



中州证券

Central China Securities Co., Ltd.

(a joint stock company incorporated in 2002 in Henan Province, the People's Republic of China with limited liability under the Chinese corporate name “中原证券股份有限公司” and carrying on business in Hong Kong as “中州证券”)

Stock Code: 01375

Interim Report 2015

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DEFINITIONS

“A shares”	:	the shares denominated in RMB of companies listed on SSE or Shenzhen Stock Exchange
“Articles of Association”	:	articles of association of the Company, as amended from time to time
“Ashmore-CCSC”	:	Ashmore-CCSC Fund Management Company Limited, a limited liability company incorporated in the PRC in which the Company holds 51% equity interest as at the end of the reporting period
“Board”	:	the board of Directors of the Company
“Central China Blue Ocean”	:	Central China Blue Ocean Investment Management Company Limited, a limited liability company incorporated in the PRC in which the Company holds 100% equity interest
“Central China Futures”	:	Central China Futures Company Limited, a limited liability company incorporated in the PRC in which the Company holds 51.357% equity interest
“Central China International Financial Holdings”	:	Central China International Financial Holdings Company Limited, a limited liability company incorporated in Hong Kong in which the Company holds 100% equity interest
“Central China International Securities”	:	Central China International Securities Co., Limited, a limited liability company incorporated in Hong Kong in which Central China International Financial Holdings (a subsidiary of the Company) holds 100% equity interest
“China” or “PRC”	:	the People's Republic of China, not including Hong Kong, Macao Special Administrative Region of the PRC and Taiwan for the purpose of this report
“Company”	:	Central China Securities Holdings Co., Ltd., a joint stock company incorporated on 8 November 2002 in Henan, the PRC and carrying on business in Hong Kong in the name of “中州证券”, with its H Shares listed on the Main Board of the Hong Kong Stock Exchange (stock code: 01375)

“CSRC”	:	the China Securities Regulatory Commission
“Directors”	:	the directors of the Company
“Domestic Shares”	:	the issued ordinary shares of the Company with par value of RMB1.00 per share, which shall be subscribed for in RMB or credited as fully paid
“end of last year”	:	31 December 2014
“end of the reporting period” or “end of this period”	:	30 June 2015
“Equity Exchange Co.”	:	Central China Equity Exchange Co., Ltd. (中原股權交易中心股份有限公司), a joint stock company incorporated in the PRC in which the Company holds 35% equity interest
“Futures IB Business”	:	the business activities in which securities firms, as commissioned by futures companies, introduce customers to futures companies to provide futures brokerage and other related services
“GDP”	:	Gross Domestic Product
“Group” or “we”	:	the Company and its subsidiaries
“H Shares”	:	overseas listed foreign shares with par value of RMB1.00 per share in the share capital of the Company, which shall be subscribed for and traded in HK dollars and are listed on the Main Board of the Hong Kong Stock Exchange
“Henan Investment Group”	:	Henan Investment Group Co., Ltd., a limited liability company incorporated in the PRC and the substantial shareholder of the Company as at the date of this report
“HK dollar” or “HK\$”	:	Hong Kong dollar, the legal tender of Hong Kong
“Hong Kong”	:	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	:	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“IFRS”	:	International Financial Reporting Standards, including standards, revisions and interpretations promulgated by International Accounting Standards Board, and International Accounting Standards and Interpretations promulgated by International Accounting Standards Committee
“last period” or “same period last year”	:	the six-month period ended 30 June 2014
“Listing date”	:	the date when the H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange, i.e. 25 June 2014
“Listing Rules”	:	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“New OTC Board”	:	abbreviation for "National Equities Exchange and Quotations System", is a national securities exchange established upon approval by the State Council of the PRC, operated and managed by the National Equities Exchange and Quotations Co., Ltd.
“Prospectus”	:	the prospectus dated 11 June 2014 that the Company published for the initial public offering of its H Shares on the Main Board of the Hong Kong Stock Exchange
“Refinancing”	:	the business where securities firms borrow funds or securities from China Securities Finance Corporation Limited and lend such funds or securities to clients (including the refinancing of funds and refinancing of securities)
“reporting period” or “this period”	:	the six-month period ended 30 June 2015
“RMB”	:	Renminbi, the lawful currency of the PRC
“SFC”	:	The Securities and Futures Commission of Hong Kong

“SFO”	:	the Securities and Futures Ordinance, Chapter 571 of Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Shanghai-Hong Kong Stock Connect”	:	a mechanism of inter-connection and inter-working between transactions of Shanghai and Hong Kong stock markets under which the SSE and the Hong Kong Stock Exchange allow investors of the two sides to buy or sell the shares (within a specified limit) listed on the stock exchange of the other side via local securities companies (or brokers)
“Shenzhen Stock Exchange”	:	Shenzhen Stock Exchange
“Short-term financing bonds”	:	negotiable securities that enterprises issue and trade in the interbank bond market and agree to repay capital and interest within a year
“SSE”	:	Shanghai Stock Exchange
“SSE Composite Index”	:	composite stock price index of the SSE
“Supervisors”	:	the supervisors of the Company
“Supervisory Committee”	:	the supervisory committee of the Company
“Treasury bonds”	:	debt securities that the Ministry of Finance of the PRC issued on behalf of the government of the PRC
“ZDKY Venture Capital”	:	Zhongding Kaiyuan Venture Capital Management Co., Ltd., a limited liability company incorporated in the PRC in which the Company holds 68.06% equity interest

This report is prepared both in Chinese and English. In the event of any discrepancy between the two versions, the Chinese version shall prevail.

COMPANY INFORMATION

COMPANY NAME

Legal Chinese name: 中原证券股份有限公司

(a joint stock company incorporated on 8 November 2002 in Henan, the PRC with limited liability and carrying on business in Hong Kong in the name of “中州证券”)

English name: CENTRAL CHINA SECURITIES CO., LTD.

LEGAL REPRESENTATIVE

Mr. Jian Mingjun

SECRETARY OF THE BOARD

Mr. Xu Haijun

JOINT COMPANY SECRETARIES

Mr. Xu Haijun

Ms. Kwong Yin Ping Yvonne

AUTHORIZED REPRESENTATIVES

Mr. Jian Mingjun

Ms. Kwong Yin Ping Yvonne

HEADQUARTERS IN THE PRC

Registered address of the Company:
No. 10 Shangwu Waihuan Road,
Zhengdong New District, Zhengzhou,
Henan Province, China

Office address of the Company:
No. 10 Shangwu Waihuan Road,
Zhengdong New District,
Zhengzhou, Henan Province, China

Website of the Company: www.ccnew.com

E-mail: investor@ccnew.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F, Tesbury Centre, 28 Queen's Road East,
Wanchai, Hong Kong

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

ACCOUNTANTS

Domestic: Shinewing Certified Public Accountants
(Special General Partnership)

International: PricewaterhouseCoopers

HONG KONG LEGAL ADVISER

Li & Partners

STOCK CODE

Hong Kong Stock Exchange

Stock code of H shares: 01375

SHARE REGISTRAR

For Domestic Shares:

China Securities Depository and
Clearing Corporation Limited

For H Shares:

Computershare Hong Kong Investor Services Limited

FINANCIAL HIGHLIGHTS

Accounting data and financial indicators set out herein are prepared in accordance with IFRS.

PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

Items	January-June 2015	January-June 2014	Growth of this period from last period
Operating results (RMB'000)			
Total revenue and other income	3,124,894	799,229	291.0%
Profit before income tax	1,365,232	237,006	476.0%
Profit attributable to shareholders of the Company	1,012,251	179,324	464.5%
Net cash inflow/outflow from operating activities	-5,636,124	-1,380,373	–
Earnings per share (RMB/share)			
Basic earnings per share	0.38	0.09	322.2%
Diluted earnings per share	0.38	0.09	322.2%
Profitability index			
– Return on equity ^(note 1) (%)	16.48	3.79	Increased by 12.69 percentage points

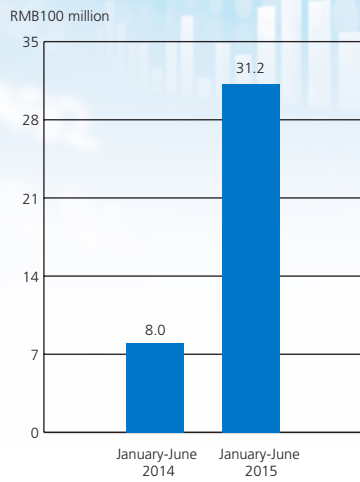
Items	30 June 2015	31 December 2014	Growth of the end of this period from the end of last period
Scale merit (RMB'000)			
Total assets	52,298,316	28,269,242	85.0%
Total liabilities	45,269,767	22,412,446	102.0%
Accounts payable to brokerage clients	22,089,122	9,659,833	128.7%
Total equity attributable to shareholders of the Company	6,497,715	5,786,707	12.3%
Share capital (in thousands)	2,631,616	2,631,616	–
Net assets value per share attributable to shareholders of the Company (RMB/share)			
	2.47	2.20	12.3%
Gearing ratio ^(note 2) (%)	76.7	68.5	Increased by 8.2 percentage points

Notes:

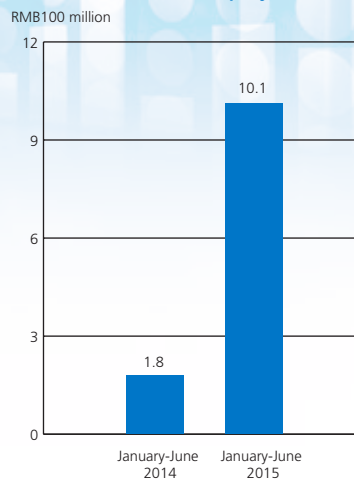
- Return on equity = Profit attributable to shareholders of the Company divided by the average balance of total equity attributable to shareholders of the Company as at the beginning and as at the end of this period.
- Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

FINANCIAL HIGHLIGHTS

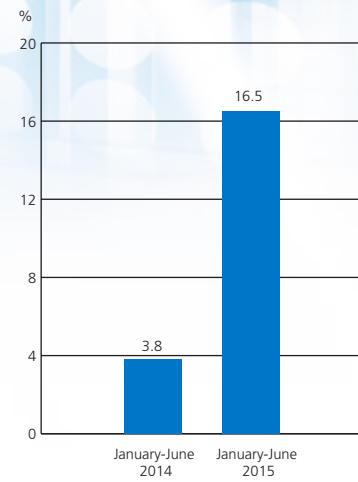
Total revenue and other income



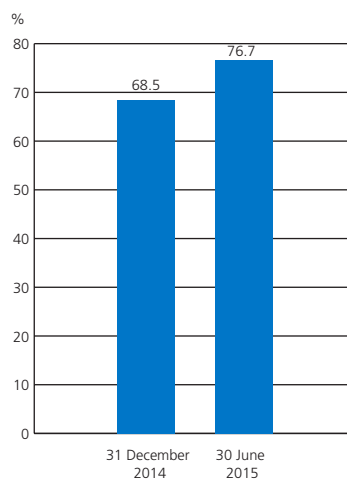
Profit attributable to shareholders of the Company



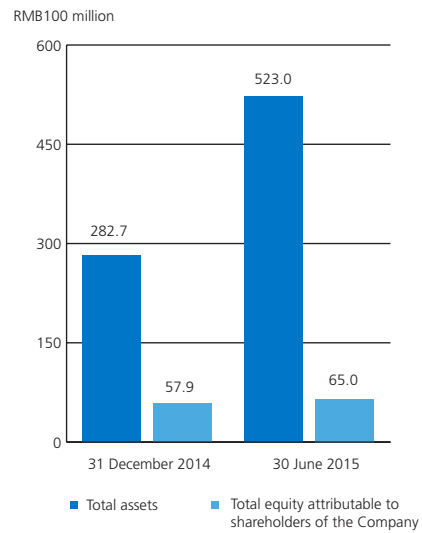
Return on equity



Gearing ratio



Scale merit



Net Capital and Relevant Risk Control Indicators of the Company

As at 30 June 2015, the net capital of the Company was RMB6,321.9 million, representing an increase of RMB2,320.9 million as compared to that of RMB4,001.0 million as at the end of 2014. During the reporting period, each kind of risk control indicators including net capital met regulatory requirements.

Unit: RMB'000

Items	30 June 2015	31 December 2014	Regulatory Standard
Net capital	6,321,930	4,001,041	–
Net assets	6,545,291	5,823,554	–
Net capital/total risk capital reserves (%)	463.9	423.1	>100%
Net capital/net assets (%)	96.6	68.7	>40%
Net capital/liabilities (%)	28.6	35.3	>8%
Net assets/liabilities (%)	29.6	51.3	>20%
Proprietary equity securities and securities derivatives/net capital (%)	19.8	17.4	<100%
Proprietary fixed income securities/net capital (%)	61.7	78.4	<500%

MANAGEMENT DISCUSSION AND ANALYSIS

I. ECONOMIC ENVIRONMENT AND MARKET CONDITIONS DURING THE REPORTING PERIOD

(I) Economic Environment

During the reporting period, the global economy has gained a slow recovery. The US dollar continued to appreciate, encouraged by a favorable recovery momentum in the US economy and the constantly declining unemployment rate. Major economies in Euro zone were getting better as compared to last year, supported by their quantitative easing policy, however, the debt crisis in Greece has added uncertainty to the recovery in the future. Economy in Japan has gained a slight rise, stimulated by its quantitative easing policy; as affected by the appreciation of US dollar and the slide down in commodity, the economic pressure faced by emerging economies will further increase.

The growth rate of GDP in China has slidden to 7.0% in the first half of this year. With the economy running within the proper range and the major economic indicators picking up steadily, showing a “moderate but stable and sound momentum of development”, economy in China has stepped into the “new normal”. With further optimization in the economic structure, the quality of economic operation became better; an in-depth development in industrial transfer and urbanization, have provided ample space and buffer for the medium-high pace of economic development in China; in the first half of this year, China’s export has risen 0.9% while that of Henan Province has increased by 19.4% which is significantly above the nationwide average rate. The all rounded in-depth reform in China will continue to increase development efficiency, the new structure of massive entrepreneurship and innovation by all is being formed progressively and innovation reform mechanism is being deepened gradually, which will constantly promote the restructuring and upgrade of the China economy.

(II) Market Conditions

During the reporting period, with the optimistic expectation in economic restructuring, the monetary easing environment, residents’ household wealth being transferred to equity assets and other factors, leveraged market capital continued to enter the stock market and the turnover continued to hit record highs, which stimulated the Shanghai Composite Index to rise from 3234 at the end of 2014 to the peak level at 5178. Since the mid-June, China stock market has experienced a significant slip in deleveraging, the Shanghai Composite Index was down by over 20% in half month time and there was a drop over 30% in the growth enterprise market index. The slide was an adjustment on the rapid rise of stock index encouraged by leveraged capital earlier this year; however, the significant and consecutive rapid drop of A Share market has caused a material crash on the China security market in the short run. Our management had issued a set of measures to respond effectively to this over-reaction of the market, and had achieved significant outcomes. From the medium-long term perspective, the benefit derived from reform and opening up continues, China economy is still on its way of growth in the long run and the tendency of residents’ household wealth being transferred to equity assets continues. The A Share market is expected to restore its slow rising trend in the long run, and will speed up its transformation to become a more mature market after this severe test.

During the reporting period, the average daily trading volume for A Share market was RMB1.16 trillion, which was 6.43 times over the same period of last year. The margin financing and securities lending still maintained rapid growth, as evidenced by the balance of the said business amounting to RMB2,049,386 million as at the end of the reporting period, which was doubled as compared to that at the end of 2014. During the reporting period, equity financing helped raise RMB677,100 million in total, including RMB146,600 million raised by 193 enterprises through initial public offering, RMB527,000 million by 309 enterprises through secondary offering and RMB3,500 million by four enterprises through stock allotment. The bond market is jolting as a whole and yield of 10-year treasury bonds is fluctuating from 3.3% to 3.7%; the marketization of the pricing for credit speeds up and the credit spread is expected to expand.

II. GENERAL OPERATING RESULTS

During the reporting period, the Group logged total revenue and other income of RMB3,124.9 million and profit attributable to shareholders of the Company of RMB1,012.3 million, representing a year-on-year growth of 291.0% and 464.5% respectively.

As at the end of the reporting period, the Group's total assets amounted to RMB52,298.3 million, increased by 85.0% from RMB28,269.2 million as compared to that at the end of 2014. Total liabilities were RMB45,269.8 million, increased by 102.0% from RMB22,412.4 million as compared to that at the end of 2014. The Company distributed 2014 final cash dividends of RMB315.8 million on 29 May 2015. At the end of the reporting period, total equity attributable to shareholders of the Company was RMB6,497.7 million, increased by 12.3% from RMB5,786.7 million as compared to that at the end of 2014. The Group's gearing ratio was 76.7%, increased by 8.2 percentage points from 68.5% as at the end of 2014.

III. ANALYSIS OF PRINCIPAL BUSINESS

(I) Brokerage business

During the reporting period, the revenue and other income from brokerage business amounted to RMB2,230.0 million, representing an increase of 386.8% as compared to that of the same period of 2014.

1. Securities brokerage

During the reporting period, the Company continued to promote the transformation from securities operation network to comprehensive financial service platform, to deepen the utilization of physical operation network, its insight and intermediary function in various business, such as wealth management, capital intermediary, assets management and investment banking, to enrich the contents of channels and accelerate the transformation from brokerage business to value-added service; to speed up the development of Internet finance, promote the online operation of offline businesses for seamless online and offline connection and establish a standardised, personalised, integrated and coherent sale and service system.

MANAGEMENT DISCUSSION AND ANALYSIS

To continuously improve the value-added service capability and efficiently deal with the “new normal” such as the decline in industry commission and multiple accounts per person, the Company, based on a client-oriented approach, continued to enhance the service and management classification of its clients, further optimize the “Central China Wealth” brand and the product system, enrich the content and advance the promotion of “Central China Wealth” service packages. Taking the opportunity of promoting the implementation of management for the investment advisor rank, the Company strengthened the team of investment advisors and continuously improved the quality of professional advisory service and the capability to provide value-added services so as to offer clients with comprehensive and multi-level value-added wealth management services.

During the reporting period, the commission and fee income from investment advisory business was RMB167.8 million, representing an increase of 367.5% as compared to the same period of 2014.

During the reporting period, we continued to enhance dynamic risk management over margin financing and securities lending, and strengthen the countercyclical regulatory mechanism to maintain the rapid and sound development of margin financing and securities lending on the premise that the risk is under control. As at the end of the reporting period, the balance of margin financing and securities lending amounted to RMB14,461.3 million, representing an increase of 95.1% as compared to that at the end of 2014; interest income generated from which was equivalent to 482.3 million, representing an increase of 336.5% as compared to that of the same period of 2014; and trading volume of RMB279,649.1 million, equivalent to 10.42 times of that of the same period last year. As at the end of the reporting period, the balance of the margin financing and securities lending of the Company ranked 35 among peer companies.

2. Futures brokerage

During the reporting period, Central China Futures consolidated and expanded the brokerage business and cultivated and developed the innovative business, which are the two mainstreams of business, Central China Futures sped up development and improved the ability of risk management for clients in the service industry, making a substantive breakthrough in the diversified business layout and achieved a preliminary success in the business transformation: the number of clients increased by 1,525, equivalent to 1.62 times of the number of new clients in the same period last year; recorded revenue and other income of RMB35.4 million, representing an increase of 47.2% compared to that of the same period of 2014.

During the reporting period, Central China Futures set up the asset management team and its business operation model to build an operation system for the asset management business, making a breakthrough in the asset management business: having issued and managed 10 products amounting to RMB408.1 million with the inventory level of RMB108.1 million by the end of June 2015.

During the reporting period, Central China Futures commenced the shareholding reform, the relevant application materials have been submitted to Sated-owned Assets Supervision and Administration Commission of Henan Provincial People's Government; and completed the preparation of application materials for the establishment of risk management subsidiary, and is applying for the business registration.

3. Wealth management

During the reporting period, the Company, on the basis of its solid regional advantage in traditional brokerage business, oriented to customers' need and introduced dimensional financial products to diversify its product lines and strengthen its wealth management service model aiming at "matching customers' needs precisely with the best collection of products". By creating weekly publications "Central China Dingzhi" (中原鼎智), sales updates and other contents, the Company promoted the sale of its key products with guidance and supervision and provide customers with all rounded wealth management solutions while leading them to establish a professional investment philosophy.

During the reporting period, the diversified revenue from wealth management realized a fast growth and the professional service capacity was improved, which promoted the transformation and upgrade of traditional brokerage business of the Company.

4. Distribution of financial products

During the reporting period, the Company's amount for sales of third-party financial products (public funds and bank financing) reached RMB1,629.9 million, of which RMB1,570.8 million came from security investment funds, representing an increase of 36.3% as compared to that in the whole year of 2014.

As at the end of the reporting period, the storage size of the over-the-counter business sales income receipts of the Company was RMB2,646.9 million, representing a significant increase as compared to that at the end of 2014.

During the reporting period, the Company's asset management products sold through sales network were RMB2,227.8 million, increased by 216.5% as compared to the same period of 2014.

(II) Investment banking business

During the reporting period, the revenue and other income from investment banking business amounted to RMB128.6 million, representing an increase of 189.7% as compared to that of the same period of 2014.

1. Equity financing and financial advisory services

During the reporting period, the Company completed three initial public offerings in A Share, involving the lead underwriting amount of RMB826.9 million; completed one non-public offering, one asset restructuring and counterpart funds collection, involving the lead underwriting amount of RMB687.9 million; one non-public offering project with examination being underway, and one being after examination meeting; recommended 12 enterprises to be listed in the New OTC Board; and non-public issuance for 7 companies for 10 times in the New OTC Board, involving a financing amount of RMB339.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Situation of Lead Underwriting Business and New OTC Board Business

Items	First half year of 2015	First half year of 2014	Same period increase/ decrease (%)
Lead Underwriting amount (in RMB million)	1,514.8	459.5	229.6
Number of lead underwriting companies	5	1	400
Number of New OTC Board listing projects	12	10	20

Project name	Financing method	Role of the Company	Amount of lead underwriting project (in RMB million)
PRCO share issuing, asset purchase with cash, fundraising and other related transactions	Non-public offering	Sponsor and lead underwriter	138.0
Henan Qingshuiyuan Technology Co., Ltd., initial public offering	Initial public offering	Sponsor and lead underwriter	175.8
Henan Province Xixia Automobile Water Pump Co., Ltd., Non-public offering	Non-public offering	Sponsor and lead underwriter	549.9
Puyang Huicheng Electronic Material Co.,Ltd., initial public offering	Initial public offering	Sponsor and lead underwriter	182.6
Henan Kedi Dairy Co., Ltd., initial public offering	Initial public offering	Sponsor and lead underwriter	468.5
Total	–	–	1,514.8

2. Bond financing

Since 2015, the influence of Guo Fa Document No. 43 (Opinions of the State Council on Strengthening the Administration of Local Government Debts) continued to increase and cause a huge impact on the reform of investment and financial system, as well as the bond financing market in China. As bond financing is facing the double pressure, i.e. the bottleneck of the original business and the transformation of the new business, the approval examination of corporate bonds slowed down. In respect of corporate bonds, CSRC extended the scope of corporate bonds to unlisted companies, opportunities and challenges exist side by side in the entire bond market.

During the reporting period, the Company completed one corporate bonds project, involving the lead underwriting amount of RMB250.0 million; as the sole security and finance institution of Henan underwriting syndicate, the Company underwrote a Henan local government bonds in 2015, involving the underwriting amount of RMB200.0 million, and entrusted the bonds in SSE, becoming the first local government bonds entrusted in SSE.

During the reporting period, the Company actively promoted the progress of reserved projects; continuously advanced the business transformation, accelerated the development of corporate bonds, asset securitization, project revenue bonds, specific bonds and cultivation of innovative business; deeply explored the project resources of key construction area such as Zhengzhou Airport Zone, Zhengdong New District and urban rail transit, constantly expanding the business development space.

(III) Investment management business

During the reporting period, the revenue and other income from investment and asset management business amounted to RMB147.6 million, representing an increase of 2,936.4% as compared to that of the same period of 2014.

1. Asset management

During the reporting period, the team of asset management business strengthened the construction of investment research system, and enhanced the marketing management, constantly improving the asset management capacity; enriched the types of asset management products, extended the scope of investment, and cooperated more closely with financial institutions such as banks and trusts. At the end of the reporting period, total assets under management amounted to RMB4,656.9 million, increased by 39.9% compared to the end of 2014. There were 17 asset management products, including 9 collective asset management schemes amounting to RMB3,872.2 million, increasing by 54.6% compared to the end of 2014, 7 targeted asset management schemes amounting to RMB304.7 million, increasing by 5.2% compared to the end of 2014, and 1 specific asset management scheme amounting to RMB480.0 million.

According to the statistics of SUMTIME (Shanghai SUMTIME Information Technology Co., Ltd), as of the end of the reporting period, the return on the Company's Yanhuang No.1 collective asset management scheme was 66.8%, ranking the second out of 37 FOF (Fund of Fund) products; the return on the Company's Xinghuo No.1 and Yanhuang No.2 collective asset management scheme was 212.2% and 92.1%, respectively, ranking the first and seventeenth out of 658 mixed type products of the same kind.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Direct investment

Relying on the resource advantage of the Company, ZDKY Venture Capital has constructed a comprehensive chain of cooperation with each business line of the Company, forming a “Six in One” whole industry chain platform, linking projects to different aspects such as channels, refinancing, exit and so on, deepening the operating mechanism of marketization. It also offers services to small and medium enterprises by adhering to the operation principle of “Discovering and Realizing Value”. It helps those enterprises to develop and strengthen while achieving its own growth.

During the reporting period, ZDKY Venture Capital promptly adjusted its investment strategies, made efforts to expand business channels, proactively strengthened the quality of reserved projects and completed twelve investment projects including nine debt investment projects.

3. Fund management

During the reporting period, Ashmore-CCSC issued the first hybrid fund – flexible configured hybrid fund with the proceeds size of RMB13,557,200. As at the end of the reporting period, the unit net value of this fund was RMB1.152, increased by 15.2% during the reporting period.

As at the end of the reporting period, the monetary fund under the management of Ashmore-CCSC amounted to approximately RMB22 million.

(IV) Proprietary trading business

During the reporting period, the revenue and other income from proprietary trading business was RMB356.5 million, increased by 105.3% as compared to the same period of 2014 and representing 11.4% of total revenue and other income.

Regarding equity principal investment, the Company moderately expanded its investment size on the basis of 2014. In addition, the Company actively took advantage of the upward market trend and seized the opportunity of the stage upward trend of the broad market and timely locked the investment profit. In respect of fixed-income principal investment, in line with the market trend, the Company actively built up the positions and seized the opportunity of the stage rise of the bond market in the first half of the year to achieve sound incomes. Meanwhile, the Company expanded the investment scale on structured products in the first half of the year to achieve better incomes.

(V) Other businesses of the headquarter

1. Securities-backed lending business and securities repurchase business

As at the end of the reporting period, the balance of securities-backed lending amounted to RMB1,707.4 million. During the reporting period, interest income amounted to RMB67.9 million, increased by 224.5% as compared to the same period of 2014.

As at the end of the reporting period, the balance of securities repurchase amounted to RMB98.0 million.

2. New OTC Board market-making business

In 2015, the New OTC Board market entered into a rapid development stage, in the first half of the year, both the number of enterprises listing in the New OTC Board and financing amount of the New OTC Board exceeded those of 2014 as a whole. The number of securities firms engaged in market-making business and market-making size continued to grow, with trading volume reaching the record high in second-level market.

During the reporting period, regarding the New OTC Board market-making business, the Company enhanced the system construction, improved the decision-making process and strengthened the risk management, preliminarily built a professional and efficient management system for market-making business.

As at the end of the reporting period, there were 41 enterprises in the New OTC Board, for which the Company has been involved in the market-making, ranking No. 21 in the industry. Among the 41 enterprises that the Company has conducted market-making, the number of listing projects undertaken by the Company as the lead securities dealer was 12 and 21 enterprises were located in Henan Province. During the reporting period, the Company has completed investment of RMB136.6 million, with a total earning rate of 30%.

3. Internet finance

During the reporting period, the Company actively enhanced the support provided by the Internet securities technology system to the business development; implemented the construction of linkage and optimization of the platform technology structure between accounts and third-party payment systems; explored the new models of Internet financing business; and also deepened the cooperation with Internet enterprises to promote a healthy development of the Internet securities business.

During the reporting period, the linkage between accounts and third-party payment systems entered into the final testing stage. Upon the completion of this system, customer experience could be significantly improved.

MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, accounts opened online accounted for 83.4% of the total accounts opened in the Company, increasing by 242.6% as compared to that of the same period of 2014, and the monthly highest ratio of online accounts to total accounts opened amounted to 91.7%. During the reporting period, the scale of online sales products of the Company amounted to RMB411.0 million. Catering to the needs of medium, small and micro-sized financing users, the Company innovatively created the Internet financing of small stock pledge in April 2015. As of the end of the reporting period, the number of customers who opened this service came to 1,831, with the financing size of RMB237.0 million.

During the reporting period, the Company actively explored the new development field of Internet securities and cooperated with the Zhongchou.com (a leading domestic Internet company on equity crowd funding) to lay a foundation for conducting equity crowd funding. The Company entered into a strategic cooperation agreement with Ruiqi Capital Investment Company Limited, a leading Internet enterprise in Henan that acts as the general agent of Baidu Henan (Henan direct marketing centre), in respect of comprehensive financial services, "one card" smart city service, advertising and marketing through Baidu search engine, "Baidu post bar" media community, TV programs on starting businesses and outsourcing of comprehensive Internet services, etc.

4. Innovative business

Stock options

During the reporting period, the Company continued to optimize and improve the stock options business process, and to optimize the function of trading client, on the condition of compliance with the laws and regulations, to enhance the ability of serving clients effectively; and strengthen risk control including strengthening risk management measures such as marking to market. Hence, there is no risk event such as mandatory liquidation or default in settlement in the first half of 2015, where the market was highly volatile.

During the reporting period, 40 branches of the Company conducted stock options brokerage business, with the two indexes of market shares in terms of number of clients and market shares in terms of turnover ranking 27 and 28, respectively, in the industry.

Over-the-counter market

During the reporting period, Over-the-counter market business of the Company established a more comprehensive product system, expanding the range of services to customer, and its operating system has gradually become mature. As of the end of the reporting period, the Company issued three series of beneficiary certificates, with 52 tranches in total, and issuance size of RMB2,956.2 million, including 34 tranches of a series of Jin Yi (金易系列) beneficiary certificates, with issuance size of RMB409.0 million; 16 tranches of a series of Rong Yi (融易系列) beneficiary certificates, with issuance size of RMB2,545.0 million; and 2 tranches of a series of Bo Yi (博易系列) beneficiary certificates, with issuance size of RMB2.2 million.

5. Equity Exchange Co.

On 26 December 2014, Henan Government decided that the Company led the formation of the Equity Exchange Co.. On 31 March 2015, Henan Province promulgated "Henan Province People's Government Approval on the Establishment of Central China Equity Exchange Co., Ltd." (Henan Government Document [2015] No. 36) (河南省人民政府關於組建中原股權交易中心股份有限公司的批復) (豫政文[2015]36號), approving the establishment plan of the Equity Exchange Co.. On 28 June 2015, the shareholder meeting about the establishment of Equity Exchange Co. was convened successfully. On 29 June 2015, Equity Trading Exchange obtained the certificate of business registration. As of the date of this report, the Equity Exchange Co. has completed all the pre-operating preparatory work, and is working on business expanding such as building up the first batch of companies to be listed and its members and preparing for an opening ceremony.

6. Overseas business

By establishing Central China International Financial Holdings, the Company's security service offerings will be further enhanced, giving rise to a new source for revenue; the geographical advantage could be taken further to enhance the linkage between Central Economic Zone and Hong Kong capital market, extending the scope for whole industry chain of the Company with "Six in one" concept; business could be expanded overseas so as to promote a healthy development for the Company's business as a whole.

7. Research business

During the reporting period, the Company's service support capability for research business was enhanced. It released 256 research reports, 119 morning meeting reports, and provided 109 times of services, providing significant research support for the Company's development of principal businesses, such as proprietary trading, investment banking and direct investment.

During the reporting period, the Company has completed a number of customized research tasks assigned by the Company's management, including the construction of Henan capital market, local finance, institution development, development trend of securities industry and the analysis of the Company's competitiveness, etc., which provided important basic research support for the Company's decision-making. During the reporting period, the Company has also completed a number of customized research tasks committed by Henan Branch of the China Securities Regulatory Commission, Zhengzhou Central Sub-branch of the People's Bank of China, Financial Services Office of the People's Government of Henan Province, etc. Therefore, the awareness of our research brand was significantly enhanced.

IV. PROSPECTS AND FUTURE PLANS

(I) Developing prospect for the industry

In light of the expectation of economic transformation and deepening of reform, China's capital market has the base for a long-term bull market, the prospect of the securities industry is still favourable. The securities industry will gradually transform to become professionalization-based, with diverse business developing concurrently, and more diversified business models; the competition in traditional business becomes fierce, and the percentage it accounted for in total revenue will gradually decline, while revenue generated from capital-based intermediary and asset management businesses will account for higher proportion; Internet securities will grow rapidly, securities business will continue to merger more deeply with the Internet to form a sound interaction between offline and online activities; with the internationalization of RMB and further deepening of the open-up on the domestic capital market, securities dealers in mainland will expedite the development on internationalizing their businesses. The favourable prospect of the securities industry, especially the development of huge asset businesses such as capital-based intermediary businesses, has put forward the new requirement on the capital scale of securities dealers, making the capital replenishment capability an important factor of affecting securities dealers' core competitiveness.

(II) The Company's development plan

The Company will actively grasp the advantage of listing in Hong Kong, and accelerate to return to A Share based on geographical advantages of Central Economic Zone to realize the core power of H+A dual listing and strengthen the functions of the main body and intermediary of capital market, in order to achieve the strategic development goal as a modern and international financial holding conglomerate including securities, futures, direct investments, funds, insurances, banks, etc and further promote the transformation and upgrade of the Company's development.

The Company will seize the long-term healthy development opportunity of the China's capital market, and strengthen its incentive mechanism to further strengthen the capital power, improve internal control system, improve our reaction capability to market volatility and accelerate the development of innovative business to develop new resources of profits.

In the second half of 2015, the Company will take full advantage of the remarkably increased capital strength, and actively foster the balanced development of businesses. The Company will further promote the transformation of the brokerage business to build an one-stop integrated financial services platform; with the Equity Exchange Co. as the source and guided by direct investment business, build a "Six in One" whole industry chain in business sectors such as the listing, market-making and change of board in the New OTC Board, to cultivate core competitiveness of the Company; accelerate the integration of the Company's resources and optimize its incentive mechanism to enlarge and strengthen investment banking business; speed up the preparation of asset management subsidiary to promote the leapfrog development of asset management business; continuously accelerate the cultivation and development of innovative business to explore business space and improve profitability; rely on Central China International Financial Holdings to actively expand overseas business; continue to address the relevant work in accordance with the requirements of CSRC to actively seek to return to the A Share market.

(III) Plans for future investment or capital asset purchase

1. To expand overseas business and further improve the core competitiveness, the *Proposal of Central China Securities Co., Ltd. on Capital Increase into Central China International Financial Holdings Company Limited* was considered and approved in the 44th meeting of the 4th session of the Board on 20 March 2015, decided that the Company will increase capital into Central China International Financial Holdings and plan to contribute HK\$250 million in one or more tranches in 2015 to increase the registered capital of Central China International Financial Holdings to HK\$300 million. On 13 July 2015, the Company increased the registered capital with an amount of HK\$50 million in cash; and on 14 August 2015, it increased the registered capital with an amount of HK\$200 million in cash.
2. On 29 September 2014, the *Proposal of Central China Securities Co., Ltd. on the Establishment of an Alternative Investment Subsidiary in Qingdao City* was approved in the 35th meeting of the 4th session of the Board, proposing the Establishment of an Alternative Investment Subsidiary in Qingdao City. The Alternative Investment Subsidiary (Central China Blue Ocean) has been registered in March 2015 with a registered capital of RMB300 million. The first tranche of investment in the amount of RMB30 million has been contributed to Central China Blue Ocean on 21 July 2015, while the remaining investment sum will be contributed into Central China Blue Ocean gradually based on its business operation.
3. On 17 May 2015, the *proposal of Central China Securities Co., Ltd. on funding to establish Central China Equity Exchange Co., Ltd.* was approved in the 49th meeting of the 4th session of the Board. As the founder, the Company took a leading role to establish the Equity Exchange Co. with a registered capital of RMB350 million. According to the founder agreement signed by the Company dated 26 June 2015, the Company holds 35% of the shares in the Equity Exchange Co. and the total investment fund was RMB122.5 million. The first installment of investment of RMB61,250,000 was injected into the Equity Exchange Co. on 31 July 2015, while the remaining installments will be injected step-by-step according to the development of the Equity Exchange Co..

V. FINANCIAL STATEMENTS ANALYSIS

(I) Analysis on the profitability of the Company during the reporting period

During the reporting period, capital market maintained a favourable development trend with active trading and a rapid growth in the number of transactions. Taking this opportunity, the Company accelerated the strategic arrangement and business innovation, achieving rapid growth in all businesses. During the reporting period, the Group realised total revenue and other income of RMB3,124.9 million, representing an increase of 291.0% over the same period of 2014, of which securities brokerage business of RMB1,497.6 million, increased by 418.7% over the same period of 2014; futures brokerage business of RMB35.4 million, increased by 47.2% over the same period of 2014; margin financing and securities lending businesses of RMB697.0 million, increased by 379.4% over the same period of 2014; investment banking business of RMB128.6 million, increased by 189.7% over the same period of 2014; proprietary trading business of RMB356.5 million, increased by 105.3% over the same period of 2014; investment and asset management business of RMB147.6 million, increased by 2,936.4% over the same period of 2014; headquarters and others of RMB264.0 million, increased by 121.9% over the same period of 2014.

In line with the increase in total revenue and other income, total expenses increased. During the reporting period, the Group's total expenses was RMB1,759.7 million, representing an increase of 213.0% as compared to the same period of 2014.

During the reporting period, the Group realised the net profit attributable to shareholders of the Company of RMB1,012.3 million, representing an increase of 464.5% as compared to the same period of 2014; basic earnings per share of RMB0.38, representing an increase of 322.2% as compared to the same period of 2014; return on equity of 16.48%, representing an increase of 12.69 percentage points as compared to the same period of 2014.

(II) Asset structure and asset quality

As at the end of the reporting period, total equity attributable to shareholders of the Company was RMB6,497.7 million, increased by RMB711.0 million or 12.3% as compared to the end of 2014, mainly due to the rise in net profit for the period of the Group and the distribution of 2014 final cash dividends.

The asset structure remained stable, while asset quality and liquidity were well-preserved. At the end of the reporting period, the Group's total assets amounted to RMB52,298.3 million, increased by RMB24,029.1 million or 85.0% as compared to RMB28,269.2 million as at the end of 2014. In particular, cash assets was RMB27,598.2 million, mainly comprised of cash and bank balances (including cash held for brokerage clients), clearing settlement funds and refundable deposits,

accounting for 52.8%; margin assets amounted to RMB17,173.9 million, mainly comprised of margin accounts receivable and financial assets held under resale agreements, accounting for 32.8%; financial investment assets of RMB6,569.0 million, mainly comprised of investment in financial assets and investment in associates, accounting for 12.6%; other operating assets, mainly comprised of property and equipment, investment properties and intangible assets of RMB957.2 million, accounting for 1.8%. As at the end of the reporting period, the Group's total owned assets (i.e., total assets less accounts payable to brokerage clients) reached RMB30,209.2 million, increased by RMB11,599.8 million or 62.3% as compared to RMB18,609.4 million as at the end of 2014.

The gearing ratio increased. At the end of the reporting period, the Group's total owned liabilities (i.e., total liabilities less accounts payable to brokerage clients) increased to RMB23,180.6 million from RMB12,752.6 million at the end of 2014, representing an increase of RMB10,428.0 million or 81.8%, mainly due to enhanced efforts in developing capital-based intermediary businesses and expanding the scale of financing through multi-channel financing so as to improve the leverage ratio. At the end of the reporting period, excluding the assets and liabilities relating to accounts payable to brokerage clients, the Group's gearing ratio was 76.7%, increased by 8.2 percentage points from 68.5% at the end of 2014.

(III) Cash flows

As at the end of the reporting period, excluding the factor of changes in accounts payable to brokerage clients, the net increase in cash and cash equivalents of the Group amounted to RMB2,942.5 million, increased by RMB2,165.0 million as compared to RMB777.5 million at the same period of 2014.

Structurally, net cash flows arising from operating activities during the reporting period amounted to -RMB5,636.1 million, as compared to -RMB1,380.4 million of the corresponding period in 2014, mainly because although the increase in cash inflows generated from the Group's commission and fee income was substantial, it is lower than the increase in margin accounts receivable, financial assets held for trading and staff costs. Net cash flows arising from investing activities amounted to RMB179.8 million, as compared to -RMB436.4 million of the corresponding period in 2014, mainly because the increase in net cash from the Group's disposal or purchase of available-for-sale financial assets and cash inflows from dividends and interest received from available-for-sale financial assets was higher than those of the corresponding period in 2014. Net cash flows arising from financing activities amounted to RMB8,398.9 million, as compared to RMB2,594.2 million of the corresponding period in 2014, mainly because the scale of fund raised by the Group during the reporting period was higher than that of the corresponding period in 2014.

As seen from the above, during the reporting period, the Company continued to provide support to the development of the Company's capital intermediary business and strengthen the gearing ratio and liquidity management by way of broadening channels for financing, enlarging the scale of financing and improving financial leverage.

(IV) Changes in significant accounting policies and estimates

During the reporting period, the Company did not make any change in significant accounting policies and estimates; nor did the Company make any correction of material accounting errors.

VI. NEWLY ESTABLISHMENT AND DISPOSAL OF OPERATION BRANCHES, BRANCH OFFICES AND SUBSIDIARIES

(I) Newly establishment and disposal of operation branches and branch offices

As of the end of the reporting period, the Company has a total of 9 branch offices and 73 securities operation branches.

1. Newly establishment of branch offices and operation branches

During the reporting period, pursuant to the *Reply Concerning Approval of Opening of Four Branches by Central China Securities Co., Ltd. (Yu Zheng Jian Fa [2015] No. 68)* (《關於核准中原證券股份有限公司設立4家分支機構的批覆》(豫證監發[2015]68號)) issued by the Henan Branch of CSRC, the Company has completed the establishment of the new branch office in Shenzhen while the branch office in Pingdingshan and the operation branches in Yanling and Linying are under construction. As at the date of this report, the branch office in Pingdingshan has been established.

Newly established branch offices:

No.	Province, autonomous region or municipality	Branch office	Address
1	Shenzhen	Branch Office in Shenzhen	Room 201, Block A, No.1, Qianwan Road 1, Qianhaishen Port Cooperative District, Shenzhen
2	Henan Province	Branch Office in Pingdingshan	No.2, West Zhongxingnan Road, Pingdingshan City, Henan Province

Newly established operation branches:

No.	Province, autonomous region or municipality	Operation branch	Address
1	Henan Province	Yanling operation branch	Under construction
2	Henan Province	Linying operation branch	Under construction

Relocation of branch offices and operation branches:

The Company constantly adjusted and optimized its branch network. During the reporting period, the Company relocated 2 operation branches within the same city.

No.	Province, autonomous region or municipality	Existing name of operation branches	Existing address
1	Beijing	Beijing Jiuxianqiao Road operation branch	Room A158, 1/F, Building No.51, No.14 Jiuxianqiao Road, Chaoyang District, Beijing City
2	Henan Province	Qinyang Jianshebei Road operation branch	Jianshebei Road, Qinyang City, Jiaozuo City, Henan

(II) Establishment and disposal of subsidiaries

1. Central China Blue Ocean obtained its business license on 25 March 2015, with a registered capital of RMB300 million; the place of registration: Qingdao; the scope of business: financial product investment, security investment, investment management and investment advisory service with own capital; legal representative: Jian Mingjun.
2. Equity Exchange Co. obtained its business license on 29 June 2015, with a registered capital of RMB350 million; the place of registration: No. 23, Shangwu Waihuan Road, Zhengdong New District, Zhengzhou; the scope of business: registration, custody, listing, transfer and financing services in equity, debt and other equity asset for enterprises, investment and asset management; financial advisory, enterprise promotion, enterprise demonstration and training and consultancy services. For projects requiring approvals from relevant authorities, approvals have to be obtained before the commencement of such projects. Legal representative: Zhao Jizeng.
3. Central China International Securities (Central Entity Number: BFI947), a wholly-owned subsidiary of Central China International Financial Holdings, obtained its license from SFC to carry on type 1 regulated activities (dealing in securities) as defined in the SFO, effective from 13 July 2015. Central China International Securities commenced to operate from 11 August 2015.
4. On 13 May 2015, the Company convened the 48th meeting of the 4th session of the Board for *the Resolution on Bidding Invitation for the Disposal of the 34% Equity Interest of Ashmore-CCSC Fund Management Company Limited by Central China Securities Co., Ltd.* As of the date of this report, the Company had completed the public process of tender, auction and listing of equity interest proposed to be transferred in Henan Assets and Equity Exchange Centre in accordance with the requirement of relevant laws, regulations and policies governing the transfer of state-owned assets of financial enterprises, which is subject to the approval of the relevant regulatory authorities.

VII. MATERIAL FINANCING OF THE COMPANY

(I) Equity financing

1. On 15 June 2015, the *Proposal for Central China Securities Co., Ltd. Re-issuing H Shares* was approved in the 2nd extraordinary general meeting in 2015, the first Domestic Shares Class Meeting and the first H Shares class meeting of the Company, pursuant to which the amount of the H Shares issued shall not exceed 592,119,000, i.e., not exceeding 22.50% of the Company's total issued equity before the issuance and 18.37% of the total issued and enlarged equity after the issuance, or 90.00% of current issued H Shares before the issuance and 47.37% of issued and enlarged H Shares after the issuance. On 21 July 2015, the Company received the *Approval for Central China Securities Co., Ltd. Re-issuing Overseas Listed Foreign Shares* from CSRC, pursuant to which the amount of H Shares re-issued shall not exceed 592,119,000. An aggregate of 592,119,000 H Shares have been successfully allotted and issued by the Company on 3 August 2015 at the placing price of HK\$4.28 per H Share to no less than six placees, who and whose beneficial owners are third parties independent of and not connected with the Company or its connected persons. None of the placees has become a substantial shareholder of the Company immediately after the completion of the placing. The aggregate gross proceeds from the Placing amounted to approximately HK\$2,534,269,320 and the aggregate net proceeds from the Placing (after deducting all applicable costs and expenses, including commission and levies) amounted to approximately HK\$2,475,800,000. The net proceeds from the placing will be used to supplement the Company's working capital.
2. The Company's application for A Shares offering has been submitted to and accepted by CSRC in September 2012. On 1 July 2014, CSRC informed the Company that its application for A Shares offering was terminated. The Company re-submitted its application for A Shares offering to CSRC in November 2014 and was accepted in December 2014. In June 2015, the Company submitted its application for suspension of A Shares offering due to the additional issuance of H Shares and was informed by CSRC on 3 July 2015, that its application for A Shares offering was suspended. On 17 August 2015, the Company submitted its application to CSRC to restore the review of A Shares offering.

(II) Bond financing

1. On 29 January 2015, the Company issued the first batch of short-term corporate bonds by way of non-public issuance in a principal amount of RMB1.3 billion, with a term of 180 days and annual interest rate of 5.6%. The proceeds from short-term corporate bonds were used to supplement the Company's working capital. The bonds became mature on 28 July 2015, the principal and interest of which have been redeemed.
2. On 11 March and 25 March 2015, the Company issued the first and second batch of short-term notes in the principal amounts of RMB0.8 billion and RMB0.9 billion respectively, both with a term of 90 days and annual interest rate of 5.15% and 5% respectively. The proceeds from short-term notes were used to supplement the Company's working capital. The first and second batch of short-term notes in 2015 has been due on 10 June and 24 June 2015 respectively.
3. From February to June 2015, the Company has issued four batches of subordinated bonds by way of non-public issuance, with proceeds of RMB6.05 billion. The details are as follows:

No.	Name	Value date	Maturity date	Issuing value		Coupon rate
				Term (in month)	(in RMB100 million)	
1	The first batch of subordinated bonds of Central China Securities in 2015	13 February 2015	13 February 2017	24	14.00	5.85%
2	The second batch of subordinated bonds of Central China Securities in 2015	17 April 2015	17 April 2018	36	20.00	6.00%
3	The third batch of subordinated bonds of Central China Securities in 2015	27 May 2015	27 May 2016	12	10.00	5.20%
4	The fourth batch of subordinated bonds of Central China Securities in 2015	16 June 2015	16 December 2016	18	16.50	5.50%

4. In the first half of 2015, the Company issued income beneficiary certificates with accumulated proceeds of RMB2,956 million and the amount paid on maturity date was RMB351 million. As of 30 June 2015, the outstanding balance for income beneficiary certificates was RMB2,647 million.

VIII. INVESTMENTS DURING THE REPORTING PERIOD

(I) Use of last proceeds

On 25 June 2014, the Company publicly issued 598.1 million of H Shares which are listing on the Hong Kong Stock Exchange with proceeds of HK\$1,501.23 million, equivalent to RMB1,192.11 million.

The net proceeds as prescribed in the Prospectus will be used for the purposes and in the amounts set out below:

1. Approximately 50% of the proceeds will be used to develop margin financing and securities lending business;
2. Approximately 25% of the proceeds will be used to develop capital-based intermediary businesses, primarily including the expansion of securities-backed lending and securities repurchase, gradual engagement in OTC-based products and market-making, and active expansion of other capital-based intermediary businesses to be approved by CSRC in the future;
3. Approximately 25% of the proceeds will be used to increase the investments in fixed-income securities and other proprietary trading products, and to increase the registered capital of ZDKY Venture Capital for prudently expanding direct investment business.

As of 30 June 2015, the net proceeds (including interests on deposit) in the amount of RMB1,132.02 million have been used cumulatively, and the remaining unutilized proceeds in the amount of RMB2.28 million were all used for business development on 2 July 2015 in accordance with the purposes stated in the prospectus.

(II) Progress of investments by subsidiaries and joint stock companies

1. On 7 July 2014, the 28th meeting of the 4th session of the Board passed *the Proposal of Central China Securities Co., Ltd.'s to Increase Capital in Zhongding Kaiyuan Venture Capital Management Co., Ltd.* to increase share capital of RMB300 million by the Company, of which RMB200 million was made by monetary contribution in 2014, and the remaining RMB100 million was fully paid up on 3 February 2015.

On 21 January and 31 March 2015, the Company convened the 41st and 45th meeting of the 4th session of the Board for *the Plan of Central China Securities Co., Ltd. on Capital Increase and Equity Diversification for Zhongding Kaiyuan Venture Capital Management Co., Ltd.* and *the Resolution of Central China Securities Co., Ltd. on Adjusting the Plan of Capital Increase and Equity Diversification for Zhongding Kaiyuan Venture Capital Management Co., Ltd.*, respectively, to increase the registered capital to RMB800 million. The Company will increase the investment in proportion by investing an amount of RMB45.848 million on 30 April 2015. As of 30 June 2015, increase of registered capital in ZDKY Venture Capital has been completed.

- On 6 August 2014, the 30th meeting of the 4th session of the Board passed the *Resolution of Central China Securities Co., Ltd. on Establishment of a Subsidiary in Hong Kong for Securities Business*, to establish a wholly-owned subsidiary in Hong Kong, namely Central China International Financial Holdings, with a registered capital of HK\$50 million. As of 30 June 2015, the Company has contributed HK\$50 million in cash into the capital.

IX. ACQUISITION OR DISPOSAL OF MATERIAL ASSETS, EXTERNAL GUARANTEE, MORTGAGE, PLEDGE AND MATERIAL CONTINGENT LIABILITIES

During the reporting period, there was no acquisition, sale or replacement of the Company's material assets or business merger.

During the reporting period, the Company did not record any major external guarantee, mortgage, pledge, material contingent liabilities or other balance-sheet issued that may affect the Company's financial position and operating results.

X. EMPLOYEES, REMUNERATION POLICIES AND TRAINING

As at the end of the reporting period, the Group has a total of 2,221 employees, including 1,995 from the Company and 226 from its subsidiaries.

By signing letter of responsibilities on annual objectives, the Company revised and optimized annual incentive and restriction mechanism for all business lines and linked incentives directly to business performances. Under a strict performance assessment mechanism, it also increased incentives for special contributors, which inspired the staff and improved the Company's operating results. Through remuneration research, while ensuring competitive remuneration, the Company made corresponding remuneration policies according to the characteristics and market value of different talent. The Company's remuneration consists of base wage, floating wage, performance bonus and welfare. The welfare provided for employees includes basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing provident fund, etc. The Company also provided supplementary medical insurance and enterprise annuity.

The Company made specific training programs to provide regular, continual training for its staff. According to the annual training program, in the first half year the Company organized a number of business training.

XI. RISK CONTROL

(I) Major risks affecting the Company's operations and policies

Major risks include: credit risk, market risk, liquidity risk, compliance risk, operational risk, etc. To fully uncover its operational risks and control them within a reasonable range, the Company measured risks by such means as duration analysis, scenario analysis and sensitivity analysis and differentiated, prevented and managed various risks by screening, classification, analysis, etc. in order to achieve the Company's strategic development goal and maximize the interests of the Company and its shareholders.

1. Credit risk

Credit risks refer to risks of loss arising from a debtor or counterparty's failure to perform an agreement as agreed. Since full margin settlement for brokerage can practically avoid relevant credit risks, currently the Company's credit risk mainly comes from bond investment and margin financing and securities lending, specifically in the following aspects: (1) default or ratings downgrade of investment targets; (2) counterparty's default; (3) failure of the customers in margin financing and securities lending to duly repay loans or securities; and (4) receivables' becoming bad debts.

With regard to credit risk management in bond investment, the Company, via credit rating, assessed the credit risks of investment products of different credit ratings in terms of three aspects, i.e. investment product, issuer and counterparty; risk control includes classified management of various investment products and counterparties as well as daily monitoring on credit position of investment products. As stipulated by the Company, all transactions beyond the authorized trading volume shall be reported to the Risk Management Headquarter as well as the upper authority for examination and approval. Then the Risk Management Headquarter would examine the transaction and settlement methods, credit rating of the counterparty and other aspects concerning the investment product and point out any transaction risk.

With regard to credit risk management of margin financing and securities lending, the Company, by formulating various strict regulations and measures, controlled credit risk in these businesses in many steps as credit investigation, credit granting, marking to market and closed position.

As for the credit risk of receivables, the Company has fully withdrawn impairment allowance according to the debtor's business operation, cash flow and impairment allowance provision policies.

2. Market risk

Market risk refers to the possibility of losses or reduced income due to general or local changes in the market. It consists of risk of price fluctuations of equity assets, interest rate risk, exchange rate risk, etc.

Price risk mainly refers to the risk of losses in the company due to unfavorable changes in the price of securities like stocks brought by fluctuations in the securities market. Quantitatively, market price fluctuations of financial instruments held for trading will impact the Group's profit; and the market price fluctuations of available-for-sale financial instruments will impact shareholders' equity of the Company.

Interest rate risk refers to the risk of fluctuations in the company's financial position and cash flow due to interest rate changes in the market. In particular, the Company's interest-bearing assets susceptible to market interest rate changes are mainly bank deposits, settlement reserves, guarantee deposits paid and bond investments.

Exchange rate risk refers to the possibilities that the company may suffer losses from operating activities which involve holding or using foreign exchange due to change in exchange rate. Though fluctuations in exchange rate brings certain risks to the Company, the Company pays close attention to the foreign exchange market, makes reasonable decision and appropriately controls the scale of foreign exchange, and has relatively few foreign currency assets susceptible to such fluctuations.

To prevent market risks, the Company took the following measures: (1) followed a strict investment authorization system. The management of the Company is responsible for breaking down and allocating business size and risk limits for stock proprietary trading and bond proprietary trading during the year within the authorization granted by the Board, while the risk management department is responsible for monitoring relevant indicators and warning of risks; (2) established a multi-indicator risk monitoring and evaluation system. A quantitative indicator system was established to measure and evaluate risks in proprietary businesses by such means or tools as restriction on concentrated investment, scenario analysis, pressure test, sensitivity analysis, etc.; and (3) controlled trading procedures in an all-round way. The Company monitored various indicators via the investment management system, controlled the bond rating and concentration ratio of proprietary bond trading in advance and responsively evaluated and reported business risks brought by market changes.

3. Liquidity risk

Liquidity risk refers to the risk which the Company is unable to obtain sufficient funds in time at reasonable costs in order to repay maturing debts, comply with other payment obligations and satisfy the funding needs for carrying on normal business.

In view of the liquidity risk, the Company (1) strengthens its real time monitor and management of significant amount of fund in order to achieve fund centralised allocation and coordination of liquidity risk management; (2) enters into inter-bank market and the capital market, obtains bank's credit and explore different sources of other kinds of liquidity in order to satisfy the Company's liquidity need; and (3) uses net capital-based monitoring system for real-time monitoring of risk control indicators, and uses stress tests to assess the impact of business activities on the net capital.

4. Compliance risk

Compliance risk refers to the risk of being subjected to legal sanction, supervisory measure, self-discipline penalty, loss of property or reputation on companies arises from violation of laws, regulations and rules due to the business activities of the Company and the behaviour of the employees. The Company has built up a comprehensive compliance risk management system and compliance risk organization; at the early stage of promoting the compliance management pilots of the securities industry, the Company set up a Compliance Management Headquarter, assigned full-time compliance management staff and conducted effective control on the compliance risk through compliance review, compliance monitoring, compliance examination, compliance supervision and compliance training.

5. Operational risk

Operational risk refers to risk of financial loss resulting from improper operation of transaction process or management system.

The Company responsively monitors operational risks of brokerage, proprietary business and asset management business and has formulated a brokerage business risk management system and other business risk control system. Through setting up stringent operational control procedure, the Company has decreased the technological and artificial risks and improved the risk management efficiency. The Company's employees in various business risk control positions control and report the frontline risks involved in the businesses in their charge.

(II) Risk management measures adopted or to be adopted by the Company

1. A four-level structured risk control and management system set up by the Company

The first level comprises the Board and Supervisory Committee; the second level consists of the Risk Control Committee, Audit Committee and relevant investment and decision-making leading group; the third level is the cooperative work system for risk management before, during and after a risk occurs consisting of the Compliance Management Headquarters, Legal Affairs Headquarters, Risk Management Headquarters and Review and Audit Headquarters; and the fourth level is composed of the frontline risk control systems of various departments and branches of the Company.

2. Further improving the overall risk management ability and promoting comprehensive risk management culture

The Company will further enhance its overall risk management ability, especially the frontline risk control ability of various business and management departments and branches, and improve the frontline risk control systems and measures concerning various businesses. Moreover, the Company will, from top to bottom, further promote the concept and culture of comprehensive risk management among all employees from all dimensions and throughout the whole process.

3. Risk evaluation procedure of the Company

Risk identification: To identify risks and key supervisory indicators in systems, business operation and financial management.

Risk evaluation: To conduct quantitative and qualitative analysis on the possibilities and consequences of various risks by virtue of sensitivity analysis, value at risk, etc., formulate risk management strategies and evaluate risks.

Risk control and response: Based on the evaluation results, to actively take counter-measures to guarantee normal operation of the Company or minimize relevant impacts.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Advancing the development of innovative businesses in an orderly way and further improving the risk management mechanism of innovative businesses

The risk management department of the Company participates in risk assessment, design of risk control procedure, design of risk control indicators and setting of the indicator value, design of risk management ancillary system and building of the corresponding risk monitoring information system of each kind of innovative businesses, builds up the system, procedures, personnel and response mechanism for innovative businesses, and implement the risk management throughout each kind of innovative businesses by means of pre-assessing and reviewing, allocating risk limits, risk measurement during the process and independent monitoring and risk reporting, etc.

5. Further improving the ability and level of quantitative analysis on risk management

The Company will strengthen research on and investment in quantitative analysis on risk management, focus on collection and arrangement of data and information about quantitative indicators and data analysis of key links, intensify research and development of risk measurement model and select appropriate methods and models to measure market risk, credit risk and operational risk. In addition, the Company will regularly test and assess the effectiveness of valuations and models and make adjustment and improvement in time according to relevant results.

I. PAYMENT OF FINAL DIVIDENDS FOR 2014, ADJUSTMENT ON DIVIDENDS DISTRIBUTION PLAN, DISTRIBUTION PLAN OF INTERIM PROFITS FOR 2015 AND INTERIM DIVIDENDS FOR 2015

(I) Payment of final dividends for 2014

The Distribution Plan of Profits for 2014 of Central China Securities Co., Ltd. has been resolved at the 2014 annual general meeting of the Company held on 11 May 2015, which approved that based on the total share capital of Domestic Shares and H Shares of 2,631,615,700 shares as of 31 December 2014, the Company could distribute cash dividends of RMB1.2 per 10 shares (tax inclusive) to holders of Domestic Shares and H Shares whose names appeared on the Company's register on the record date, with total cash dividends of RMB315,793,884.00, accounting for 87.65% of the profits distributable to shareholders in 2014 of RMB360,269,574.88. In terms of distributing final dividends of 2014 to the Company's H shareholders, the relevant dividends were distributed to shareholders whose names appeared on the Company's H Share register of members on 20 May 2015.

The final dividends of 2014 were dominated and declared in Renminbi, and paid in Renminbi/HK Dollars to holders of Domestic Shares and H Shares, respectively. The actual amount in HK Dollars were calculated based on the average benchmark rate between Renminbi and HK Dollar published by the People's Bank of China five working days prior to the date of the 2014 annual general meeting (namely RMB0.788836 to HK\$1.00). Therefore, the final dividends of 2014 were HK\$0.152123 per H Share (tax inclusive). The Company has completed the distribution of final dividends of 2014 on 29 May 2015.

(II) Adjustment on dividends distribution plan

Due to favorable conditions such as listing of the H Shares, the performance as shown by the monthly financial data of the Company continues to grow during the year. In order to further favor and bring return to the investors, the Board convened a meeting on 15 June 2015 and resolved that in the upcoming financial years (including this financial year), the Company shall distribute cash dividends twice a year (once every six months) on the premise that it has complied with the relevant requirements of the dividend distribution policy and has profit and accumulated undistributed profit during the relevant period.

OTHER MATTERS

(III) Distribution plan of interim profits for 2015

In view of long-term development and sustainable shareholders' return, the Company made the following distribution plan of interim profits for 2015 to share its fast developing results of operation with all the shareholders:

1. With total capital of Domestic Shares and H Shares after new issuance of H Shares of 3,223,734,700 as of 3 August 2015 as the basis, distribute cash dividends as per RMB2.1 per 10 shares (tax inclusive) to holders of Domestic Shares and H Shares in the shareholders' register on the record date of the Company, totalling RMB676,984,287.00.
2. Cash dividends are stated and announced in Renminbi, and paid in Renminbi/HK Dollars for holders of Domestic Shares and H Shares, respectively. The actual amount in HK Dollars will be based on the average benchmark rate between Renminbi and HK Dollar published by the People's Bank of China five working days prior to the date on which the extraordinary general meeting of the Company is to be held to consider the distribution plan of interim profits for 2015.

After the distribution plan of interim profits for 2015 being considered and approved at the extraordinary general meeting, the cash dividends will be distributed within two months from the date of such general meeting.

The Company will later announce the benchmark date for the distribution of H Share dividends and the book closure date.

(IV) Interim dividends for 2015

The 51st meeting of the 4th session of the Board of the Company has considered and approved the proposed interim dividends distribution plan, and an extraordinary general meeting will be convened by the Company to seek approval from the shareholders of the Company for the detailed 2015 interim dividends distribution plan.

II. CONNECTED TRANSACTIONS

Non-exempt connected transactions conducted by the Group in accordance with the Listing Rules during the reporting period are listed below:

On 26 June 2015, the Company, Henan Investment Group and the Other Founders entered into the Founder Agreement, pursuant to which the parties agreed to establish the Equity Exchange Co. with a registered capital of RMB350,000,000. Upon completion of the Founder Agreement, the Company holds 35% equity interest in the Equity Exchange Co.. Henan Investment Group held approximately 33.096% of the issued share capital of the Company and was the controlling shareholder and a connected person of the Company at the time of the Founder Agreement. Accordingly, the transaction contemplated under the Founder Agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As one or more applicable percentage ratios (other than the profits ratio) in respect of the transaction contemplated under the Founder Agreement is over 0.1% but less than 5%, the Founder Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. More information about the connected transactions mentioned above, please refer to the Company's announcement dated 26 June 2015.

See Notes to the consolidated interim financial statements of this report for information about other connected transactions.

III. EQUITY INCENTIVE SCHEME FOR THE COMPANY

On 26 May 2015, Mao Yuan Capital Limited ("Mao Yuan"), a shareholder holding approximately 4.107% of the issued share capital of the Company at the time of issuing the notice, issued a written notice to the Company to propose new resolutions at the extraordinary general meeting and the class meetings regarding the proposed adoption of a Share Option Scheme. Pursuant to the written notice issued by Mao Yuan, it proposed the new resolutions in relation to the adoption of the Share Option Scheme because it hopes that the interest of the Company's management will be closely bonded with the interest of the Company and unify the interests of the management of the Company, investors and the Company, so that the confidence of the shareholders and investors will be enhanced and the interest of the shareholders will be maximized. The Share Option Scheme had been approved on 2nd extraordinary general meeting 2015, 1st Domestic Share class meeting and 1st H Share class meeting. The Share Option Scheme shall be conditional upon: (i) shareholders approve and adopt the Share Option Scheme through a resolution and authorize the Board to grant options according to the Share Option Scheme, and to allot and issue shares upon the exercises of any options; (ii) the performance of the Share Option Scheme is subject to the laws and regulations of PRC and the jurisdictions in which the shares of the Company are listed; and (iii) the listing committee of the Hong Kong Stock Exchange granting approval of the listing of, and the permission to deal in, any shares to be issued pursuant to the exercise of any options in accordance with the terms and conditions of the Share Option Scheme. More details about the Share Option Scheme above, please refer to the Company's announcement dated 26 May 2015.

OTHER MATTERS

IV INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As of the end of the reporting period, based on the information acquired by the Company and to the knowledge of the Directors, none of the Directors, Supervisors and the chief executive of the Company and their respective associates held or was deemed to hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO, same below) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange according to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules.

V. DIRECTOR'S RIGHT TO PURCHASE SHARES OR DEBENTURES

As of the end of reporting period, none of the Directors, Supervisors or their respective spouses or children under the age of 18 was authorized to acquire benefits by buying shares or debentures of the Company or to exercise any of the said right; meanwhile, neither the Company nor its subsidiaries made any arrangement to enable the Directors, Supervisors or their spouses or children under the age of 18 to acquire any of the said right in any other body corporate.

VI. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the end of reporting period, to the knowledge of the Directors, apart from the Directors, Supervisors and chief executive of the Company, the following persons held or were deemed to hold interests or short positions in the shares, underlying shares and debentures of the Company as recorded in the register of the Company (as referred to herein) required to be kept under Section 336 of the SFO:

Name	Class of shares	Nature of interests	Number of shares of the Company held (Share)	Approximate percentage of the total issued share capital of the Company (%)	Approximate percentage of Domestic Shares/ H Shares (%)	Long position/ short position
Henan Investment Group	Domestic Shares	Beneficial owner	870,963,022	33.10	44.13	Long position
Bohai Industrial Investment Fund	Domestic Shares	Beneficial owner	608,000,000	23.10	30.81	Long position
Bohai Industrial Investment Fund Management Co., Ltd. (Note)	Domestic Shares	Investment manager	608,000,000	23.10	30.81	Long position
Anyang Iron & Steel Group Co., Ltd.	Domestic Shares	Beneficial owner	187,861,855	7.14	9.52	Long position
China Reinsurance (Group) Corporation	H Shares	Beneficial owner	38,044,000	1.45	5.78	Long position
National Council for Social Security Fund	H Shares	Beneficial owner	59,810,000	2.27	9.09	Long position

Note:

According to the investment fund management agreement executed by and between Bohai Industrial Investment Fund Management Co., Ltd. and Bohai Industrial Investment Fund, Bohai Industrial Investment Fund Management Co., Ltd. holds shares of the Company on behalf of Bohai Industrial Investment Fund.

OTHER MATTERS

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

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the reporting period.

VIII. COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

The Company works on maintaining a high-quality corporate governance to safeguard shareholders' interests and enhance enterprise value and accountability. During the reporting period, the Company has adopted and complied with all provisions of Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules. The Company will continue to review and improve corporate governance practices to ensure it conforms to Corporate Governance Code.

IX. COMPLIANCE WITH MODEL CODE

The Company has adopted Model Code on Directors and Supervisors conducting securities trading. The Company has particularly inquired all Directors and Supervisors on compliance with the Model Code, and all Directors and Supervisors confirmed that they had fully complied with the standards set out in the Model Code during the reporting period.

X. OPERATION OF THE BOARD AND SPECIALIZED COMMITTEES THEREUNDER

On 6 January 2015, Ms. Shi Dan resigned from her position as an independent non-executive Director and a member of the Audit Committee under the Board. On 9 February 2015, Mr. Yuan Dejun was appointed as a member of the Audit Committee under the Board. On 31 March 2015, Mr. Ning Jincheng was appointed as an independent non-executive Director. The Board currently comprises eleven Directors: two executive Directors, five non-executive Directors and four independent non-executive Directors, namely, Mr. Jian Mingjun (the Chairman of the Company and executive Director), Mr. Zhou Xiaoquan (the president of the Company and executive Director), Mr. Li Xingjia, Mr. Zhang Qiang, Mr. Zhu Jie, Mr. Wang Lixin and Mr. Yu Zeyang (non-executive Directors), Mr. Zhu Shanli, Mr. Yuan Dejun, Mr. Yuen Chi Wai and Mr. Ning Jincheng (independent non-executive Directors).

There are four special committees under the Board, including the Development Strategy Committee, the Risk Control Committee, the Remuneration and Nomination Committee and the Audit Committee, which function efficiently on clearly assigned responsibilities and duties. Among them, the Remuneration and Nomination Committee and the Audit Committee consist of a majority of independent non-executive Directors and have independent non-executive Directors act as their chairmen.

Members of the special committees are:

- (1) Development Strategy Committee: Mr. Jian Mingjun (Chairman), Mr. Zhou Xiaoquan, Mr. Li Xingjia, Mr. Zhang Qiang, and Mr. Wang Lixin;
- (2) Risk Control Committee: Mr. Jian Mingjun (Chairman), Mr. Yu Zeyang, and Mr. Zhu Shanli;
- (3) Remuneration and Nomination Committee: Mr. Yuan Dejun (Chairman), Mr. Zhou Xiaoquan, Mr. Zhu Jie, Mr. Zhu Shanli and Mr. Yuen Chi Wai;
- (4) Audit Committee: Mr. Yuen Chi Wai (Chairman), Mr. Li Xingjia, and Mr. Yuan Dejun.

All Directors performed their statutory duties diligently and honestly and protected the interests of the Company and minority shareholders in accordance with relevant provisions of laws, regulations and Articles of Association of the Company. During the reporting period, the Board duly convened and meticulously prepared three general meetings of the Company, one H Shares class meeting, one Domestic Shares class meeting and considered 71 proposals. The Board actively organized and urged relevant institutions or persons to implement resolutions of the general meetings of the Company and followed up implementation of the resolutions. During the reporting period, the Board convened eleven meetings and considered 50 proposals. All special committees put forward their professional advice, which served as important reference for the Board in its decision making and enabled it to make more scientific and forward-looking decisions.

In particular, the Audit Committee and the management of the Company have reviewed the accounting policies that the Company has adopted, and discussed issues including internal control and financial report, and have fully reviewed consolidated interim financial information (including unaudited consolidated financial statements set out in this report) during the reporting period. The Audit Committee considered that such consolidated financial report was in conformity with applicable accounting standards and provisions and has made appropriate disclosures. The auditors engaged by the Company has reviewed interim financial information in accordance with *International Standard on Review Engagements No.2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

XI. OPERATION OF THE SUPERVISORY COMMITTEE

During the reporting period, there has been no change in the membership of the Supervisory Committee. The Supervisory Committee has convened five meetings and considered 17 proposals. The members of the Supervisory Committee include: Mr. Zhou Jianzhong (Chairman of the Supervisory Committee), Mr. Wang Rui, Mr. Yan Changkuan, and Mr. Ji Guangyuan (Shareholder Supervisor), Mr. Zhu Qiben and Mr. Li Feng (Employee Supervisor). Supervisors earnestly performed their duties and supervised standard operation of the Company and safeguarded the legal rights and interests of the Company, shareholders and investors in accordance with relevant provisions in the Company Law of the PRC and Securities Law of the PRC and other relevant laws and regulations and the Articles of Association.

OTHER MATTERS

XII. MAJOR LITIGATIONS

As of the end of the reporting period, there were no new developments in major litigations of the Company. For details, please refer to the section “Business – Legal and Regulatory – Legal Proceedings” in the Prospectus.

XIII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

House-leasing contracts have been entered between the Company and Shanghai Lujiazui Capital Plaza Co., Ltd., between the Company and Wen Rongli, (individual), between the Company's subsidiary Ashmore-CCSC and Shanghai Bading Property Development Co., Ltd respectively. The total rent within the lease term is RMB14,174,300 (3 years for tenure), RMB12,675,800 (4 years for tenure) and RMB20,995,200 (4 years for tenure) respectively; the total rental expenses within the reporting period was RMB2,429,900, RMB1,139,400 and RMB2,624,400 respectively.

The Company also signed house-leasing contracts with its subsidiary, Central China Futures. The total rent within the lease term is RMB2,496,600 (5 years for tenure). The total rental income within the reporting period was RMB249,660.

Apart from the above, during the reporting period, the Company was free from any major collocation, contract or lease (in the amount above RMB10 million) and such matters in the previous period lasting to the reporting period.

XIV. NEW BUSINESS QUALIFICATIONS OBTAINED DURING THE REPORTING PERIOD

On 16 January 2015, the Company obtained the qualification for option brokerage by the SSE (Shang Zheng Han [2015] No. 93).

XV. CLASSIFICATION AND EVALUATION RESULT OF THE COMPANY BY SECURITIES REGULATORS

The Company was classified into category “A” under type “A” in the 2015 classification and evaluation of securities companies by CSRC.

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

Pursuant to Rule 13.51B of the Listing Rules, as of the end of the reporting period, there was no change in details of Directors and Supervisors as compared to their biographies disclosed in the 2014 annual report, save for the followings:

1. On 6 January 2015, the Company's former independent non-executive Director, Ms. Shi Dan, resigned as an independent non-executive Director and a member of the Audit Committee under the Board as she would like to spend more time on her other business commitments. On 31 March 2015, the Company held the first extraordinary general meeting in 2015 and selected Mr. Ning Jincheng as an independent non-executive Director.
2. Mr. Yuen Chi Wai, an independent non-executive Director, ceased to act as the chief financial officer and company secretary of Bolina Holding Co., Ltd. (the shares of which are listed on Hong Kong Stock Exchange, stock code: 01190) from 6 May 2015, and served as its assistant executive.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF CENTRAL CHINA SECURITIES CO., LTD.**
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 45 to 108 which comprises the interim condensed consolidated statement of financial position of Central China Securities Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2015 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 August 2015

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015
(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2015 (Unaudited)	2014 (Unaudited)
Revenue			
– Commission and fee income	4	1,886,520	383,352
– Interest income	5	763,517	226,034
– Net investment gains	6	459,091	158,236
		3,109,128	767,622
Other income and gains	7	15,766	31,607
Total revenue and other income		3,124,894	799,229
Commission and fee expenses	8	(271,461)	(56,907)
Interest expenses	9	(453,052)	(129,449)
Staff costs	10	(746,353)	(210,722)
Depreciation and amortisation		(33,500)	(32,784)
Other operating expenses	11	(247,063)	(124,416)
Impairment losses	12	(8,233)	(7,945)
Total expenses		(1,759,662)	(562,223)
Profit before income tax		1,365,232	237,006
Income tax expense	13	(350,386)	(64,836)
Profit for the period		1,014,846	172,170

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015
(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2015 (Unaudited)	2014 (Unaudited)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets			
– Changes in fair value		26,772	(5,257)
– Income tax effect on changes in fair value		(7,161)	1,314
– Reclassification adjustments for gains included in the consolidated income statement, net		(4,280)	7,511
Foreign currency translation reserve		(982)	–
Other comprehensive income for the period, net of tax		14,349	3,568
Total comprehensive income		1,029,195	175,738
Profit attributable to:			
– Shareholders of the Company		1,012,251	179,324
– Non-controlling interests		2,595	(7,154)
		1,014,846	172,170
Comprehensive income attributable to:			
– Shareholders of the Company		1,026,802	182,892
– Non-controlling interests		2,393	(7,154)
		1,029,195	175,738
Earnings per share attributable to shareholders of the Company for the period (expressed in RMB per share)			
Basic/Diluted	14	0.38	0.09
Dividends	15	315,794	–

The notes on pages 53 to 108 form an integral part of this condensed interim consolidated financial information.

JIAN Mingjun

Chairman of the Board and Executive Director

ZHOU Xiaoquan

Executive Director and President

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Assets			
Non-current assets			
Property and equipment	16	211,421	217,146
Investment properties		21,662	23,066
Goodwill		7,269	7,269
Intangible assets		149,241	153,743
Investment in associates	17	72,648	49,685
Other non-current assets		19,956	25,630
Available-for-sale financial assets	18	377,032	650,089
Financial assets held under resale agreements	19	32,418	–
Entrusted loan	20	78,804	–
Deferred income tax assets	21	143,492	104,469
Refundable deposits	22	793,986	727,404
Total non-current assets		1,907,929	1,958,501
Current assets			
Other current assets	23	404,141	306,912
Margin accounts receivable	24	14,411,342	7,331,517
Available-for-sale financial assets	18	237,646	102,546
Financial assets held under resale agreements	19	2,730,123	2,889,715
Entrusted loan	20	246,263	277,487
Derivative financial assets	25	–	–
Financial assets held for trading	26	5,556,665	4,099,282
Clearing settlement funds	27	3,262,635	2,620,867
Cash held for brokerage clients		19,165,193	7,225,908
Cash and bank balances	28	4,376,379	1,456,507
Total current assets		50,390,387	26,310,741
Total assets		52,298,316	28,269,242
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	29	2,631,616	2,631,616
Capital reserve		504,649	504,649
Surplus reserve		399,283	399,283
General reserve		380,772	380,772
Transaction risk reserve		366,383	366,383
Available-for-sale financial assets revaluation reserve		42,278	26,745
Retained earnings		2,173,716	1,477,259
Foreign currency translation reserve		(982)	–
Total equity attributable to shareholders of the Company		6,497,715	5,786,707
Non-controlling interests		530,834	70,089
Total equity		7,028,549	5,856,796

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Liabilities			
Non-current liabilities			
Bonds payable	30	6,539,644	1,490,027
Short-term notes payable	31	845,000	–
Financial assets sold under repurchase agreements	32	500,000	–
Deferred income tax liabilities	21	61,349	27,837
Total non-current liabilities		7,945,993	1,517,864
Current liabilities			
Other current liabilities		895,056	802,491
Financial liabilities designated at fair value through profit or loss	33	757,617	791,074
Tax payable	34	386,070	239,670
Due to other financial institutions	35	2,067,000	2,373,000
Financial assets sold under repurchase agreements	32	7,027,039	5,587,234
Short-term notes payable	31	1,801,870	1,441,280
Bonds payable	30	2,300,000	–
Derivative financial liabilities	25	–	–
Accounts payable to brokerage clients	36	22,089,122	9,659,833
Total current liabilities		37,323,774	20,894,582
Total liabilities		45,269,767	22,412,446
Total equity and liabilities		52,298,316	28,269,242
Net current assets		13,066,613	5,416,159
Total assets less current liabilities		14,974,542	7,374,660

The notes on pages 53 to 108 form an integral part of this condensed interim consolidated financial information.

JIAN Mingjun

Chairman of the Board and Executive Director

ZHOU Xiaoquan

Executive Director and President

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015
(All amounts in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company									
	Share capital (Note 29)	Capital reserve	Surplus reserve	General reserve	Transaction risk reserve	Available-for-sale financial assets revaluation reserve	Retained earnings	Foreign currency translation reserve	Non-controlling interests	Total equity
Balance at 1 January 2015 (Audited)	2,631,616	504,649	399,283	380,772	366,383	26,745	1,477,259	-	70,089	5,856,796
Profit for the period	-	-	-	-	-	-	1,012,251	-	2,595	1,014,846
Other comprehensive income for the period	-	-	-	-	-	15,533	-	(982)	(202)	14,349
Total comprehensive income for the period	-	-	-	-	-	15,533	1,012,251	(982)	2,393	1,029,195
2014 final dividend declared and settled in cash	-	-	-	-	-	-	(315,794)	-	-	(315,794)
Net capital contribution for subsidiaries by non-controlling shareholders	-	-	-	-	-	-	-	-	458,352	458,352
Balance at 30 June 2015 (Unaudited)	2,631,616	504,649	399,283	380,772	366,383	42,278	2,173,716	(982)	530,834	7,028,549

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

(All amounts in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company								
	Share capital (Note 29)	Capital reserve	Surplus reserve	General reserve	Transaction risk reserve	Available-for-sale financial assets revaluation reserve	Retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2014 (Audited)	2,033,516	–	314,845	314,845	310,091	(3,581)	1,121,626	83,940	4,175,282
Profit for the period	–	–	–	–	–	–	179,324	(7,154)	172,170
Other comprehensive income for the period	–	–	–	–	–	3,568	–	–	3,568
Total comprehensive income for the period	–	–	–	–	–	3,568	179,324	(7,154)	175,738
Issuance of shares, net	598,100	504,649	–	–	–	–	–	–	1,102,749
Balance at 30 June 2014 (Unaudited)	2,631,616	504,649	314,845	314,845	310,091	(13)	1,300,950	76,786	5,453,769

The notes on pages 53 to 108 form an integral part of this condensed interim consolidated financial information.

JIAN Mingjun

Chairman of the Board and Executive Director

ZHOU Xiaoquan

Executive Director and President

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015
(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Cash flows from operating activities		
Profit before income tax	1,365,232	237,006
Adjustments for:		
Depreciation and amortization	33,500	32,784
Impairment losses	8,233	7,945
Net (gains)/losses on disposal of property and equipment	(1)	92
Foreign exchange losses/(gains)	902	(1,246)
Interest expenses of short-term notes	61,614	25,991
Interest expenses of bonds	146,915	18,905
Net gains on disposal of available-for-sale financial assets	(18,731)	(2,655)
Dividends and interest income from available-for-sale financial assets	(45,647)	(14,620)
Changes in fair value of financial instruments at fair value through profit or loss	98,476	(34,562)
Investment gains of associates	(1,264)	–
	1,649,229	269,640
Net decrease/(increase) in operating assets:		
Financial assets held under resale agreements	129,083	(520,885)
Cash held for brokerage clients	(11,939,285)	(617,753)
Other assets	(9,784,222)	(810,405)
Net increase/(decrease) in operating liabilities:		
Accounts payable to brokerage customers	12,429,289	660,470
Financial liabilities designated at fair value through profit or loss	(33,457)	338,945
Other liabilities	2,122,736	(637,772)
Income tax paid	(209,497)	(62,613)
Net cash outflow from operating activities	(5,636,124)	(1,380,373)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015
(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Cash flows from investing activities		
Dividends and interest received from available-for-sale financial assets	45,647	14,620
Net cash flows from purchase and disposal of property and equipment, intangible assets and other long-term assets	(16,193)	(9,655)
Capital injection to associates	(21,700)	(50,000)
Net cash flows from disposal or purchase of available-for-sale financial assets	172,019	(391,350)
Net cash outflow from investing activities	179,773	(436,385)
Cash flows from financing activities		
Dividends paid	(315,794)	–
Cash received from issuance of short-term notes	4,642,985	1,700,000
Net cash received from issuance of bonds	7,222,346	1,492,000
Net proceeds from issue of H shares	–	1,128,175
Capital injection of subsidiaries from non-controlling shareholders	301,652	–
Repayment of short-term notes	(3,452,318)	(1,725,932)
Net cash inflow from financing activities	8,398,871	2,594,243
Net increase in cash and cash equivalents	2,942,520	777,485
Cash and cash equivalents at the beginning of the period	1,596,054	755,452
Effect of exchange rate changes on cash and cash equivalents	(902)	1,246
Cash and cash equivalents at the end of the period (Note 37)	4,537,672	1,534,183

The notes on pages 53 to 108 form an integral part of this condensed interim consolidated financial information.

JIAN Mingjun

Chairman of the Board and Executive Director

ZHOU Xiaoquan

Executive Director and President

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

1 GENERAL INFORMATION

Central China Securities Co., Ltd. (the “Company”) is a joint-stock financial institution incorporated in Henan Province, the People’s Republic of China (the “PRC”). The Company was incorporated on 8 November 2002, pursuant to the approvals by China Securities Regulatory Commission (the “CSRC”) and the People’s Government of Henan Province. The Company completed the relevant registration with Henan Provincial Administration of Industry and Commerce (the “HAIC”) on 8 November 2002. The CSRC and the HAIC have granted the securities institution license No. Z30574000 and business license No. 410000100009831 to the Company, respectively. The registered address of the Company is No. 10 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province.

The Company and its subsidiaries (the “Group”) principally engage in the business set out on the Company’s business license, which includes: securities and futures brokerage, investment consultancy and financial advisory, securities underwriting and sponsorship, proprietary trading, asset management, fund management and direct investment, agency sale of funds, introducing broker for futures companies, margin financing and securities lending and agency sale of financial products.

The Company completed its initial public offering of overseas-listed foreign shares (“H shares”) on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on 25 June 2014. Under this offering, the Company issued a total of 598,100,000 shares with a nominal value of RMB1.00 per share. After this public offering, total share capital of the Company increased to RMB2,631,615,700.

The condensed interim financial information is 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 condensed interim financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

(b) Principal accounting policies

Except for certain number of financial instruments measured at fair value, the interim financial information has been prepared under the historical cost convention. The accounting policies and methods of computation used in the condensed interim financial information for the six months ended 30 June 2015 are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Standards, amendments and interpretations that are adopted in 2015

In the current interim period, the Group has applied the following amendments to the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the current interim period. Descriptions of these amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2014.

Amendment to IAS 19 (as revised in 2011) ⁽¹⁾	Employee Benefits – To Plans that Require Employees or Third Parties to Contribute Towards the Cost of Benefits
Amendments to IFRSs ⁽²⁾	Annual Improvements to IFRSs 2010 – 2012 Cycle
Amendments to IFRSs ⁽³⁾	Annual Improvements to IFRSs 2011 – 2013 Cycle

- (1) Amendment to IAS19 (revised), Employee benefits – To plans that require employees or third parties to contribute towards the cost of benefits.

The amendment to IAS 19 (revised) – Employee Benefits will affect any post-employment benefit plans where employees or third parties are required to bear some of the cost of the plan. The amendment clarifies the accounting by entities with plans that require contributions linked only to service in each period. Entities with plans that require contributions that vary with service will be required to recognize the benefit of those contributions over employees' working lives.

- (2) Annual Improvements to IFRSs 2010-2012 Cycle

The annual improvements to IFRSs 2010 – 2012 Cycle include amendments to IFRSs include the amendments to IFRS 2 – Share-Based Payment, the amendments to IFRS 3 – Business Combinations, the amendments to IFRS 8 – Operating Segments, the amendments to IFRS 13 – Fair Value Measurement, the amendments to IAS 24 – Related Party Disclosures, the amendments to IAS 16 – Property, Plant and Equipment, and the amendments to IAS 38 – Intangible Assets.

- (3) Annual Improvements to IFRSs 2011 – 2013 Cycle

The annual improvements to IFRSs 2011 – 2013 Cycle include amendments to IFRSs include the amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards, the amendments to IFRS 3 – Business Combinations, the amendments to IFRS 13 – Fair Value Measurement, and the amendments to IAS 40 – Investment Property.

The adoption of these amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(d) Standards and amendments that are not yet effective and have not been adopted by the Group

The Group has not adopted the following new and revised IFRSs that have been issued but are not yet effective.

Standards	Key Requirements	Effective for annual periods beginning on or after
IFRS 14 ⁽¹⁾	Regulatory Deferral Account	1 January 2016
Amendments to IFRS 11 ⁽¹⁾	Acquisition of Interests in Joint Operations	1 January 2016
Amendments to IAS 16 and IAS 38 ⁽¹⁾	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
Amendments to IAS 27 ⁽¹⁾	Equity Method in Separate Financial Statements	1 January 2016
Amendments to IFRS 10 and IAS 28 ⁽¹⁾	On the Sale or Contribution of Assets between An Investor and its Associate or Joint Venture	1 January 2016
Amendments to IFRSs ⁽¹⁾	Annual Improvements to IFRSs 2012-2014 cycle	1 January 2016
Amendments to IFRS 10 and IAS 28 ⁽²⁾	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to IAS 1 ⁽³⁾	Disclosure Initiative	1 January 2016
IFRS 15 ⁽¹⁾	Revenue from Contracts with Customers	1 January 2017
IFRS 9 ⁽¹⁾	Financial Instruments	1 January 2018

(1) Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2014. The Group anticipates that the adoption of these standards and amendments will not have a significant impact on the Group's consolidated financial statements.

(2) The amendments clarify the application of the consolidation exemption for investment entities and their subsidiaries.

The amendments to IFRS 10 clarify that the exemption from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The exemption is available when the investment entity parent measures its subsidiaries at fair value. The intermediate parent would also need to meet the other criteria for exemption listed in IFRS 10. The amendments also clarify that an investment entity should consolidate a subsidiary which is not an investment entity and which provides services in support of the investment entity's investment activities, such that it acts as an extension of the investment entity.

The amendments to IAS 28 allow an entity which is not an investment entity, but has an interest in an associate or a joint venture which is an investment entity, a policy choice when applying the equity method of accounting. The entity may choose to retain the fair value measurement applied by the investment entity associate or joint venture, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(d) Standards and amendments that are not yet effective and have not been adopted by the Group (Continued)

- (3) The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users.

The Group is in the process of assessing the impact of these new standards and amendments on the consolidated and separate financial statements of the Group and the Company respectively.

3 SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES

The Group continually evaluates the significant accounting estimates and judgments applied based on historical experience and other factors, including reasonable expectations of future events. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are outlined below. It is possible that actual results may be materially different from the estimates and judgments referred to below.

3.1 Impairment of available-for-sale financial assets

In determining whether there is any objective evidence that impairment has occurred on available-for-sale financial assets, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value of the investments below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry outlook, technological changes as well as operating and financing cash flows. This requires a significant level of management judgment which would affect the amount of impairment losses.

3.2 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

3.3 Fair value of financial instruments

The fair value of financial instruments that are not traded in active markets are determined by using valuation techniques. These techniques include the use of discounted cash flow analysis model etc. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

3.4 Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Taxation matters such as tax deductions due to asset impairment loss are subject to the decision of taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax and deferred tax assets and liabilities in the period in which such determination is made.

3.5 Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For asset management schemes where the Group involves as a manager and also as an investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes that is of such significance indicating that the Group is a principal. The asset management schemes shall be consolidated if the Group acts in the role of principal.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

4 COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Securities brokerage	1,531,770	282,914
Investment advisory	167,753	35,886
Underwriting and sponsorship	119,795	25,550
Asset management and fund management	36,707	5,569
Futures brokerage	22,325	16,353
Financial advisory	8,170	17,080
Total	1,886,520	383,352

5 INTEREST INCOME

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Margin financing and securities lending	482,344	110,499
Deposits with banks	169,952	76,594
Financial assets held under resale agreements	89,233	36,080
Others	21,988	2,861
Total	763,517	226,034

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

6 NET INVESTMENT GAINS

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Realised gains/(losses) from disposal of financial assets held for trading	425,019	(9,778)
Dividends and interest income from financial assets held for trading	136,837	106,375
Dividends and interest income from available-for-sale financial assets	45,647	14,620
Realised gains from disposal of available-for-sale financial assets	18,731	2,655
Net realised (losses)/gains from derivative financial instruments	(69,931)	9,802
Unrealised fair value change of financial instruments at fair value through profit or loss	(98,476)	34,562
Others	1,264	–
Total	459,091	158,236

7 OTHER INCOME AND GAINS

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Government grants ⁽¹⁾	12,588	28,729
Rental income	1,610	1,353
Others	1,568	1,525
Total	15,766	31,607

(1) This item consists of tax incentive and other grants from local governments.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

8 COMMISSION AND FEE EXPENSES

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Securities brokerage	255,191	46,367
Underwriting and sponsorship	11,485	5,920
Asset and fund management	4,107	2,027
Financial advisory	678	2,593
Total	271,461	56,907

9 INTEREST EXPENSES

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Financial assets sold under repurchase agreements	150,119	62,206
Corporate bonds issued	146,915	18,905
Due to other financial institutions	65,144	12,856
Short-term notes issued	61,614	25,991
Others	29,260	9,491
Total	453,052	129,449

10 STAFF COSTS

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Salaries and bonus	648,008	147,479
Pension	40,075	31,666
Labor union funds and employee education funds	28,675	6,017
Other social security benefits	23,954	20,001
Other welfare	5,641	5,559
Total	746,353	210,722

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

11 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Business tax and surcharges	142,005	38,240
Rental expenses	23,314	21,529
Securities investors protection fund	17,942	4,834
Consulting fees	8,572	3,364
Communication costs	8,034	7,053
Utilities	5,288	4,972
Electronic device operating costs	4,569	3,726
Business development expenses	4,016	5,536
Property management fees	2,977	2,753
Auditors' remuneration	2,673	790
Others	27,673	31,619
Total	247,063	124,416

12 IMPAIRMENT LOSSES

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Margin accounts receivable	9,016	–
Accounts receivable	646	(184)
Entrusted loans	480	–
Available-for-sale financial assets	–	8,129
Financial assets held under resale agreements	(1,909)	–
Total	8,233	7,945

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

13 INCOME TAX EXPENSE

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Current		
– Mainland China	361,068	39,598
Deferred		
– Mainland China	(10,682)	25,238
Income tax	350,386	64,836

14 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Profit attributable to shareholders of the Company (in RMB thousands)	1,012,251	179,324
Weighted average number of ordinary shares in issue (in thousands)	2,631,616	2,053,343
Basic earnings per share (in RMB)	0.38	0.09

For the six months ended 30 June 2015 and 2014, there were no potential dilutive ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

15 DIVIDENDS

The 2014 profit distribution was approved in the 2014 annual general shareholders' meeting held on 11 May 2015 in Zhengzhou. Total dividend of RMB315,793,884 was declared and paid out.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

16 PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Electronics and other equipment	Total
(Unaudited)				
Cost				
1 January 2015	179,041	26,481	262,165	467,687
Additions	–	756	8,850	9,606
Transfer from investment properties	1,114	–	–	1,114
Transfer to investment properties	–	–	–	–
Disposals	–	(806)	(976)	(1,782)
30 June 2015	180,155	26,431	270,039	476,625
Accumulated depreciation				
1 January 2015	(34,051)	(17,204)	(199,286)	(250,541)
Charges	(2,330)	(1,010)	(12,842)	(16,182)
Transfer from investment properties	(146)	–	–	(146)
Transfer to investment properties	–	–	–	–
Disposals	–	776	889	1,665
30 June 2015	(36,527)	(17,438)	(211,239)	(265,204)
Carrying amount				
30 June 2015	143,628	8,993	58,800	211,421

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

16 PROPERTY AND EQUIPMENT (CONTINUED)

	Buildings	Motor vehicles	Electronics and other equipment	Total
(Audited)				
Cost				
1 January 2014	168,453	25,658	254,743	448,854
Additions	–	2,499	15,056	17,555
Transfer from investment properties	11,702	–	–	11,702
Transfer to investment properties	(1,114)	–	–	(1,114)
Disposals	–	(1,676)	(7,634)	(9,310)
31 December 2014	179,041	26,481	262,165	467,687
Accumulated depreciation				
1 January 2014	(25,681)	(16,985)	(180,380)	(223,046)
Charges	(4,660)	(1,830)	(25,963)	(32,453)
Transfer from investment properties	(3,856)	–	–	(3,856)
Transfer to investment properties	146	–	–	146
Disposals	–	1,611	7,057	8,668
31 December 2014	(34,051)	(17,204)	(199,286)	(250,541)
Carrying amount				
31 December 2014	144,990	9,277	62,879	217,146

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

17 INVESTMENT IN ASSOCIATES

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Investment in unlisted shares, at cost	72,648	49,685

Details of the associate at 30 June 2015 are as below:

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Balance at beginning of year	49,685	–
Capital contribution	21,700	50,000
Share of result	1,263	(315)
Balance at end of year	72,648	49,685

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current assets

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
At fair value		
Specified asset management schemes	107,935	449,723
Targeted asset management schemes	150,000	150,000
Investments in unlisted companies	44,444	29,643
Collective asset management schemes	40,924	19,005
Investment funds	2,012	–
Subtotal	345,315	648,371
At cost		
Investments in unlisted companies	34,093	4,094
Less: impairment losses	(2,376)	(2,376)
Subtotal	31,717	1,718
Total	377,032	650,089
Analysed as		
Listed outside Hong Kong	79,935	449,723
Unlisted	297,097	200,366
Total	377,032	650,089

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Current assets

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
At fair value		
Investment funds	128,129	82,281
Collective asset management schemes	64,861	937
Specified asset management schemes	19,986	–
Targeted asset management schemes	15,184	–
Equity securities	9,486	19,328
Total	237,646	102,546
Analysed as		
Listed outside Hong Kong	157,601	101,609
Unlisted	80,045	937
Total	237,646	102,546

As at 30 June 2015 and 31 December 2014, available-for-sale financial assets of the Group included securities lent to clients of RMB30.40 million and RMB70.53 million respectively.

As at 30 June 2015 and 31 December 2014, the fair value of securities of the Group which have been placed as collateral were none and RMB4.74 million respectively.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

19 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Non-current assets

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Analysed by asset type:		
– Equity securities	32,500	–
Less: Impairment provision	(82)	–
Total	32,418	–
Analysed by market:		
– Shenzhen Stock Exchange	32,500	–
Less: Impairment provision	(82)	–
Total	32,418	–

Current assets

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Analysed by asset type:		
– Equity securities	1,772,901	1,810,803
– Debt securities	961,580	1,085,261
Less: Impairment provision	(4,358)	(6,349)
Total	2,730,123	2,889,715
Analysed by market:		
– Shenzhen Stock Exchange	1,072,969	1,472,373
– Shanghai Stock Exchange	747,232	358,829
– Interbank market	914,280	1,064,862
Less: Impairment provision	(4,358)	(6,349)
Total	2,730,123	2,889,715

Collateral held by the Group as part of certain resale agreements may be placed again as collateral in the absence of default by any party involved, and the Group is obligated to return the assets to its counterparties upon maturity of the contracts. As at 30 June 2015 and 31 December 2014 the fair value of securities of the Group which have been placed as collateral were RMB895.10 million and RMB994.44 million respectively.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

20 ENTRUSTED LOANS

Non-current assets

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Entrusted loans	79,600	–
Less: Impairment allowance	(796)	–
Total	78,804	–

Current assets

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Entrusted loans	248,750	280,290
Less: Impairment allowance	(2,487)	(2,803)
Total	246,263	277,487

Entrusted loans represent the Group's lending to third parties via domestic commercial banks, with interest rates ranging from 10.00% to 18.00% per annum. The entrusted loans are mainly either guaranteed or secured by tangible assets, borrowers' own shares or other monetary assets.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

21 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income 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 income taxes relate to the same fiscal authority. The net movements on the deferred income tax account are as follows:

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Balance at beginning of the period	76,632	70,985
Income statement charge	10,682	15,675
Tax charge relating to components of other comprehensive income	(5,171)	(10,028)
Total	82,143	76,632

The movements in deferred income tax assets during the year/period are as follows:

	Provision for asset impairment	Employee benefits payable	Changes in fair value of available-for-sale financial assets	Changes in fair value of financial assets held for trading	Changes in fair value of derivatives	Accrual and others	Total
(Audited)							
As at 1 January 2014	11,150	46,386	1,192	1,772	-	10,737	71,237
Income statement charge	3,831	36,169	-	(1,772)	1,474	(5,278)	34,424
Tax charge relating to components of other comprehensive income	-	-	(1,192)	-	-	-	(1,192)
As at 31 December 2014	14,981	82,555	-	-	1,474	5,459	104,469
(Unaudited)							
As at 1 January 2015	14,981	82,555	-	-	1,474	5,459	104,469
Income statement charge	(832)	37,009	-	-	(1,474)	3,328	38,031
Tax charge relating to components of other comprehensive income	-	-	992	-	-	-	992
As at 30 June 2015	14,149	119,564	992	-	-	8,787	143,492

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

21 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

The movements in deferred income tax liabilities during the year/period are as follows:

	Changes in fair value of available-for-sale financial assets	Changes in fair value of financial assets held for trading	Changes in fair value of derivatives	Others	Total
(Audited)					
As at 1 January 2014	-	-	(252)	-	(252)
Income statement charge	-	(13,429)	252	(5,572)	(18,749)
Tax charge relating to components of other comprehensive income	(8,836)	-	-	-	(8,836)
As at 31 December 2014	(8,836)	(13,429)	-	(5,572)	(27,837)
(Unaudited)					
As at 1 January 2015	(8,836)	(13,429)	-	(5,572)	(27,837)
Income statement charge	-	(10,952)	(6,212)	(10,185)	(27,349)
Tax charge relating to components of other comprehensive income	(6,163)	-	-	-	(6,163)
As at 30 June 2015	(14,999)	(24,381)	(6,212)	(15,757)	(61,349)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

22 REFUNDABLE DEPOSITS

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Deposits with Stock Exchanges		
– Shanghai Stock Exchange	43,449	14,811
– Shenzhen Stock Exchange	26,043	12,895
– Stock transfer market	718	–
Deposits with Futures and Commodities Exchanges		
– China Financial Futures Exchange	117,886	46,237
– Shanghai Futures Exchange	52,368	114,332
– Zhengzhou Commodities Exchange	31,030	48,477
– Dalian Commodities Exchange	25,784	25,964
Deposits with China Securities Finance Corporation Limited	496,708	464,688
Total	793,986	727,404

23 OTHER CURRENT ASSETS

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Interest receivable	248,910	173,998
Accounts receivable	77,254	24,705
Prepayments and others receivables	75,799	45,408
Other	29,143	89,120
Less: Impairment allowance	(26,965)	(26,319)
Total	404,141	306,912

24 MARGIN ACCOUNT RECEIVABLE

As at 30 June 2015 and 31 December 2014, overdue margin accounts receivable was insignificant.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

25 DERIVATIVE FINANCIAL ASSETS/LIABILITIES

The derivative financial instruments of the Group mainly represent stock index futures contracts. The Group settles its gains or losses on stock index futures ("SIF") position on a daily basis, with the corresponding receipts and payments as at 30 June 2015 and 31 December 2014 included in "clearing settlement funds".

	30 June 2015		31 December 2014	
	Contractual value (Unaudited)	Negative fair value (Unaudited)	Contractual value (Audited)	Positive fair value (Audited)
SIF	153,626	24,847	154,285	(5,939)
Less: Cash (paid)/received as settlement		(24,847)		5,939
Net position of SIF contracts		–		–

26 FINANCIAL ASSETS HELD FOR TRADING

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Debt securities	4,537,947	3,601,868
Equity securities	639,968	337,777
Investment funds	378,750	159,637
Total	5,556,665	4,099,282
Analysed as		
Listed outside Hong Kong	5,117,395	3,999,695
Unlisted	439,270	99,587
Total	5,556,665	4,099,282

As at 30 June 2015 and 31 December 2014, the fair value of securities of the Group which have been placed as collateral were RMB2,590.99 million and RMB2,907.22 million respectively.

Those "listed outside Hong Kong" included securities and investment funds traded over PRC's interbank bond markets, Shanghai Stock Exchanges, Shenzhen Stock Exchanges and Stock Transfer Market.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

27 CLEARING SETTLEMENT FUNDS

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Clearing settlement funds held for clients	3,101,342	2,481,320
Proprietary clearing settlement funds	161,293	139,547
Total	3,262,635	2,620,867

28 CASH AND BANK BALANCES

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Cash	760	578
Bank balances	4,375,619	1,455,929
Total	4,376,379	1,456,507

As at 30 June 2015 and 31 December 2014, the amounts of restricted cash and bank deposits were RMB52.20 million and none respectively.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

29 SHARE CAPITAL

All shares issued by the Company are fully paid common shares, with a notional value of RMB1.00 per share. The number of shares and nominal value of the Company's share capital are as follows:

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Issued and fully paid ordinary shares of RMB1 each (in thousands)		
– Domestic shares	1,973,706	1,973,706
– H shares	657,910	657,910
Total	2,631,616	2,631,616
Share Capital (in RMB'000)		
– Domestic shares	1,973,706	1,973,706
– H shares	657,910	657,910
Total	2,631,616	2,631,616

30 BONDS PAYABLE

On 29 January 2015, the Group issued RMB1.30 billion 180-day short-term corporate bonds at par value, paying annual interest at 5.60%.

On 12 February 2015, the Group issued RMB1.40 billion two-year subordinated bonds at par value, paying annual interest at 5.85%.

On 17 April 2015, the Group issued RMB2.00 billion three-year subordinated bonds at par value, paying annual interest at 6.00%. The Group has an option to redeem the bonds on 17 April 2017. If they are not redeemed, the Group has to increase the annual interest rate to 6.01% from 17 April 2017 onward.

On 27 May 2015, the Group issued RMB1.00 billion one-year subordinated bonds at par value, paying annual interest at 5.20%.

On 16 June 2015, the Group issued RMB1.65 billion one-year-and-a-half subordinated bonds at par value, paying annual interest at 5.50%.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

30 BONDS PAYABLE (CONTINUED)

Non-current liabilities

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Subordinated bonds	5,048,602	–
Corporate bonds	1,491,042	1,490,027
Total	6,539,644	1,490,027

Current liabilities

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Short-term corporate bonds	1,300,000	–
Subordinated bonds	1,000,000	–
Total	2,300,000	–

31 SHORT-TERM NOTES PAYABLE

Non-current liabilities

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Beneficiary certificates	845,000	–
Total	845,000	–

Current liabilities

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Beneficiary certificates	1,801,870	41,280
Short-term notes payable	–	1,400,000
Total	1,801,870	1,441,280

As at 30 June 2015, the annual interest rates on the short-term notes payable were in the range of 5.40% to 6.50%.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

32 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Non-current liabilities

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Analysed by asset type:		
– Margin accounts receivable	500,000	–
Total	500,000	–
Analysed by market:		
– Others	500,000	–
Total	500,000	–
Analysed by transaction type:		
– Pledged	500,000	–
Total	500,000	–

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

32 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (CONTINUED)

Current liabilities

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Analysed by asset type:		
– Debt securities	3,647,039	3,127,234
– Margin accounts receivable	3,380,000	2,460,000
Total	7,027,039	5,587,234
Analysed by market:		
– Interbank market	3,157,282	2,243,060
– Shanghai Stock Exchange	489,757	884,174
– Others	3,380,000	2,460,000
Total	7,027,039	5,587,234
Analysed by transaction type:		
– Pledged	5,827,757	5,364,424
– Sold	1,199,282	222,810
Total	7,027,039	5,587,234

33 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

In the consolidated financial statements, the financial liabilities arising from consolidation of structured entities (the “SEs”) are designated at fair value through profit or loss as the Group has the obligation to pay other investors upon maturity dates of the SEs based on net book value and the related terms of those schemes.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

34 TAX PAYABLE

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Corporate income tax	278,144	88,273
Individual income tax withheld	67,976	129,882
Business tax and surcharges	38,850	20,374
Others	1,100	1,141
Total	386,070	239,670

35 DUE TO OTHER FINANCIAL INSTITUTIONS

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Placements from China Securities Finance Corporation Limited	2,067,000	2,173,000
Placements from Industrial Bank Co.,Ltd.	-	200,000
Total	2,067,000	2,373,000

As at 30 June 2015, placements were obtained from China Securities Finance Corporation Limited with interest rates at 6.30% per annum and are repayable within five months.

36 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

As at 30 June 2015 and 31 December 2014, cash collateral received from clients for margin financing and securities lending arrangements amounted to RMB2,685.65 million and RMB795.96 million respectively, and are included in the Group's accounts payable to brokerage clients.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

37 CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents include amounts that can be used to meet short-term cash commitments.

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Cash	760	578
Deposits with banks	4,375,619	1,455,929
Proprietary clearing settlement funds	161,293	139,547
Total	4,537,672	1,596,054

38 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Capital commitments

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Contracted but not provided for	336,793	10,150

The Group signed the originator agreement of Central China Equity Trading Centre Co., LTD. with 16 other originators on 26 June 2015. The agreement stipulated that the registered capital of Central China Equity Trading Centre Co., LTD. to be RMB350.00 million, and the Group has committed to take on 35% of the registered capital with an amount of RMB122.50 million.

On 20 March 2015, the Board of Directors approved to increase the registered capital of Central China International Financial Holdings with an amount of HKD250.00 million.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

38 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(2) Operating lease commitments

Considering the Group as a lessee, the total future minimum lease payments of buildings under irrevocable operating lease arrangements are as follows:

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Within 1 year	38,242	33,876
1 to 3 years	49,763	40,335
Over 3 years	26,176	17,961
Total	114,181	92,172

(3) Legal proceedings

From time to time in the ordinary course of business, the Group may be involved in claims and legal proceedings or subjected to investigations by regulatory authorities. As at 30 June 2015 and 31 December 2014, the Group was not involved in any material legal, arbitration or administrative proceedings which the Group expects would have significant adverse impact on their financial position and operating results.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

39 RELATED PARTY TRANSACTIONS

39.1 Related parties

When the Group exercises control, common control over or has significant influence on another entity; or another entity exercises control, common control over or has significant influences on the Group; or the Group and another entity are under control, common control or significantly influenced by the same party, the Group and the entity are related parties. Related parties can be individuals or legal entities.

The following lists the Group's significant related legal entities and the holdings of the Company's major shareholders as at 30 June 2015:

Significant related legal persons	The relationship with the Group	Stock holding percentage
Henan Investment Group	The controlling shareholder of the Company	33.10%
Bohai Industrial Investment Fund Management Co., Ltd. (representing Bohai Industrial Investment Fund)	Major shareholder holding over 5% shares of the Company	23.10%
Anyang Iron & Steel Group Co., Ltd. (hereinafter "Angang Group")	Major shareholder holding over 5% shares of the Company	7.14%
Henan Sky-Land Hotel Co., Ltd.	Controlled by the controlling shareholder of the Company	–
Henan Venture Capital Co., Ltd.	Controlled by the controlling shareholder of the Company	–
Commercial Bank of Kaifeng Co., Ltd.	Controlled by the controlling shareholder of the Company	–
Central China Trust Co., Ltd.	Controlled by the controlling shareholder of the Company	–

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

39 RELATED PARTY TRANSACTIONS (CONTINUED)

39.2 Related party transactions and balances

39.2.1 The Company's controlling shareholder – Henan Investment Group

Transactions during the period

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Income from providing securities brokerage services	78	21
Income from financial assets held for trading	–	7
	78	28

39.2.2 Enterprise controlled by the controlling shareholder of the Company

Transactions during the period

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Income from securities brokerage services provided by Henan Venture Capital Co., Ltd.	9	–

Balances at the end of the period/year

	30 June 2015 (Unaudited)		31 December 2014 (Audited)	
Prepayments from Henan Sky – Land Hotel Co., Ltd.	845		900	

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

39 RELATED PARTY TRANSACTIONS (CONTINUED)

39.2 Related party transactions and balances (Continued)

39.2.3 Key management personnel

Key management personnel are those persons who have the power to, directly or indirectly, plan, direct and control the activities of the Group, including members of the board of directors, board of supervisors and other members of the senior management.

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Key management compensation	26,483	7,260

40 SEGMENT INFORMATION

The Group manages business operations by the following segments in accordance with the nature of the operations and the services provided:

- (a) Securities brokerage: securities trading and brokering services;
- (b) Futures brokerage: futures trading and brokering and futures information advisory and training services;
- (c) Margin trading and securities lending: margin trading and securities lending services;
- (d) Investment banking: corporate finance and financial advisory services to institutional clients;
- (e) Proprietary trading: trading in financial products;
- (f) Investments and asset management: direct investments and funds related businesses, in addition to portfolio management and maintenance, investment advisory and transaction execution services;
- (g) Other businesses: including headquarters operations and interest income and expenses relating to working capital in general.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties. The Group mainly operates in Henan Province, the PRC.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

40 SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2015								
	Securities brokerage	Futures brokerage	Margin financing and securities lending	Investment banking	Proprietary trading	Investment and asset management	Other	Elimination	Total
(Unaudited)									
Total revenue and other income									
Commission and fee income	1,486,189	22,335	208,539	128,015	-	41,927	1,053	(1,538)	1,886,520
- external	1,486,189	22,335	208,539	128,015	-	41,927	1,053	-	1,888,058
- internal	-	-	-	-	-	-	-	(1,538)	(1,538)
Interest income	7,921	12,745	488,444	-	15,507	23,174	215,726	-	763,517
Net investment gains	-	183	-	-	335,752	77,555	45,591	10	459,091
Other gains/(losses)	3,539	97	-	600	5,276	4,911	1,593	(250)	15,766
- external	3,539	97	-	600	5,276	4,911	1,593	-	16,016
- internal	-	-	-	-	-	-	-	(250)	(250)
Total expenses	(661,298)	(21,979)	(387,948)	(115,251)	(165,420)	(57,291)	(351,866)	1,391	(1,759,662)
Profit/(Loss) before income tax	836,351	13,381	309,035	13,364	191,115	90,276	(87,903)	(387)	1,365,232

	Six months ended 30 June 2014								
	Securities brokerage	Futures brokerage	Margin financing and securities lending	Investment banking	Proprietary trading	Investment and asset management	Other	Elimination	Total
(Unaudited)									
Total revenue and other income									
Commission and fee income	286,162	16,395	27,553	42,630	-	5,951	5,193	(532)	383,352
- external	285,630	16,395	27,553	42,630	-	5,951	5,193	-	383,352
- internal	532	-	-	-	-	-	-	(532)	-
Interest income	20	7,618	117,793	-	6,788	5,093	88,722	-	226,034
Net investment gains/(losses)	-	-	-	-	166,761	(8,567)	-	42	158,236
Other gains/(losses)	2,522	8	28	1,760	98	2,383	25,058	(250)	31,607
- external	2,272	8	28	1,760	98	2,383	25,058	-	31,607
- internal	250	-	-	-	-	-	-	(250)	-
Total expenses	(213,621)	(18,458)	(61,517)	(39,438)	(103,376)	(29,879)	(96,674)	740	(562,223)
Profit/(Loss) before income tax	75,083	5,563	83,857	4,952	70,271	(25,019)	22,299	-	237,006

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

40 SEGMENT INFORMATION (CONTINUED)

	As at 30 June 2015								
	Securities brokerage	Futures brokerage	Margin financing and securities lending	Investment banking	Proprietary trading	Investment and asset management	Other	Elimination	Total
(Unaudited)									
Total assets	22,849,965	1,177,268	2,542,930	33,322	3,625,309	2,150,762	20,932,088	(1,013,328)	52,298,316
Total liabilities	21,722,633	795,036	2,139,725	19,958	3,401,322	1,094,732	16,186,039	(89,678)	45,269,767
	As at 31 December 2014								
	Securities brokerage	Futures brokerage	Margin financing and securities lending	Investment banking	Proprietary trading	Investment and asset management	Other	Elimination	Total
(Audited)									
Total assets	9,632,479	1,048,301	2,218,525	8,877	3,005,240	1,762,462	11,337,716	(744,358)	28,269,242
Total liabilities	9,400,871	928,146	2,211,498	14,364	2,982,118	1,234,438	5,772,776	(131,765)	22,412,446

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

41 FINANCIAL RISK MANAGEMENT

41.1 Overview

The Group's risk management objective is to maintain an appropriate balance between risks and rewards, and reduce the negative impact on the operating results of the Group, so as to maximise the shareholders' value. The Group's risk management strategy is to identify and analyse a variety of risks to which the Group is exposed to, set an appropriate risk tolerance level, measure and supervise risks in a timely and reliable manner so as to ensure that risks are controlled within acceptable limits.

Risks to which the Group is exposed to mainly include: credit risk, market risk and liquidity risk. The Group has adopted risk management policies and procedures to identify and analyse these risks and defined appropriate risk indicators, risk limits, risk policies and internal control procedures, and constantly monitors and manages risks through its IT systems.

The risk management framework is structured into four levels consisting of (i) Board and Supervisory Committee; (ii) Risk Control Committee, Audit Committee and Investment Decision Committee; (iii) Compliance Management (Legal Affairs) Department, Risk Management Department and Internal Audit Department; and (iv) Business and management departments and branch outlets.

Level 1: Board and Supervisory Committee

The Board is at the highest level of the Company's risk control framework and has the ultimate responsibility for establishing a compliant and effective risk control environment. The Board is responsible for developing the Company's overall risk control objectives, risk control policies and internal control system, improving the governance structure and tiered authority delegation system, and setting objectives, limits and delegating authority to relevant administrative departments in the actual performance of risk control activities.

The Supervisory Committee focuses on mitigating the Company's exposure to legal and compliance risks and financial oversight, including monitoring the performance of risk control duties of the Company's directors, senior management and relevant responsible persons, safeguarding the Company's assets, and minimizing financial and legal risks the Company faces in carrying out its business operations, so as to protect legal rights and interests of the Company and its shareholders.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

41 FINANCIAL RISK MANAGEMENT (CONTINUED)

41.1 Overview (Continued)

Level 2: Risk Control Committee, Audit Committee and Investment Decision Committee

Risk Control Committee, Audit Committee and Investment Decision Committee are the second level of the Company's risk control framework, and is responsible for preparing the comprehensive annual report on risk control; reviewing risk control strategies and significant risk control solutions; reviewing judgment criteria for major decisions, significant risks, major events and key business processes and the risk evaluation report for major decision-making; reviewing risk control evaluation report submitted by the Risk Management Department; reviewing the organisational structure and roles and responsibilities for risk control, as well as other matters delegated by the Board.

Level 3: Compliance Management (Legal Affairs) Department, Risk Management Department, and Internal Audit Department

At the third level of the Company's risk control framework is the collaborative comprehensive risk management arrangement through which the Compliance Management (Legal Affairs) Department, Risk Management Department, and Internal Audit Department work together to manage risks.

The Compliance Management (Legal Affairs) Department assists the Chief Compliance Officer to formulate compliance policies and compliance rules and procedures, supports the implementation of compliance policies and procedures, provides recommendations and advice on compliance to the management and business departments, business lines and branch outlets, and monitors compliance with laws and regulations in the Company's business and management activities. It also drives business departments, business lines and the Company's branch outlets to evaluate, develop, revise, update and improve their internal procedures and business processes to reflect changes in the laws, regulations and standards; conducts compliance pre-clearance on internal management rules and procedures, major decisions, new products, new business offerings and major business activities; reports to regulatory authorities on a regular and extraordinary basis, in addition to mitigating legal risks to which the Company and its businesses are exposed to.

41 FINANCIAL RISK MANAGEMENT (CONTINUED)

41.1 Overview (Continued)

Level 3: Compliance Management (Legal Affairs) Department, Risk Management Department, and Internal Audit Department (continued)

Risk Management Department carries out risk control activities in accordance with risk control objectives and policies laid down by the Board of Directors; provides recommendations to the Risk Management Committee for improving the Company's risk control environment in terms of risk control policies, objectives, corporate governance structure and internal controls; formulates risk management rules and procedures for the Company, supports the review of risk management rules and procedures, measures, risk management processes and risk control indicators developed by each business and management departments, and continuously supplements, improves and updates risk control policies to help establish sound comprehensive corporate risk control mechanisms across the Company; identifies, assesses, and monitors various risks in business operations and transactions, and leverages the results to improve the end-to-end risk response process that covers every components of risk control, including policies, identification, assessment and measurement, control, monitoring, reporting and analysis; regularly tests, monitors and evaluates the implementation of risk control rules and procedures across the Company, and when necessary, conducts regular and ad hoc inspections on risk control results, follows up on issues identified and launches reporting procedures where appropriate; and establishes communications and cooperation with respect to risk control with various business lines, business departments, and branch outlets.

Internal Audit Department has overall responsibility for the internal audit, including organising comprehensive audits across the Company, monitoring the implementation of and compliance with internal control rules and procedures, minimizing ethical and policy risks and assisting the investigation of emergencies.

Level 4: Business and management departments and branch outlets

The fourth level of risk control is the front-line risk control systems by business and management departments and branch outlets, which are responsible for developing their own internal control system and risk control measures, ensuring proper risk control within their jurisdiction, and reporting risk issues in a timely manner to the Risk Management Department or Compliance Management (Legal Affairs) Department.

The Group adopts the above risk management framework and continuously improves its risk control to ensure that the risks are measurable and controlled within acceptable limits.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

41 FINANCIAL RISK MANAGEMENT (CONTINUED)

41.2 Credit risk

Credit risk refers to the risk of counterparty's failure or inability to meet its payment obligations, or the risk of loss due to declining credit rating. The Group's credit risks mainly come from financial assets which include bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held for trading, financial assets held under resale agreements, available-for-sale financial assets, margin accounts receivable, entrusted loans, other current assets and refundable deposits.

The Group's bank balances including the net proceeds of the initial public offering of the Company's shares, which is held in Hong Kong in interest earning deposit, are substantially deposited with state-owned commercial banks or joint-stock commercial banks, while clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited ("CSDCC"), with a relatively low level of credit risk.

In terms of proprietary trading, if the transaction is through a stock exchange or CSDCC, the default risk of counterparty is low. For inter-bank market transactions, the Group will assess the counterparties and only select those with acceptable credit rating. The Group invests in debt securities with acceptable credit ratings and monitors the operations and credit ratings of the issuers.

Margin financing assets include advances to margin customers and securities lent to customers. Credit risks associated with these financial assets mainly relate to customers' inability to repay the principal, interest or securities borrowed. The Group supervises finance trading accounts on an individual customer basis, and would require additional margin, cash collateral or securities if necessary. Margin accounts receivables are monitored based on collateral rates to ensure that the value of collateral is sufficient to cover the advance. As of 30 June 2015 and 31 December 2014, the Group's collateral value is sufficient to mitigate the credit risk in margin financing.

The Group's credit risk also arises from the securities and futures brokerage business. If a customer fails to deposit sufficient trading funds, the Group may use their own funds to complete the settlement. The Group requires customers to deposit all cash required in trading before it settles on behalf of customers, so as to mitigate and manage the credit risk properly.

The Group enters into entrusted lending business as part of the debt investments. Credit risk management approaches over those entrusted loans include project initiation, due diligence, internal assessment, decision-making and post-lending monitoring. The Group assesses both the borrowers' credit risk and the rewards and sets risk mitigation measures such as guarantee. Entrusted loans are approved by the authorised approvers. The Group constantly monitors the entrusted funds. Key negative indications that may have impact on the borrowers' solvency are reported timely, and the Group takes action accordingly to control the risks. In order to further constraints the borrowers through the credit rating system of the People's Bank of China, the Group enters into entrusted lending business via the banks with relatively better capability in risk management.

The Group invests in the wealth management products with proper approval process.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

41 FINANCIAL RISK MANAGEMENT (CONTINUED)

41.2 Credit risk (Continued)

(1) Maximum credit risk exposure

Before considering collateral or other credit enhancement methods, the maximum credit risk exposure is the carrying amount of financial assets (net of provisions for impairment). The maximum credit risk exposure of the Group is as follows:

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Refundable deposits	793,986	727,404
Other current assets	375,032	217,792
Entrusted loans	325,067	277,487
Margin accounts receivable	14,411,342	7,331,517
Available-for-sale financial assets		
– Securities lent to clients	30,405	70,532
– Specified assets management scheme	127,921	449,723
– Targeted asset management schemes	165,184	150,000
– Collective asset management schemes	59,935	19,005
Financial assets held under resale agreements	2,762,541	2,889,715
Financial assets held for trading		
– Debt securities	4,537,947	3,601,868
Clearing settlement funds	3,262,635	2,620,867
Cash held for brokerage clients	19,165,193	7,225,908
Bank balances	4,375,619	1,455,929
Total	50,392,807	27,037,747

41.3 Market risk

Summary

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

41 FINANCIAL RISK MANAGEMENT (CONTINUED)

41.3 Market risk (Continued)

41.3.1 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 utilises sensitivity analysis as the main tool for monitoring interest rate risk and measuring the impact of a reasonable and possible change of interest rate on its total profit and equity, assuming all other variables remain unchanged. Debt securities of the Group mainly comprise corporate bonds, and the Group mitigates the interest rate risk through optimizing the duration and convexity of its bond portfolio. Interest rate risk in connection with cash held for brokerage 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.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to the interest rate risks for interest-bearing assets and interest-bearing liabilities. A 100 basis points increase or decrease in the relevant interest rates will be applied in the sensitivity analysis as possible reasonable shift, assuming all other variables remain unchanged. A positive result below indicates an increase in net interest income, while a negative result indicates otherwise, and the impact attributable to other investors of the consolidated structured entities is eliminated.

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Net interest income		
Increases by 100bps	58,112	16,821
Decreases by 100bps	(58,112)	(16,821)

41 FINANCIAL RISK MANAGEMENT (CONTINUED)

41.3 Market risk (Continued)

41.3.1 Interest rate risk (Continued)

Sensitivity analysis (Continued)

When conducting interest rate sensitivity analysis, the Group makes the following general assumptions in determining commercial terms and financial parameters:

- Different interest-earning assets and interest-bearing liabilities have the same amplitude of interest rate volatility;
- All assets and liabilities are repriced in the middle of relevant period;
- Analysis is based on the static gap on the financial position reporting date, without considering subsequent changes;
- Impact of interest rate changes on customer behaviours not considered;
- Impact of interest rate changes on market prices not considered;
- Interest rate of demand deposits moving in the same direction and extent;
- Necessary measures that may be adopted by the Group and the Company in response to interest rate changes not considered

41.3.2 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 currency risk primarily relates to the Group's operating activities whose settlements and payments are denominated in foreign currencies different from the functional currency of the Group.

As at 30 June 2015, the foreign currency assets and liabilities is not material compared to the total assets and liabilities. In terms of the Group's revenue structure, the majority of the business transactions are denominated in RMB, with only insignificant revenue from foreign currency transactions. The Group considers that their currency risk is not significant.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

41 FINANCIAL RISK MANAGEMENT (CONTINUED)

41.3 Market risk (Continued)

41.3.3 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 price risk exposure mainly relates to investments in equity securities, investment funds, convertible bonds, derivatives and collective asset management schemes whose values will fluctuate as a result of changes in market prices. These investments are all investments in the domestic capital markets. The Group is subject to relatively high market risk due to the high volatility of the domestic stock markets.

The Group's price risk management policy requires setting and managing investment objectives. The Company manages 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 uses derivatives contracts to economically hedge against certain exposures arising from its investment portfolio.

Sensitivity analysis

The analysis below shows the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of stocks, funds, convertible bonds, derivatives and collective asset management schemes by 10%, assuming all other variables remain unchanged. A positive result indicates an increase in profit before income tax and other comprehensive income before income tax, while a negative result indicates otherwise.

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Profit before income tax		
Increase by 10%	78,737	42,588
Decrease by 10%	(78,737)	(36,834)
Other comprehensive income before income tax		
Increase by 10%	31,340	5,078
Decrease by 10%	(31,340)	(5,078)

41 FINANCIAL RISK MANAGEMENT (CONTINUED)

41.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to lack of capital or funds. During the normal course of business, the Group may face liquidity risk caused by macroeconomic policy changes, market volatility, poor operations, credit downgrades, mismatches between assets and liabilities, low turnover rate of assets, early redemptions of exchange-quoted bond repurchase products by customers, large underwriting on a firm commitment basis, significant proprietary trading position, or an overly high ratio of long-term investments. If the Group fails to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on the risk indicators, the Group could be subject to penalties by the regulatory authorities in the form of restrictions on the Group's business operations, which would cause adverse impact on the Group's operations and reputation.

The Group manages and controls their funds in a centralised manner. Through early warnings and focusing on individually large amounts of funds, the Group achieves the objective of centralised control and management of liquidity risk. By striking an appropriate balance between safety, liquidity and profitability, the Group adjusts and allocates asset sizes and structural provisions, so as to establish a multi-level liquidity reserve system and achieve liquidity risk management objectives by leveraging money market and capital market transactions in a timely manner.

The Group prepares funding plans and reports their implementation to the management to update the liquidity position periodically.

Surplus cash held by the operating outlets over and above balance required for working capital management are transferred to the Group. The Group invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity.

As at 30 June 2015 and 31 December 2014, the Group held cash and cash equivalents of approximately RMB4,537.67 million and RMB1,596.05 million respectively that are expected to readily generate cash flows for managing liquidity risk. In addition, the Group holds financial assets held for trading of RMB5,556.66 million and RMB4,099.28 million at each of the respective period end, which could be readily realised to provide a further source of cash if the need arose. Further the Group holds cash held for brokerage clients of RMB19,165.19 million and RMB7,225.91 million, client's clearing settlement funds of RMB3,101.34 million and RMB2,481.32 million, which could be used to settle the Group's account payable to brokerage clients whenever needed.

The tables below present the cash flows payable by the Group for non-derivative financial liabilities by remaining contractual maturities as at 30 June 2015 and 31 December 2014. The amounts disclosed in the tables are the contractual undiscounted cash flows, including both interest and principal cash flows. For items with floating interest rates, the undiscounted amounts are derived using interest rates at the end of the period.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

41 FINANCIAL RISK MANAGEMENT (CONTINUED)

41.4 Liquidity risk (Continued)

	On demand	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
(Unaudited)							
As at 30 June 2015							
Non-derivative financial liabilities							
Due to other financial institutions	-	-	577,592	1,554,340	-	-	2,131,932
Short-term notes payable	-	310,944	451,666	1,104,292	910,838	-	2,777,740
Bonds payable	-	1,335,672	-	1,437,650	7,186,044	-	9,959,366
Financial assets sold under repurchase agreements	-	3,809,498	1,585,824	1,697,706	544,604	-	7,637,632
Accounts payable to brokerage clients	22,089,122	-	-	-	-	-	22,089,122
Financial liabilities designated at fair value through profit or loss	6,264	134,501	193,571	616,483	-	-	950,819
Other current liabilities	895,056	-	-	-	-	-	895,056
Total	22,990,442	5,590,615	2,808,653	6,410,471	8,641,486	-	46,441,667
	On demand	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
(Audited)							
As at 31 December 2014							
Non-derivative financial liabilities							
Due to other financial institutions	-	200,133	994,664	1,242,392	-	-	2,437,189
Short-term notes payable	-	1,417,297	2,708	39,768	-	-	1,459,773
Bonds payable	-	-	-	93,000	1,872,000	-	1,965,000
Financial assets sold under repurchase agreements	-	3,134,527	743,968	1,811,175	-	-	5,689,670
Accounts payable to brokerage clients	9,659,833	-	-	-	-	-	9,659,833
Financial liabilities designated at fair value through profit or loss	(4,350)	-	462,039	-	427,928	-	885,617
Other current liabilities	384,726	-	-	-	-	-	384,726
Total	10,040,209	4,751,957	2,203,379	3,186,335	2,299,928	-	22,481,808

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

42 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

42.1 Financial instruments not measured at fair value

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

For financial instruments with a short maturity, including cash and bank balances, cash held for brokerage clients, clearing settlement funds, margin accounts receivable, entrusted loans, financial assets held under resale agreements, financial assets sold under repurchase agreements, due to other financial institutions, short-term notes payable and accounts payable to brokerage clients, their fair value approximate their carrying amounts.

The aggregate fair value of bond payable is calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

In accordance with the related regulations, the Group can place or redeem its refundable deposits with stock exchanges, futures and commodities exchanges and China Securities Finance Corporation Limited. The fair value of refundable deposits approximates the carrying amount.

42.2 Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value, by the level in the fair value hierarchy into which the fair value measurement is categorised.

- | | | |
|-----------|---|--|
| Level I | – | Quoted prices (unadjusted) in active markets for identical assets or liabilities. |
| Level II | – | Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). |
| Level III | – | Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

42 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

42.2 Financial instruments measured at fair value (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 June 2015 and 31 December 2014.

	Level 1	Level 2	Level 3	Total
(Unaudited)				
As at 30 June 2015				
Financial assets held for trading				
– Equity securities	489,293	150,675	–	639,968
– Debt securities	1,779,740	2,758,207	–	4,537,947
– Investment funds	39,468	339,282	–	378,750
Available-for-sale financial assets				
– Equity securities	–	9,486	–	9,486
– Investment funds	128,129	2,012	–	130,141
– Collective asset management schemes	–	45,850	59,935	105,785
– Targeted asset management schemes	–	15,184	150,000	165,184
– Specified asset management schemes	–	127,921	–	127,921
– Investments in unlisted companies	–	–	44,444	44,444
Total	2,436,630	3,448,617	254,379	6,139,626
Financial liabilities at fair value through profit or loss	–	–	(757,617)	(757,617)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

42 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

42.2 Financial instruments measured at fair value (Continued)

	Level 1	Level 2	Level 3	Total
(Audited)				
As at 31 December 2014				
Financial assets held for trading				
– Equity securities	316,369	21,408	–	337,777
– Debt securities	1,793,885	1,807,983	–	3,601,868
– Investment funds	60,050	99,587	–	159,637
Available-for-sale financial assets				
– Equity securities	19,328	–	–	19,328
– Investment funds	82,281	–	–	82,281
– Collective asset management schemes	–	937	19,005	19,942
– Targeted asset management schemes	–	–	150,000	150,000
– Specified asset management schemes	–	449,723	–	449,723
– Investments in unlisted companies	–	–	29,643	29,643
Total	2,271,913	2,379,638	198,648	4,850,199
Financial liabilities at fair value through profit or loss				
	–	–	(791,074)	(791,074)

For the six months ended 30 June 2015 and year ended 31 December 2014, there were no significant transfers between Level 1 and Level 2 of the fair value hierarchy of the Group.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

42 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

42.2 Financial instruments measured at fair value (Continued)

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily securities traded on the Shanghai Stock Exchange and Shenzhen Stock Exchange classified as trading securities or available for sale.

(b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

42 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

42.2 Financial instruments measured at fair value (Continued)

(c) Valuation methods for specific investments

As at 30 June 2015 and 31 December 2014, the Group's valuation methods for specific investments are as follows:

- (1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. If there is no quoted market price as at the reporting date and there have been significant changes in the economic environment after the most recent trading date, valuation techniques are used to determine the fair value. For restricted shares that are acquired during an initial public offering, the market prices of the same shares listed on their respective exchanges are adopted as the fair values because restriction is a characteristic specific to the Group.
- (2) For closed-end investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For open-ended funds and collective asset management products, fair value is determined by trading price which is based on the net asset value as at the reporting date.
- (3) For debt securities listed through exchanges which include government bonds, corporate bonds, convertible bonds and financial bonds, fair values are determined based on the closing price within bid-ask spread of the debt securities at the date of statement of financial position. If there is no quoted market price as at the reporting date and there have been significant changes in the economic environment after the most recent trading date, valuation techniques are used to determine the fair value.
- (4) For debt securities traded through the inter-bank bond market and the over-the-counter ("OTC") market, including government bonds, corporate bonds, commercial papers, special financial bills, central bank bills, and other fixed income debt securities, fair values are determined using valuation techniques.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

42 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

42.2 Financial instruments measured at fair value (Continued)

(d) Financial instruments in Level 3

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2015 and for the year ended 31 December 2014.

	Available- for-sale financial assets
(Unaudited)	
Balance at 1 January 2015	198,648
Increase	55,731
Decrease	–
Balance at 30 June 2015	254,379
Total gains or losses for the period included in profit or loss for assets held at the end of the period, under “Net investment gains”	8,640
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the period	930
	Available- for-sale financial assets
(Audited)	
Balance at 1 January 2014	370,727
Increase	227,388
Decrease	(399,467)
Balance at 31 December 2014	198,648
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under “Net investment gains”	–
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	6

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

42 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

42.2 Financial instruments measured at fair value (Continued)

(d) Financial instruments in Level 3 (Continued)

	Financial liabilities at fair value through profit or loss
(Unaudited)	
Balance at 1 January 2015	791,074
Consolidation of SEs	396,166
Losses recognized in profit or loss	(191,713)
Purchase	149,519
Settlements	(387,429)
Balance at 30 June 2015	757,617
Total gains or losses for the period included in profit or loss for assets held at the end of the period, under "Net investment gains"	(191,713)
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the period	(191,713)
(Audited)	
Balance at 1 January 2014	707,437
Consolidation of SEs	476,808
Losses recognized in profit or loss	(70,594)
Purchase	3,045
Settlements	(325,622)
Balance at 31 December 2014	791,074
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Net investment gains"	(70,594)
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	(70,594)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

42 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

42.2 Financial instruments measured at fair value (Continued)

(d) Financial instruments in Level 3 (Continued)

For financial instruments in Level 3, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level 3.

Financial assets/ financial liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Available-for-sale financial assets – Wealth management products	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level 	<ul style="list-style-type: none"> Expected future cash flows Expected recovery date Discount rates that correspond to the expected risk level 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value The earlier the maturity date, the higher the fair value The lower the discount rate, the higher the fair value
Available-for-sale financial assets – Trust schemes – Specifies asset management scheme	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level 	<ul style="list-style-type: none"> Expected future cash flows Expected recovery date Discount rates that correspond to the expected risk level 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value The earlier the maturity date, the higher the fair value The lower the discount rate, the higher the fair value
Financial liabilities designated at fair value through profit or loss	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected payable amounts, discounted at rates that reflect management's best estimation of the expected risk level 	<ul style="list-style-type: none"> Expected future cash flows Expected payment date Discount rates that correspond to the expected risk level 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value The earlier the payment date, the higher the fair value The lower the discount rate, the higher the fair value

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

43 MATURITY PROFILE OF ASSETS AND LIABILITIES

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

	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
(Unaudited)					
As at 30 June 2015					
Assets					
Margin accounts receivable	-	14,411,342	-	-	14,411,342
Entrusted loans	-	246,263	78,804	-	325,067
Financial assets held under resale agreements	-	2,730,123	32,418	-	2,762,541
Financial assets held for trading – Debt securities	-	1,075,163	1,870,036	1,592,748	4,537,947
Clearing settlement funds	3,262,635	-	-	-	3,262,635
Cash held for brokerage clients	19,165,193	-	-	-	19,165,193
Cash and bank balances	2,758,763	1,617,616	-	-	4,376,379
Total	25,186,591	20,080,507	1,981,258	1,592,748	48,841,104
Liabilities					
Due to other financial institutions	-	2,067,000	-	-	2,067,000
Financial assets sold under repurchase agreements	-	7,027,039	500,000	-	7,527,039
Short-term notes payable	-	1,801,870	845,000	-	2,646,870
Bonds payable	-	2,300,000	6,539,644	-	8,839,644
Accounts payable to brokerage clients	22,089,122	-	-	-	22,089,122
Total	22,089,122	13,195,909	7,884,644	-	43,169,675

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

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43 MATURITY PROFILE OF ASSETS AND LIABILITIES (CONTINUED)

	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
(Audited)					
As at 31 December 2014					
Assets					
Margin accounts receivable	–	7,331,517	–	–	7,331,517
Entrusted loans	–	277,487	–	–	277,487
Financial assets held under resale agreements	–	2,864,777	24,938	–	2,889,715
Financial assets held for trading					
– Debt securities	–	530,216	1,580,814	1,490,838	3,601,868
Clearing settlement funds	2,620,867	–	–	–	2,620,867
Cash held for brokerage clients	7,225,907	–	–	–	7,225,907
Cash and bank balances	876,507	580,000	–	–	1,456,507
Total	10,723,281	11,583,997	1,605,752	1,490,838	25,403,868
Liabilities					
Due to other financial institutions	–	2,373,000	–	–	2,373,000
Financial assets sold under repurchase agreements	–	5,587,234	–	–	5,587,234
Short-term notes payable	–	1,441,280	–	–	1,441,280
Bonds payable	–	–	1,490,027	–	1,490,027
Accounts payable to brokerage clients	9,659,833	–	–	–	9,659,833
Total	9,659,833	9,401,514	1,490,027	–	20,551,374

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44 UNCONSOLIDATED STRUCTURED ENTITIES

Unconsolidated structured entities of the Group mainly include collective and targeted asset management schemes, trust schemes, wealth management products and investment funds. Except for the consolidated structured entities, in the opinion of the directors of the Group, the variable returns of the other structured entities of the Group are not significant. The Group did not consider itself acting as principal and consequently did not consolidate these other structured entities.

The total assets of unconsolidated collective and targeted asset management schemes managed by the Group amounted to RMB3,986 million and RMB2,204 million as at 30 June 2015 and 31 December 2014 respectively. For the unconsolidated trust schemes, wealth management products and investment funds invested by the Group, there is no available public information on the size of those structured entities which are operated and managed by third parties.

As at 30 June 2015, the interests in unconsolidated structured entities held by the Group included investments classified as available-for-sale financial assets, and financial assets held for trading, and management fee, commission fee receivables recorded as other current assets. The related carrying amount and the maximum exposure were as follows:

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Available-for-sale financial assets	529,031	701,946
Financial assets held for trading	378,750	159,637
Other current assets	8,907	26,768
Total	916,688	888,351

For the six months ended 30 June 2015, the income derived from these unconsolidated structured entities held by the Group was as follows:

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Net investment gains	30,949	14,784
Fee and commission income	15,179	5,537
Total	46,128	20,321

As at 30 June 2015, the Group did not provide, nor intend to provide, any financial support to these unconsolidated structured entities.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

45 SUBSEQUENT EVENTS

On 25 March 2015, the Company set up a wholly owned subsidiary, Zhongzhou Blue Ocean Investment Management Co., LTD., in Qingdao. The registered capital is RMB300.00 million. On 21 July 2015, the Company paid RMB30.00 million of the registered capital.

The Company plans to acquire all the issued shares of Pan Asia Corporate Finance Limited, an investment company in Hong Kong. The Company paid a deposit of HKD3.40 million on 8 July 2015, equivalent to 20% of the total consideration. The Company is required to obtain regulatory approval to complete the transaction in September 2015.

On 13 July 2015 and 14 August 2015, the Company paid the registered capital of Central China International Financial Holdings with amounts of HKD50.00 million and HKD200.00 million respectively.

On 13 July 2015, the Company paid the registered capital of Equity Exchange Co. with an amount of RMB61.25 million.

On 21 July 2015, the Company obtained the authorization of China Securities Regulatory Commission to issue 592,119,000 additional H shares with nominal value of RMB592,119,000. The shares placement represents approximately 18.37% of the total issued share capital of the Company after the placement. The net proceeds from the placement will be approximately HKD2,475,800,000 after deducting related commission and expenses. The Company intends to use the net proceeds from the placement to supplement the capital base of the Company. The shares placement was completed on 3 August 2015.

Based on the total shares of 3,223,734,700 after the new shares placement, on 20 August 2015, the Board of Directors declared 2015 interim dividends of RMB2.10 per ten shares (inclusive of tax), amounting to RMB676,984,287 in total.

46 APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the Board of Directors on 20 August 2015.