within the Central Huijin Group	42,553,261	29,984,155	21,160,689
Accounts payable to brokerage clients within the Central Huijin Group	239,157	489,411	86,045

(3) Government related entities

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 each 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
Galaxy Insurance Brokerage*	fellow subsidiary
Galaxy Investment*	Note

Note: Galaxy Investment's shareholders are Galaxy Financial Holdings and the MOF. Its chairman of the board, Mr. Xu Guoping also serves as director and deputy general manager of Galaxy Financial Holdings and is a director of the Company.

* These subsidiaries do not have official English names.

G. NOTES TO THE FINANCIAL INFORMATION—continued

49. RELATED PARTY TRANSACTIONS—continued

(4) Other related parties—continued

The Group's transactions with other related parties

Commission and fee income

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Galaxy Fund Management	3,911	1,172	3,782
Funds under the management of Galaxy Fund Management	8,573	8,227	7,625
	12,484	9,399	11,407

Other income and gains

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Galaxy Investment	2,193	—	—

Other income and gains related to IT services and systems maintenance services provided by the Group.

Other operating expenses

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Galaxy Investment	50,399	59,339	64,280

For each of the years ended 31 December 2010, 2011 and 2012, 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

Accounts receivable

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Galaxy Fund Management	306	761	226
Funds under the management of Galaxy Fund Management	3,423	1,009	1,802
	3,729	1,770	2,028

Other receivables

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Galaxy Investment	2,281	—	—

G. NOTES TO THE FINANCIAL INFORMATION—continued

49. RELATED PARTY TRANSACTIONS—continued

(4) Other related parties—continued

The Group's balances with other related parties—continued

Other payables

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Galaxy Insurance Brokerage	—	6,000	1,369

Accounts payable to brokerage clients

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Galaxy Fund Management	2,219	666	2
Galaxy Insurance Brokerage	5,424	—	—
Galaxy Investment	43,028	19,858	2,812
	50,671	20,524	2,814

The Group's lease commitments with Galaxy Investment

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
The Group as lessee			
Within 1 year	57,577	64,310	63,090
Beyond 1 year and not more than 2 years	64,310	63,090	7,290
Beyond 2 years and not more than 3 years	63,090	7,290	2,169
Beyond 3 years and not more than 5 years	10,016	2,726	534
	194,993	137,416	73,083

Acquisition of non-controlling interest of Galaxy Futures

During the year ended 31 December 2011, the Company acquired the 4.16% interest in Galaxy Futures from Galaxy Insurance Brokerage for a consideration of RMB25.21 million. Please refer to note 20 to section G of this report for details.

(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.

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000 (note)
Salaries, allowances, bonuses and staff welfare	14,406	17,316	42,215

G. NOTES TO THE FINANCIAL INFORMATION—continued

49. RELATED PARTY TRANSACTIONS—continued

(5) Key management personnel—continued

Note: According to the regulations of the PRC relevant authorities, the key management personnel's final emoluments for the year ended 31 December 2012 have not been finalized. Management of the Group believes that difference in emoluments will not have significant impact on the Financial Information as at 31 December 2012. The amount of actual remuneration will be disclosed when determined.

50. 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 products sold and services provided by the Group, which is also consistent with the Group's basis of organization, whereby the businesses are organized and managed separately as individual strategic business 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 Financial Information.

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 broking, margin financing, corporate advisory, placing and underwriting, asset management, trading and investment, and financial planning and advisory services that are carried out by the group entities in Hong Kong; and

(h) Others: This segment mainly represents head office operations, investment holding as well as interest income and interest expense arising from general working capital.

G. NOTES TO THE FINANCIAL INFORMATION—continued

50. SEGMENT REPORTING—continued

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

G. NOTES TO THE FINANCIAL INFORMATION—continued

50. 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 Relevant Periods.

The operating and reportable segment information provided to the CODM for the years ended 31 December 2010, 2011 and 2012 is as follows:

	Securities brokerage	Futures brokerage	Proprietary trading and other securities trading services	Investment banking	Asset management	Private equity investment	Overseas business	Others	Segment total	Eliminations	Consolidated total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2010											
Segment revenue and results											
Revenue											
—External	6,846,966	299,213	323,006	740,101	61,086	16,726	—	138,855	8,425,953	—	8,425,953
—Inter-segment	5,200	—	—	—	—	—	—	—	5,200	(5,200)	—
Other income and gains	16,259	5,071	—	—	—	10,404	—	2,495	34,229	—	34,229
Segment revenue and other income	6,868,425	304,284	323,006	740,101	61,086	27,130	—	141,350	8,465,382	(5,200)	8,460,182
Segment expenses	(3,194,224)	(216,312)	(115,947)	(446,800)	(102,248)	(15,158)	—	(484,066)	(4,574,755)	5,200	(4,569,555)
Profit/(loss) before income tax	3,674,201	87,972	207,059	293,301	(41,162)	11,972	—	(342,716)	3,890,627	—	3,890,627
As at 31 December 2010											
Segment assets and liabilities											
Segment assets	75,052,521	4,469,670	9,658,448	304,985	210,374	1,019,380	—	13,567,100	104,282,478	(10,479,538)	93,802,940
Deferred tax assets											461,589
Group's total assets											94,264,529
Segment liabilities	75,045,452	4,055,175	9,695,983	534,965	245,073	11,257	—	611,484	90,199,389	(10,479,538)	79,719,851
Other segment information											
Depreciation and amortization	190,072	3,318	—	565	—	22	—	56,686	250,663	—	250,663
Impairment losses	5,987	—	1,819	171	—	—	—	12,906	20,883	—	20,883
Additions to non-current assets	131,719	6,727	—	—	—	115	—	62,847	201,408	—	201,408

G. NOTES TO THE FINANCIAL INFORMATION—continued

50. SEGMENT REPORTING—continued

	Securities brokerage	Futures brokerage	Proprietary trading and other securities trading services	Investment banking	Asset management	Private equity investment	Overseas business	Others	Segment total	Eliminations	Consolidated total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2011											
Segment revenue and results											
Revenue											
—External	4,894,998	383,237	118,784	682,446	31,079	26,215	4,336	256,775	6,397,870	—	6,397,870
—Inter-segment	6,192	—	—	—	—	—	—	—	6,192	(6,192)	—
Other income and gains	17,040	4,484	—	—	—	1,514	—	10,131	33,169	—	33,169
Segment revenue and other income	4,918,230	387,721	118,784	682,446	31,079	27,729	4,336	266,906	6,437,231	(6,192)	6,431,039
Segment expenses	(2,983,535)	(276,115)	(82,739)	(424,986)	(45,164)	(26,852)	(14,682)	(322,180)	(4,176,253)	6,192	(4,170,061)
Profit/(loss) before income tax	1,934,695	111,606	36,045	257,460	(14,085)	877	(10,346)	(55,274)	2,260,978	—	2,260,978
As at 31 December 2011											
Segment assets and liabilities											
Segment assets	41,973,988	4,819,414	6,210,678	28,915	171,125	1,029,500	81,400	14,607,010	68,922,030	(10,012,165)	58,909,865
Deferred tax assets											304,870
Group's total assets											59,214,735
Segment liabilities	41,776,588	4,114,032	6,232,881	179,226	216,047	19,745	10,577	551,009	53,100,105	(10,012,165)	43,087,940
Other segment information											
Depreciation and amortization	189,088	5,257	—	197	—	42	498	78,394	273,476	—	273,476
Allowance for/(reversal of) impairment losses	17,707	—	(1,810)	215	—	—	—	3,432	19,544	—	19,544
Additions to non-current assets	160,525	10,114	—	—	—	78	9,353	107,679	287,749	—	287,749

G. NOTES TO THE FINANCIAL INFORMATION—continued

50. SEGMENT REPORTING—continued

	Securities brokerage	Futures brokerage	Proprietary trading and other securities trading services	Investment banking	Asset management	Private equity investment	Overseas business	Others	Segment total	Eliminations	Consolidated total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2012											
Segment revenue and results											
Revenue											
—External	4,054,718	517,411	401,477	684,613	44,781	20,377	33,491	167,139	5,924,007	—	5,924,007
—Inter-segment	6,586	—	—	—	—	—	—	—	6,586	(6,586)	—
Other income and gains	19,725	3,822	—	326	—	4,817	2	8,861	37,553	—	37,553
Segment revenue and other income	4,081,029	521,233	401,477	684,939	44,781	25,194	33,493	176,000	5,968,146	(6,586)	5,961,560
Segment expenses	(2,624,423)	(358,400)	(164,583)	(403,311)	(73,789)	(23,208)	(68,785)	(365,334)	(4,081,833)	6,586	(4,075,247)
Profit/(loss) before income tax	1,456,606	162,833	236,894	281,628	(29,008)	1,986	(35,292)	(189,334)	1,886,313	—	1,886,313
As at 31 December 2012											
Segment assets and liabilities											
Segment assets	42,833,285	6,601,961	12,252,829	109,431	230,774	1,029,133	677,732	15,788,115	79,523,260	(15,402,061)	64,121,199
Deferred tax assets											174,385
Group's total assets											64,295,584
Segment liabilities	42,598,151	5,848,639	12,282,449	98,320	262,144	17,993	233,926	797,175	62,138,797	(15,402,061)	46,736,736
Other segment information											
Depreciation and amortization	242,151	6,680	1,974	2,970	1,419	104	4,756	23,755	283,809	—	283,809
(Reversal of)/allowance for impairment losses	(6,650)	—	629	1,071	30,322	—	6	1,592	26,970	—	26,970
Additions to non-current assets	139,613	16,901	—	—	—	913	8,615	72,212	238,254	—	238,254

G. NOTES TO THE FINANCIAL INFORMATION—continued

51. FINANCIAL INSTRUMENTS

Categories of financial instruments

Group

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Financial assets			
Loans and receivables	83,735,622	51,495,702	50,595,174
Available-for-sale financial assets	2,157,244	1,032,101	6,650,976
Financial assets held for trading	6,514,532	5,010,774	4,622,021
Financial assets designated as at fair value through profit or loss	182,098	925	831,037
Financial liabilities			
Financial liabilities at amortized cost	76,973,138	41,424,432	45,435,595

Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Financial assets			
Loans and receivables	78,439,274	46,125,546	43,098,616
Available-for-sale financial assets	2,023,044	801,151	6,208,526
Financial assets held for trading	6,514,532	4,860,774	4,427,645
Financial assets designated as at fair value through profit or loss	182,098	925	831,037
Financial liabilities			
Financial liabilities at amortized cost	73,004,114	37,519,431	39,600,289

52. FINANCIAL RISK MANAGEMENT

The objective of the Group's and the Company's risk management is to achieve an appropriate balance between risk and return, and reduce the negative impact on the Group's and the Company's operating results and maximize shareholder value. The Group's and the Company's risk management strategy is to identify and analyze the various risks faced by the Group and the Company, establish appropriate risk tolerance, and reliably measure and monitor the risks on a timely and effective manner to ensure the risks are controlled within the tolerance level.

In daily operation, the Group and the Company are mainly exposed to credit risk, market risk and liquidity risk. The Group and the Company have established risk management policies and procedures to identify and analyze these risks, set appropriate risk indicators, risk limits, risk policies and internal control processes, and monitor and manage the risks continuously through its information system.

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

Risk management organizational structure

The corporate risk management structure includes the Board of Directors and its subordinate Risk Management Committee, the Board of Supervisors, the senior management and its subordinate Risk Management Department, the Legal and Compliance Department, the Audit Department and risk control officers and compliance managers at branches and business units, which are divided into three levels as follows:

The first level: the Board of Directors is the highest decision making body of the risk management structure and sets overall risk management and internal control strategies. The Board of Directors has established a Risk Management Committee, which is responsible for assisting the Board of Directors in formulating the Group's and the Company's risk management strategies, risk principles and risk regulations, and developing the Group's and the Company's risk tolerance and risk limits. The Board of Supervisors monitors whether the Board of Directors and the senior management have fulfilled the responsibility of risk management on a timely and effective manner.

The second level: the senior management is responsible for the implementation of risk management strategies, objectives and policies. The chief risk officer is in charge of overall risk management. The Risk Management Department, the Legal and Compliance Department and the Audit Department are responsible for monitoring, supervising and managing various risks.

The third level: the head of department or branch is in charge of its own department's or branch's risk management. Risk control officers and compliance managers are responsible for the daily risk management of the business operation under the guidance of the Risk Management Department.

Under the risk management structure, the Group and the Company continues to enhance their risk management, ensuring risks are measurable, controllable and acceptable.

52.1 Credit risk

Credit risk is the risk of loss due to failures or inabilities to fulfill obligations by counterparties, or the downgrade of credit rating of them. The Group's and the Company's credit exposure mainly relates to fixed income financial assets, financial assets under margin financing and securities lending arrangement and the Group's and the Company's securities and futures brokerage business. The Group's and the Company's financial assets exposed to credit risk mainly include advances to customers, accounts receivable, other financial assets, available-for-sale financial assets, financial assets held under resale agreements, financial assets held for trading, financial assets designated as at fair value through profit or loss, deposits with exchanges and a non-bank financial institution, clearing settlement funds and bank balances.

Fixed income financial assets include bank balances, clearing settlement funds and debt securities. Credit risk mainly includes counterparty risk and securities issuer's default risk.

Bank balances of the Group and the Company are mainly deposited in state-owned commercial banks or joint-stock commercial banks, and clearing settlement funds are deposited with the China Securities Depository and Clearing Corporation Limited (the "CSDCC"). Their exposure to credit risk is considered low.

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.1 Credit risk—continued

For proprietary trading business, when the transactions are conducted through stock exchanges and the CSDCC, the counterparty default risk is considered low. For transactions conducted through the interbank market, counterparties are evaluated and only parties with good credit rating are authorized for trading.

In order to control the risk of its investment portfolio, the Group and the Company invest strictly in bonds with rating of AA- or above. Therefore, the Group and the Company consider the credit exposure of proprietary trading business is not significant.

Margin trading assets consist of advances to customers and securities lent to customers. The main credit risk of these financial assets is customers' failure to repay the principal, interests or securities lent to them. The Group and the Company monitor margin trading clients' accounts on an individual customer basis and call for additional margin deposits, cash collateral or securities when necessary. The advances to margin clients are monitored through their collateral ratios, which ensure the value of the pledged assets are sufficient to cover the advances. As at 31 December 2010, 2011 and 2012, the collateral ratios of all of the Group's and the Company's margin clients were above 130%, respectively, which indicated the collateral value was sufficient to cover the exposure to credit risk arising from margin trading.

The credit risk of the Group and the Company also arises from their securities and futures brokerage business. In the case of customers failing to deposit adequate funds, the Group and the Company may have to complete the trade settlement using their own funds. To mitigate the credit risk, the Group and the Company require cash deposit of full amounts for all transactions before they settle on behalf of customers. Through this, the Group and the Company can assure the credit risk is appropriately managed.

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.1 Credit risk—continued

Taking no account of collateral or other credit enhancements, the maximum credit exposure is the carrying amount of financial assets, which is net of impairment allowance. The maximum credit risk exposure of the Group and the Company are as follows:

Group

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Advances to customers	532,829	2,548,727	5,438,668
Accounts receivable	129,343	108,025	209,709
Other financial assets	406,310	261,620	374,471
Available-for-sale financial assets(1)	1,829,624	612,371	5,552,597
Including: Securities lent to customers	163	9,435	35,499
Financial assets held under resale agreements	60,000	591,753	809,523
Financial assets held for trading(1)	5,644,122	2,860,711	3,346,520
Financial assets designated as at fair value through profit or loss(1)	182,098	925	655,164
Including: Securities lent to customers	—	—	169,764
Deposits with exchanges and a non-bank financial institution	2,346,742	2,137,039	2,614,323
Clearing settlement funds	24,675,490	3,584,131	4,541,475
Bank balances	55,584,908	42,264,407	36,607,005
	91,391,466	54,969,709	60,149,455

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.1 Credit risk—continued

Company

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Advances to customers	532,829	2,548,727	5,171,621
Accounts receivable	129,343	102,416	88,602
Other financial assets	387,271	227,628	345,929
Amounts due from subsidiaries	88,496	146,893	127,189
Available-for-sale financial assets(1)	1,829,624	612,371	5,552,597
Including: Securities lent to customers	163	9,435	35,499
Financial assets held under resale agreements	60,000	91,753	659,523
Financial assets held for trading(1)	5,644,122	2,860,711	3,346,520
Financial assets designated as at fair value through profit or loss(1)	182,098	925	655,164
Including: Securities lent to customers	—	—	169,764
Deposits with exchanges and a non-bank financial institution	977,378	776,442	620,251
Clearing settlement funds	24,244,359	3,123,356	4,146,477
Bank balances	52,019,598	39,108,331	31,939,024
	86,095,118	49,599,553	52,652,897

(1) Financial assets held for trading contains only debt securities. Available-for-sale financial assets and financial assets designated as at fair value through profit or loss contain debt securities and equity securities lent to customers. Securities lent to customers are mainly equity securities, therefore listed above separately to show the credit risk exposure.

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

52.2 Market risk

Market risk is the risk of loss arising from adverse change in fair value or movement in cash flows in respect of financial instruments, due to interest rate risk, currency risk or price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group and the Company utilize sensitivity analysis as the main tool of monitoring interest rate risk and measuring the impact to total profit and equity of a reasonable and possible change of interest rate, assuming all other variables were held constant. Debt securities of the Group and the Company mainly comprise corporate bonds, and the Group and the Company mitigate the interest rate risk through optimizing the duration and convexity of the bond portfolio. Interest rate risk in connection with cash held on behalf of customers in bank balances and clearing settlement funds is offset by the associated accounts payable to brokerage clients because their terms match with each other.

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.2 Market risk—continued

Interest rate risk—continued

The tables below summarize the Group's and the Company's interest-bearing financial assets and liabilities by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

Group

As at 31 December 2010

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Advances to customers	532,829	—	—	—	532,829
Available-for-sale debt securities	1,232,143	19,500	396,237	181,581	1,829,461
Financial assets held under resale agreements	60,000	—	—	—	60,000
Financial assets held for trading	3,951,682	709,731	707,565	275,144	5,644,122
Financial assets designated as at fair value through profit or loss	—	—	—	182,098	182,098
Clearing settlement funds	24,675,490	—	—	—	24,675,490
Bank balances	55,584,908	—	—	—	55,584,908
Subtotal	86,037,052	729,231	1,103,802	638,823	88,508,908
Financial liabilities					
Accounts payable to brokerage clients	76,794,509	—	—	—	76,794,509
Net interest-bearing position	9,242,543	729,231	1,103,802	638,823	11,714,399

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.2 Market risk—continued

Interest rate risk—continued

Group—continued

As at 31 December 2011

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Advances to customers	2,548,727	—	—	—	2,548,727
Available-for-sale debt securities	20,036	532,774	30,682	19,444	602,936
Financial assets held under resale agreements	591,753	—	—	—	591,753
Financial assets held for trading	430,238	679,509	1,249,673	501,291	2,860,711
Financial assets designated as at fair value through profit or loss	925	—	—	—	925
Clearing settlement funds	3,584,131	—	—	—	3,584,131
Bank balances	42,264,407	—	—	—	42,264,407
Subtotal	49,440,217	1,212,283	1,280,355	520,735	52,453,590
Financial liabilities					
Accounts payable to brokerage clients	41,231,089	—	—	—	41,231,089
Financial assets sold under repurchase agreements	2,602	—	—	—	2,602
Subtotal	41,233,691	—	—	—	41,233,691
Net interest-bearing position	8,206,526	1,212,283	1,280,355	520,735	11,219,899

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.2 Market risk—continued

Interest rate risk—continued

Group—continued

As at 31 December 2012

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Advances to customers	5,438,668	—	—	—	5,438,668
Available-for-sale debt securities	100,610	293,089	1,471,392	3,652,007	5,517,098
Financial assets held under resale agreements	809,523	—	—	—	809,523
Financial assets held for trading	281,945	789,915	850,988	1,423,672	3,346,520
Financial assets designated as at fair value through profit or loss	—	—	454,664	30,736	485,400
Clearing settlement funds	4,541,475	—	—	—	4,541,475
Bank balances	36,607,005	—	—	—	36,607,005
Subtotal	47,779,226	1,083,004	2,777,044	5,106,415	56,745,689
Financial liabilities					
Due to banks and a non-bank financial institution	318,858	—	—	—	318,858
Accounts payable to brokerage clients	39,745,629	—	—	—	39,745,629
Financial assets sold under repurchase agreements	5,183,436	—	—	—	5,183,436
Subtotal	45,247,923	—	—	—	45,247,923
Net interest-bearing position	2,531,303	1,083,004	2,777,044	5,106,415	11,497,766

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.2 Market risk—continued

Interest rate risk—continued

Company

As at 31 December 2010

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Advances to customers	532,829	—	—	—	532,829
Available-for-sale debt securities	1,232,143	19,500	396,237	181,581	1,829,461
Financial assets held under resale agreements	60,000	—	—	—	60,000
Financial assets held for trading	3,951,682	709,731	707,565	275,144	5,644,122
Financial assets designated as at fair value through profit or loss	—	—	—	182,098	182,098
Clearing settlement funds	24,244,359	—	—	—	24,244,359
Bank balances	52,019,598	—	—	—	52,019,598
Subtotal	82,040,611	729,231	1,103,802	638,823	84,512,467
Financial liabilities					
Accounts payable to brokerage clients	72,860,963	—	—	—	72,860,963
Net interest-bearing position	9,179,648	729,231	1,103,802	638,823	11,651,504

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.2 Market risk—continued

Interest rate risk—continued

Company—continued

As at 31 December 2011

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Advances to customers	2,548,727	—	—	—	2,548,727
Available-for-sale debt securities	20,036	532,774	30,682	19,444	602,936
Financial assets held under resale agreements	91,753	—	—	—	91,753
Financial assets held for trading	430,238	679,509	1,249,673	501,291	2,860,711
Financial assets designated as at fair value through profit or loss	925	—	—	—	925
Clearing settlement funds	3,123,356	—	—	—	3,123,356
Bank balances	39,108,331	—	—	—	39,108,331
Subtotal	45,323,366	1,212,283	1,280,355	520,735	48,336,739
Financial liabilities					
Accounts payable to brokerage clients	37,381,078	—	—	—	37,381,078
Financial assets sold under repurchase agreements	2,602	—	—	—	2,602
Subtotal	37,383,680	—	—	—	37,383,680
Net interest-bearing position	7,939,686	1,212,283	1,280,355	520,735	10,953,059

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.2 Market risk—continued

Interest rate risk—continued

Company—continued

As at 31 December 2012

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Advances to customers	5,171,621	—	—	—	5,171,621
Available-for-sale debt securities	100,610	293,089	1,471,392	3,652,007	5,517,098
Financial assets held under resale agreements	659,523	—	—	—	659,523
Financial assets held for trading	281,945	789,915	850,988	1,423,672	3,346,520
Financial assets designated as at fair value through profit or loss	—	—	454,664	30,736	485,400
Clearing settlement funds	4,146,477	—	—	—	4,146,477
Bank balances	31,939,024	—	—	—	31,939,024
Subtotal	42,299,200	1,083,004	2,777,044	5,106,415	51,265,663
Financial liabilities					
Due to banks and a non-bank financial institution	300,000	—	—	—	300,000
Accounts payable to brokerage clients	33,996,895	—	—	—	33,996,895
Financial assets sold under repurchase agreements	5,183,436	—	—	—	5,183,436
Subtotal	39,480,331	—	—	—	39,480,331
Net interest-bearing position	2,818,869	1,083,004	2,777,044	5,106,415	11,785,332

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.2 Market risk—continued

Interest rate risk—continued

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing assets and liabilities. The analysis is prepared assuming interest-bearing assets and liabilities outstanding at the end of each reporting period were held to maturity. When reporting to the management on the interest rate risk, a 100 basis points increase or decrease will be adopted for sensitivity analysis, assuming all other variables were held constant, which represents a reasonably possible change in interest rates. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax or vice versa.

Group

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Profit before income tax for the year			
Increase by 100bps	(33,076)	(45,158)	(117,401)
Decrease by 100bps	33,076	45,158	117,401

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Other comprehensive income before income tax			
Increase by 100bps	(30,087)	(14,811)	(293,160)
Decrease by 100bps	30,087	14,811	293,160

Company

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Profit before income tax for the year			
Increase by 100bps	(33,391)	(46,492)	(115,963)
Decrease by 100bps	33,391	46,492	115,963

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Other comprehensive income before income tax			
Increase by 100bps	(30,087)	(14,811)	(293,160)
Decrease by 100bps	30,087	14,811	293,160

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.2 Market risk—continued

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Group's and the Company's currency risk primarily relates to the Group's and the Company's operating activities whose settlements and payments are denominated in foreign currencies which are different from the respective group entity's functional currency.

The foreign currency assets and liabilities held by the Group and the Company are not material compared to the total assets and liabilities. In terms of the Group's and the Company's revenue structure, a majority of the business transactions are denominated in RMB, and the proportion of foreign currency transactions are not significant to the Group and the Company. The Group and the Company consider that the currency risk of the Group's and the Company's operations is immaterial due to the relatively low proportion of the Group's and the Company's foreign currency denominated assets, liabilities, income and expense, as compared to the Group's and the Company's total assets, liabilities, income and expense. Hence, no further analysis is presented.

Price risk

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

The Group's and the Company's price risk exposure mainly relates to investments in equity securities, funds, convertible bonds, derivatives and collective asset management plans whose values will fluctuate as a result of changes in market prices. Most of these investments of the Group and of the Company are in the capital markets in China. The Group and the Company are subject to increased market risk largely because the stock markets in the PRC are relatively volatile.

The Group's and the Company's price risk management policy requires setting and managing investment objectives. The directors of the Company manage price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. The Group and the Company started hedging exposure by entering into derivatives contracts in 2010 to economically hedge against the exposure arising from their investment portfolio.

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.2 Market risk—continued

Price risk—continued

Sensitivity analysis

The analysis below is performed to show the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of equity securities, funds, convertible bonds, derivatives and collective asset management plans by 10% with all other variables held constant. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax or vice versa.

Group

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Profit before income tax for the year			
Increase by 10%	84,337	172,438	155,516
Decrease by 10%	(84,337)	(172,438)	(155,516)

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Other comprehensive income before income tax			
Increase by 10%	19,358	19,822	69,143
Decrease by 10%	(19,358)	(19,822)	(69,143)

Company

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Profit before income tax for the year			
Increase by 10%	84,337	157,438	136,078
Decrease by 10%	(84,337)	(157,438)	(136,078)

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Other comprehensive income before income tax			
Increase by 10%	19,358	19,822	69,143
Decrease by 10%	(19,358)	(19,822)	(69,143)

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.3 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficultly in meeting obligations associated with financial liabilities due to shortages of capital or funds. During the normal course of business, the Group and the Company may face liquidity risk caused by macroeconomic policy change, market fluctuation, poor operations, credit downgrades, mismatch of assets and liabilities, low turnover rate of assets, early redemption of dealer-quoted bond repurchase product by customers, large underwriting on a firm commitment basis, significant proprietary trading position, or high ratio of long-term investment. If the Group and the Company fail to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on the risk indicators, the Group and the Company could be penalized by the regulatory authority by imposing restrictions on the Group's and the Company's business operation, which would then cause adverse impact on the Group's and the Company's operation and reputation.

The Group and the Company centralized management and control over funds. Through early alert and management on the usage of large sums of money, the Group and the Company achieve the objective of centralized control and management of liquidity risk. After balancing among safety, liquidity and profitability, the Group and the Company adjust and allocate asset size and terms structure, so as to establish different levels of liquidity reserve system and achieve the objective of liquidity risk management through money market and capital market transactions in a timely manner.

The Group and the Company prepare funding plan of different terms and report its implementation progress to the management to reflect the status of liquidity risk management.

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.3 Liquidity risk—continued

Undiscounted cash flows by contractual maturities

The tables below present the cash flows receivable and payable by the Group and the Company for non-derivative financial assets and liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate at the end of each reporting period.

Group

As at 31 December 2010

	Undated	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
Advances to customers	—	—	4,372	549,745	—	—	554,117	532,829
Accounts receivable	—	129,343	—	—	—	—	129,343	129,343
Other financial assets	—	255,410	—	—	—	—	255,410	255,410
Available-for-sale financial assets	137,763	—	600,222	663,669	649,808	256,477	2,307,939	2,157,244
Financial assets held under resale agreements	—	—	60,050	—	—	—	60,050	60,000
Financial assets held for trading	870,410	—	1,163,377	2,395,359	1,997,939	784,810	7,211,895	6,514,532
Financial assets designated as at fair value through profit or loss	—	—	—	1,259	5,036	158,259	164,554	182,098
Deposits with exchanges and a non-bank financial institution	—	2,346,742	—	—	—	—	2,346,742	2,346,742
Clearing settlement funds	—	24,675,490	—	—	—	—	24,675,490	24,675,490
Bank balances	—	55,584,908	—	—	—	—	55,584,908	55,584,908
Subtotal	1,008,173	82,991,893	1,828,021	3,610,032	2,652,783	1,199,546	93,290,448	92,438,596
Financial liabilities								
Accounts payable to brokerage clients	—	76,794,509	—	—	—	—	76,794,509	76,794,509
Other financial liabilities	—	171,401	—	—	—	—	171,401	171,401
Subtotal	—	76,965,910	—	—	—	—	76,965,910	76,965,910
Net position	1,008,173	6,025,983	1,828,021	3,610,032	2,652,783	1,199,546	16,324,538	15,472,686

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.3 Liquidity risk—continued

Undiscounted cash flows by contractual maturities—continued

Group—continued

As at 31 December 2011

	Undated	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
Advances to customers	—	—	897,619	1,765,667	—	—	2,663,286	2,548,727
Accounts receivable	—	108,025	—	—	—	—	108,025	108,025
Other financial assets	—	88,381	—	—	—	—	88,381	88,381
Available-for-sale financial assets	268,979	—	293	22,472	753,402	66,266	1,111,412	1,032,101
Financial assets held under resale agreements	—	—	589,135	5,167	—	—	594,302	591,753
Financial assets held for trading	2,150,064	—	94,470	223,474	2,639,902	553,606	5,661,516	5,010,774
Financial assets designated as at fair value through profit or loss	—	—	—	1,028	—	—	1,028	925
Deposits with exchanges and a non-bank financial institution	—	2,137,039	—	—	—	—	2,137,039	2,137,039
Clearing settlement funds	—	3,584,131	—	—	—	—	3,584,131	3,584,131
Bank balances	—	42,264,407	—	—	—	—	42,264,407	42,264,407
Subtotal	2,419,043	48,181,983	1,581,517	2,017,808	3,393,304	619,872	58,213,527	57,366,263
Financial liabilities								
Accounts payable to brokerage clients	—	41,231,089	—	—	—	—	41,231,089	41,231,089
Other financial liabilities	—	184,131	—	—	—	—	184,131	184,131
Financial assets sold under repurchase agreements	—	—	2,602	—	—	—	2,602	2,602
Subtotal	—	41,415,220	2,602	—	—	—	41,417,822	41,417,822
Net position	2,419,043	6,766,763	1,578,915	2,017,808	3,393,304	619,872	16,795,705	15,948,441

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.3 Liquidity risk—continued

Undiscounted cash flows by contractual maturities—continued

Group—continued

As at 31 December 2012

	Undated	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
Advances to customers	—	—	1,164,120	4,499,934	—	—	5,664,054	5,438,668
Accounts receivable	—	209,709	—	—	—	—	209,709	209,709
Other financial assets	—	74,110	—	—	—	—	74,110	74,110
Available-for-sale financial assets	833,352	—	124,548	262,105	3,082,541	4,792,915	9,095,461	6,650,976
Financial assets held under resale agreements	—	—	306,112	540,395	—	—	846,507	809,523
Financial assets held for trading	1,081,125	—	43,800	359,903	2,254,723	2,178,008	5,917,559	4,622,021
Financial assets designated as at fair value through profit or loss	345,637	—	175	3,233	477,257	40,438	866,740	831,037
Deposits with exchanges and a non-bank financial institution	—	2,614,323	—	—	—	—	2,614,323	2,614,323
Clearing settlement funds	—	4,541,475	—	—	—	—	4,541,475	4,541,475
Bank balances	—	36,607,005	—	—	—	—	36,607,005	36,607,005
Subtotal	2,260,114	44,046,622	1,638,755	5,665,570	5,814,521	7,011,361	66,436,943	62,398,847
Financial liabilities								
Due to banks and a non-bank financial institution	—	—	320,216	—	—	—	320,216	318,858
Accounts payable to brokerage clients	—	39,745,629	—	—	—	—	39,745,629	39,745,629
Other financial liabilities	—	177,387	—	—	—	—	177,387	177,387
Financial assets sold under repurchase agreements	—	—	5,196,231	—	—	—	5,196,231	5,183,436
Subtotal	—	39,923,016	5,516,447	—	—	—	45,439,463	45,425,310
Net position	2,260,114	4,123,606	(3,877,692)	5,665,570	5,814,521	7,011,361	20,997,480	16,973,537

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.3 Liquidity risk—continued

Undiscounted cash flows by contractual maturities—continued

Company

As at 31 December 2010

	Undated	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
Advances to customers	—	—	4,372	549,745	—	—	554,117	532,829
Accounts receivable	—	129,343	—	—	—	—	129,343	129,343
Other financial assets	—	249,023	—	—	—	—	249,023	249,023
Amounts due from subsidiaries	—	88,496	—	—	—	—	88,496	88,496
Available-for-sale financial assets	3,563	—	600,222	663,669	649,808	256,477	2,173,739	2,023,044
Financial assets held under resale agreements	—	—	60,050	—	—	—	60,050	60,000
Financial assets held for trading	870,410	—	1,163,377	2,395,359	1,997,939	784,810	7,211,895	6,514,532
Financial assets designated as at fair value through profit or loss	—	—	—	1,259	5,036	158,259	164,554	182,098
Deposits with exchanges and a non-bank financial institution	—	977,378	—	—	—	—	977,378	977,378
Clearing settlement funds	—	24,244,359	—	—	—	—	24,244,359	24,244,359
Bank balances	—	52,019,598	—	—	—	—	52,019,598	52,019,598
Subtotal	873,973	77,708,197	1,828,021	3,610,032	2,652,783	1,199,546	87,872,552	87,020,700
Financial liabilities								
Accounts payable to brokerage clients	—	72,860,963	—	—	—	—	72,860,963	72,860,963
Other financial liabilities	—	135,923	—	—	—	—	135,923	135,923
Subtotal	—	72,996,886	—	—	—	—	72,996,886	72,996,886
Net position	873,973	4,711,311	1,828,021	3,610,032	2,652,783	1,199,546	14,875,666	14,023,814

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.3 Liquidity risk—continued

Undiscounted cash flows by contractual maturities—continued

Company—continued

As at 31 December 2011

	Undated	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
Advances to customers	—	—	897,619	1,765,667	—	—	2,663,286	2,548,727
Accounts receivable	—	102,416	—	—	—	—	102,416	102,416
Other financial assets	—	76,567	—	—	—	—	76,567	76,567
Amounts due from subsidiaries	—	146,893	—	—	—	—	146,893	146,893
Available-for-sale financial assets	38,029	—	293	22,472	753,402	66,266	880,462	801,151
Financial assets held under resale agreements	—	—	86,889	5,167	—	—	92,056	91,753
Financial assets held for trading	2,000,063	—	94,470	223,474	2,639,902	553,607	5,511,516	4,860,774
Financial assets designated as at fair value through profit or loss	—	—	—	1,028	—	—	1,028	925
Deposits with exchanges and a non-bank financial institution	—	776,442	—	—	—	—	776,442	776,442
Clearing settlement funds	—	3,123,356	—	—	—	—	3,123,356	3,123,356
Bank balances	—	39,108,331	—	—	—	—	39,108,331	39,108,331
Subtotal	2,038,092	43,334,005	1,079,271	2,017,808	3,393,304	619,873	52,482,353	51,637,335
Financial liabilities								
Accounts payable to brokerage clients	—	37,381,078	—	—	—	—	37,381,078	37,381,078
Other financial liabilities	—	129,142	—	—	—	—	129,142	129,142
Financial assets sold under repurchase agreements	—	—	2,602	—	—	—	2,602	2,602
Subtotal	—	37,510,220	2,602	—	—	—	37,512,822	37,512,822
Net position	2,038,092	5,823,785	1,076,669	2,017,808	3,393,304	619,873	14,969,531	14,124,513

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.3 Liquidity risk—continued

Undiscounted cash flows by contractual maturities—continued

Company—continued

As at 31 December 2012

	Undated	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
Advances to customers	—	—	897,074	4,499,934	—	—	5,397,008	5,171,621
Accounts receivable	—	88,602	—	—	—	—	88,602	88,602
Other financial assets	—	57,612	—	—	—	—	57,612	57,612
Amounts due from subsidiaries	—	127,189	—	—	—	—	127,189	127,189
Available-for-sale financial assets	390,902	—	124,548	262,105	3,082,541	4,792,915	8,653,011	8,223,278
Financial assets held under resale agreements	—	—	156,012	540,395	—	—	696,407	659,523
Financial assets held for trading	1,081,125	—	43,800	359,903	2,254,723	1,983,633	5,723,184	4,427,645
Financial assets designated as at fair value through profit or loss	345,637	—	175	3,233	477,257	40,438	866,740	831,037
Deposits with exchanges and a non-bank financial institution	—	620,251	—	—	—	—	620,251	620,251
Clearing settlement funds	—	4,146,477	—	—	—	—	4,146,477	4,146,477
Bank balances	—	31,939,024	—	—	—	—	31,939,024	31,939,024
Subtotal	1,817,664	36,979,155	1,221,609	5,665,570	5,814,521	6,816,986	58,315,505	56,292,259
Financial liabilities								
Due to banks and a non-bank financial institution	—	—	301,353	—	—	—	301,353	300,000
Accounts payable to brokerage clients	—	33,996,895	—	—	—	—	33,996,895	33,996,895
Other financial liabilities	—	109,672	—	—	—	—	109,672	109,672
Financial assets sold under repurchase agreements	—	—	5,196,231	—	—	—	5,196,231	5,183,436
Subtotal	—	34,106,567	5,497,584	—	—	—	39,604,151	39,590,003
Net position	1,817,664	2,872,588	(4,275,975)	5,665,570	5,814,521	6,816,986	18,711,354	16,702,256

G. NOTES TO THE FINANCIAL INFORMATION—continued

52. FINANCIAL RISK MANAGEMENT—continued

52.4 Capital management

The Group's and the Company's objectives of capital management are:

- To safeguard the Group's and the Company's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's and the Company's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2008) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

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

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

As at 31 December 2010, 2011 and 2012, the Company maintained the above ratios as follows:

	As at 31 December		
	2010	2011	2012
Net capital (RMB'000)	11,315,972	12,664,282	13,508,295
Ratio 1	298.32%	436.22%	662.55%
Ratio 2	78.76%	79.47%	77.89%
Ratio 3	399.24%	740.86%	199.64%
Ratio 4	506.88%	932.30%	256.29%
Ratio 5	5.32%	7.99%	9.92%
Ratio 6	72.43%	37.91%	76.39%

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under the PRC and Hong Kong regulatory requirements, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively. These subsidiaries comply with the capital requirements during the years ended 31 December 2010, 2011 and 2012.

G. NOTES TO THE FINANCIAL INFORMATION—continued

53. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Group's and the Company's statements of financial position approximate their fair values.

The following tables provide an analysis of financial instruments that are measured at fair value subsequent to initial recognition, grouped into Level 1 to 3 based on the degree to which the fair value 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 asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- 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).

Group

As at 31 December 2010

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets	647,498	1,375,546	—	2,023,044
Financial assets held for trading	996,507	5,518,025	—	6,514,532
Financial assets designated as at fair value through profit or loss	182,098	—	—	182,098
Derivative financial instruments [1]	(310)	—	—	(310)
	1,825,793	6,893,571	—	8,719,364

G. NOTES TO THE FINANCIAL INFORMATION—continued

53. FAIR VALUE OF FINANCIAL INSTRUMENTS—continued

Group—continued

As at 31 December 2011

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets	57,801	743,350	—	801,151
Financial assets held for trading	2,269,684	2,741,090	—	5,010,774
Financial assets designated as at fair value through profit or loss	—	925	—	925
Derivative financial instruments [1]	(2,386)	—	—	(2,386)
	2,325,099	3,485,365	—	5,810,464

As at 31 December 2012

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets	5,039,642	1,168,884	—	6,208,526
Financial assets held for trading	1,322,492	3,299,529	—	4,622,021
Financial assets designated as at fair value through profit or loss	831,037	—	—	831,037
Derivative financial instruments [1]	(28,972)	—	—	(28,972)
	7,164,199	4,468,413	—	11,632,612

Company

As at 31 December 2010

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets	647,498	1,375,546	—	2,023,044
Financial assets held for trading	996,507	5,518,025	—	6,514,532
Financial assets designated as at fair value through profit or loss	182,098	—	—	182,098
Derivative financial instruments [1]	(310)	—	—	(310)
	1,825,793	6,893,571	—	8,719,364

As at 31 December 2011

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets	57,801	743,350	—	801,151
Financial assets held for trading	2,119,684	2,741,090	—	4,860,774
Financial assets designated as at fair value through profit or loss	—	925	—	925
Derivative financial instruments [1]	(2,386)	—	—	(2,386)
	2,175,099	3,485,365	—	5,660,464

G. NOTES TO THE FINANCIAL INFORMATION—continued

53. FAIR VALUE OF FINANCIAL INSTRUMENTS—continued

Company—continued

As at 31 December 2012

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets	5,039,642	1,168,884	—	6,208,526
Financial assets held for trading	1,322,492	3,105,153	—	4,427,645
Financial assets designated as at fair value through profit or loss	831,037	—	—	831,037
Derivative financial instruments [1]	(28,972)	—	—	(28,972)
	7,164,199	4,274,037	—	11,438,236

(1) The Group's and the Company's derivatives are stock index futures contracts. Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's and of the Company's position in stock index futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 31 December 2010, 2011 and 2012. Accordingly, the net position of the stock index futures contracts was nil at the end of each reporting period. The above analysis only presents the fair value of derivative financial instruments.

There were no transfers between instruments in Level 1 and Level 2 for the Group and the Company during the years ended 31 December 2010, 2011 and 2012.

G. NOTES TO THE FINANCIAL INFORMATION—continued

54. MATURITY PROFILE OF ASSETS AND LIABILITIES

An analysis of the maturity profile of certain assets and liabilities of the Group as at 31 December 2010, 2011 and 2012 based on the remaining contractual maturity is as follows:

As at 31 December 2010

	Repayable on demand	Less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Advances to customers	—	532,829	—	—	532,829
Financial assets held under resale agreements	—	60,000	—	—	60,000
Debt securities classified as:					
Available-for-sale financial assets	—	1,211,938	571,993	235,550	2,019,481
Financial assets held for trading	—	3,339,263	1,636,731	668,128	5,644,122
Financial assets designated as at fair value through profit or loss	—	—	—	182,098	182,098
Clearing settlement funds	24,675,490	—	—	—	24,675,490
Bank balances	55,584,908	—	—	—	55,584,908
	80,260,398	5,144,030	2,208,724	1,085,776	88,698,928
Liabilities					
Accounts payable to brokerage clients	76,794,509	—	—	—	76,794,509
	76,794,509	—	—	—	76,794,509

G. NOTES TO THE FINANCIAL INFORMATION—continued

54. MATURITY PROFILE OF ASSETS AND LIABILITIES—continued

As at 31 December 2011

	Repayable on demand	Less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Advances to customers	—	2,548,727	—	—	2,548,727
Financial assets held under resale agreements	—	591,753	—	—	591,753
Debt securities classified as:					
Available-for-sale financial assets	—	—	698,368	64,754	763,122
Financial assets held for trading	—	174,901	2,184,519	501,291	2,860,711
Financial assets designated as at fair value through profit or loss	—	925	—	—	925
Clearing settlement funds	3,584,131	—	—	—	3,584,131
Bank balances	42,264,407	—	—	—	42,264,407
	45,848,538	3,316,306	2,882,887	566,045	52,613,776
Liabilities					
Accounts payable to brokerage clients	41,231,089	—	—	—	41,231,089
Financial assets sold under repurchase agreements	—	2,602	—	—	2,602
	41,231,089	2,602	—	—	41,233,691

G. NOTES TO THE FINANCIAL INFORMATION—continued

54. MATURITY PROFILE OF ASSETS AND LIABILITIES—continued

As at 31 December 2012

	Repayable on demand	Less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Advances to customers	—	5,438,668	—	—	5,438,668
Financial assets held under resale agreements	—	809,523	—	—	809,523
Debt securities classified as:					
Available-for-sale financial assets	—	108,181	1,963,869	3,745,574	5,817,624
Financial assets held for trading	—	219,358	1,703,490	1,618,048	3,540,896
Financial assets designated as at fair value through profit or loss	—	—	454,664	30,736	485,400
Clearing settlement funds	4,541,475	—	—	—	4,541,475
Bank balances	36,607,005	—	—	—	36,607,005
	41,148,480	6,575,730	4,122,023	5,394,358	57,240,591
Liabilities					
Due to banks and a non-bank financial institution	—	318,858	—	—	318,858
Accounts payable to brokerage clients	39,745,629	—	—	—	39,745,629
Financial assets sold under repurchase agreements	—	5,183,436	—	—	5,183,436
	39,745,629	5,502,294	—	—	45,247,923

55. OUTSTANDING LITIGATIONS

The Group is involved as defendant in certain lawsuits arising from normal business operations. Based on the court rulings or advices from legal counsel, the Group made a provision of RMB18.90 million in 2012 for outstanding litigations. No provisions were made in 2010 and 2011. Other than the provisions made, the directors of the Company are of the opinion that the outcome of the lawsuits and court judgments will not have a significant impact on the Group's financial position or operations.

H. SUBSEQUENT EVENTS

1. Pursuant to the resolution of the third extraordinary general meeting for 2012 held on 16 November 2012, the shareholders approved the proposal to issue short-term notes in an aggregate principal amount of up to RMB7 billion within one-year period. On 1 April 2013, the Company obtained the approval from the People's Bank of China and issued the first tranche of fixed interest rate short-term notes in a principal amount of RMB3.5 billion on 12 April 2013. This tranche of short-term notes has a term of 90 days and bears interest at 3.58% per annum.

2. Pursuant to the resolution of the first extraordinary general meeting for 2013 held on 25 January 2013, the shareholders approved the proposal on dividend distribution before its proposed initial public offering in which a cash dividend in respect of the period from 1 January 2013 to the last day of the month immediately prior to the completion of its initial public offering (the "Special Dividend Date") will be declared to shareholders on the Company's register of members as of the Special Dividend Date in an amount equal to the audited net profit of the Company for the period from 1 January 2013 to the Special Dividend Date, after the required appropriations to the statutory reserve, the reserve for general risk and the transaction risk reserve ("Distributable Profits"). The Company's Distributable Profits are determined in accordance with PRC GAAP and IFRSs, whichever is lower.

3. Pursuant to the meeting of the Board of Directors on 21 March 2013, the Company passed a resolution to appropriate RMB139.64 million to the discretionary reserve for the year ended 31 December 2012 based on net profit determined in accordance with PRC GAAP. The proposal of this profit appropriation is subject to the approval by shareholders in the general meeting and had not been included in the Financial Information.

The Group had no other material events for disclosure subsequent to 31 December 2012 and up to the date of this report.

I. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Save as disclosed in this report, no other payments have been paid or are payable in respect of the Relevant Periods by the Company or any of its subsidiaries to the directors and supervisors.

J. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2012 and up to the date of this report.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong