

The information set out below is the unaudited interim financial information of the Group for the period ended March 31, 2013 and does not form part of the Accountants' Report prepared by the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong set out in Appendix I, and is included herein for information purposes only.



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## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

#### **Introduction**

We have reviewed the condensed consolidated financial statements of China Galaxy Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages I-A-3 to I-A-38, which comprise the condensed consolidated statement of financial position as of 31 March 2013 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the three months ended 31 March 2013, and certain explanatory notes. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **Scope of Review**

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF  
CHINA GALAXY SECURITIES CO., LTD. - continued  
(Incorporated in the People's Republic of China with limited liability)

**Conclusion**

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

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the three months ended 31 March 2012 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with ISRE 2410.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong

9 May 2013

**REPORT AND UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENT**

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

(Amounts in thousands of Renminbi, unless otherwise stated)

	<u>Note</u>	<u>Three months ended 31 March</u>	
		<u>2013</u> (Unaudited)	<u>2012</u> (Unaudited)
Revenue			
Commission and fee income	5	1,243,359	1,016,930
Interest income	6	498,972	437,225
Net investment gains	7	231,986	84,518
Total revenue		1,974,317	1,538,673
Other income and gains		3,000	5,888
Total revenue and other income		1,977,317	1,544,561
Depreciation and amortization	8	(61,055)	(64,276)
Staff costs	9	(563,222)	(464,765)
Commission and fee expenses	10	(26,857)	(19,317)
Interest expenses	11	(102,636)	(66,257)
Other operating expenses	12	(372,345)	(345,246)
(Allowance for)/reversal of impairment losses		(3,578)	70
Total expenses		(1,129,693)	(959,791)
Profit before income tax		847,624	584,770
Income tax expense	13	(219,917)	(148,338)
Profit for the period		627,707	436,432
Attributable to:			
Owners of the Company		622,385	430,643
Non-controlling interests		5,322	5,789
		627,707	436,432
Earnings per share attributable to owners of the Company (Expressed in RMB Yuan per share)			
- Basic	14	0.10	0.07

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED 31 MARCH 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	<u>Three months ended 31 March</u>	
	<u>2013</u>	<u>2012</u>
	(Unaudited)	(Unaudited)
Profit for the period	627,707	436,432
Other comprehensive income/(expense)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Available-for-sale financial assets		
Net fair value changes during the period	103,804	(38,375)
Reclassification adjustment to profit or loss on disposal	859	5,883
Income tax impact	(26,166)	8,123
Subtotal	78,497	(24,369)
Exchange differences arising on translation	(1,739)	(8)
Other comprehensive income/(expense) for the period, net of income tax	76,758	(24,377)
Total comprehensive income for the period	<u>704,465</u>	<u>412,055</u>
Attributable to:		
Owners of the Company	699,143	406,266
Non-controlling interests	5,322	5,789
	<u>704,465</u>	<u>412,055</u>

**REPORT AND UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENT**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****As at 31 March 2013**

(Amounts in thousands of Renminbi, unless otherwise stated)

	<u>Notes</u>	<b>As at 31 March 2013 (Unaudited)</b>	<b>As at 31 December 2012 (Audited)</b>
Non-current assets			
Property and equipment	15	472,133	515,600
Goodwill		223,278	223,278
Other intangible assets		356,617	362,811
Available-for-sale financial assets	16	645,180	742,976
Deferred tax assets		96,177	174,385
Total non-current assets		<u>1,793,385</u>	<u>2,019,050</u>
Current assets			
Advances to customers		9,806,438	5,438,668
Accounts receivable		215,974	209,709
Prepaid taxes		251,455	268,136
Other receivables and prepayments		668,086	426,637
Available-for-sale financial assets	16	6,995,930	5,908,000
Financial assets held under resale agreements		1,465,432	809,523
Financial assets held for trading	17	4,727,540	4,622,021
Financial assets designated as at fair value through profit or loss	18	351,170	831,037
Deposits with exchanges and a non-bank financial institution		2,943,339	2,614,323
Clearing settlement funds	20	4,551,533	4,541,475
Bank balances	21	38,154,722	36,607,005
Total current assets		<u>70,131,619</u>	<u>62,276,534</u>
Total assets		<u>71,925,004</u>	<u>64,295,584</u>
Current liabilities			
Due to banks and a non-bank financial institution	23	3,973,000	318,858
Accounts payable to brokerage clients	24	38,456,866	39,745,629
Accrued staff costs		847,721	1,104,837
Other payables and accruals		2,565,584	363,707
Current tax liabilities		18,600	20,269
Financial assets sold under repurchase agreements		7,799,920	5,183,436
Total current liabilities		<u>53,661,691</u>	<u>46,736,736</u>
Net current assets		<u>16,469,928</u>	<u>15,539,798</u>
Net assets		<u>18,263,313</u>	<u>17,558,848</u>

**REPORT AND UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENT**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued****As at 31 March 2013**

(Amounts in thousands of Renminbi, unless otherwise stated)

	<u>Notes</u>	<b>As at 31 March 2013 (Unaudited)</b>	<b>As at 31 December 2012 (Audited)</b>
Equity			
Share capital	25	6,000,000	6,000,000
Investment revaluation reserve		51,332	(27,165)
Translation reserve		(4,745)	(3,006)
General reserves		6,298,403	6,298,403
Retained profits		5,784,012	5,161,627
Equity attributable to owners of the Company		18,129,002	17,429,859
Non-controlling interests		134,311	128,989
Total equity		<u>18,263,313</u>	<u>17,558,848</u>

**APPENDIX I - A**

**REPORT AND UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENT**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to owners of the Company							Total equity
	Share capital (Note 25)	Investment revaluation reserve	Translation reserve	General reserves	Retained profits	Subtotal	Non-controlling interests	
At 1 January 2013 (audited)	6,000,000	(27,165)	(3,006)	6,298,403	5,161,627	17,429,859	128,989	17,558,848
Profit for the period	-	-	-	-	622,385	622,385	5,322	627,707
Other comprehensive income/(expense) for the period	-	78,497	(1,739)	-	-	76,758	-	76,758
Total comprehensive income/(expense) for the period	-	78,497	(1,739)	-	622,385	699,143	5,322	704,465
At 31 March 2013 (unaudited)	6,000,000	51,332	(4,745)	6,298,403	5,784,012	18,129,002	134,311	18,263,313
At 1 January 2012 (audited)	6,000,000	(36,010)	(1,471)	5,720,521	4,321,099	16,004,139	122,656	16,126,795
Profit for the period	-	-	-	-	430,643	430,643	5,789	436,432
Other comprehensive expense for the period	-	(24,369)	(8)	-	-	(24,377)	-	(24,377)
Total comprehensive (expense)/income for the period	-	(24,369)	(8)	-	430,643	406,266	5,789	412,055
At 31 March 2012 (unaudited)	6,000,000	(60,379)	(1,479)	5,720,521	4,751,742	16,410,405	128,445	16,538,850

**REPORT AND UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENT**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	<b>Three months ended 31 March</b>	
		<b><u>2013</u></b> <b>(Unaudited)</b>	<b><u>2012</u></b> <b>(Unaudited)</b>
NET CASH FROM OPERATING ACTIVITIES		3,295,393	2,746,552
INVESTING ACTIVITIES			
Dividends and interest received from investments		115,566	1,955
Purchases of property and equipment and other intangible assets		(11,405)	(33,999)
Proceeds from disposal of property and equipment and other intangible assets		42	3,068
Purchase or proceeds from disposal of available-for-sale financial assets, net		<u>(889,220)</u>	<u>(2,612,143)</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(785,017)</u>	<u>(2,641,119)</u>
FINANCING ACTIVITY			
Repayment of bank loans		<u>(18,858)</u>	<u>-</u>
CASH USED IN FINANCING ACTIVITY		<u>(18,858)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>2,491,518</u>	<u>105,433</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		<u>3,921,042</u>	<u>6,564,857</u>
Effect of foreign exchange rate changes		<u>(821)</u>	<u>(71)</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	22	<u><u>6,411,739</u></u>	<u><u>6,670,219</u></u>



**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

(Amounts in thousands of Renminbi, unless otherwise stated)

**1. GENERAL INFORMATION OF THE GROUP**

Pursuant to the approval from the China Securities Regulatory Commission (the "CSRC"), the Company was established in Beijing, the People's Republic of China (the "PRC") on 26 January 2007 with a registered capital of RMB6 billion.

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 collectively referred to as the "Group") are principally engaged in securities brokerage, securities investment advisory, financial advisory relating to securities trading and securities investment activities, security underwriting and sponsorship, proprietary trading, asset management, margin financing and securities lending, securities investment fund distribution, project and investment management, commodity futures brokerage, financial futures brokerage, futures investment advisory, wealth management and money lending business.

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

**2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES****(a) Basis of preparation**

The unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

**(b) Principal accounting policies**

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the three months ended 31 March 2013 are the same as those followed in the preparation of the Group's consolidated financial statements for the three years ended 31 December 2010, 2011 and 2012 underlying the preparation of the accountants' report included in the prospectus of the Company in connection with the initial public offering of the H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited issued on 9 May 2013.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

(Amounts in thousands of Renminbi, unless otherwise stated)

**2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - continued**

On 1 January 2013, the Group applied the following new or revised standards and amendments to standards, which were applicable for the Group's financial year beginning on 1 January 2013:

**Amendments to IAS 1 Presentation of Items of Other Comprehensive Income**

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income in the current period. The amendments introduced new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a '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, IAS 1 allows an entity to use titles for these statements other than those used in IAS 1.

In addition, the amendments to IAS 1 require items of other comprehensive income to be 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 directors of the Company choose not to rename the title of its condensed consolidated statement of comprehensive income to 'condensed consolidated statement of profit or loss and other comprehensive income' and condensed consolidated income statement to 'condensed consolidated statement of profit or loss'. Other amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 has no material impact on the Group's profit or loss, other comprehensive income and financial position in the current and prior periods.

**New and revised standards on consolidation, joint arrangements, associates and disclosures**

The Group has applied a package of five standards on consolidation, joint arrangements, associates and disclosures, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011), IAS 28 (as revised in 2011) and the relevant amendments in the current period.

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

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

(Amounts in thousands of Renminbi, unless otherwise stated)

**2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - continued**

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.

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.

The application of these five standards has no material impact on the Group’s profit or loss, other comprehensive income and financial position in the current and prior periods. However, the directors of the Company consider that the application of IFRS 12 will affect the Group's disclosures in the annual consolidated financial statements for the year ending 31 December 2013.

**IFRS 13 Fair Value Measurement**

The Group has applied IFRS 13 Fair Value Measurement in the current period. 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. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy are extended by IFRS 13 to cover all assets and liabilities within its scope.

The application of IFRS 13 has no material impact on the Group's profit or loss, other comprehensive income and financial position in the current and prior periods. The disclosure on the fair value information of the assets and liabilities is set out in note 30.

**Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities**

The Group has applied the amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities in the current period. The amendments 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 application of the amendments has no material impact on the Group's profit or loss, other comprehensive income and financial position in the current and prior periods.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

(Amounts in thousands of Renminbi, unless otherwise stated)

**2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - continued****IAS 19 (as revised in 2011) Employee Benefits**

The Group has applied the amendments to IAS 19 (as revised in 2011) Employee Benefits in the current period. 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 previous 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 application of the amendments has no material impact on the Group's profit or loss, other comprehensive income and financial position in the current and prior periods.

**3. KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the years ended 31 December 2010, 2011 and 2012.

**4. FINANCIAL RISK MANAGEMENT**

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

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the consolidated annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the years ended 31 December 2010, 2011 and 2012.

There have been no changes in the Group's risk management policies and processes during the three months ended 31 March 2013.

**REPORT AND UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENT**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

(Amounts in thousands of Renminbi, unless otherwise stated)

5. COMMISSION AND FEE INCOME

	<b>Three months ended 31 March</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Commission on securities dealing and broking and handling fee income	977,788	739,592
Underwriting and sponsors fees	138,831	169,564
Commission on futures and options contracts dealing and broking and handling fee income	83,781	92,001
Consultancy and financial advisory fee income	17,755	4,910
Asset management fee income	24,312	5,775
Others	892	5,088
	<u>1,243,359</u>	<u>1,016,930</u>

6. INTEREST INCOME

The following is the analysis excluding interest income from investments:

	<b>Three months ended 31 March</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Deposits with banks and non-bank financial institutions	308,590	366,450
Advances to customers and securities lending	170,810	63,917
Financial assets held under resale agreements	19,572	6,858
	<u>498,972</u>	<u>437,225</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

## 7. NET INVESTMENT GAINS

	<b><u>Three months ended 31 March</u></b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net realized losses from disposal of available-for-sale financial assets	(859)	(5,883)
Dividend income and interest income from available-for-sale financial assets	71,832	14,594
Net realized gains from disposal of financial assets held for trading	32,322	18,221
Dividend income and interest income from financial assets held for trading	52,425	52,271
Net realized gains from disposal of financial assets designated as at fair value through profit or loss	42,482	99
Interest income from financial assets designated as at fair value through profit or loss	2,243	-
Net realized losses from derivatives	(28,134)	(29,228)
Unrealized fair value change of financial instruments at fair value through profit or loss		
- financial assets held for trading	25,225	23,941
- financial assets designated as at fair value through profit or loss	(8,390)	318
- derivatives	42,840	10,185
	<u>231,986</u>	<u>84,518</u>

## 8. DEPRECIATION AND AMORTIZATION

	<b><u>Three months ended 31 March</u></b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Depreciation for property and equipment	52,200	58,015
Amortization of other intangible assets	8,855	6,261
	<u>61,055</u>	<u>64,276</u>

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

(Amounts in thousands of Renminbi, unless otherwise stated)

9. STAFF COSTS

	<b>Three months ended 31 March</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Salaries, bonus and allowances	428,313	335,010
Social welfare	87,417	82,604
Contributions to annuity schemes	11,046	9,034
Retirement benefit obligations	58	97
Others	<u>36,388</u>	<u>38,020</u>
	<u>563,222</u>	<u>464,765</u>

10. COMMISSION AND FEE EXPENSES

	<b>Three months ended 31 March</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Securities and futures dealing and broking expenses	22,520	18,680
Underwriting and sponsors fee expenses	2,336	162
Other service expenses	<u>2,001</u>	<u>475</u>
	<u>26,857</u>	<u>19,317</u>

**REPORT AND UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENT**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

(Amounts in thousands of Renminbi, unless otherwise stated)

11. INTEREST EXPENSES

	<b>Three months ended 31 March 2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on liabilities that are wholly repayable within five years:		
- Accounts payable to brokerage clients	32,003	53,182
- Financial assets sold under repurchase agreements	59,128	12,217
- Due to banks and non-bank financial institutions	11,505	858
	102,636	66,257

12. OTHER OPERATING EXPENSES

	<b>Three months ended 31 March 2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
General and administrative expenses	96,934	98,733
Business tax and other tax	88,758	63,868
Operating lease rentals in respect of rented premises	97,525	89,769
Data transmission expenses	40,155	40,693
Securities investor protection funds	10,374	13,881
Business travel expenses	12,654	12,095
Utilities expenses	10,769	11,483
Foreign exchange losses, net	216	25
Sundry expenses	14,960	14,699
	372,345	345,246

13. INCOME TAX EXPENSE

	<b>Three months ended 31 March 2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current income tax		
- PRC Enterprise Income Tax	167,875	145,415
Deferred income tax	52,042	2,923
	219,917	148,338

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year.



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## 14. EARNINGS PER

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

	<u>Three months ended 31 March</u> <u>2013</u> (Unaudited)	<u>2012</u> (Unaudited)
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to owners of the Company	622,385	430,643
Number of shares:		
Number of shares in issue (in thousand)	6,000,000	6,000,000
Earnings per share:		
Earnings per share (RMB Yuan)	0.10	0.07

For the three months ended 31 March 2013 and 2012, there were no potential ordinary shares in issue.

## 15. PROPERTY AND EQUIPMENT

During the three months ended 31 March 2013, the Group acquired equipment at a cost of RMB8.74 million (three months ended 31 March 2012: RMB28.59 million).

## 16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>As at 31 March</u> <u>2013</u> (Unaudited)	<u>As at 31 December</u> <u>2012</u> (Audited)
<u>Non-current</u>		
Measured at fair value:		
Other investments (1)	182,730	300,526
Measured at cost:		
Equity securities	462,450	442,450
	645,180	742,976
Analyzed as:		
Unlisted	645,180	742,976

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16. AVAILABLE-FOR-SALE FINANCIAL ASSETS - continued

	As at 31 March <u>2013</u> (Unaudited)	As at 31 December <u>2012</u> (Audited)
<u>Current</u>		
Measured at fair value:		
Debt securities	6,253,915	5,517,098
Equity securities	509,316	383,346
Funds	7,596	7,556
Other investments (1)	225,103	-
	<u>6,995,930</u>	<u>5,908,000</u>
Analyzed as:		
Listed outside Hong Kong (2)	6,770,827	5,908,000
Unlisted	225,103	-

- (1) Other investments represent investments in collective asset management plans issued and managed by the Company, and targeted asset management plans managed by non-bank financial institutions, which mainly invest in debt securities and publicly traded equity securities listed in the PRC. The Group has committed to hold its investments in collective asset management plans till the end of the investment period which ranges from 3 years to 8 years. It also includes the Group's investments in targeted Gasset management plans.
- (2) 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 fair value of the Group'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 the reporting period.

Included in the Group's listed equity securities of approximately RMB477.87 million as at 31 March 2013 (31 December 2012: RMB349.44 million) 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.

The fair values of the Group'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 the reporting period. Fair values of debt securities traded on Interbank Bond Market are determined using valuation techniques.

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

As at 31 March 2013, the Group 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 RMB23.61 million (31 December 2012: RMB35.50 million) to clients. These securities continued to be recognized as financial assets of the Group.

17. FINANCIAL ASSETS HELD FOR TRADING

	<b>As at 31 March <u>2013</u> (Unaudited)</b>	<b>As at 31 December <u>2012</u> (Audited)</b>
Debt securities	4,186,731	3,346,520
Equity securities	160,735	20,856
Funds	222,294	1,060,269
Other investments	157,780	194,376
	<u>4,727,540</u>	<u>4,622,021</u>
Analyzed as:		
Listed outside Hong Kong (1)	4,538,292	3,499,402
Unlisted	189,248	1,122,619
	<u>4,727,540</u>	<u>4,622,021</u>

(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 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 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.

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

	<b>As at 31 March <u>2013</u> (Unaudited)</b>	<b>As at 31 December <u>2012</u> (Audited)</b>
Convertible bonds (1)	65,209	485,400
Equity securities (2)	254,524	318,076
Funds (2)	31,437	27,561
	<u>351,170</u>	<u>831,037</u>
Analyzed as:		
Listed outside Hong Kong (3)	<u>351,170</u>	<u>831,037</u>

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- (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 March 2013, the Group entered into securities lending arrangement with clients that resulted in the transfer of financial assets designated as at fair value through profit or loss with total fair value of RMB 133.97 million (31 December 2012: RMB169.76 million) to clients. These equity securities and exchange-traded funds continued to be recognized as financial assets of the Group.
- (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".

19. DERIVATIVE FINANCIAL INSTRUMENTS

The Group'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". Accordingly, the net position of the SIF contracts was nil at the end of the reporting period.

As at 31 March 2013

<u>Stock Index Futures</u>	<u>Contracts</u>	<u>Purchase/sale</u>	<u>Positions</u> Number of contracts	<u>Contract value</u>	<u>Fair value</u>
CSI 300	IF1303	Sale	382	286,156	7,016
CSI 300	IF1304	Sale	9	6,749	304
CSI 300	IF1305	Sale	300	224,478	6,548
Total				517,383	13,868
Less: settlement					(13,868)
Net position of SIF contracts					-

As at 31 December 2012

<u>Stock Index Futures</u>	<u>Contracts</u>	<u>Purchase/sale</u>	<u>Positions</u> Number of contracts	<u>Contract value</u>	<u>Fair value</u>
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					-

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20. CLEARING SETTLEMENT FUNDS

	<b>As at 31 March <u>2013</u> (Unaudited)</b>	<b>As at 31 December <u>2012</u> (Audited)</b>
Clearing settlement funds held with clearing houses for:		
House	260,795	466,026
Clients	4,290,738	4,075,449
	<u>4,551,533</u>	<u>4,541,475</u>

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

21. BANK BALANCES

	<b>As at 31 March <u>2013</u> (Unaudited)</b>	<b>As at 31 December <u>2012</u> (Audited)</b>
House accounts	6,150,944	3,455,016
Cash held on behalf of customers (1)	32,003,778	33,151,989
	<u>38,154,722</u>	<u>36,607,005</u>

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

(1) The Group maintains bank accounts with banks to hold customers' deposits arising from normal business transactions. The Group has recognized the corresponding amount in accounts payable to brokerage clients (note 24).

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	<b>As at 31 March <u>2013</u> (Unaudited)</b>	<b>As at 31 March <u>2012</u> (Unaudited)</b>
Bank balances - house	6,150,944	6,264,313
Clearing settlement funds - house	260,795	405,906
	<u>6,411,739</u>	<u>6,670,219</u>

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

	As at 31 March <u>2013</u> (Unaudited)	As at 31 December <u>2012</u> (Audited)
Secured short-term bank loans (1)	-	18,858
Placements (2)	3,973,000	300,000
	<u>3,973,000</u>	<u>318,858</u>

- (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 Limited with total fair value of RMB88.28 million held by the Group as collaterals 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. The short-term bank loans have been repaid subsequent to 31 December 2012.
- (2) As at 31 March 2013, placements were obtained from China Securities Finance Corporation Limited, a non-bank financial institution, of RMB3,423 million (31 December 2012: RMB 300 million) with interest at 5.80% (31 December 2012: 5.80%) per annum, and from a bank of RMB550 million with interest at 2.27% (31 December 2012: RMB Nil).

The placements from China Securities Finance Corporation Limited were secured by a cash deposit of RMB609.26 million (31 December 2012: RMB16.13 million) included in deposits with exchanges and a non-bank financial institution and debt securities with fair value of RMB117.92 million (31 December 2012: RMB61.80 million) included in available-for-sale financial assets and repayable within one month from the end of the reporting period. The placements from a bank were repayable between 5 to 7 days after the end of the reporting period.

24. 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.

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

As at 31 March 2013, included in the Group's accounts payable to brokerage clients were approximately RMB987.29 million (31 December 2012: RMB785.11 million) of margin deposits and cash collateral received from clients for margin financing and securities lending arrangement.

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25. 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 and nominal value are as follows:

	<b>As at 31 March 2013 (Unaudited)</b>	<b>As at 31 December 2012 (Audited)</b>
Number of shares registered, issued and fully paid at RMB1 per share (in thousands)	6,000,000	6,000,000
Nominal value	6,000,000	6,000,000

26. OPERATING LEASE COMMITMENTS

Leases for the properties are negotiated with agreed rental charges. As at 31 March 2013 and 31 December 2012, lease terms were ranging from 1 to 15 years.

At 31 March 2013 and 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

The Group as lessee

	<b>As at 31 March 2013 (Unaudited)</b>	<b>As at 31 December 2012 (Audited)</b>
Within 1 year	301,404	311,857
Beyond 1 year and not more than 2 years	187,887	192,435
Beyond 2 years and not more than 3 years	147,829	140,546
Beyond 3 years and not more than 5 years	196,087	195,234
More than 5 years	81,699	79,384
	<u>914,906</u>	<u>919,456</u>

The Group as lessor

As at 31 March 2013 and 31 December 2012, the Group did not have material lease commitments as lessor.

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27. CAPITAL COMMITMENTS

Group

	<b>As at 31 March 2013 (Unaudited)</b>	<b>As at 31 December 2012 (Audited)</b>
Contracted but not provided for	<u>8,687</u>	<u>5,788</u>

28. RELATED PARTY TRANSACTIONS

(1) Immediate holding company

China Galaxy Financial Holdings Company Limited (中國銀河金融控股有限責任公司) ("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 5,364,121,983 shares, representing 89.40% of the entire equity interest of the Company as at 31 December 2012 and 31 March 2013. 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 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 three months ended 31 March 2013 and 2012, the Group provided securities brokerage services to Galaxy Financial Holdings and details of the significant transactions and balances are set out below.

	<b><u>Three months ended 31 March</u></b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest expenses	<u>54</u>	<u>48</u>
	<b>As at 31 March 2013 (Unaudited)</b>	<b>As at 31 December 2012 (Audited)</b>
Accounts payable to brokerage clients	<u>11,880</u>	<u>1</u>



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## 28. RELATED PARTY TRANSACTIONS – continued

## (2) Central Huijin

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

The Group's transactions with Central Huijin Group

	<u>Three months ended 31 March</u> <u>2013</u> (Unaudited)	<u>2012</u> (Unaudited)
Commission and fee income	2,372	147
Interest income from banks and non-bank financial institutions within the Central Huijin Group	191,280	235,917
Investment gains of equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group	4,845	388
Interest expenses to brokerage clients within the Central Huijin Group	<u>286</u>	<u>1,867</u>
	<b>As at 31 March</b> <b><u>2013</u></b> (Unaudited)	<b>As at 31 December</b> <b><u>2012</u></b> (Audited)
Equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group classified as		
- available-for-sale financial assets	1,470	1,506
- financial assets held for trading	197,026	592
- financial assets designated as at fair value through profit or loss	26,065	375,218
Accounts receivable from the Central Huijin Group	120	1,605
Bank balances deposited with banks within the Central Huijin Group	25,245,133	21,160,689
Accounts payable to brokerage clients within the Central Huijin Group	<u>84,786</u>	<u>86,045</u>

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## 28. RELATED PARTY TRANSACTIONS – continued

## (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 the reporting period, the Group holds such investments in equity and debt securities and has balances with these government related entities including accounts payable to brokerage clients.

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

## (4) Other related parties

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

<u>Name</u>	<u>Relationship</u>
銀河基金管理有限公司 Galaxy Fund Management Company Limited ("Galaxy Fund Management")*	fellow subsidiary
銀河保險經紀(北京)有限責任公司 Galaxy Insurance Brokerage (Beijing) Company Limited ("Galaxy Insurance Brokerage")*	fellow subsidiary
中国銀河投資管理有限公司 China Galaxy Investment Management Company Limited ("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.

The Group's transactions with other related parties*Commission and fee income*

	<u>Three months ended 31 March</u>	
	<u>2013</u> (Unaudited)	<u>2012</u> (Unaudited)
Galaxy Fund Management	24	335
Funds under the management of Galaxy Fund Management	4,193	2,293
	<u>4,217</u>	<u>2,628</u>

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## 28. RELATED PARTY TRANSACTIONS – continued

## (4) Other related parties - continued

The Group's transactions with other related parties - continued*Other operating expenses*

	<b><u>Three months ended 31 March</u></b>	
	<b><u>2013</u></b> <b>(Unaudited)</b>	<b><u>2012</u></b> <b>(Unaudited)</b>
Galaxy Investment	<u>16,489</u>	<u>16,102</u>

For each of the three months ended 31 March 2013 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*

	<b>As at 31 March</b>	<b>As at 31 December</b>
	<b>2013</b> <b>(Unaudited)</b>	<b>2012</b> <b>(Audited)</b>
Galaxy Fund Management	277	226
Funds under the management of Galaxy Fund Management	<u>4,193</u>	<u>1,802</u>
	<u>4,470</u>	<u>2,028</u>

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## 28. RELATED PARTY TRANSACTIONS – continued

## (4) Other related parties - continued

The Group's balances with other related parties - continued*Other payables*

	As at 31 March <u>2013</u> (Unaudited)	As at 31 December <u>2012</u> (Audited)
Galaxy Insurance Brokerage	-	1,369

*Accounts payable to brokerage clients*

	As at 31 March <u>2013</u> (Unaudited)	As at 31 December <u>2012</u> (Audited)
Galaxy Fund Management	1	2
Galaxy Investment	5,706	2,812
	<u>5,707</u>	<u>2,814</u>

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28. RELATED PARTY TRANSACTIONS – continued

(4) Other related parties - continued

The Group's lease commitments with Galaxy Investment

	<b>As at 31 March <u>2013</u> (Unaudited)</b>	<b>As at 31 December <u>2012</u> (Audited)</b>
The Group as lessee		
Within 1 year	52,008	63,090
Beyond 1 year and not more than 2 years	4,922	7,290
Beyond 2 years and not more than 3 years	1,754	2,169
Beyond 3 years and not more than 5 years	401	534
	<u>59,085</u>	<u>73,083</u>

(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.

	<b><u>Three months ended 31 March</u> <u>2013</u> (Unaudited)</b>	<b><u>2012</u> (Unaudited)</b>
Salaries, allowances, bonuses and staff welfare	<u>11,576</u>	<u>5,436</u>

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**29. 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 these condensed consolidated financial statements.

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

- (a) Securities brokerage: This segment engages in the provision of securities dealing and broking, margin financing to margin clients and securities lending;
- (b) Futures brokerage: This segment engages in futures dealing and broking, futures information consulting and training;
- (c) Proprietary trading and other securities trading services: This segment engages in trading of equities, bonds, funds, derivatives and other financial products for the Group;
- (d) Investment banking: This segment engages in the provision of corporate finance services including underwriting of equity and debt securities and financial advisory services to institutional clients;

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**29. SEGMENT REPORTING - continued**

- (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.

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 both periods.

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

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

**APPENDIX I - A**

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**29. 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 three months ended 31 March 2013 and 2012.

The operating and reportable segment income statement provided to the CODM for the three months ended 31 March 2013 and 2012 is as follows:

For the three months ended 31 March 2013

**Segment revenue and results**

	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
Revenue	1,366,464	132,415	257,220	146,572	31,673	1,094	25,959	12,920	1,974,317	-	1,974,317
- External	2,117	-	-	-	-	-	-	-	2,117	(2,117)	-
- Inter-segment	1,734	187	-	-	-	-	6	1,073	3,000	-	3,000
Other income and gains											
Segment revenue and other income	1,370,315	132,602	257,220	146,572	31,673	1,094	25,965	13,993	1,979,434	(2,117)	1,977,317
Segment expenses	(605,619)	(90,084)	(82,885)	(72,753)	(13,507)	(4,905)	(28,999)	(233,058)	(1,131,810)	2,117	(1,129,693)
Profit/(loss) before income tax	764,696	42,518	174,335	73,819	18,166	(3,811)	(3,034)	(219,065)	847,624	-	847,624

For the three months ended 31 March 2012

**Segment revenue and results**

	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
Revenue	1,057,937	132,932	89,147	174,314	6,457	4,343	4,532	69,011	1,538,673	-	1,538,673
- External	1,418	-	-	-	-	-	-	-	1,418	(1,418)	-
- Inter-segment	4,047	1,360	-	-	-	1	-	480	5,888	-	5,888
Other income and gains											
Segment revenue and other income	1,063,402	134,292	89,147	174,314	6,457	4,344	4,532	69,491	1,545,979	(1,418)	1,544,561
Segment expenses	(613,340)	(83,395)	(24,985)	(93,662)	(7,378)	(4,323)	(12,735)	(121,391)	(961,209)	1,418	(959,791)
Profit/(loss) before income tax	450,062	50,897	64,162	80,652	-921	21	(8,203)	(51,900)	584,770	-	584,770



**APPENDIX I - A**

**REPORT AND UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENT**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

(Amounts in thousands of Renminbi, unless otherwise stated)

The segment assets and liabilities as at 31 March 2013 and 31 December 2012 are as follow:

	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
As at 31 March 2013											
<b>Segment assets and liabilities</b>	47,124,646	7,291,758	13,495,059	179,908	230,814	1,021,956	659,036	17,260,683	87,263,860	(15,435,033)	71,828,827
Segment assets											96,177
Deferred tax assets											
Group's total assets											71,925,004
Segment liabilities	48,266,053	6,486,538	13,223,278	45,169	207,192	11,226	220,003	637,265	69,096,724	(15,435,033)	53,661,691
As at 31 December 2012											
<b>Segment assets and liabilities</b>	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
Segment assets											174,385
Deferred tax assets											
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

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

(Amounts in thousands of Renminbi, unless otherwise stated)

**30. 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.

As at 31 March 2013 and 31 December 2012, the financial assets at Level 2 represented the debt securities traded on Interbank Bond Market. Their fair values are provided by China Central Depository & Clearing Co., Ltd. and determined by using the discounted cash flows approach and applying the interest yield curves of different types of China's treasury bonds as the key parameter for the fair value measurement.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated statement of financial position approximate their fair values.

The following tables provide an analysis of financial instruments that are measured at fair value on a recurring basis 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).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

## 30. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

*As at 31 March 2013*

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Available-for-sale financial assets				
-Equity securities				
Financial services	407,869	-	-	407,869
Manufacturing	90,494	-	-	90,494
Others	10,953	-	-	10,953
-Debt securities				
Corporate bonds	5,802,249	400,692	-	6,202,941
Government bonds	50,974	-	-	50,974
-Funds	7,596	-	-	7,596
-Other investments				
Collective asset management plans	-	189,854	-	189,854
Targeted asset management plans	-	217,979	-	217,979
	<u>6,370,135</u>	<u>808,525</u>	<u>-</u>	<u>7,178,660</u>
Financial assets held for trading				
-Equity securities				
Manufacturing	45,872	-	-	45,872
Financial services	27,321	-	-	27,321
Transportation, storage and postal service	20,587	-	-	20,587
Wholesale and retail	11,796	-	-	11,796
Mining	8,251	-	-	8,251
Construction	7,677	-	-	7,677
Real Estate	7,187	-	-	7,187
Others	32,044	-	-	32,044
-Debt securities				
Corporate bonds	552,141	3,420,545	-	3,972,686
Government bonds	4,993	-	-	4,993
Financial bonds	-	209,052	-	209,052
-Funds	222,294	-	-	222,294
-Other investments				
Collective asset management plans	-	157,780	-	157,780
Derivative financial instruments(1)	13,868	-	-	13,868
	<u>954,032</u>	<u>3,787,377</u>	<u>-</u>	<u>4,741,408</u>

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

(Amounts in thousands of Renminbi, unless otherwise stated)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

Financial assets designated as at fair value through profit or loss

-Equity securities				
Financial services	92,410	-	-	92,410
Manufacturing	89,336	-	-	89,336
Mining	20,981	-	-	20,981
Real Estate	17,940	-	-	17,940
Transportation, storage and postal service	8,029	-	-	8,029
Wholesale and retail	5,798	-	-	5,798
Others	20,030	-	-	20,030
-Debt securities				
Corporate bonds	38,307	-	-	38,307
Financial bonds	26,902	-	-	26,902
-Funds	31,437	-	-	31,437
	<u>351,170</u>	<u>-</u>	<u>-</u>	<u>351,170</u>

*As at 31 December 2012*

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Available-for-sale financial assets				
-Equity securities				
Financial services	12,259	349,440	-	361,699
Manufacturing	9,414	-	-	9,414
Others	12,233	-	-	12,233
-Debt securities				
Corporate bonds	4,998,180	518,918	-	5,517,098
Government bonds	-	-	-	-
-Funds	7,556	-	-	7,556
-Other investments				
Collective asset management plans	-	198,684	-	198,684
Targeted asset management plans	-	101,842	-	101,842
	<u>5,039,642</u>	<u>1,168,884</u>	<u>-</u>	<u>6,208,526</u>
Financial assets held for trading				
-Equity securities				
Manufacturing	10,242	-	-	10,242
Financial services	5,358	-	-	5,358
Transportation, storage and postal service	195	-	-	195
Wholesale and retail	802	-	-	802
Mining	580	-	-	580
Construction	1,031	-	-	1,031
Real Estate	787	-	-	787
Others	1,861	-	-	1,861
-Debt securities				
Corporate bonds	236,385	3,105,153	-	3,341,538
Government bonds	4,982	-	-	4,982
Financial bonds	-	-	-	-
-Funds	1,060,269	-	-	1,060,269
-Other investments				
Collective asset management plans	-	194,376	-	194,376
Targeted asset management plans	-	-	-	-
Derivative financial instruments(1)	<u>(28,972)</u>	<u>-</u>	<u>-</u>	<u>(28,972)</u>
	<u>1,293,520</u>	<u>3,299,529</u>	<u>-</u>	<u>4,593,049</u>

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2013**

(Amounts in thousands of Renminbi, unless otherwise stated)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

Financial assets designated as at fair value through profit or loss

-Equity securities				
Financial services	106,974	-	-	106,974
Manufacturing	106,235	-	-	106,235
Mining	33,587	-	-	33,587
Real Estate	18,980	-	-	18,980
Transportation, storage and postal service	8,965	-	-	8,965
Wholesale and retail	7,184	-	-	7,184
Others	36,151	-	-	36,151
-Debt securities				
Corporate bonds	125,107	-	-	125,107
Financial bonds	360,293	-	-	360,293
-Funds	27,561	-	-	27,561
	<u>831,037</u>	<u>-</u>	<u>-</u>	<u>831,037</u>

- (1) The Group'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 were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 31 March 2013 and 31 December 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 during the three months ended 31 March 2013 and 31 March 2012.

31. OUTSTANDING LITIGATIONS

As at 31 March 2013, the Group was involved as defendant in certain lawsuits arising from normal business operations in which a provision of RMB18.90 million was made in 2012 by the directors of the Company based on the court rulings or advices from legal counsel. Directors of the Company are of the opinion that the final court judgment will not have a significant impact on the Group's financial position or operations.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts in thousands of Renminbi, unless otherwise stated)

**32. 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 the relevant accounting rules and financial regulations applicable to enterprises in the PRC 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 Accounting Standards. The proposal of this profit appropriation is subject to the approval by shareholders in the general meeting and had not been included in the condensed consolidated financial statements.

The Group had no other material events for disclosure subsequent to 31 March 2013 and up to the date of issuance of these condensed consolidated financial statements.