



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 **2016**

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DEFINITIONS

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

1. GENERAL TERMS

A Shares	domestic listed ordinary shares, which are subscribed for and traded in Renminbi
Articles of Association	the prevailing valid articles of association of the Company
Ashmore-CCSC Fund Management	Ashmore-CCSC Fund Management Company Limited (中原英石基金管理有限公司), in which the Company holds 51% equity interest at the end of the reporting period
Board	the board of Directors
Bohai Fund	Bohai Industrial Investment Fund (渤海產業投資基金), a fund established upon approval by the National Development and Reform Commission of the PRC, on whose behalf Bohai Industrial Investment Fund Management Co., Ltd. (渤海產業投資基金管理有限公司) holds 18.860% equity interest in the Company at the end of the reporting period
Bohai Fund Management	Bohai Industrial Investment Fund Management Co., Ltd. (渤海產業投資基金管理有限公司), which holds on behalf of Bohai Industrial Investment Fund (渤海產業投資基金) 18.860% equity interest in the Company as at the end of the reporting period
Central China Blue Ocean	Central China Blue Ocean Investment Management Company Limited, in which the Company holds 100% equity interest as at the end of the reporting period
Central China Flying	Central China Flying Internet Financial Services (Shenzhen) Co. Ltd. (中州匯聯互聯網金融服務(深圳)有限公司), in which Central China Blue Ocean, a subsidiary of the Company, holds 60% equity interest as at the end of the reporting period
Central China Futures	Central China Futures Co., Ltd. (中原期貨股份有限公司), in which the Company holds 51.357% equity interest as at the end of the reporting period
Central China International	Central China International Financial Holdings Company Limited (中州國際金融控股有限公司), in which the Company holds 100% equity interest as at the end of the reporting period

Central China International Capital	Central China International Capital Limited (formerly known as Pan Asia Corporate Finance Limited) (Central Entity Number: ABC734), in which Central China International, a subsidiary of the Company, holds 100% equity interest as at the end of the reporting period
connected person	has the same meaning as ascribed to this term under the Listing Rules
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Director(s)	director(s) of the Company
Domestic shares	ordinary shares issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
End of last year	31 December 2015
End of the reporting period or end of this period	30 June 2016
Equity Exchange Co.	Central China Equity Exchange Co., Ltd. (中原股權交易中心股份有限公司), in which the Company holds 35% equity interest at the end of the reporting period, and as the Company can exercise control over its board meetings and general meetings, it is regarded as a subsidiary of the Company according to the requirements under IFRS
H Shares	overseas listed foreign ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Hong Kong Stock Exchange
Henan Investment Group	Henan Investment Group Co., Ltd. (河南投資集團有限公司), incorporated by Henan Construction Investment Corporation (河南省建設投資總公司) merging with Henan Economic and Technology Development Co., Ltd. (河南省經濟技術開發公司) and according to the Company Law of the PRC, which holds 27.017% equity interest in the Company as at the end of the reporting period
HK\$	Hong Kong dollars and cents, the lawful currency of Hong Kong
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
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

DEFINITIONS

Independent Third Party	third party independent of the Company and its connected persons and is/are not connected persons of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
PRC or China	for the purpose of this report, the People's Republic of China (excluding Hong Kong, Macau and Taiwan)
RMB	the lawful currency of China – Renminbi, the basic unit of which is “yuan”
SFC	The Securities and Futures Commission
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	the Shanghai Stock Exchange
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
The Company, Company or Central China Securities	Central China Securities Co., Ltd., a joint stock company incorporated on 8 November 2002 in Henan, PRC with limited liability (carrying on business in Hong Kong as “中州证券”), with its H Shares listed on the main board of the Hong Kong Stock Exchange
The Group or Group	the Company and its subsidiaries
This report	this interim report
Wind Info	Wind Info Co., Ltd. (上海萬得信息技術股份有限公司), a company incorporated in the PRC with limited liability in 1994 and a service provider of financial data, information and software, being an Independent Third Party of the Company
ZDKY Venture Capital	Zhongding Kaiyuan Venture Capital Management Co., Ltd. (中鼎開源創業投資管理有限公司), in which the Company holds 62.29% equity interest as at the end of the reporting period
ZZKY Venture Capital	Henan Zhongzheng Kaiyuan Venture Capital Fund Management Co., Ltd. (河南中證開元創業投資基金管理有限公司), in which ZDKY Venture Capital, a subsidiary of the Company, holds 60% equity interest as at the end of the reporting period

2. TECHNICAL TERMS

Asset securitization	an act of converting less liquid assets into securities that can be traded freely in the financial market to have them become liquid and a direct way of financing through issuing securities in capital market and monetary market
Direct Investment	a direct investment business set up by a subsidiary of the securities company, leveraging its own professional advantage to search for and identify high quality investment projects or companies and make equity or debt investment with their own or raised funds so as to derive income from equity or debt interest
GDP	gross domestic product
Hedging	enterprises, for the purpose of evading foreign exchange risk, interest rate risk, commodity price risk, stock price risk, etc., specifying one or more hedging instruments and have the fair value or cash flow of hedging instruments change to offset the whole or partial change in fair value or cash flow of the hedged items
Margin financing and securities lending	a collateral-backed operating activity in which securities firms provide clients with monies to buy listed securities or with listed securities for sale
MSCI	abbreviation for “Morgan Stanley Capital International”, i.e. MSCI Inc., a famous index compiler in the U.S.
New Third Board	abbreviation for “National Equities Exchange and Quotations System”(全國中小企業股份轉讓系統), a national securities trading venue established upon approval by the State Council of the PRC, subject to operation and management of National Equities Exchange and Quotations Co., Ltd.
Securities repurchase	a transaction in which eligible clients sell underlying securities to the securities firms that manage their securities at an agreed price and agree to repurchase such securities from the securities firms at another agreed price on a future date, and the securities firms will return to the clients relevant yields arising from the underlying securities during the agreed repurchase period according to the agreement signed with the clients
Stock pledged repurchase transaction	a transaction in which eligible funds receivers get financing from eligible funds givers by pledging the stocks or other securities they hold and agree to return the funds and cancel the pledge some day in the future

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
as “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 address: investor@ccnew.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

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

Domestic Share Registrar:

China Securities Depository and
Clearing Corporation Limited

H Share Registrar:

Computershare Hong Kong Investor Services Limited

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

PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

Items	January-June 2016	January-June 2015	Growth of this period from last period
Operating results (RMB'000)			
Total revenue and other income	1,499,774	3,119,940	-51.9%
Profit before income tax	411,227	1,365,232	-69.9%
Profit attributable to shareholders of the Company	306,156	1,012,251	-69.8%
Net cash inflow/outflow from operating activities	1,992,089	-5,636,124	–
Earnings per share (RMB/share)			
Basic earnings per share	0.10	0.38	-73.7%
Diluted earnings per share	0.10	0.38	-73.7%
Profitability index			
– Return on equity (%)	3.73	16.20	Down by 12.47 percentage points
Scale merit (RMB'000)			
Total assets	40,039,188	41,651,249	-3.9%
Total liabilities	31,462,705	32,774,795	-4.0%
Accounts payable to brokerage clients	12,330,286	14,867,251	-17.1%
Total equity attributable to shareholders of the Company	7,770,716	8,161,581	-4.8%
Share capital ('000 shares)	3,223,735	3,223,735	–
Net assets value per share attributable to shareholders of the Company (RMB/share)	2.41	2.53	-4.7%
Gearing ratio ^{note (1)} (%)	69.0	66.9	Up by 2.1 percentage points

Note:

- Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS OF THE COMPANY

As at 30 June 2016, the net capital of the Company was RMB6,322.09 million, representing a decrease of RMB688.71 million as compared to that of RMB7,010.80 million as at the end of 2015. During the reporting period, each kind of risk control indicators including net capital of the Company met regulatory requirements.

Unit: in RMB million

Items	30 June 2016	31 December 2015	Regulatory Standard
Net capital	6,322.09	7,010.80	–
Net assets	7,816.81	8,202.05	–
Net capital/total risk capital reserves (%)	456.49	648.51	>100
Net capital/net assets (%)	80.88	85.48	>40
Net capital/liabilities (%)	36.57	42.45	>8
Net assets/liabilities (%)	45.22	49.67	>20
Proprietary equity securities and securities derivatives/net capital (%)	44.14	42.42	<100
Proprietary fixed income securities/net capital (%)	84.31	43.71	<500

I. ECONOMIC ENVIRONMENT AND MARKET CONDITIONS DURING THE REPORTING PERIOD

(I) Economic Environment

During the reporting period, the global economy has maintained an overall depressive momentum. The U.S. GDP declined consecutively for three quarters, with the increase of new employment slacked and the economic recovery lower than expected. As stimulated by the negative interest rate policy, Euro zone has recovered slightly in 2016, but the unemployment rate remained high, featured by low industrial output growth and unstable recovery foundation. However, the unexpected British exit from the European Union (“**Brexit**”) has cast a shadow over the economic recovery of the Euro zone. Japan’s quantitative easing policy was caught in a dilemma, which not only failed to bring economic recovery, instead drove up the Japanese Yen due to risk aversion and worsened the deflation situation. During the reporting period, emerging market economies remained a general modest economic growth.

During the reporting period, the growth rate of the Chinese economy continued to slow down. The GDP growth rate was 6.7% in the first half of this year, representing a decrease of 0.2 percentage points as compared to the full year growth rate of 2015. As a whole, China’s economy was still undergoing an L-shaped operation pattern in the first half of this year, but risk of uncontrollable economic downturn was not high under the support of infrastructure investment and proactive fiscal policy. Moreover, the supply-side structural reform centered on “cutting overcapacity, destocking, deleveraging, reducing costs and improving weaknesses” accelerated during the reporting period, and has become the main focus of China’s macro-control policy. Local policies for cutting overcapacity were launched intensively, while the reform of state-owned enterprises started to speed up and implementation of innovation driven development strategy expedited, all in an effort to create a new engine and impetus for China’s economic development.

(II) Market Conditions

During the reporting period, as influenced by various factors such as the macroeconomic downturn beyond expectations at the beginning of the year, upward drift in inflation expectations and depreciation of RMB exchange rate, main indexes of Shanghai and Shenzhen Stock Exchanges slumped to varying degrees, particularly for SMEs board index and GEM index, which have exhibited relatively high degree of drop, namely falling by 17.88% and 17.92% respectively; among which the weighted blue-chip stocks as represented by SSE50 exhibited relatively strong resistance to drop, falling by 12.32%. After experiencing continuous slump in the first half of this year, much of the risks in the A Share market had been released. In particular, accompanied by the accelerating supply-side reform, positive recovery of investor sentiment and active stock trading since June, A Share market has begun to stabilize and recover after enduring several risk events such as failure of inclusion into MSCI and the unexpected Brexit event. In the medium and long run, under the background of L-shaped economic operation and relative liquidity easing, valuation of A Shares has entered a reasonable range. Particularly as accompanied by further acceleration of the supply-side reform, there is still room for improvement on the investor's sentiment. It is expected that there would be gradual improvement in the A Share configuration environment in the near future.

During the reporting period, the average daily trading volume of the A Share market was RMB533.8 billion, accounting for 46.02% of that of the same period of last year. As affected by the A Share market downturn, there was a relatively explicit decline in the balance of margin financing and securities lending, as evidenced by the said balance amounting to RMB853.6 billion as at the end of the reporting period, accounting for 41.65% of that of the same period of last year. In relation to equity financing, the funds raised through such means amounted to RMB775.1 billion in total for the reporting period, including RMB32 billion raised by 66 companies through initial public offering, RMB727.3 billion by 336 companies through secondary offering and RMB15.8 billion by 9 companies through placing. During the reporting period, the bond yield first rose and then fell, and the yield of 10-year treasury bonds soared as high as more than 3% at certain times as affected by the inflation higher than expected and the frequent debt default events at the beginning of the year. Affected by slowdown in inflation expectations and risk aversion caused by Brexit since June 2016, the bond yield dropped again to around 2.8%, basically equivalent to the interest rate level at the end of 2015.

II. GENERAL OPERATING RESULTS

During the reporting period, total revenue and other income of the Group amounted to RMB1,499.8 million and profit attributable to shareholders of the Company amounted to RMB306.2 million, representing a year-on-year decrease of 51.9% and 69.8% respectively.

As at the end of the reporting period, the Group's total assets amounted to RMB40,039.2 million, representing a decrease of 3.9% from RMB41,651.2 million as at the end of 2015. Total liabilities were RMB31,462.7 million, representing a decrease of 4.0% from RMB32,774.8 million as at the end of 2015. The Company distributed the 2015 final cash dividends of RMB677.0 million on 26 May 2016. At the end of the reporting period, total equity attributable to shareholders of the Company was RMB7,770.7 million, representing a decrease of 4.8% from RMB8,161.6 million as at the end of 2015. The Group's gearing ratio was 69.0% representing an increase of 2.1 percentage points from 66.9% as at the end of 2015.

III. ANALYSIS OF PRINCIPAL BUSINESSES

(I) Brokerage business

1. Securities brokerage

During the reporting period, the Company continued to promote the transformation of securities operation network points to a comprehensive financial service platform, deepen the utilisation of physical operation network points, in development of its reach and medium function in businesses such as wealth management, capital-based intermediary, asset management and investment banking, enrich the contents of channels and facilitate the transformation of brokerage business towards value-added service; and speed up the development of internet finance, promote the online operation of standardised businesses and establish a standardised, personalised, integrated and coherent sale and service system.

During the reporting period, the Company continued to enhance its 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 controllable. As at the end of the reporting period, the balance of margin financing and securities lending amounted to RMB5,656.95 million, ranking 38th among peer companies (Source: Wind Info).

2. Futures brokerage

During the reporting period, Central China Futures has accomplished its conversion to a joint stock company and renamed as Central China Futures Co., Ltd., which has laid a foundation for its future listing on the “New Third Board”. In terms of business development, Central China Futures has carried out profound transformation of its brokerage business to expand the business volume; focused on the breakthrough of asset management business and stably promoted the risk management business; and established a favourable situation facilitating coherent of its multiple businesses.

During the reporting period, the number of new clients for Central China Futures increased by 1,279, and the cumulative volume of brokerage business were 25 percentage points lower than the overall decline of the futures market (Source: China Futures Association), with an ascend of 5 places in the ranking for total business volume at Zhengzhou Commodities Exchange. The asset management business developed remarkably. As at the end of the reporting period, the asset management business recorded a balance of RMB563.28 million, representing an increase of 1,151% as compared to the end of last year. Risk management business focused on the key types of futures and established a preliminary industry chain development service system connecting the upstream, midstream and downstream industries, carried out two hedging business cooperation projects and one warehousing receipt service project, and completed other early-stage preparations including research on over-the-counter option. The cumulative realized profit for the period amounted to RMB9.43 million, representing a year-on-year decrease of 6.0%, whereby such rate of decline was lower than the overall industry level (Source: China Futures Association “Council Newsletter”).

3. Investment advisory

During the reporting period, oriented on the theme of “strengthening client base and enhancing client value” and based on the “Central China Wealth” brand, the Company has, on one hand, emphasised on reinforcing service responsibility, focused on process management, enhanced service effectiveness and suitability, further improved service assessment indicator system of branch offices, launched interactive online communication among investment advisors as well as between investment advisors and clients, and strengthened the professional capability of investment advisors; on the other hand, the Company has provided services based on client categorisation and classification, initiated pilot work of diversified pricing advisory service products while optimizing existing service content of “Central China Wealth” and comprehensively introducing diversified financing products so as to satisfy the investment and wealth management needs of different classified clients, meanwhile, realise the diversification of the Company’s investment advisory business. During the reporting period, the commission and fee income from investment advisory business amounted to RMB64.07 million.

4. Distribution of financial products

During the reporting period, the Company’s asset management products sold through sales network amounted to RMB13,260.59 million, representing an increase of 495.23% as compared to the same period of 2015. The sales amount arising from sale of third-party financial products (public funds and bank financing) was RMB792 million, of which RMB468 million came from bank financing, representing an increase of 700.14% as compared to that of the same period of last year. As at the end of the reporting period, the balance of the beneficiary certificates sold through over-the-counter business of the Company was RMB845 million.

(II) Investment banking business

1. Equity financing and financial advisory services

During the reporting period, the Company completed one non-public offering project, one asset restructuring and counterpart fundraising project, involved in the lead underwriting amount of RMB579.89 million; one initial public offering project currently under CSRC review; one non-public offering project under CSRC review and two non-public offering projects passed the review; recommended 17 enterprises to be listed in the New Third Board; and targeted placements for 12 companies for 14 times on the New Third Board, involving a total financing amount of RMB396.28 million.

Situation of Lead Underwriting Business and New Third Board Business

Items	First half year of 2016	First half year of 2015	Increase/ decrease (%)
Lead Underwriting amount (in RMB million)	579.89	1,514.8	-61.72
Number of lead underwriting companies	2	5	-60
Number of New Third Board projects	17	12	41.67

Project name	Financing method	Role of the Company	Lead underwriting amount (in RMB million)
Yongda Meiji (永達美基) share issuance, cash purchase of assets, counterpart fundraising and connected transactions	Non-public offering	Sponsor and lead underwriter	104.9
Lingrui Pharmaceutical (羚銳藥業) non-public offering	Non-public offering	Sponsor and lead underwriter	474.99
Total	–	–	579.89

2. Debt financing

During the reporting period, the regulatory authorities sequentially released the “Green Bond Issuance Guideline” so as to standardize the development of green bonds in China, meanwhile, established the “through train” mechanism for enterprises to apply for the issuance of corporate bonds in some regions. The regulatory authorities supported the policy for further relaxation and support of corporate bond issuance, which will help to promote the growth of corporate bond issuance.

During the reporting period, the Company completed three corporate bond issuance projects with total underwriting amount of RMB1,680 million. Meanwhile, the Company promoted the progress of existing projects with sufficient quality and quantity, strived to advance 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 regions and areas, and actively provided financing services for enterprises to promote the development of local economy.

Project name	Financing method	Underwriting method	Underwriting amount (RMB million)
Jiangyou Hongfei (江油鴻飛) 2016 non-public offering of corporate bond	Corporate bond issuance	Underwriting	300.00
Linzhou Huitong (林州匯通) corporate bond	Corporate bond issuance	Underwriting	500.00
Xinmi Caiyuan City Development and Construction Co., Ltd (新密財源城市開發建設有限公司) corporate bond	Corporate bond issuance	Underwriting	880.00
Total	–	–	1,680.00

(III) Investment management business

1. Asset management

During the reporting period, the asset management business had been conducted in multiple aspects including strengthening team construction, developing non-standard financing business, increasing strategic project reserve, expanding channel construction, enriching product varieties, enhancing business operation efficiency, and accelerating product launch. Professional and matured talents from fields such as insurance and trust were introduced by market-oriented means, who were distributed to various lines of the asset management business. Meanwhile, the Company established and strengthened business cooperation with financial institutions such as banks, trusts, insurance and securities companies.

At the end of the reporting period, total assets under management amounted to RMB5,868.68 million, representing an increase of 4.46% as compared to that at the end of last year. A total of 23 asset products were managed, including 14 collective asset management schemes amounting to RMB3,652.7 million; 7 targeted asset management schemes amounting to RMB1,054.51 million, representing an increase of 162.97% as compared to that at the end of last year; and 2 specific asset management schemes amounting to RMB1,161.45 million, representing an increase of 4.64% as compared to the end of last year.

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 incorporating various stages from projects to channels, financing and exiting, thereby deepening the operating mechanism of marketization. It also offered services to small and medium enterprises by adhering to the operation of the “discovering and realizing value”. It helped 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 a total of 13 investment projects including 2 equity investment projects and 11 debt investment projects.

3. Alternative investment

During the reporting period, Central China Blue Ocean took effort to develop projects and has completed relevant investments in areas such as debt investment, trust investment, quantitative hedge fund and overseas asset allocation. During the reporting period, the investment amounted to RMB95.216 million and HK\$30 million have been accomplished; Central China Blue Ocean has established its Zhengzhou office and completed the formation of Zhengzhou team, having made comprehensive preparations for the transfer of operation center and the core businesses.

(IV) Proprietary trading business

During the reporting period, the Company expanded its investment scale for equity investments moderately on the foundation formed in 2015, and has maintained a lower position level on the basis of the relatively accurate market forecast. In spite of the setback arising from market circuit-breaker mechanism, the annual return on equity principal investment was still apparently higher than the Shanghai – Shenzhen 300 Index of the same period.

During the reporting period, the bond market suffered from severe fluctuations with obvious diversity. In respect of fixed-income principal investment, the Company has operated flexibly in line with the market trends to achieve better incomes.

(V) Offshore business

During the reporting period, Central China International targeted at laying out the full-license internationalized business platform, developed brokerage business steadily, expanded capital-based intermediary businesses remarkably, and further strengthened the team and mechanism construction. Attributable to these actions, Central China International has overcome various adverse factors, such as the continuous depression and inactive trading of Hong Kong capital market, and developed the businesses rapidly from the very beginning. During the reporting period, Central China International has realized total revenue and other income of HK\$25.64 million, with the profit before income tax of HK\$4.49 million and profit for the period of HK\$ 3.87 million.

As at the end of the reporting period, Central China International had the registered capital of HK\$500 million and has wholly owned several subsidiaries including Central China International Securities Co., Ltd., Central China International Capital, Central China International Asset Management Company Limited, Central China International Investment Company Limited, Central China International Futures Co., Ltd., Central China International Finance Co., Ltd. and Central China Consulting Services (Shenzhen) Co., Ltd.. The diversified business platform has been properly established, while the “international business chain” has been preliminarily created. Through coordinated operation of multiple licenses, Central China International has enhanced internal business collaboration and made overall efforts to expand and serve the clients.

After the reporting period, the subsidiaries of Central China International were granted the licences for Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO in July 2016.

Currently, Central China International and its subsidiaries collectively hold licences for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities and money lender’s licence in Hong Kong, providing customers with one-stop comprehensive investment and finance services to lay a solid foundation for accelerating development in future.

(VI) Headquarters and others

1. Securities-backed lending business and securities repurchase business

As at the end of the reporting period, the balance of securities-backed lending of the Company amounted to RMB2,405.50 million. During the reporting period, interest income amounted to RMB84.82 million, representing an increase of 25.69% as compared to the same period of 2015.

During the reporting period, the internet small stock-secured financing business bucked the trend in the current market environment. As at the end of the reporting period, totally 23,600 users entitled to the service, with the financing scale reached RMB32.12 million.

As at the end of the reporting period, the balance of securities repurchase of the Company amounted to RMB41.26 million.

2. New Third Board market-making business

During the reporting period, New Third Board market-making business faced rigorous situation of index fall and lower liquidity, with the share issuance scale equivalent to that of the same period last year. The New Third Board tiered system was officially implemented. Taking the opportunity of such tiered system, the New Third Board top-tier system construction and business innovation are expected to expedite. On the basis of market trends, the Company has timely adjusted the strategies of New Third Board market-making business, strengthened the system construction, improved the decision-making process, enhanced the risk control, and promoted the steady development of New Third Board market-making business.

As at the end of the reporting period, there were 130 enterprises in the New Third Board, for which the Company has been involved in the market-making, ranking 26th in the industry (Source: Wind Info). Among the 130 enterprises that the Company has conducted market-making, 61 were in the innovative layer. During the reporting period, the new investment amounted to RMB50.7 million, with the cumulative investment amount of RMB448.1 million.

3. Internet finance

During the reporting period, the Company actively promoted the construction of the integrated internet financing service platform targeted to support online business, popularized internet finance business rapidly, carried out sales of internet financing products continuously, conducted cooperation with internet enterprises stably, and promoted the rapid, steady and solid development of the Company's internet securities business. The Company completed the construction of the integrated internet financing service platform – Central China Cai Sheng Bao (中原財升寶), which will constitute the Company's two major integrated internet financing service platforms – Central China Cai Sheng Web (中原財升網) and Central China Cai Sheng Bao, and offer strong support for each business line to expand via the internet.

During the reporting period, the scale of online sales products of the Company amounted to RMB719 million, representing an increase of 75% as compared to that of the same period last year; accounts opened online accounted for 93.90% of the total accounts opened in the Company, representing an increase of 10.5% as compared to that of the same period last year.

4. Stock option business

During the reporting period, the Company continued to optimize and improve the stock options business process, and to optimize the function of system on the basis of compliance with the laws and regulations, and thereby to enhance the ability of serving clients effectively; and strengthen risk control including strengthening risk management measures such as mark to market. There is no risk event such as mandatory liquidation or default in settlement during the reporting period.

During the reporting period, 55 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 27th and 37th, respectively, in the industry (Source: SSE *Newsletter of the Stock Option Industry*).

5. Over-the-counter market business

During the reporting period, the Company formulated the over-the-counter market construction plan and the supporting system, as well as actively promoted to develop the self-established open-ended fund registration and transfer system, in order to pave the way for future innovative development of over-the-counter business. The Company expanded its revenue from providing over-the-counter capital intermediary business through proactive application for market maker business qualification in the Inter-institution OTC Market (機構間私募產品報價與服務系統); gradually developed over-the-counter derivative business by issuing linked beneficiary certificates, in order to provide customers with personalized products; kept close attention to the policy regulatory trend of recommending general enterprises to issue beneficiary certificates, in order to make preparation for the commencement of its businesses.

6. Equity Exchange Co.

During the reporting period, Equity Exchange Co. further improved its service functions, launching financing products such as listing and loan of equity pledge financing products and privately-raised corporate bonds, popularized the Equity Exchange Co. by means of multiple channels such as training and media, created a favorable development environment, and continued to expand business scale, thereby achieving better social effect.

During the reporting period, Equity Exchange Co. has 195 newly listed and displayed enterprises and 66 newly joined members, with approximately RMB90 million for enhancing corporate finance. As of the date hereof, Equity Exchange Co. has 468 listed and displayed enterprises with 401 members in total.

7. Research business

During the reporting period, the Company's service support capability for research business was further enhanced. It released 277 research reports, prepared 120 morning meeting reports, and provided 113 times of research services, providing significant research support for the Company's development of principal businesses, such as brokerage, proprietary trading, investment banking and direct investment.

During the reporting period, the Company completed a number of customized research tasks developed by the Company's management, including the construction of Henan capital market, local finance, 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 also completed a number of customized research reports commissioned by Henan Branch of the CSRC, 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 in the industry was enhanced.

IV. PROSPECTS AND FUTURE PLANS

(I) Developing prospect for the industry

To promote the supply-side reform and transformation of core economy, the multi-layered capital market construction is expected to speed up, indicating that China's securities industry will enter into a long-term prosperous development period where the securities companies will have a brilliant future. However, confronted with the declining commission rate, traditional channel business model focusing on brokerage commission income has come to an end. Instead, securities companies are gradually developing business models centering on differentiated services, and will deepen such differentiated services according to their own capital strength, service features and regional advantages etc. and obtain competitive advantage in the segmented market. It would be easier for regional securities companies to rely on local resources and their own characteristics to form their unique business model and core competitive edge. Besides, accompanying the innovation and acceleration of the securities industry, importance of human capital towards the development of securities companies will become more prominent. Long term incentive mechanisms such as share award schemes and partner salary plans are put into schedule for consideration. Talents and incentive schemes have been the core elements for the sustainable growth of sponsors.

(II) The Company's development plan

The Company will fully grasp the historical opportunity of the prosperous securities market in China, and based on the brand effect as a listed company in Hong Kong, the Company will make great efforts internally to strengthen transformation and lay a solid foundation for its stable growth; meanwhile, the Company will continuously seek external-oriented growth opportunity, cultivate long-term competitive advantages, and accelerate the achievement of the strategic development goal as a large modern and international financial holding conglomerate. The Company will endeavor to create another "Central China Securities" within 3 to 5 years. To achieve this goal, besides actively seeking return to the A Share market, the Company will use its best endeavours to promote the listing of its subsidiaries including ZDKY Venture Capital, Equity Exchange Co., Central China Futures and Central China International on the New Third Board or the main board of the Hong Kong Stock Exchange in the future.

In the second half of 2016, the Company will accelerate the transformation of traditional channel business to capital-based intermediary business, capital investment and innovative business. The Company will actively promote the branch institutions of the brokerage business to transform towards the "one-stop" integrated financial services platform, and accelerate the construction of investment advisory value-added service system; take full advantage of the market-oriented platform and mechanism, adjust the systems and mechanisms to introduce investment banking and asset management teams, and promote the leapfrog development of investment banking and asset management businesses; continue optimizing the business collaboration and revenue sharing mechanism, cultivate the "six in one" whole industry chain business model actively, and create the core competitiveness of the Company; strengthen cooperation with external key institutions, such as life investment institutions and Henan Rural Credit Union, to further optimize the financial ecological chain for small and medium enterprises served by the Company; fully utilise the advantages of the flexible mechanism of subsidiaries, positively encourage the subsidiaries to increase their share capital and to establish market-oriented incentive and restraint mechanism, and fully mobilize the enthusiasm of subsidiaries to form into a new profit growth pole of the Company as soon as possible. The Company will make effort to promote the construction of regional life insurance companies, and continuously endeavor to achieve the strategic goal of being a large financial holding conglomerate; actively analyse and discuss taking the lead to form a micro-lending company of high standards; continue to accelerate the return to the A Share market, follow up closely the situation of new domestic share issue, and attempt to realize the Company's A Share return.

(III) Plans for future investment or capital asset purchase

1. On 13 April 2016, the Resolution of Central China Securities Co., Ltd. on Capital Increase into Central China Blue Ocean Investment Management Company Limited was approved at the 14th meeting of the 5th session of the Board that the Company will take chance to increase cash contributions of not exceeding RMB200 million to Central China Blue Ocean in 2016 and increase its registered capital from RMB300 million to not exceeding RMB500 million in one or more tranches, so as to meet the future development needs of Central China Blue Ocean and develop the alternative investment business vigorously. As of the end of the reporting period, the Company has injected RMB185 million in total to Central China Blue Ocean in the monetary form, while the remaining investment sum will be contributed into Central China Blue Ocean gradually based on its business operation.
2. On 4 May 2016, the Resolution of Central China Securities Co., Ltd. on Capital Increase into Zhongding Kaiyuan Venture Capital Management Co., Ltd. was approved at the 16th meeting of the 5th session of the Board. After this capital increase, the registered capital of ZDKY Venture Capital will be not exceeding RMB1.5 billion, and the Company's shareholding ratio will not be lower than 51%. To ensure the actual control, operation and management right of the ZDKY Venture Capital pursuant to relevant regulatory policies, the Company's total contributions shall not be higher than RMB300 million this time. As of the end of the reporting period, the Company has not conducted any such capital increase.
3. The Company holds 35% of the equity interest in the Equity Exchange Co. (with a registered capital of RMB350,000,000) and the total investment amount was RMB122.5 million. As at the end of the reporting period, the Company has injected an aggregate of RMB61.25 million cash into the Equity Exchange Co., while the remaining investment sum 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, due to the fact that the securities market maintained gloomy and trading volumes of Shanghai and Shenzhen stock markets dipped significantly, the Group realised total revenue and other income of RMB1,499.8 million, representing a decrease of 51.9% compared to the same period of 2015, of which securities brokerage business accounting for RMB503.3 million, decreased by 66.4% compared to the same period of 2015; futures brokerage business accounting for RMB31.0 million, decreased by 12.3% compared to the same period of 2015; margin trading and securities lending businesses accounting for RMB292.7 million, decreased by 58.0% compared to the same period of 2015; investment banking business accounting for RMB99.6 million, decreased by 22.6% compared to the same period of 2015; proprietary trading business accounting for RMB190.2 million, decreased by 46.6% compared to the same period of 2015; investment and asset management business accounting for RMB90.0 million, decreased by 36.9% compared to the same period of 2015; offshore business accounting for RMB21.6 million, increased significantly compared to the same period of 2015; headquarters and others accounting for RMB306.4 million, increased by 16.1% compared to the same period of 2015.

During the reporting period, the Group's total expenses was RMB1,073.3 million, representing a decrease of 38.4% as compared to the same period of 2015, mainly attributable to the decreases in commission and fee expenses, interest expenses and staff costs.

During the reporting period, the Group realised profit attributable to shareholders of the Company of RMB306.2 million, representing a decrease of 69.8% as compared to the same period of 2015, mainly attributable to year-on-year declines in net profits of securities brokerage business, margin trading and securities lending businesses and proprietary trading business; basic/diluted earnings per share of RMB0.10, representing a decrease of 73.7% as compared to the same period of 2015; return on equity of 3.73%, representing a decrease of 12.47 percentage points as compared to the same period of 2015.

(II) Asset structure and asset quality

As at the end of the reporting period, total assets of the Group amounted to RMB40,039.2 million, representing a decrease of 3.9% as compared to RMB41,651.2 million as at the end of 2015, mainly attributable to the decrease in clearing settlement funds held for clients and margin accounts receivable. Total liabilities amounted to RMB31,462.7 million, representing a decrease of 4.0% as compared to RMB32,774.8 million as at the end of 2015, mainly attributable to the decrease in accounts payable to brokerage clients. Total equity attributable to shareholders of the Company amounted to RMB7,770.7 million, representing a decrease of 4.8% as compared to RMB8,161.6 million as at the end of 2015, mainly attributable to cash dividends and profits in the first half of this year.

Our asset structure remained stable with sound asset quality and liquidity. As at the end of the reporting period, the total assets of the Group comprised of: cash assets, which primarily included cash and bank balances (including cash held for brokerage clients), clearing settlement funds and refundable deposits, amounted to RMB15,361.7 million, representing 38.3% of our total assets. Margin assets, which primarily included margin accounts receivable and financial assets held under resale agreements, amounted to RMB12,919.8 million, representing 32.2% of our total assets. Financial investment assets, which primarily included investment in associates and investment in financial assets, amounted to RMB10,514.5 million, representing 26.3% of our total assets. Other operating assets, which primarily included property and equipment, investment properties and intangible assets, amounted to RMB1,222.4 million, representing 3.1% of our total assets. Assets of disposal group classified as held for sale was RMB20.9 million, representing 0.1% of our total assets. During the reporting period, the Group has made corresponding impairment provision mainly for entrusted loans and financial assets held under resale agreements. There is no evidence showing that other assets may be subject to significant impairment.

Our gearing ratio remained stable. As at the end of the reporting period, the total self-owned liabilities of the Group after deducting accounts payable to brokerage clients amounted to RMB19,132.4 million, representing a year-on-year increase of RMB1,224.9 million or 6.8% as compared to RMB17,907.5 million as at the end of 2015, mainly attributable to the increase in financial assets sold under repurchase agreements. Calculated by assets and liabilities after deducting accounts payable to brokerage clients, the gearing ratio as at the end of the reporting period was 69.0%, up by 2.1 percentage points from 66.9% as at the end of 2015, mainly attributable to the increased leverage in fixed-income principal investment scale.

(III) Cash flow

Excluding the effect of changes in client margin deposit, the net increase in cash and cash equivalents amounted to RMB663.4 million, which was attributable to the greater cash inflows generated from operating activities than the cash outflows arising from investment activities and financing activities of the Group during the reporting period.

Net cash flow arising from operating activities during the reporting period amounted to RMB1,992.1 million, representing an increase of RMB7,628.2 million from RMB-5,636.1 million in the corresponding period in 2015, mainly because cash inflows increased significantly as a result of the decrease in margin accounts receivable. Net cash flow arising from investment activities during the reporting period amounted to RMB-370.1 million, representing a decrease of RMB549.9 million from RMB179.8 million in the corresponding period in 2015, mainly because the increase in cash outflow from the Group's purchase of available-for-sale financial assets was higher than those of the corresponding period in 2015. Net cash flow arising from financing activities during the reporting period amounted to RMB-958.6 million, down by RMB9,357.5 million from RMB8,398.9 million in the corresponding period in 2015, mainly because the cash received from the issue of bonds during the reporting period was lower than that of the corresponding period in 2015.

(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 21 branch offices and 72 securities operation branches.

1. Newly establishment of branch offices and operation branches

During the reporting period, pursuant to *the No Objection Letter for Central China Securities Co., Ltd. to Change 9 Securities Operation Branches to Branch Offices (Yu Zheng Jian Han [2016] No. 38)* issued by the Henan Branch of CSRC, the Company has completed change of the nine securities operation branches to branch offices, with particulars as follows:

No.	Province, autonomous region or municipality	Branch office	Address
1	Henan Province	Xinxiang Branch Office	No. 250 Renmin Road, Xinxiang City
2	Henan Province	Jiaozuo Branch Office	No. 1838 Jiefang Middle Road, Jiaozuo City
3	Henan Province	Anyang Branch Office	Financial Securities Building, North Section of Hongqi Road, Beiguan District, Anyang City
4	Henan Province	Zhoukou Branch Office	3F (facing the street), Office Building of Henan Netcom Zhoukou Branch, No. 81, Middle Section of Qiyi Road, Zhoukou City
5	Henan Province	Zhumadian Branch Office	No. 196 Jiefang Road, Zhumadian City
6	Henan Province	Xinyang Branch Office	5F, Hongyunxin Square Office Building, No. 136 Zhongshan Road, Shihe District, Xinyang City
7	Henan Province	Luohe Branch Office	No. 337-8, Huanghe Road, Yancheng District, Luohe City
8	Henan Province	Hebi Branch Office	Southeast Corner, Intersection of Qibin Road and Xinghe Street, Qibin District, Hebi City
9	Henan Province	Kaifeng Branch Office	Yindi Business Plaza, Intersection of Daliang Road and Xihuan Road, Kaifeng City

Pursuant to the *Reply Concerning Approval of Establishment of 1 Branch by Central China Securities Co., Ltd. (Yu Zheng Jian Fa [2016] No. 93)* and the *Reply Concerning Approval of Establishment of 9 Branches by Central China Securities Co., Ltd. (Yu Zheng Jian Fa [2016] No. 135)* issued by Henan Branch of CSRC, the Company is conducting the establishment of the new branch offices as planned, with particulars as follows:

No.	Province, autonomous region or municipality	Operation branches	Address
1	Shandong Province	Jinan Gongyenan Road Operation Branch	Building 1, Wealth Center of China Railway, No. 59, Gongyenan Road, Hi-tech Zone, Jinan, Shandong
2	Henan Province	Qingfeng Operation Branch	(Under construction)
3	Henan Province	Puyang Operation Branch	(Under construction)
4	Henan Province	Shenqiu Operation Branch	(Under construction)
5	Henan Province	Neixiang Operation Branch	(Under construction)
6	Henan Province	Guangshan Operation Branch	(Under construction)
7	Henan Province	Wuzhi Operation Branch	(Under construction)
8	Henan Province	Yuanyang Operation Branch	(Under construction)
9	Henan Province	Tangyin Operation Branch	(Under construction)
10	Henan Province	Dengfeng Operation Branch	(Under construction)

The Company constantly adjusted and optimized its branch network. During the reporting period, the Company relocated 4 operation branches within the same city, with particulars as follows:

No.	Province, autonomous region or municipality	Existing name of operation branches	Existing address
1	Henan Province	Zhengzhou Wei Wu Road Securities Operation Branch	2F/3F, Wing Building, West of Main Tower of Integrated Office Building, No. 37 Wei Wu Road, Jinshui District, Zhengzhou City
2	Tianjin City	Tianjin Zhangzizhong Road Securities Operation Branch	Room 702, No. 2 Zhangzizhong Road, Haihe Huading Mansion, Hongqiao District, Tianjin City
3	Henan Province	Zhengzhou Wei Er Road Securities Operation Branch	3F, Business Building, Jingwei Apartment, No. 30 Wei Er Road, Jinshui District, Zhengzhou City
4	Henan Province	Zhengzhou Zijingshan Road Securities Operation Branch	20F, Post Office Tower, No. 61 Zijingshan Road, Guancheng Hui District, Zhengzhou City

(II) Establishment and disposal of subsidiaries

1. On 26 February 2016, ZDKY Venture Capital convened the 11th meeting of the 2nd session of the Board, which deliberated and approved the Resolution on Transfer of 60% Equity Interest of Henan Zhongzheng Kaiyuan Venture Capital Fund Management Co., Ltd.. On 14 March 2016, the Company convened the 13th meeting of the 5th session of the Board, which deliberated and approved the Resolution on Negotiating the Transfer by Agreement of the Capital Contributions of Henan Zhongzheng Kaiyuan Venture Capital Fund Management Co., Ltd. Held by Zhongding Kaiyuan Venture Capital Management Co., Ltd.. As of the date of this report, the Company has submitted attached documents and reported the facts to Local Finance Office of the Finance Department of Henan Province, while the Local Finance Office has started handling relevant procedures, and the approval from the Finance Department of Henan Province is still required.
2. Central China International Asset Management Company Limited (Central Entity Number: BH1931), a wholly-owned subsidiary of Central China International, was registered in Hong Kong on 16 February 2016, and obtained its license from SFC on 11 July 2016, to carry on type 9 regulated activities (providing asset management) as defined in the SFO.
3. Central China International Capital, a wholly-owned subsidiary of Central China International and an investment banking & licensing company wholly acquired by Central China International in Hong Kong, obtained its license from SFC to carry on type 1 and type 6 regulated activities (dealing in securities and advising on corporate finance) as defined in the SFO. Central China International was informed by SFC on 29 January 2016 that it conditionally approved applications of the Company and its certain other wholly-owned subsidiaries (including Central China International) as substantial shareholders of Central China International Capital, and Central China International completed the settlement and delivery for the acquisition on 16 February 2016.
4. Central China Consulting Services (Shenzhen) Co., Ltd., a wholly-owned subsidiary of Central China International established in Shenzhen, obtained its business license on 9 May 2016, with a registered capital of HK\$10 million, with the place of registration in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen.
5. On 26 February 2016, CSRC accepted the application for change in shareholders filed by Ashmore-CCSC Fund Management; on 26 July 2016, CSRC issued the *Reply Concerning Approval of Changing Shareholding and Actual Controllers by Ashmore-CCSC Fund Management*, and approved the shareholding in Ashmore-CCSC Fund Management by the Company to be changed from 51% to 17%. As of the date of this report, Ashmore-CCSC Fund Management is in the process of proceeding with the business registration changes at the Administration for Industry & Commerce.

VII. MATERIAL FINANCING OF THE COMPANY

(I) Equity financing

The Company's application for A Share issue has been submitted to and accepted by CSRC in September 2012. On 1 July 2014, CSRC informed the Company that its application for A Share issue was terminated. The Company re-submitted its application for A Share issue to CSRC in November 2014 and was accepted in December 2014. In June 2015, the Company submitted its application for suspension of A Share issue due to the additional issuance of H Shares and was informed by CSRC on 3 July 2015, that its application for A Share issue was suspended. On 17 August 2015, the Company submitted its application to CSRC to restore the review of A Share issue and was noticed by CSRC that the application for A Share issue was resumed for review on 7 September 2015. On 29 December 2015, the Company received the feedback notice from CSRC.

During the reporting period, due to the dismissal of the former sponsor representative dispatched by the sponsor institution for the Company's application for A Share offering, another sponsor representative was re-appointed to take over the Company's A Share offering related work. Pursuant to relevant provisions of CSRC, CSRC requires to suspend the review of the Company's application for A Share offering when the sponsor representative for A Share offering application is changed. On 22 June 2016, change of the Company's sponsor representative for A Share offering application has been completed, and the Company has also received the Notice of CSRC on Restoring Review of Administrative Licensing Application (No. 141651), indicating that CSRC has restored the review of the Company's A Share offering.

(II) Bond financing

During the reporting period, the Company issued the first batch of subordinated bonds in 2016 by way of non-public issuance in a principal amount of RMB2.5 billion, with a term of 3 years and annual interest rate of 4.2%. The proceeds from subordinated bonds were used to supplement the Company's working capital.

During the reporting period, the Company duly finished redeeming the principal and interest of the third and fourth batches of short-term notes in 2015, with the amount of redemption totaling to RMB2.015 billion; the Company duly finished redeeming the interest of the first, second and fourth batches of subordinated bonds and the principal and interest of the third batch of subordinated bonds in 2015, with the amount of redemption totaling to RMB1.345 billion; the Company duly finished redeeming the principal and interest of Jin Yi No. 38 beneficiary certificates and the second interest of Rong Yi No. 16 beneficiary certificates, with the amount of redemption totaling to RMB18 million; the Company duly finished redeeming the interest of 2013 corporate bonds for the second year, with the amount of redemption totalling to RMB93 million.

VIII. SIGNIFICANT INVESTMENTS OF THE COMPANY

Pursuant to the Board resolutions of the Company, on 27 April 2016 and 19 July 2016, the Company injected RMB50 million and RMB30 million to Central China Blue Ocean in the monetary form respectively, with the accumulative investment totaling to RMB215 million. On 24 May 2016, the Company injected HK\$200 million into Central China International in the monetary form, with the accumulative investment totaling to HK\$500 million.

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 2,454 employees, including 2,155 from the Company and 299 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 and inspired the staff. 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. In addition, the Company also formulated the enterprise annuity program, to further enhance its ability in providing enterprise welfare.

The Company made specific training programs to provide regular, continual training for its staff. The Company has prepared the annual training programme, and 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 and 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 losses arising from a borrower 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, margin financing and securities lending, securities repurchases and securities-backed lending, specifically in the following aspects: (1) default or ratings downgrade of investment targets; (2) a counterparty's default; (3) margin financing and securities lending customers' failure 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 and securities repurchases, the Company, by formulating various strict regulations and measures, controlled credit risk in these businesses in such steps as credit investigation, credit granting, marking to market and closed position.

A strict client screening and project risk assessment system has been established for the stock-pledged repo business. Any project will be submitted to the business decision-making committee in the form of "one case one discussion" for risk assessment. The Company also adopts the daily mark-to-market system to monitor the project performance guarantee proportion dynamically and prevent credit risk effectively.

As for the credit risk of receivables, the Company has fully made provision for bad debts according to the debtor's business operation, cash flow and bad debt provision policies.

2. Market risk

Market risk mainly refers to the possibility of losses or reduced income due to overall or partial volatility 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, margin accounts receivable, monies for purchase of financial assets held under resale agreements 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.

As at 30 June 2016, the foreign currency assets and liabilities held by the Group are 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 its currency risk is not material.

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 from time to time; and (3) uses net capital and liquidity-based monitoring system to monitor risk control indicators, and uses stress tests to assess the impact of business activities on the net capital and liquidity.

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 the management; 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.

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 2015, DISTRIBUTION PLAN OF INTERIM PROFITS FOR 2016 AND INTERIM DIVIDENDS FOR 2016

(I) Payment of final dividends for 2015

The Distribution Plan of Profits for 2015 of Central China Securities Co., Ltd. has been resolved at the 2015 annual general meeting of the Company held on 9 May 2016, which approved that based on the total share capital of Domestic Shares and H Shares of 3,223,734,700 Shares as of 31 December 2015, the Company could distribute cash dividends of RMB2.1 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 thereof, with total cash dividends of RMB676,984,287.00. In terms of distributing final dividends of 2015 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 18 May 2016.

The final dividends of 2015 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 2015 annual general meeting (namely RMB0.836110 to HK\$1.00). Therefore, the final dividends of 2015 were HK\$0.251163 per H Share (tax inclusive). The Company has completed the distribution of final dividends of 2015 on 26 May 2016.

(II) Distribution plan of interim profits for 2016

In view of long-term development and sustainable shareholders' return, the Company made the following distribution plan of interim profits for 2016 to share its fast developing results of operation with all the shareholders:

1. With the total share capital of Domestic Shares and H Shares of 3,223,734,700 Shares as of 30 June 2016 as the basis, the Company may distribute cash dividends of RMB1.00 per 10 shares (tax inclusive) to holders of Domestic Shares and H Shares whose names appeared on the Company's register of members on the record date thereof, totalling RMB322,373,470.00.
2. Cash dividends are stated and announced in Renminbi, and paid in Renminbi and HK Dollars to 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 to be held to consider the distribution plan of interim profits for 2016.

After the distribution plan of interim profits for 2016 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 record date and the book closure date for the distribution of H Share dividends.

(III) Interim dividends for 2016

The 19th meeting of the 5th session of the Board of the Company has considered and approved the 2016 interim profit distribution plan and proposed 2016 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 2016 interim profit distribution plan and 2016 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 1 February 2016, ZDKY Venture Capital, a subsidiary of the Company, entered into partnership interest transfer agreement with Equity Exchange Co. in relation to the disposal by ZDKY Venture Capital of its RMB30 million capital contribution (representing 27.272% of the limited partnership interest) in Henan Zhong Zheng Kaiyuan Venture Capital Fund (Limited Partnership) to Equity Exchange Co. at the consideration of RMB36,913,624.40. On 1 February 2016, Henan Investment Group held approximately 27.017% of the issued share capital of the Company and was the largest substantial shareholder of the Company, and thus a connected person of the Company under Rule 14A.07 of the Listing Rules. Meanwhile, Henan Investment Group held 10% equity interest in Equity Exchange Co. which is a subsidiary of the Company. Therefore, Equity Exchange Co. was a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules, and the transaction contemplated under the Partnership Interest Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the transaction contemplated under the Partnership Interest Transfer Agreement are more than 0.1% but less than 5%, the entering into of the partnership interest transfer agreement is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For more information in relation to the connected transactions as mentioned above, please refer to the Company's announcement dated 1 February 2016.

On 10 March 2016, Henan Investment Group entered into the underwriting agreement with the Company, Haitong Securities Co., Ltd. and Sealand Securities Co., Ltd. (collectively, the “**Lead Underwriters of the Corporate Bonds**”) in respect of the offering and underwriting of the *Henan Investment Group 2016 public issuance corporate bonds* issued by Henan Investment Group with an aggregate principal amount not exceeding RMB1.5 billion (the “**Henan Investment Group Corporate Bonds**”), pursuant to which the Lead Underwriters of the Corporate Bonds have agreed to offer and underwrite the Henan Investment Group Corporate Bonds in return for the underwriting commission. On 10 March 2016, Henan Investment Group held approximately 27.017% of the Company’s issued share capital and was the largest substantial shareholder of the Company as defined under the Listing Rules. Pursuant to Rule 14A.07(1) of the Listing Rules, Henan Investment Group was a connected person of the Company, and the transaction contemplated under the Underwriting Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Calculated with reference to the Company’s expected maximum aggregate underwriting commitment and maximum underwriting commission under the Underwriting Agreement, as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profit ratio) in respect of the transaction contemplated under the Underwriting Agreement are more than 0.1% but less than 5%, the entering into of the Underwriting Agreement is subject to the reporting and announcement requirements, but exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. For more information about the connected transactions mentioned above, please refer to the Company’s announcement dated 10 March 2016.

See notes to the condensed interim financial information of this report for information about other related parties transactions and connected transactions.

III. SHARE OPTION SCHEME

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. The Company will not implement the Share Option Scheme until the conditions for implementation of the Share Option Scheme have been met. More details of the Share Option Scheme as stated above, please refer to relevant contents in the Company’s 2015 annual report dated 23 March 2016.

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 30 June 2016, based on the information acquired by the Company and the knowledge of the directors, the Directors, Supervisors and the chief executive had the following (i) interests and short positions (including the interests or short positions considered or deemed to have according to such provisions of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Divisions 7 and 8 of Part XV under the SFO, or (ii) interests or short positions which shall be recorded in the interests register in accordance with section 352 of the SFO, or (iii) interests or short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO):

Name	Class of shares	Nature of interests	Number of shares held (shares)	Percentage of the Company's total issued shares (approximate %)	Percentage of the Company's total issued domestic shares/H shares (%)	Long position/ short position
Jian Mingjun (Note)	H shares	Beneficial owner/ beneficiary of a trust	1,289,754	0.04	0.10	Long position
Zhou Xiaoquan	H shares	Beneficial owner	762,000	0.02	0.06	Long position

Note: Among the 1,289,754 shares of the Company, 750,000 shares are held in the capacity of beneficial owners; 539,754 shares are held in the capacity of beneficiaries of a trust.

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 of 30 June 2016, to the knowledge of the Directors of the Company after making reasonable inquiries, the following persons (other than Directors, Supervisors or chief executive of the Company) have the following interests or short positions in shares or underlying shares required to be disclosed to the Company in accordance with Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under Section 336 of the SFO:

Name of main shareholders	Class of Shares	Nature of interest	Number of shares held (shares)	Percentage of the Company's total issued shares (Approximate %)	Percentage of the Company's	Long positions/ short positions/ shares available for lending
					total issued domestic shares/ H shares (Approximate %)	
Henan Investment Group	Domestic share	Beneficial owner	870,963,022	27.02	44.13	Long position
Bohai Fund	Domestic share	Beneficial owner	608,000,000	18.86	30.81	Long position
Bohai Fund Management	Domestic share	Investment manager	608,000,000	18.86	30.81	Long position
Anyang Iron and Steel Group Co., Ltd.	Domestic share	Beneficial owner	187,861,855	5.83	9.52	Long position
China Industrial International Trust Limited	H share	Beneficial owner	80,000,000	2.48	6.40	Long position

Save as disclosed above, as at 30 June 2016, the Company was not aware of any other persons (excluding the Directors, Supervisors and chief executive of the Company) having the interests or short positions required to be recorded in the register in the shares or underlying shares of the Company under Section 336 of the SFO.

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 CORPORATE GOVERNANCE CODE

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

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. Wang Lixin, Mr. Yu Zeyang and Mr. Zhang Xiaoqi (non-executive Directors), Mr. Yuan Dejun, Mr. Yuen Chi Wai, Mr. Ning Jincheng and Mr. Yu Xugang (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. Ning Jincheng;
- (3) Remuneration and Nomination Committee: Mr. Yuan Dejun (Chairman), Mr. Zhou Xiaoquan, Mr. Zhang Xiaoqi, Mr. Yuen Chi Wai and Mr. Yu Xugang;
- (4) Audit Committee: Mr. Yuen Chi Wai (Chairman), Mr. Zhang Qiang 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 two general meetings of the Company to consider 25 proposals, one H Shares class meeting and one Domestic Shares class meeting to consider 6 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 ten meetings and considered 53 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 controls and financial report, and have fully reviewed consolidated interim financial information (including unaudited consolidated financial statements set out in this report) and this report. 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, the Supervisory Committee has convened five meetings and considered 16 proposals. The members of the Supervisory Committee include: Mr. Lu Zhili (Chairman of the Supervisory Committee), Mr. Wang Jinchang, Mr. Yan Changkuan, Mr. Cui Yuanfeng, Ms. Xiang Siying, Mr. Xia Xiaoning (appointed on 9 May 2016), Ms. Lee Kit Ying (resigned on 7 January 2016, which took effect from 9 May 2016), Ms. Wang Jing, Mr. Han Junyang and Mr. Lai Bulian (Employee Supervisors). 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.

XII. MAJOR LITIGATIONS

During the reporting period, the Company did not suffer from any new major litigations or arbitration cases in amount in excess of RMB10 million. No enforcement proceedings or procedures for bankruptcy cases were available either.

During the reporting period, the lawsuits (please refer to the 2015 annual report dated 23 March 2016 and the announcement dated 17 May 2016) filed against the Company by China Coop Financial Leasing Co., Ltd. (中合盟達融資租賃有限公司) and Tianjin Datian Supply Chain Development Co., Ltd. (天津大田供應鏈發展有限公司) were closed due to the plaintiff's withdrawal of the lawsuit and the court's transfer of the case, respectively.

After the reporting period, the Company was involved in a new lawsuit worth over RMB10 million.

In March and April 2015, Henan Xingye Guarantee Credit Co., Ltd. (河南興業擔保有限公司) ("**Henan Xingye Guarantee Credit**") and the Company entered into the *Pledge-style Repurchase of Shares Business Agreement* and *Initial Transaction Agreement* in the normal business course of the Company. The name of pledged securities was Sinotex Investment & Development Co., Ltd. (中紡投資發展股份有限公司) (currently known as SDIC Essence Co., Ltd. (國投安信股份有限公司)), and the nature of those shares was restricted tradable shares with the restricted period ending on 16 February 2016. On 3 April 2015, the two parties went through the formalities about the pledge registration through Shanghai Branch of China Securities Depository and Clearing Corporation Limited, and the Company was the pledgee and acquired the priority right for claim for the pledged subject. On 25 August 2015, the transaction performance guarantee ratio was below the close-out level, and Henan Xingye Guarantee Credit did not adopt any measures in respect of the performance guarantee. In accordance with the terms of the agreement, Henan Xingye Guarantee Credit committed a breach.

To achieve the priority of claim for creditor's rights of Henan Xingye Guarantee Credit, a client of the Company's stock pledged repurchase business, the Company submitted the Application for Realization of Real Guarantee Rights to Shanghai Pudong New Area People's Court on 7 July 2016, requesting the court to auction or sell off the pledged equities of the client Henan Xingye Guarantee Credit Co., Ltd., (as at the end of the reporting period, the market value of pledged stock was RMB219,053,383.56) and that the proceeds from the said auction or sale be repaid to the Company preferentially, with the scope of priority repayment covering principal and interest of the creditor's rights, liquidated damages and legal expenses, totaling to RMB137,013,043.97. Shanghai Pudong New Area People's Court formally accepted the Company's application on 8 July 2016.

The Company believed that, above lawsuits will not directly have any material and adverse effect on the Company's business, financial condition and operational results.

XIII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

House-leasing contracts have been entered between the Company and Shanghai Lujiazui Capital Plaza Co., Ltd. (上海陸家嘴商務廣場有限公司). The total rental income within the lease term is RMB14,174,300 (tenure for 2 years and 11 months); the rental income within the reporting period was RMB2,429,900;

House-leasing contracts have been entered between the Company and Ms. Wen Rongli (an individual). The total rental income within the lease term is RMB12,675,800 (tenure for 5 years); the rental income within the reporting period was RMB1,201,600;

House-leasing contracts have been entered between the Company's subsidiary Equity Exchange Co. and Henan Kun Wu Properties Limited (河南坤午置業有限公司). The total rental income within the lease term is RMB12,684,100 (5 years for tenure); the rental income within the reporting period was RMB1,145,100;

House-leasing contracts have been entered between the Company's subsidiary Ashmore-CCSC Fund Management and Shanghai Bading Property Development Co., Ltd. (上海巴鼎房地產發展有限公司). The total rental income within the lease term is RMB20,995,200 (4 years for tenure); the rental income within the reporting period was RMB2,624,400.

A house-leasing contract has been entered into between the Company's subsidiary Central China International Securities Co., Ltd. and Hongkong Land Holdings Limited. The total rental income within the lease term is HK\$13,320,450 (3 years for tenure). The rental income within the reporting period was HK\$2,220,075.

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

XIV. NEWLY OBTAINED BUSINESS QUALIFICATION

On 8 August 2016, the Company became a market maker in the Inter-institution OTC Market (機構間私募產品報價與服務系統).

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

The Company was classified into category "A" under type "A" in the 2016 classification and evaluation of securities companies by CSRC.

XVI. CHANGE IN DETAILS OF DIRECTORS AND SUPERVISORS

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 2015 annual report, save for the followings:

On 7 January 2016, the former independent Supervisor, Ms. Lee Kit Ying, resigned as an independent Supervisor of the fifth session of the Supervisory Committee of the Company due to her family reasons and her wish to devote more time to personal commitments. On 9 May 2016, the Company held the 2015 annual general meeting and Mr. Xia Xiaoning was appointed as an independent Supervisor of the fifth session of the Supervisory Committee of the Company. Ms. Lee Kit Ying resigned as the independent Supervisor with effect from the same date.

After the end of the reporting period, on 20 July 2016, the Supervisory Committee of the Company received a written letter of resignation from a Supervisor of the Company, Mr. Cui Yuanfeng. Due to his re-designation as the personnel of relevant government authority, thereby not fulfilling the requirements for supervisors under existing laws and regulations, Mr. Cui resigned as a shareholder representative Supervisor of the fifth session of the Supervisory Committee, and his resignation has become effective as of the date on which his written letter of resignation was served to the Supervisory Committee. For more details, please refer to the announcement of the Company dated 20 July 2016.

On 1 August 2016, Mr. Zhang Xiaoqi, the Director of the Company, was appointed as the general manager by Central China International Investment Company Limited.

XVII. PERFORMANCE OF SOCIAL RESPONSIBILITY

The Company has strengthened performance of the corporate social responsibility, carried out charitable donation activities positively, and committed itself to the social and public welfare undertakings. As of the date of this report, the Company has accumulatively donated RMB5.0 million to Henan Foundation for Poverty Alleviation, for the purpose of comprehensive poverty alleviation and development.

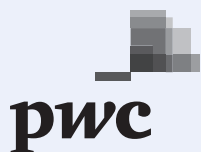
XVIII. ENVIRONMENTAL POLICY AND PERFORMANCE

As a responsible enterprise, the Group has profoundly acknowledged that we have the responsibility to minimize any adverse impact on the environment due to our business operation. Therefore, the Group has committed itself to reducing any environmental impacts by virtue of prudent management of energy consumption and resource utilization.

In terms of business management, the Group adheres to the principle of rational utilization of energy and other resources and dedicates itself to reducing carbon emissions. Measures adopted by the Group include:

- Encourage the employees to adopt the duplex printing mode;
- Remind the employees of reducing wastes at time of printing and photocopying; and
- Put a paper box in the office to collect the single-sided papers for recycling.

Meanwhile, we encourage employees to save energy and reduce consumption, e.g., reducing unnecessary lighting and air-conditioning usage to reach the goals of energy consumption and emission reduction.



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 48 to 116 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 2016 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, 22 August 2016

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

As at 30 June 2016

(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
Continuing operations			
Revenue			
– Commission and fee income	4	716,476	1,886,424
– Interest income	5	597,420	762,973
– Net investment gains	6	153,416	457,163
		1,467,312	3,106,560
Other income and gains	7	32,462	13,380
Total revenue and other income		1,499,774	3,119,940
Commission and fee expenses	8	(101,038)	(271,298)
Interest expenses	9	(404,292)	(453,048)
Staff costs	10	(377,972)	(736,725)
Depreciation and amortisation		(32,452)	(32,152)
Other operating expenses	11	(154,344)	(242,289)
Impairment losses	12	(3,224)	(8,233)
Total expenses		(1,073,322)	(1,743,745)
Profit before income tax		426,452	1,376,195
Income tax expense	13	(96,849)	(350,386)
Profit for the period from continuing operations		329,603	1,025,809
Discontinued operations			
Loss for the period from discontinued operations		(15,225)	(10,963)
Profit for the period		314,378	1,014,846
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets			
– Changes in fair value		(23,797)	26,772
– Income tax effect on changes in fair value		3,911	(7,161)
– Reclassification adjustments for gains included in the consolidated income statement, net		–	(4,280)
Foreign currency translation reserve		5,959	(982)
Other comprehensive income for the period, net of tax		(13,927)	14,349
Total comprehensive income for the period		300,451	1,029,195

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

As at 30 June 2016

(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
Profit attributable to:			
– Shareholders of the Company		306,156	1,012,251
– Non-controlling interests		8,222	2,595
		314,378	1,014,846
Profit attributable to shareholders of the Company arises from:			
– Continuing operations		313,921	1,017,842
– Discontinued operations		(7,765)	(5,591)
		306,156	1,012,251
Total comprehensive income attributable to:			
– Shareholders of the Company		286,119	1,026,802
– Non-controlling interests		14,332	2,393
		300,451	1,029,195
Total comprehensive income for the period attributable to shareholders of the Company arising from:			
– Continuing operations		293,884	1,032,393
– Discontinued operations		(7,765)	(5,591)
		286,119	1,026,802
Earnings per share from continuing and discontinued operations attributable to shareholders of the Company			
Basic/Diluted earnings per share			
From continuing operations	14	0.10	0.38
From discontinued operations	14	–	–
From profit for the period		0.10	0.38
Dividends	15	676,984	315,794

The notes on pages 56 to 116 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

As at 30 June 2016

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Assets			
Non-current assets			
Property and equipment	16	239,512	236,096
Investment properties		21,030	21,225
Goodwill		21,466	7,269
Intangible assets		148,807	155,961
Investment in associates	17	289,755	91,864
Other non-current assets		21,203	24,452
Available-for-sale financial assets	18	444,571	569,042
Financial assets held under resale agreements	19	758,100	531,169
Entrusted loans	20	118,206	–
Deferred income tax assets	21	161,384	209,335
Refundable deposits	22	409,218	422,907
Total non-current assets		2,633,252	2,269,320
Current assets			
Other current assets	23	608,954	528,544
Entrusted loans	20	315,492	260,628
Margin accounts receivable	24	5,832,433	8,158,803
Available-for-sale financial assets	18	2,303,627	1,890,799
Financial assets held under resale agreements	19	6,329,313	6,295,521
Derivative financial assets	25	–	–
Financial assets held for trading	26	7,042,801	5,045,128
Clearing settlement funds	27	2,155,392	4,455,616
Cash held for brokerage clients		10,111,706	10,739,356
Cash and bank balances	28	2,685,361	1,968,105
Assets of disposal group classified as held for sale	29	20,857	39,429
Total current assets		37,405,936	39,381,929
Total assets		40,039,188	41,651,249
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	30	3,223,735	3,223,735
Capital reserve		1,868,458	1,864,928
Surplus reserve		604,797	604,797
General reserve		531,483	531,483
Transaction risk reserve		503,393	503,393
Available-for-sale financial assets revaluation reserve		4,707	30,703
Retained earnings		1,022,389	1,396,747
Foreign currency translation reserve		11,754	5,795
Total equity attributable to shareholders of the Company		7,770,716	8,161,581
Non-controlling interests		805,767	714,873
Total equity		8,576,483	8,876,454

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Liabilities			
Non-current liabilities			
Bonds payable	31	5,993,171	5,291,078
Bank loans	32	52,863	51,818
Deferred income tax liabilities	21	40,472	49,157
Total non-current liabilities		6,086,506	5,392,053
Current liabilities			
Other current liabilities		717,324	1,272,545
Financial liabilities designated at fair value			
through profit or loss	33	1,059,966	1,144,170
Tax payable	34	113,805	267,155
Bank loans	32	618,361	–
Bonds payable	31	3,049,359	2,650,000
Short-term notes payable	35	845,000	2,456,960
Financial assets sold under repurchase agreements	36	6,168,961	4,712,965
Financial liabilities held for trading	37	464,726	–
Derivative financial liabilities	25	62	–
Accounts payable to brokerage clients	38	12,330,286	14,867,251
Liabilities of disposal group classified as held for sale	29	8,349	11,696
Total current liabilities		25,376,199	27,382,742
Total liabilities		31,462,705	32,774,795
Total equity and liabilities		40,039,188	41,651,249

The notes on pages 56 to 116 form an integral part of this condensed interim consolidated financial information.

Approved and authorized by the Board of Directors on 22 August 2016.

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 2016

(All amounts in RMB'000 unless otherwise stated)

	(Unaudited)									
	Attributable to shareholders of the Company									
	Share capital <i>(Note 30)</i>	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 2016	3,223,735	1,864,928	604,797	531,483	503,393	30,703	1,396,747	5,795	714,873	8,876,454
Profit for the period	-	-	-	-	-	-	306,156	-	8,222	314,378
Other comprehensive income for the period	-	-	-	-	-	(25,996)	-	5,959	6,110	(13,927)
Total comprehensive income for the period	-	-	-	-	-	(25,996)	306,156	5,959	14,332	300,451
2015 final dividend declared and settled in cash	-	-	-	-	-	-	(676,984)	-	-	(676,984)
Dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	(15,838)	(15,838)
Net capital contribution for subsidiaries by non-controlling shareholders	-	-	-	-	-	-	-	-	92,400	92,400
Conversion into a joint stock company by capitalization of reserves and retain earnings	-	3,530	-	-	-	-	(3,530)	-	-	-
Balance at 30 June 2016	3,223,735	1,868,458	604,797	531,483	503,393	4,707	1,022,389	11,754	805,767	8,576,483

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016
(All amounts in RMB'000 unless otherwise stated)

(Unaudited)										
Attributable to shareholders of the Company										
	Share capital	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 a 1 January 2015	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	2,631,616	504,649	399,283	380,772	366,383	42,278	2,173,716	(982)	530,834	7,028,549

The notes on pages 56 to 116 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 2016

(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Cash flows from operating activities		
Profit before income tax	426,452	1,376,195
Adjustments for:		
Depreciation and amortization	32,452	32,152
Impairment losses	3,224	8,233
Net losses/(gains) on disposal of property and equipment	109	(5)
Foreign exchange losses	2,590	1,005
Interest expenses of short-term notes	36,905	61,614
Interest expenses of bonds	237,767	146,915
Interest expenses of bank loans	2,477	–
Net (gains) on disposal of available-for-sale financial assets	(1,053)	(18,730)
Dividends and interest income from available-for-sale financial assets	(30,550)	(45,647)
Changes in fair value of financial instruments at fair value through profit or loss	31,842	98,213
Investment gains from associates	(11,149)	(1,264)
	731,066	1,658,681
Net decrease/(increase) in operating assets:		
Financial assets held under resale agreements	(262,406)	145,983
Cash held for brokerage clients	627,649	(11,934,481)
Other assets	2,190,222	(9,738,266)
Net increase/(decrease) in operating liabilities:		
Accounts payable to brokerage clients	(2,536,965)	12,429,289
Financial liabilities designated at fair value through profit or loss	(88,070)	(70,404)
Other liabilities	1,555,987	2,125,988
Income tax paid	(210,934)	(209,503)
Net decrease in assets of disposal group classified as held for sale	(14,460)	(43,411)
Net cash inflow/(outflow) from operating activities	1,992,089	(5,636,124)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016
(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Cash flows from investing activities		
Dividends and interest received from available-for-sale financial assets	30,550	45,647
Net cash flows from purchase and disposal of property and equipment, intangible assets and other long-term assets	(33,739)	(16,074)
Capital injection to associates	(44,700)	(21,700)
Net cash flows from disposal or purchase of available-for-sale financial assets	(307,210)	172,019
Payment for acquisition transaction	(14,616)	–
Net decrease in liabilities of disposal group classified as held for sale	(365)	(119)
Net cash (outflow)/inflow from investing activities	(370,080)	179,773
Cash flows from financing activities		
Dividends paid	(692,822)	(315,794)
Cash received from issuance of short-term notes	–	4,642,985
Net cash received from issuance of bonds	2,058,212	7,222,346
Capital injection of subsidiaries from non-controlling shareholders	92,400	301,652
Repayment of short-term notes	(2,033,504)	(3,452,318)
Repayment of bonds	(1,000,000)	–
Cash received from bank loans	617,129	–
Net cash (outflow)/inflow from financing activities	(958,585)	8,398,871
Net increase in cash and cash equivalents	663,424	2,942,520
Cash and cash equivalents at the beginning of the period	2,144,554	1,596,054
Effect of exchange rate changes on cash and cash equivalents	(2,590)	(902)
Cash and cash equivalents at the end of the period (Note 39)	2,805,388	4,537,672
Cash and cash equivalents at the end of the period – Continuing operations	2,804,090	4,523,762
Cash and cash equivalents at the end of the period – Discontinued operations	1,298	13,910
Cash and cash equivalents at the end of the period (Note 39)	2,805,388	4,537,672

The notes on pages 56 to 116 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. 13370000 and business license No.91410000744078476K to the Company, respectively. The registered address of the Company is No. 10 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province. As at 30 June 2016, the registered capital of the Company is RMB3,223,734,700.

The principle business of the Company and its subsidiaries (the "Group") include securities and futures brokerages, 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 Company completed its placement of H shares on Hong Kong Stock Exchange on 3 August 2015. The Company issued a total of 592,119,000 shares with a nominal value of RMB1.00 per share. After this placement, total share capital of the Company was increased to RMB3,223,734,700.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(1) Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standard (IAS) 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. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial information relating to the year ended 31 December 2015 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2016 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. The Company's auditor has expressed an unqualified opinion on those financial statements in the report dated 18 March 2016.

(2) 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 principal accounting policies and methods of computation used in the condensed interim financial information for the six months ended 30 June 2016 are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

(3) Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the financial statements, the International Accounting Standards Board (IASB) has issued the following amendments, new standards and interpretations which are not yet effective for the period ended 30 June 2016 and which have not been adopted in the financial statements.

Standards	Effective for annual period beginning on or after
Amendment to IAS 7, "Statements of Cash Flow", disclosure initiative	1 January 2017
Amendment to IAS 12, "Income Taxes" on recognition of deferred tax assets for unrealised losses	1 January 2017
IFRS 9, "Financial Instruments"	1 January 2018
IFRS 15, "Revenue from Contracts with Customers"	1 January 2018
IFRS 16, "Leases"	1 January 2019

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(3) Possible impact of amendments, new standards and interpretations issued but not yet effective (continued)

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. The Group is currently assessing the impact of IFRS 9.
- IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time. The Group is currently assessing the impact of IFRS 16.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(4) Taxation

The Group's main applicable taxes and tax rates are as follows:

Business tax

Business tax is charged at 5% on taxable income.

Business Taxes to Value Added Taxes ("VAT") Reform

Pursuant to the "Circular regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform" (Cai Shui [2016] No. 36) issued by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") on 23 March 2016, taxpayers across the country in the financial industries are required to pay value added taxes instead of business taxes since 1 May 2016. The revenue from loan services, direct financial services and financial commodity transferring is included in the scope of pilot programs to pay VAT instead of business tax, and the appropriate tax rate is 6%.

City construction tax

City construction tax is calculated as 1% – 7% of business tax or VAT.

Educational surcharge

Educational surcharge is calculated as 3% of business tax or VAT.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(4) Taxation (continued)

Income tax

The income tax rate that is applicable to the Company and its subsidiaries in Mainland China is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent allowed under the relevant income tax laws of the PRC. All tax exemptions are determined upon approval from the relevant tax authorities.

Current liabilities arising from the above taxes are presented as "taxes payable" on the statement of financial position.

3 SIGNIFICANT ACCOUNTING ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

4 COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Securities brokerage	480,936	1,531,770
Financial advisory	98,075	8,170
Investment advisory	64,265	167,753
Underwriting and sponsorship	27,277	119,795
Asset management and fund management	25,934	36,611
Futures brokerage	19,450	22,325
Listing service	539	–
Total	716,476	1,886,424

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

5 INTEREST INCOME

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Margin financing and securities lending	250,664	482,344
Deposits with banks	173,561	169,752
Financial assets held under resale agreements	156,512	88,902
Entrusted loans	16,683	21,975
Total	597,420	762,973

6 NET INVESTMENT GAINS

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Realised (losses)/gains from disposal of financial assets held for trading	(28,882)	422,920
Dividends and interest income from financial assets held for trading	171,713	136,730
Dividends and interest income from available-for-sale financial assets	30,550	45,647
Realised gains from disposal of available-for-sale financial assets	1,053	18,730
Net realised losses from derivative financial instruments	(325)	(69,915)
Investment gains from associates	11,149	1,264
Unrealised fair value change of financial instruments at fair value through profit or loss		
– Financial assets held for trading	(23,869)	61,874
– Derivative financial instruments	(4,107)	30,745
– Financial liabilities designated at fair value through profit or loss	(3,866)	(190,832)
Total	153,416	457,163

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

7 OTHER INCOME AND GAINS

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Government grants ⁽¹⁾	29,105	10,212
Rental income	1,744	1,610
Others	1,613	1,558
Total	32,462	13,380

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

8 COMMISSION AND FEE EXPENSES

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Securities brokerage	94,003	255,191
Financial advisory	3,278	678
Asset and fund management	1,910	3,944
Underwriting and sponsorship	1,847	11,485
Total	101,038	271,298

9 INTEREST EXPENSES

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Corporate bonds issued	237,767	146,915
Financial assets sold under repurchase agreements	97,432	150,115
Short-term notes issued	36,905	61,614
Due to other financial institutions	4,250	65,144
Others	27,938	29,260
Total	404,292	453,048

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

10 STAFF COSTS

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Salaries and bonus	255,336	640,012
Pension	78,500	39,448
Labor union funds and employee education funds	10,868	28,668
Other social security benefits	27,564	23,188
Other welfare	5,704	5,409
Total	377,972	736,725

11 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Business tax and surcharges	46,985	141,988
Rental expenses	24,493	20,657
Securities investors protection fund	9,195	17,942
Electronic device operating costs	8,106	4,522
Consulting fees	7,353	8,411
Communication costs	8,171	7,746
Exchange annual fees	4,119	2,385
Property management fees	3,459	2,686
Utilities	2,985	5,052
Labor protection fees	2,642	332
Publicity expenses	2,629	776
Auditor's remuneration	2,521	2,655
– Audit services	2,492	2,565
– Non-audit services	29	90
Foreign exchange losses, net	2,590	1,005
Donation	1,500	–
Others	27,596	26,132
Total	154,344	242,289

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

12 IMPAIRMENT LOSSES

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Entrusted loans	3,579	480
Financial assets held under resale agreements	1,683	(1,909)
Accounts receivable	830	646
Available-for-sale financial assets	19	–
Margin accounts receivable	(2,887)	9,016
Total	3,224	8,233

13 INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Current		
– Mainland China	53,153	361,068
– Hong Kong	519	–
Deferred	43,177	(10,682)
Total	96,849	350,386

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	
	2016 (Unaudited)	2015 (Unaudited)
Profit attributable to shareholders of the Company	306,156	1,012,251
– Continuing operations	313,921	1,017,842
– Discontinued operations	(7,765)	(5,591)
Weighted average number of ordinary shares in issue	3,223,735	2,631,616
Basic earnings per share (in RMB)	0.10	0.38
– Continuing operations	0.10	0.38
– Discontinued operations	–	–

For the six months ended 30 June 2016 and 2015, 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 2015 profit distribution was approved in the 2015 annual general shareholders' meeting held on 10 May 2016 in Zhengzhou. Total dividend of RMB676,984,287 was declared and paid out as of 30 June 2016.

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	Construction In progress	Total
(Unaudited)					
Cost					
1 January 2016	180,155	27,496	296,920	543	505,114
Additions	-	298	18,566	1,298	20,162
Transfer to investment properties	(418)	-	-	-	(418)
Disposals	-	-	(3,620)	-	(3,620)
30 June 2016	179,737	27,794	311,866	1,841	521,238
Accumulated depreciation					
1 January 2016	(38,857)	(17,589)	(212,572)	-	(269,018)
Charges	(2,331)	(1,115)	(12,691)	-	(16,137)
Transfer to investment properties	176	-	-	-	176
Disposals	-	(3)	3,256	-	3,253
30 June 2016	(41,012)	(18,707)	(222,007)	-	(281,726)
Carrying amount					
30 June 2016	138,725	9,087	89,859	1,841	239,512

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	Construction in progress	Total
(Audited)					
Cost					
1 January 2015	179,041	26,481	262,065	100	467,687
Additions	–	3,028	48,365	443	51,836
Transfer from investment properties	1,114	–	–	–	1,114
Transfer to disposal group held for sale	–	(696)	(7,723)	–	(8,419)
Disposals	–	(1,317)	(5,787)	–	(7,104)
31 December 2015	180,155	27,496	296,920	543	505,114
Accumulated depreciation					
1 January 2015	(34,051)	(17,204)	(199,286)	–	(250,541)
Additions	(4,660)	(1,944)	(25,482)	–	(32,086)
Transfer from investment properties	(146)	–	–	–	(146)
Transfer to disposal group held for sale	–	296	7,023	–	7,319
Disposals	–	1,263	5,173	–	6,436
31 December 2015	(38,857)	(17,589)	(212,572)	–	(269,018)
Carrying amount					
31 December 2015	141,298	9,907	84,348	543	236,096

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

17 INVESTMENT IN ASSOCIATES

Details of the investment in associates, unlisted, are as below:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Balance at beginning of the period/year	91,864	49,685
Investment in associates	186,742	39,930
Changes profit or loss	11,149	2,249
Balance at end of the period/year	289,755	91,864

The investment in associates are mainly composed of those invested by Zhongding Kaiyuan Venture Capital Management Co., Ltd., and Henan Zhongyuan Kechuang Venture Capital Investment Fund (limited partnership), both are subsidiaries of the Company registered in Mainland China.

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 2016 (Unaudited)	31 December 2015 (Audited)
At fair value		
Specified asset management schemes ⁽¹⁾	320,639	317,799
Debt securities	171,107	–
Investments in unlisted companies	–	12,000
Collective asset management schemes	–	242,976
Investment funds	1,740	1,936
Less: impairment allowance	(83,612)	(68,148)
Subtotal	409,874	506,563
At cost		
Investments in unlisted companies	37,073	64,855
Less: impairment losses	(2,376)	(2,376)
Subtotal	34,697	62,479
Total	444,571	569,042
Analysed as		
Unlisted	444,571	569,042
Total	444,571	569,042

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 2016 (Unaudited)	31 December 2015 (Audited)
At fair value		
Collective asset management schemes	372,971	24,101
Equity securities	190,024	126,674
Specified asset management schemes ⁽¹⁾	149,931	69,971
Targeted asset management schemes	149,000	150,000
Trust schemes	62,295	36,200
Investment funds	49,537	120,495
Wealth management products	5,000	70,550
Others ⁽²⁾	1,340,287	1,336,310
Less: impairment allowance	(42,857)	(58,302)
Subtotal	2,276,188	1,875,999
At cost		
Equity securities	27,439	14,800
Subtotal	27,439	14,800
Total	2,303,627	1,890,799
Analysed as		
Listed outside Hong Kong	1,486,646	1,491,643
Listed in Hong Kong	88,421	93,887
Unlisted	728,560	305,269
Total	2,303,627	1,890,799

(1) In 2015, the Group set aside an impairment allowance of RMB126.45 million for the Da Cheng Xi Yellow River Bridge specified asset management scheme ("Da Cheng Xi Scheme") based on independent valuation. In 2016, the Group becomes the sole investor of the scheme. The directors of the Company concluded that the impairment allowance of RMB126.45 million remains sufficient on 30 June 2016.

(2) Others mainly include the investment made by the Company together with other China securities companies through specified investment account in China Securities Finance Corporation Limited ("CSF"). According to the agreements, the investment is operated by CSF and all investees share the income and loss based on investment proportion. On 1 September 2015, the Group made investment with total amount of RMB1,323 million. As at 30 June 2016, the fair value of the investment shows a negative change of RMB3 million according to the valuation report provided by CSF.

As at 30 June 2016, available-for-sale financial assets of the Group included securities lent to clients of RMB11.91 million (31 December 2015: RMB12.77 million).

19 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Non-current assets

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Analysed by asset type:		
– Equity securities	760,000	532,500
Less: Impairment provision	(1,900)	(1,331)
Total	758,100	531,169
Analysed by market:		
– Shenzhen Stock Exchange	760,000	532,500
Less: Impairment provision	(1,900)	(1,331)
Total	758,100	531,169

Current assets

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Analysed by asset type:		
– Debt securities	4,400,555	4,877,236
– Equity securities	1,933,342	1,421,756
Less: Impairment provision	(4,584)	(3,471)
Total	6,329,313	6,295,521
Analysed by market:		
– Interbank market	4,114,754	4,877,236
– Shenzhen Stock Exchange	1,093,173	752,239
– Shanghai Stock Exchange	911,500	669,517
– Hong Kong Stock Exchange	214,470	–
Less: Impairment provision	(4,584)	(3,471)
Total	6,329,313	6,295,521

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 2016, the fair value of securities of the Group which have been placed as collateral was RMB4,878.67 million (31 December 2015: RMB1,892.59 million).

One agreement with stock collateral of RMB121 million was overdue as of 30 June 2016. The directors of the Company, taking into consideration of the value of collateral and external legal advice, concluded that the amount can be fully recovered and no provision is recognised as of 30 June 2016.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

20 ENTRUSTED LOANS

Non-current assets

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Entrusted loans	119,400	–
Less: Impairment allowance	(1,194)	–
Total	118,206	–

Current assets

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Entrusted loans	320,510	263,261
Less: Impairment allowance	(5,018)	(2,633)
Total	315,492	260,628

Entrusted loans represent the Group's lending to third parties via domestic commercial banks, with interest rates ranging from 8.00% to 13.50% per annum.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

21 DEFERRED INCOME TAX ASSETS AND LIABILITIES

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 instruments held for trading	Changes in fair value of derivatives	Accrual and others	Total
(Audited)							
As at 1 January 2015	14,981	82,555	-	-	1,474	5,459	104,469
Income statement charge	29,019	74,494	-	-	(1,474)	2,811	104,850
Tax charge relating to components of other comprehensive income	-	-	16	-	-	-	16
As at 31 December 2015	44,000	157,049	16	-	-	8,270	209,335
(Unaudited)							
As at 1 January 2016	44,000	157,049	16	-	-	8,270	209,335
Income statement charge	807	(48,125)	-	208	760	(1,650)	(48,000)
Tax charge relating to components of other comprehensive income	-	-	49	-	-	-	49
As at 30 June 2016	44,807	108,924	65	208	760	6,620	161,384

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 2015	(8,836)	(13,429)	–	(5,572)	(27,837)
Income statement charge	–	(8,261)	(182)	(9,701)	(18,144)
Tax charge relating to components of other comprehensive income	(3,176)	–	–	–	(3,176)
As at 31 December 2015	(12,012)	(21,690)	(182)	(15,273)	(49,157)
(Unaudited)					
As at 1 January 2016	(12,012)	(21,690)	(182)	(15,273)	(49,157)
Income statement charge	–	4,790	182	(149)	4,823
Tax charge relating to components of other comprehensive income	3,862	–	–	–	3,862
As at 30 June 2016	(8,150)	(16,900)	–	(15,422)	(40,472)

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 2016 (Unaudited)	31 December 2015 (Audited)
Balance at beginning of the period/year	160,178	76,632
Income statement charge	(43,177)	86,706
Tax charge relating to components of other comprehensive income	3,911	(3,160)
Balance at the end of period/year	120,912	160,178

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

22 REFUNDABLE DEPOSITS

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Deposits with Stock Exchanges		
– Shanghai Stock Exchange	30,939	58,155
– Shenzhen Stock Exchange	29,110	45,819
– National Equities Exchange and Quotations	800	550
Deposits with Futures and Commodities Exchanges		
– China Financial Futures Exchange	158,743	185,582
– Shanghai Futures Exchange	97,095	61,900
– Zhengzhou Commodities Exchange	42,001	46,800
– Dalian Commodities Exchange	40,582	24,101
Deposits with China Securities Finance Corporation Limited	9,948	–
Total	409,218	422,907

23 OTHER CURRENT ASSETS

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Interest receivable	424,985	257,758
Accounts receivable	103,625	30,594
Others receivables	75,042	230,494
Other	35,784	39,350
Less: Impairment allowance	(30,482)	(29,652)
Total	608,954	528,544

24 MARGIN ACCOUNT RECEIVABLE

As at 30 June 2016 and 31 December 2015, 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 assets of the Group mainly represent stock index futures contracts and commodity futures contracts. The Group settles its gains or losses on position on a daily basis, with the corresponding receipts and payments as at 30 June 2016 and 31 December 2015 included in "clearing settlement funds".

	30 June 2016		31 December 2015	
	Contractual value (Unaudited)	Negative fair value (Unaudited)	Contractual value (Audited)	Positive fair value (Audited)
Futures	392,453	(3,429)	87,045	727
Less: settlement		3,429		(727)
Options	111,155	(62)	–	–
Net position		(62)		–

26 FINANCIAL ASSETS HELD FOR TRADING

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Debt securities	6,177,857	3,838,532
Equity securities	710,412	720,790
Investment funds	132,722	485,806
Others	21,810	–
Total	7,042,801	5,045,128
Analysed as		
Listed outside Hong Kong	6,881,877	4,964,105
Listed Hong Kong	8,811	11,023
Unlisted	152,113	70,000
Total	7,042,801	5,045,128

As at 30 June 2016, the fair values of securities of the Group which have been placed as collateral were RMB2,536.49 million (31 December 2015: RMB2,712.61 million).

Those "listed outside Hong Kong" included securities and investment funds traded in the PRC's interbank bond markets, Shanghai Stock Exchanges, Shenzhen Stock Exchanges and National Equities Exchange and Quotations.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

27 CLEARING SETTLEMENT FUNDS

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Clearing settlement funds held for clients	2,036,663	4,295,291
Proprietary clearing settlement funds	118,729	160,325
Total	2,155,392	4,455,616

28 CASH AND BANK BALANCES

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Cash	546	623
Bank balances	2,684,815	1,967,482
Total	2,685,361	1,968,105

As at 30 June 2016, the amounts of restricted cash and bank deposits were RMB16.19 million (31 December 2015: RMB46.74 million).

29 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The assets and liabilities related to Ashmore-CCSC, a 51% owned subsidiary of the Company, had been presented as held for sale as at 30 June 2016 and 31 December 2015. The Board of the Directors of the Company made a disposal decision of Ashmore-CCSC in 2015.

29.1 Assets of disposal group classified as held for sale

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Cash and bank balances	5,326	26,058
Financial assets at fair value through profit or loss	8,235	5,013
Refundable deposits	7	22
Clearing settlement funds	26	81
Other non-financial assets	7,263	8,255
Total	20,857	39,429

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

29 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

29.2 Liabilities of disposal group classified as held for sale

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Financial liabilities at fair value through profit or loss	3,675	6,012
Other liabilities	4,741	5,661
Tax payable	(67)	23
Total	8,349	11,696

As at 30 June 2016, the assets and liabilities held for sale were stated at carrying amount. Costs to sell were estimated as not significant. The carrying amounts of these assets and liabilities were equivalent to or very close to their respective fair value.

29 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

29.3 Analysis of the result of discontinued operations is as follows:

	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)
Revenue	(187)	4,954
Expenses	(15,038)	(15,917)
Loss before tax of discontinued operations	(15,225)	(10,963)
Less: Tax	-	-
Loss after tax of discontinued operations	(15,225)	(10,963)
Pre-tax loss recognised on the re-measurement of assets of the disposal group	-	-
Less: Tax	-	-
After tax loss recognised on the re-measurement of assets of the disposal group	-	-
Loss for the period from discontinued operations	(15,225)	(10,963)
Loss for the year from discontinued operations attributable to:		
– Shareholders of the Company	(7,765)	(5,591)
– Non-controlling interests	(7,460)	(5,372)
Loss for the period from discontinued operations	(15,225)	(10,963)

29.4 Analysis of the result of discontinued cash flow is as follows:

	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)
Operating cash flows	(14,460)	(43,411)
Investing cash flows	(365)	(119)
Financing cash flows	-	-
Total	(14,825)	(43,530)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

30 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 2016 (Unaudited)	31 December 2015 (Audited)
Issued and fully paid ordinary shares of RMB1 each		
– Domestic shares	1,973,706	1,973,706
– H shares	1,250,029	1,250,029
Total	3,223,735	3,223,735
Share Capital		
– Domestic shares	1,973,706	1,973,706
– H shares	1,250,029	1,250,029
Total	3,223,735	3,223,735

31 BONDS PAYABLE

Non-current liabilities

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Subordinated bonds	4,500,000	3,398,976
Corporate bond	1,493,171	1,492,102
Beneficiary certificates	–	400,000
Total	5,993,171	5,291,078

Current liabilities

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Subordinated bonds	3,049,359	2,650,000

31 BONDS PAYABLE (CONTINUED)

On 21 April 2016, the Company issued RMB2.50 billion three-year subordinated bonds at par value, paying annual interest at 4.20%.

Subordinated bonds of the Company pay annual interest rates ranging from 4.2% to 6% mainly with terms of one and a half year to three years.

Corporate bond of the Company pay annual interest rates of 6.2%. The terms of the corporate bond is five years, with the issuer's option of raising the interest rate and the investors' options of resale at the end of the third year.

32 BANK LOANS

Current liabilities

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Bank loans ⁽¹⁾	618,361	–
Subtotal	618,361	–

Non-current liabilities

Bank loans ⁽²⁾	52,863	51,818
Subtotal	52,863	51,818
Total	671,224	51,818

- (1) Part of the bank loans are overseas loans of HK\$489.50 million under domestic bank guarantee, equivalent to RMB418.36 million, which was borrowed by Central China International Financial Holdings Company Limited (the "CCIFHC"), a subsidiary of the Company registered in Hong Kong. The bank loans pays interest rate at 1.3% to 1.9% per annum plus Hong Kong Interbank Offered Rate (the "HIBOR").

The other part is an overnight loan of RMB200 million borrowed by the Company and pays interest rate at Shanghai Interbank Offered Rate (the "SHIBOR") plus 1.2% per annum.

- (2) The bank loan is a secured bank loan of US\$7,984,000, equivalent to RMB52.86 million borrowed by CCIFHC. The bank loan is repayable on 18 December 2018 and pays interest rate at London Interbank Offered Rate (the "LIBOR") plus 1.8% per annum.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

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.

34 TAX PAYABLE

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Corporate income tax	91,114	218,945
Value added tax	12,975	6
Individual income tax withheld	6,581	17,540
Business tax and additional charges	1	26,282
Others	3,134	4,382
Total	113,805	267,155

35 SHORT-TERM NOTES PAYABLE

Current liabilities

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Beneficiary certificates	845,000	456,960
Short-term notes payable	–	2,000,000
Total	845,000	2,456,960

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

36 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Current liabilities

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Analysed by asset type:		
– Debt securities	5,668,961	4,212,965
– Margin accounts receivable	500,000	500,000
Total	6,168,961	4,712,965
Analysed by market:		
– Interbank market	5,338,185	4,068,346
– Shanghai Stock Exchange	319,900	144,619
– Shenzhen Stock Exchange	10,876	–
– Others	500,000	500,000
Total	6,168,961	4,712,965
Analysed by transaction type:		
– Pledged	3,393,576	3,131,819
– Sold	2,775,385	1,581,146
Total	6,168,961	4,712,965

37 FINANCIAL LIABILITIES HELD FOR TRADING

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Debt securities	464,726	–
Total	464,726	–

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

38 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

Accounts payable to brokerage clients mainly include money held for clients placed at banks and at clearing houses by the Group, and are interest bearing at the prevailing market interest rates.

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

As at 30 June 2016, cash collateral received from clients for margin financing and securities lending arrangements amounted to RMB1,248.86 million (31 December 2015: RMB1,580.44 million), and are included in the Group's accounts payable to brokerage clients.

39 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 2016 (Unaudited)	31 December 2015 (Audited)
Cash	546	623
Bank deposits	2,686,113	1,983,606
Proprietary clearing settlement funds	118,729	160,325
Total	2,805,388	2,144,554

40 COMMITMENTS AND CONTINGENT LIABILITIES

40.1 Capital commitments

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Contracted but not provided for	38,556	12,073

40.2 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 2016 (Unaudited)	31 December 2015 (Audited)
Within 1 year	37,617	39,159
1 to 3 years	58,398	59,469
Over 3 years	24,010	27,792
Total	120,025	126,420

40.3 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.

The Company is involved as defendants in four lawsuits arising from certain finance lease contracts entered into by a former employee falsified as representative of the Company in 2015 and 2016. As at 30 June 2016, three cases have been withdrawn or suspended and the remaining one with claims against the Company is RMB1 million.

The Company is involved as defendant in a lawsuit arising from margin financing business entered into with a customer in 2016. As at 30 June 2016, the claim against the Company is RMB4 million.

The Directors of the Company, taking into consideration of external legal advice, concluded that these lawsuits will not have a material impact on the financial position, results of operations or cash flows of the Group.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

41 RELATED PARTY TRANSACTIONS

41.1 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 2016:

Significant related legal persons	The relationship with the Group	Stock holding percentage
Henan Investment Group	The controlling shareholder of the Company	27.02%
Bohai Industrial Investment Fund Management Co., Ltd. (representing Bohai Industrial Investment Fund)	Major shareholder holding over 5% shares of the Company	18.86%
Anyang Iron & Steel Group Co., Ltd. (hereinafter "Angang Group")	Major shareholder holding over 5% shares of the Company	5.83%
Henan Shenhua Group Co., Ltd.	Other shareholder of the Company	0.58%
Henan Venture Capital Co., Ltd.	Controlled by the controlling shareholder of the Company	–
Henan YuNeng Holdings Co., Ltd.	Controlled by the controlling shareholder of the Company	–
Henan Sky-Land Properties Co., Ltd.	Controlled by the controlling shareholder of the Company	–
Henan Sky-Land Hotel 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	–

41 RELATED PARTY TRANSACTIONS (CONTINUED)

41.2 Related party transactions and balances

41.2.1 The Company's controlling shareholder – Henan Investment Group

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

Transactions during the period

		Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
Income from providing securities brokerage services		–	78

41.2.2 The company's non-controlling shareholders

Transactions during the period

		Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
Angang Group	Income from providing securities brokerage services	–	37
Henan Shenhua Group Co., Ltd.	Interest income from financial assets held for trading	–	33

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

41 RELATED PARTY TRANSACTIONS (CONTINUED)

41.2 Related party transactions and balances (continued)

41.2.3 Enterprise controlled by the controlling shareholder of the Company

Transactions during the period

		Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
Henan Sky-Land Hotel Co., Ltd.	Prepayments decrease due to services provided	–	(55)
Henan Venture Capital Co., Ltd	Income from providing securities brokerage services	–	9

Balances at the end of the period/year

		30 June 2016 (Unaudited)	31 December 2015 (Audited)
Henan Sky-Land Hotel Co., Ltd.	Prepayments	845	845

41.2.4 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	
	2016 (Unaudited)	2015 (Unaudited)
Key management compensation	1,835	26,483

41.2.5 Loans and advances to directors, supervisors and senior executives

The Group had no material balance of loans and advances to directors, supervisors and senior executives as at the end of the reporting period. Those loans and advances to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

42 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) Overseas business: the overseas operations segment mainly represents the business operation of overseas subsidiary of the Company, which mainly engages in broking, margin financing, trading and investment and financial planning and advisory services;
- (h) 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, and there was no change in the basis during the period. The Group mainly operates business in Henan Province, the PRC.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

(All amounts in RMB'000 unless otherwise stated)

42 SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2016										Total (continued and discontinued)	
	Securities brokerage	Futures brokerage	Margin trading and securities lending	Investment banking	Proprietary trading	Investment and asset management	Overseas business	Other	Elimination	Total (continued)		Discontinued operation
Total revenue and other income												
Commission and fee income	500,244	19,806	41,678	98,272	-	45,681	7,521	4,528	(1,254)	716,476	74	716,550
- external	500,244	19,806	41,678	98,272	-	45,681	7,521	4,528	-	717,730	74	717,804
- internal	-	-	-	-	-	-	-	-	(1,254)	(1,254)	-	(1,254)
Interest income	32	10,727	250,991	-	61,103	18,200	13,464	242,903	-	597,420	178	597,598
- external	32	10,727	250,991	-	61,103	18,200	13,464	242,903	-	597,420	178	597,598
- internal	-	-	-	-	-	-	-	-	-	-	-	-
Net investment gains/(loss)	-	321	-	-	117,366	26,032	430	42,246	(32,980)	153,415	(851)	152,564
- external	-	321	-	-	117,366	26,032	430	42,246	-	186,395	(851)	185,544
- internal	-	-	-	-	-	-	-	-	(32,980)	(32,980)	-	(32,980)
Other gains/(loss)	2,992	170	18	1,300	11,752	70	140	16,685	(665)	32,462	7	32,469
- external	2,992	170	18	1,300	11,752	70	140	16,685	-	33,127	7	33,134
- internal	-	-	-	-	-	-	-	-	(665)	(665)	-	(665)
Total expenses	(321,004)	(18,731)	(181,155)	(91,267)	(185,298)	(45,149)	(17,778)	(214,887)	1,948	(1,073,321)	(14,633)	(1,087,954)
Profit before income tax	182,264	12,293	111,532	8,305	4,923	44,834	3,777	91,475	(32,951)	426,452	(15,225)	411,227
Total assets	12,307,555	1,284,334	333,337	87,021	6,088,969	2,794,788	919,896	18,130,660	(1,928,229)	40,018,331	20,857	40,039,188
Total liabilities	11,824,731	839,293	6,766	78,716	5,965,492	1,346,618	501,511	11,007,800	(116,570)	31,454,357	8,348	31,462,705

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42 SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2015

	Securities brokerage	Futures brokerage	Margin trading and securities lending	Investment banking	Proprietary trading	Investment and asset management	Overseas business	Other	Elimination	Total (continued)	Discontinued operation	Total (continued and discontinued)
Total revenue and other income												
Commission and fee income	1,486,189	22,335	208,539	128,015	-	41,831	-	1,053	(1,538)	1,886,424	96	1,886,520
- external	1,486,189	22,335	208,539	128,015	-	41,831	-	1,053	-	1,887,962	96	1,888,058
- internal	-	-	-	-	-	-	-	-	(1,538)	(1,538)	-	(1,538)
Interest income	7,921	12,745	488,444	-	15,507	22,630	49	215,677	-	762,973	544	763,517
- external	7,921	12,745	488,444	-	15,507	21,476	49	215,677	-	761,819	544	762,363
- internal	-	-	-	-	-	1,154	-	-	-	1,154	-	1,154
Net investment gains/(loss)	-	183	-	-	335,752	75,627	-	45,591	10	457,163	1,928	459,091
- external	-	183	-	-	335,752	75,475	-	45,591	-	457,001	1,928	458,929
- internal	-	-	-	-	-	152	-	-	10	162	-	162
Other gains/(loss)	3,539	97	-	600	5,276	2,525	-	1,593	(250)	13,380	2,386	15,766
- external	3,539	97	-	600	5,276	2,525	-	1,593	-	13,630	2,386	16,016
- internal	-	-	-	-	-	-	-	-	(250)	(250)	-	(250)
Total expenses	(661,298)	(21,979)	(387,948)	(115,251)	(165,420)	(41,374)	(5,384)	(346,482)	1,391	(1,743,745)	(15,917)	(1,759,662)
Profit before income tax	836,351	13,381	309,035	13,364	191,115	101,239	(5,335)	(82,568)	(387)	1,376,195	(10,963)	1,365,232
Total assets	22,849,965	1,177,268	2,542,930	33,322	3,625,309	2,150,762	37,712	20,894,376	(1,013,328)	52,298,316	-	52,298,316
Total liabilities	21,722,633	795,036	2,139,725	19,958	3,401,322	1,094,732	3,602	16,182,437	(89,678)	45,269,767	-	45,269,767

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43 FINANCIAL RISK MANAGEMENT

43.1 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.

Financial risk 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 financial 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.

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 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 as 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.

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43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 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.

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.2 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 are mainly 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, but for, inter-bank market transactions, the Group will assess the counterparties and only select those with an accepted 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 2016 and 31 December 2015, the Group's collateral assets 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.

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43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.2 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 2016 (Unaudited)	31 December 2015 (Audited)
Refundable deposits	409,218	422,907
Other current assets	573,170	489,194
Entrusted loans	433,698	260,628
Margin accounts receivable	5,832,433	8,158,803
Available-for-sale financial assets		
– Specified assets management scheme	344,119	261,320
– Collective asset management schemes	299,080	267,077
– Targeted asset management schemes	149,000	150,000
– Debt Securities	171,107	–
– Trust schemes	62,295	36,200
– Securities lent to clients	11,895	12,769
– Others	22,000	–
Financial assets held under resale agreements	7,087,413	6,826,690
Financial assets held for trading – Debt securities	6,177,857	3,838,532
Clearing settlement funds	2,155,392	4,455,616
Cash held for brokerage clients	10,111,706	10,739,356
Bank balances	2,684,815	1,967,482
Total	36,525,198	37,886,574

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43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.2 Credit risk (continued)

(2) Entrusted Loans analysed by economic sector concentrations

	30 June 2016		31 December 2015	
	Gross loan balance	Percentage	Gross loan balance	Percentage
Entrusted Loans				
– Leasing and Business Services	119,400	27.14%	–	–
– Manufacturing	114,610	26.06%	115,211	43.76%
– Agriculture, forestry, farming, fishing	112,600	25.60%	65,700	24.96%
– Public management, social securities and social organisation	49,750	11.31%	49,750	18.90%
– Whole sale and retail trade	37,050	8.42%	26,600	10.10%
– Real estate	500	0.11%	–	–
– Others	6,000	1.36%	6,000	2.28%
Total	439,910	100.00%	263,261	100.00%

(3) Entrusted Loans analysed by geographical sector concentrations

	30 June 2016		31 December 2015	
	Gross loan balance	Percentage	Gross loan balance	Percentage
Entrusted Loans				
– Central	365,260	83.03%	188,611	71.64%
– Pearl River Delta	39,800	9.05%	39,800	15.12%
– Western	19,850	4.51%	29,850	11.34%
– North Eastern	15,000	3.41%	5,000	1.90%
Total	439,910	100.00%	263,261	100.00%

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43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.2 Credit risk (continued)

(4) Entrusted Loans analysed by types of collateral

	30 June 2016		31 December 2015	
	Gross loan balance	Percentage	Gross loan balance	Percentage
Entrusted Loans				
– Loans secured by monetary assets	188,160	42.77%	166,211	63.14%
– Guaranteed loans	109,450	24.88%	94,050	35.72%
– Loans secured by tangible assets other than monetary assets	142,300	32.35%	3,000	1.14%
Total	439,910	100.00%	263,261	100.00%

(5) Overdue entrusted loans by overdue period

	30 June 2016 3 months to 1 year	31 December 2015 3 months to 1 year
Entrusted Loans		
– Guaranteed loans	3,700	–
As a percentage of entrusted loans	0.84%	–

The above analysis represents the gross amount of loans and advances overdue for more than three months.

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43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.2 Credit risk (continued)

(6) Distribution of entrusted loans in terms of credit quality is analysed as follows:

	30 June 2016	31 December 2015
Individually assessed and impaired gross amount	3,700	–
Allowances for impairment losses	(1,850)	–
Subtotal	1,850	–
Neither overdue nor impaired		
– Loans secured by monetary assets	188,160	166,211
– Guaranteed loans	105,750	94,050
– Loans secured by tangible assets other than monetary assets	142,300	3,000
Gross amount	436,210	263,261
Allowances for impairment losses ⁽¹⁾	(4,362)	(2,633)
Subtotal	431,848	260,628
Total	433,698	260,628

(1) The balances represent collectively assessed allowances of impairment losses.

43.3 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.

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43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.3 Market risk (continued)

43.3.1 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 25 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	
	2016 (Unaudited)	2015 (Unaudited)
Net interest income		
Increases by 25bps	15,130	14,528
Decreases by 25bps	(15,130)	(14,528)

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 the 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.

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.3 Market risk (continued)

43.3.2 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 2016, the foreign currency assets and liabilities held by the Group are 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 its currency risk is not material.

43.3.3 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 directors of 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.

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43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.3 Market risk (continued)

43.3.3 Price risk (continued)

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	
	2016 (Unaudited)	2015 (Unaudited)
Profit before income tax		
Increase by 10%	85,811	78,737
Decrease by 10%	(85,811)	(78,737)
Other comprehensive income before income tax		
Increase by 10%	164,090	31,340
Decrease by 10%	(164,090)	(31,340)

43.4 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.

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.4 Liquidity risk (continued)

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 to provide sufficient head-room as determined by the above-mentioned forecasts.

As at 30 June 2016 and 31 December 2015, the Group holds cash and cash equivalents of approximately RMB2,805 million and RMB2,145 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 RMB7,043 million and RMB5,045 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 RMB10,112 million and RMB10,739 million, client's clearing settlement funds of RMB2,155 million and RMB4,456 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 2016 and 31 December 2015. 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 each reporting period.

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43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.4 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 2016							
Non-derivative financial liabilities							
Bank loans	-	200,027	-	423,787	56,355	-	680,169
Short-term notes payable	-	-	202,992	707,871	-	-	910,863
Bonds payable	-	-	-	3,495,399	6,516,000	-	10,011,399
Derivative financial liabilities	62	-	-	-	-	-	62
Financial liabilities held for trading	-	465,018	-	-	-	-	465,018
Financial assets sold under repurchase agreements	-	5,674,456	-	551,159	-	-	6,225,615
Accounts payable to brokerage clients	12,330,286	-	-	-	-	-	12,330,286
Financial liabilities designated at fair value through profit or loss	(3,356)	-	79,570	896,552	135,595	-	1,108,361
Other current liabilities	546,600	-	-	-	-	-	546,600
Total	12,873,592	6,339,501	282,562	6,074,768	6,707,950	-	32,278,373
	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 2015							
Non-derivative financial liabilities							
Short-term notes payable	-	12,296	2,012,888	468,715	-	-	2,493,899
Bonds payable	-	-	81,900	3,051,249	5,949,032	-	9,082,181
Financial assets sold under repurchase agreements	-	4,218,353	24	551,159	-	-	4,769,536
Accounts payable to brokerage clients	14,867,251	-	-	-	-	-	14,867,251
Bank loans	-	-	-	-	55,241	-	55,241
Financial liabilities designated at fair value through profit or loss	(3,544)	-	66,819	969,768	139,644	-	1,172,687
Other current liabilities	915,098	-	-	-	-	-	915,098
Total	15,778,805	4,230,649	2,161,631	5,040,891	6,143,917	-	33,355,893

44 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.

44.1 Financial instruments not measured at fair value

The directors of the Company 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 ("CSF"). The Group assesses the fair value of refundable deposits approximates the carrying amount.

44.2 Financial instruments measured at fair value

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – 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 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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44 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

44.2 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 2016 and 31 December 2015.

	Level 1	Level 2	Level 3	Total
(Unaudited)				
As at 30 June 2016				
Financial assets held for trading				
– Equity securities	269,004	441,408	–	710,412
– Debt securities	1,566,840	4,611,017	–	6,177,857
– Investment funds	132,722	–	–	132,722
– Wealth management products	–	–	21,810	21,810
Available-for-sale financial assets				
– Equity securities	88,421	101,603	–	190,024
– Debts securities	–	60,000	111,107	171,107
– Investment funds	37,318	13,940	–	51,258
– Collective asset management schemes	–	112,333	260,638	372,971
– Targeted asset management schemes	–	–	149,000	149,000
– Specified asset management schemes	–	344,119	–	344,119
– Trust schemes	–	–	62,295	62,295
– Wealth management products	–	–	5,000	–
– Others	–	1,340,287	–	1,340,287
Total	2,094,305	7,024,707	609,850	9,728,862
Derivative financial liabilities	(62)	–	–	(62)
Financial liabilities held for trading	–	(464,726)	–	(464,726)
Financial liabilities at fair value through profit or loss	–	–	(1,059,966)	(1,059,966)
Total	(62)	(464,726)	(1,059,966)	(1,524,754)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

44 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

44.2 Financial instruments measured at fair value (continued)

	Level 1	Level 2	Level 3	Total
(Audited)				
As at 31 December 2015				
Financial assets held for trading				
– Equity securities	387,360	333,430	–	720,790
– Debt securities	1,710,073	2,128,459	–	3,838,532
– Investment funds	485,806	–	–	485,806
Available-for-sale financial assets				
– Equity securities	93,887	32,787	–	126,674
– Investment funds	107,745	14,686	–	122,431
– Collective asset management schemes	–	5,084	261,993	267,077
– Targeted asset management schemes	–	–	150,000	150,000
– Specified asset management schemes	–	261,320	–	261,320
– Wealth management products	–	–	70,550	70,550
– Trust schemes	–	–	36,200	36,200
– Investments in unlisted companies	–	–	12,000	12,000
– Others	–	1,336,310	–	1,336,310
Total	2,784,871	4,112,076	530,743	7,427,690
Financial liabilities at fair value through profit or loss				
	–	–	(1,144,170)	(1,144,170)

For the six months ended 30 June 2016 and the year ended 31 December 2015, there were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy of the Group.

(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.

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44 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

44.2 Financial instruments measured at fair value (continued)

(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.

(c) Valuation methods for specific investments

As at 30 June 2016 and 31 December 2015, 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 or an additional offering, fair values are determined using valuation techniques.

For National Equities Exchange and Quotations listed equity securities, the fair value is determined based on the closing price as at the reporting date and adjusted by the valuation techniques due to the low transaction frequency. The adjustment is based on the potential maximum losses that could occur at a given level of confidence due to variation in interest rates, stock prices and exchange rates over a certain period, which are all observable.

- (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.

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44 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

44.2 Financial instruments measured at fair value (continued)

(c) Valuation methods for specific investments (continued)

- (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.

(d) Financial instruments in Level 3

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2016 and for the year ended 31 December 2015.

	Available-for-sale financial assets (Unaudited)
Balance at 1 January 2016	530,743
Increase	168,985
Decrease	(111,688)
Balance at 30 June 2016	588,040
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”	10,960
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the period	1,672

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44 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

44.2 Financial instruments measured at fair value (continued)

(d) Financial instruments in Level 3 (continued)

	Available-for-sale financial assets (Audited)		Financial liabilities designated at fair value through profit or loss (Unaudited)
Balance at 1 January 2015	198,648		1,144,170
Increase	349,737		(3,075)
Decrease	(17,642)		38,362
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Balance at 31 December 2015	530,743		(119,491)
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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"	18,530		(3,075)
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Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	2,993		(3,075)
	<hr/>		<hr/>
Balance at 1 January 2016			1,059,966
Losses recognised in profit or loss			(3,075)
Purchase			38,362
Settlements			(119,491)
			<hr/>
Balance at 30 June 2016			1,059,966
			<hr/>
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"			(3,075)
			<hr/>
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the period			(3,075)
			<hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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44 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

44.2 Financial instruments measured at fair value (continued)

(d) Financial instruments in Level 3 (continued)

	Financial liabilities designated at fair value through profit or loss (Audited)
Balance at 1 January 2015	791,074
Consolidation of SEs	678,500
Losses recognised in profit or loss	(219,754)
Purchase	127,763
Settlements	(233,413)
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Balance at 31 December 2015	1,144,170
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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"	(219,754)
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Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	(219,754)
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

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44 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

44.2 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 – Specified asset management schemes	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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015
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45 MATURITY PROFILE OF ASSETS AND LIABILITIES

An analysis of the maturity profile of certain assets and liabilities of the Group as at 30 June 2016 and 31 December 2015 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 2016					
Assets					
Margin accounts receivable	-	5,832,433	-	-	5,832,433
Entrusted loans	-	315,492	118,206	-	433,698
Financial assets held under resale agreements	-	6,329,313	758,100	-	7,087,413
Financial assets held for trading – Debt securities	-	2,144,247	2,532,192	1,501,418	6,177,857
Clearing settlement funds	2,155,392	-	-	-	2,155,392
Cash held for brokerage clients	10,111,706	-	-	-	10,111,706
Cash and bank balances	2,555,361	130,000	-	-	2,685,361
Total	14,822,459	14,751,485	3,408,498	1,501,418	34,483,860
Liabilities					
Bank loans	-	618,361	52,863	-	671,224
Financial assets sold under repurchase agreements	-	6,168,961	-	-	6,168,961
Short-term notes payable	-	845,000	-	-	845,000
Bonds payable	-	3,050,000	5,992,530	-	9,042,530
Derivative financial liabilities	62	-	-	-	62
Financial liabilities held for trading	-	464,726	-	-	464,726
Accounts payable to brokerage clients	12,330,286	-	-	-	12,330,286
Total	12,330,348	11,147,048	6,045,393	-	29,522,789

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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45 MATURITY PROFILE OF ASSETS AND LIABILITIES (CONTINUED)

	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
(Unaudited)					
As at 31 December 2015					
Assets					
Margin accounts receivable	–	8,158,803	–	–	8,158,803
Entrusted loans	–	260,628	–	–	260,628
Financial assets held under resale agreements	–	6,295,521	531,169	–	6,826,690
Financial assets held for trading					
– Debt securities	–	1,083,722	1,446,632	1,308,180	3,838,534
Clearing settlement funds	4,455,616	–	–	–	4,455,616
Cash held for brokerage clients	10,739,356	–	–	–	10,739,356
Cash and bank balances	1,723,105	245,000	–	–	1,968,105
Total	16,918,077	16,043,674	1,977,801	1,308,180	36,247,732
Liabilities					
Bank loans	–	–	51,818	–	51,818
Financial assets sold under repurchase agreements	–	4,712,965	–	–	4,712,965
Short-term notes payable	11,960	2,445,000	–	–	2,456,960
Bonds payable	–	2,650,000	5,291,078	–	7,941,078
Accounts payable to brokerage clients	14,867,251	–	–	–	14,867,251
Total	14,879,211	9,807,965	5,342,896	–	30,030,072

46 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 RMB4,923 million and RMB4,341 million as at 30 June 2016 and 31 December 2015 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.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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46 UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

As at 30 June 2016 and 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 2016 (Unaudited)	31 December 2015 (Audited)
Available-for-sale financial assets	917,492	800,827
Financial assets held for trading	132,722	485,806
Other current assets	52,388	31,052
Total	1,102,602	1,317,685

For the six months ended 30 June 2016, the income derived from these unconsolidated structured entities held by the Group was as follows:

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Net investment gains	32,983	30,949
Fee and commission income	25,516	15,179
Total	58,499	46,128

As at 30 June 2016, the Group did not provide, nor intend to provide, any financial support to these unconsolidated structured entities.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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47 SUBSEQUENT EVENTS

47.1 Capital injection to subsidiary

On 19 July 2016, the Board of directors of the Company increased capital contribution to Central China Blue Ocean Investment Management Co., Ltd., a wholly owned subsidiary registered in Henan Province, by RMB30 million.

47.2 Disposal of subsidiary

On 26 July 2016, the China Securities Regulatory Commission (CSRC) issued the Reply Concerning Approval of Changing Shareholding and Actual Controllers by Ashmore-CCSC, and approved the equity ratio in Ashmore-CCSC by the Company changed from 51% to 17%.

47.3 Profit distribution

On 22 August 2016, the Board of Directors resolved to declare a 2016 interim dividends of RMB1.00 per ten shares (inclusive of tax), amounting to RMB322,373,470 in total. The proposed profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming extraordinary general meeting.

48 APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The financial information was approved and authorised for issue by the Board of Directors on 22 August 2016.