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

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

2013
Interim Report

Contents

Company Information	2
Financial Highlights	3
Management Discussion and Analysis	5
Other Information	19
Definitions	25
Report on Review of Condensed Consolidated Financial Statements	28
Condensed Consolidated Statement of Profit or Loss	30
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	31
Condensed Consolidated Statement of Financial Position	32
Condensed Consolidated Statement of Changes In Equity	34
Condensed Consolidated Statement of Cash Flows	35
Notes to the Condensed Consolidated Financial Statements	37

Company Information

Name of the Company

Registered Chinese Name: 中國銀河證券股份有限公司

Registered English Name: China Galaxy Securities Co., Ltd.

Legal Representative

Mr. Chen Youan

Board Secretary

Mr. Wu Chengming

Joint Company Secretaries

Mr. Wu Chengming, Ms. Yung Mei Yee

Authorized Representatives

Mr. Wu Chengming, Ms. Yung Mei Yee

Headquarters in the PRC

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

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

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

Email address: yhgf@chinastock.com.cn

Principal Place of Business in Hong Kong

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

Joint Compliance Advisors

China Galaxy International Securities (Hong Kong) Co., Ltd.

J.P. Morgan Securities (Far East) Limited

Auditors

Domestic: Deloitte Touche Tohmatsu CPA LLP. (Special General Partnership)

International: Deloitte Touche Tohmatsu

Hong Kong Legal Advisors

Latham & Watkins

Stock Code

Hong Kong Stock Exchange
H Share Stock Code: 06881

Share Registrars

Share Registrar for Domestic Shares: China Securities Depository and Clearing Corporation Limited

Share Registrar for H Shares: Computershare Hong Kong Investor Services Limited

Financial Highlights

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

Major accounting data and financial indicators

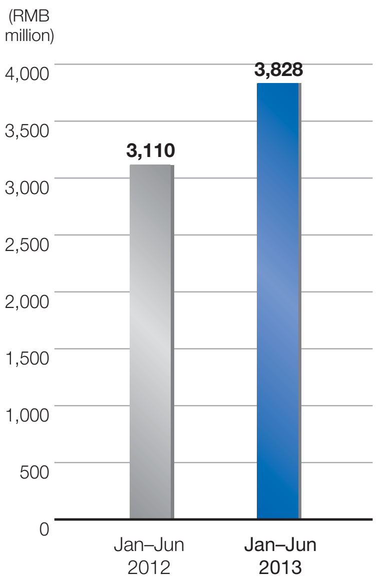
Items	For six months ended 30 June 2013	For six months ended 30 June 2012	Increase (%)
Operating results (RMB'000)			
Revenue and other income	3,828,314	3,109,533	23.12
Profit before income tax	1,329,939	1,137,400	16.93
Profit for the period — attributable to owners of the Company	967,691	865,753	11.77
Net cash (used in)/from operating activities	(2,915,927)	1,367,699	—
Earnings per share (RMB per share)			
Basic earnings per share	0.15	0.14	7.14
Diluted earnings per share	0.15	—	—
Profitability ratios			
Weighted average return on net assets (%)	5.10	5.27	-0.17 percentage point

Items	As at 30 June 2013	As at 31 December 2012	Increase (%)
Scale indicator (RMB'000)			
Total assets	84,715,744	64,295,584	31.76
Total liabilities	59,677,090	46,736,736	27.69
Accounts payable to brokerage clients	41,273,161	39,745,629	3.84
Equity attributable to owners of the Company	24,799,367	17,429,859	42.28
Share capital (in thousand shares)	7,537,259	6,000,000	25.62
Net assets value per share attributable to owners of the Company (RMB per share)	3.29	2.90	13.45
Gearing ratio (%)[1]	42	28	14 percentage points

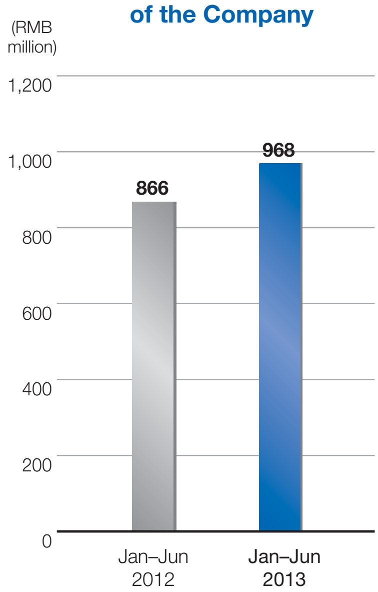
[1] Gearing ratio = (total liabilities—accounts payable to brokerage clients)/(total assets—accounts payable to brokerage clients)

Financial Highlights

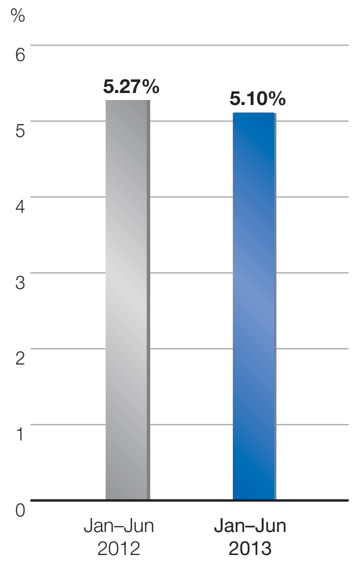
Revenue and other income



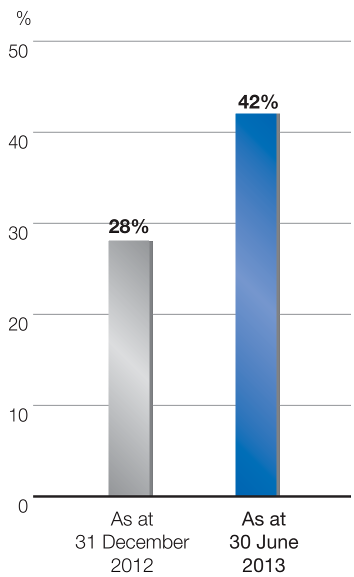
Profit for the period – attributable to owners of the Company



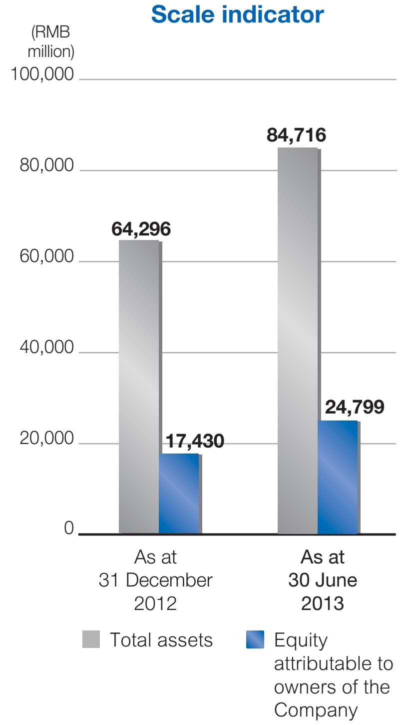
Weighted average return on net assets



Gearing ratio



Scale indicator



Management Discussion and Analysis

1. Market Review

During the Reporting Period, the global economy recovered in a slow pace. The US economy has continued to improve while the Japan economy has experienced a short-term recovery under the support of the quantitative easing. However, with the sluggish economy in the Euro zone and an imbalanced recovery progress of each of its members, the possibility of better-than-expected economic growth was relatively low and the threat of the European debt crisis has not been eliminated. On the other hand, the emerging economies were differentiated. In particular, following the macro-economic policy of stable growth and structural adjustment, the economic growth in the PRC has slowed down but has still maintained at a relatively high level of 7.6%.

The domestic stock market fluctuated significantly, which rose at the beginning and declined afterwards. As at the End of the Reporting Period, SSE Composite Index closed at 1,979.21 on 28 June 2013, representing a decrease of 12.8% as compared with 2,269.13 recorded at the beginning of the year, and reached a three and a half year low of 1,849.65 on 25 June 2013. The domestic debt markets were affected by the more stringent regulatory policies, the rise in expectation that the US will taper its quantitative easing and the decrease of funds outstanding for foreign exchange, as a result of which, bond yields increased continuously in the second quarter of 2013. Under the impact of relevant regulatory policies, new issuances were suspended in the A Share market while merger and acquisition were active during the Reporting Period. In the first quarter of 2013, 155 listed companies announced their merger and acquisition proposals for an aggregate amount of RMB144.4 billion, representing a significant increase as compared with the corresponding period of last year. During the Reporting Period, margin financing and securities lending business recorded a rapid growth. As at the End of the Reporting Period, the outstanding balance of the margin financing and securities lending business in the two exchanges amounted to RMB222.2 billion, representing an increase of approximately 264% as compared with the corresponding period of last year. The purchase of margin financing and the sales of securities lending in the two exchanges amounted to RMB1,221.4 billion and 47.5 billion shares, representing an increase of 286% and 475%, respectively, as compared with the corresponding period of last year.

2. Overview of Operations

For the six months ended 30 June 2013, revenue and other income of the Group amounted to RMB3,828 million and net profit attributable to owners of the Company amounted to RMB968 million, representing an increase of 23.12% and 11.77% respectively, as compared with the corresponding period in 2012.

As at the End of the Reporting Period, total assets of the Group amounted to RMB84,716 million, representing an increase of 31.76% as compared with RMB64,296 million as at the end of 2012. Total liabilities amounted to RMB59,677 million, representing an increase of 27.69% as compared with RMB46,737 million as at the end of 2012. Net assets attributable to owners of the Company amounted to RMB24,799 million, representing an increase of 42.28% as compared with RMB17,430 million as at the end of 2012. In particular, net assets, as supplemented by the proceeds from the listing of H Shares of the Company, increased by RMB6,336 million. The gearing ratio of the Group was 42%, representing an increase of 14 percentage points as compared with 28% as at the end of 2012. (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients))

3. Analysis of Major Business

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

(1) Business of brokerage, sales and trading

1. Securities brokerage

During the Reporting Period, revenue and other income from the securities brokerage business of the Group amounted to RMB2,709 million, representing an increase of 26.24% as compared to the corresponding period of last year.

The Company has been refining its customer service system, enhancing innovation of financial products, improving product mix and strengthening its cross-selling and integrated financial service capability in order to promote the transformation of its wealth management business. As at the End of the Reporting Period, the Company had established 29 branch offices and 229 securities branches. In addition, the Company is in the process of setting up five securities branches which have been approved by regulatory authorities during the year. During the Reporting Period, revenue from securities brokerage business of the Company accounted for a market share of 5.28%, which continued to rank first in the industry. As at the End of the Reporting Period, the Company had 104 securities branches which were approved to carry out futures IB business by regulatory authorities.

Under the principle of effective risk management, the margin financing and securities lending business of the Company has further expanded its market and optimized its business structure. As a result, all major indicators have improved steadily. As at the End of the Reporting Period, outstanding balance of the Company's margin financing and securities lending amounted to RMB11,723 million, representing an increase of 118% as compared with the end of 2012. Turnover from margin financing and securities lending amounted to RMB158,599 million, representing an increase of 230% as compared with the corresponding period of last year. Outstanding balance of margin and securities refinancing amounted to RMB3,123 million.

The Company provides comprehensive research coverage on macro economy, investment strategies, fixed income and industries as well as major listed companies. Number of research reports remained stable. The development of QFII customer base was smooth.

2. Futures brokerage

During the Reporting Period, revenue and other income from Galaxy Futures amounted to RMB269 million, representing an increase of 3.21% as compared with the corresponding period of last year.

The futures brokerage business has been actively expanding its market and customer base. During the Reporting Period, the number of futures contracts and turnover of the futures brokerage business amounted to 28 million and RMB3.86 trillion, respectively, representing an increase of 103.95% and 98.8% as compared with the corresponding period of last year, respectively. Daily average interest of futures brokerage customers amounted to RMB6,991 million, representing an increase of 29.08% as compared to the year of 2012.

3. Proprietary trading and other securities trading services

During the Reporting Period, revenue and other income from the proprietary trading and other securities trading services of the Group amounted to RMB481 million, representing an increase of 80.36% as compared with the corresponding period of last year.

Under the fluctuating market condition, the proprietary equity investment business focused on the participation of placement of shares of listed companies, equity investments in the secondary market and fund investments. Proprietary investment in corporate bonds adopted flexible and active operating strategies and adjusted the scale of investment timely by capturing the market opportunities.

Daily Profit, the Company's dealer-quoted bond repurchase product, maintained a steady growth. As at the End of the Reporting Period, the accumulated number of accounts opened amounted to 129,100, with an outstanding balance of RMB5,430 million. The Company commenced the research, business application and system preparation in relation to MOF bond futures and RMB interest rate swap.

Derivatives business of the Company provided continuous issuance or market-making service to more than 10 funds which covered ETF and structured funds (分級基金). The scale of securities-based lending transactions exceeded RMB1,000 million for the first time. The business of equity swap service commenced its operation. The qualification of dealer-quoted fund repurchase business of Structured Fund A was approved by the CSRC. The Company received notices approving it to engage in share pledge-style repo business (股票質押回購業務) from SSE and SZSE on 2 and 3 July 2013, respectively, and completed its first transaction on both SSE and SZSE on the first date upon obtaining the qualification, respectively.

(2) Investment banking business

During the Reporting Period, as affected by the suspension of new share issuance in the A Share market and changes in the bond issuance market, revenue from the investment banking business of the Group amounted to RMB193 million, representing a decrease of 37.07% as compared with the corresponding period of last year.

1. Equity financing and financial advisory services

During the Reporting Period, the Company has continued the innovative development of its equity financing business, and strengthened its integration of resources. The Company acted as the lead underwriter and completed four private offering projects with an aggregate underwriting amount of RMB2,883 million. The Company acted as the financial advisor in three merger, acquisition and restructuring transactions. The Company has been approved to engage in the sponsoring and brokerage businesses in the National Equities Exchange and Quotations (全國中小企業股份轉讓系統), and has sponsored the listing of two companies on the New OTC Board and completed the private placement for one listed company. In addition, in accordance with the development needs of innovative businesses, the Company is strengthening the research, development and preparation of asset securitization.

Project name	Financing method	Role of the Company	Lead underwriting amount (RMB million)
Zhejiang Sanlux Rubber Co., Ltd.	Private placement	Sponsor, lead underwriter	390
Chinese Universe Publishing and Media Co., Ltd.	Private placement	Sponsor, lead underwriter	1,298
Shenzhen Neptunus Bioengineering Co., Ltd.	Private placement	Sponsor, lead underwriter	588
Fangda Carbon New Material Co., Ltd.	Private placement	Joint lead underwriter	607
Total	–	–	2,883

2. Debt financing

During the Reporting Period, the debt financing business strengthened its efforts in underwriting and focused on identifying the financing needs of clients. The Company acted as the lead underwriter and completed 10 projects involving enterprise bonds, corporate bonds and short-term notes. The total amount the Company underwrote as the lead underwriter was RMB23,487 million.

Category	Amount the Company underwrote as the lead underwriter (RMB million)	Number of projects
Enterprise bonds	9,820	7
Corporate bonds	6,667	1
Short-term notes	7,000	2
Total	23,487	10

(3) Investment management business

1. Asset management

During the Reporting Period, revenue from the asset management business of the Group amounted to RMB69 million, representing an increase of 534.51% as compared with the corresponding period of last year. A provision for impairment of RMB17 million was made in respect of the asset management products held by the Company with its own funds.

The Company further diversified its product offerings by expanding the scope of investment and strengthening the cooperation with financial institutions such as banks. As at the End of the Reporting Period, the Company managed 56 asset management products, consisting of 25 collective asset management plans and 31 targeted asset management plans, and the number of products was 2.67 times of that as at the end of 2012. The scale of net assets under collective asset management business amounted to RMB6,839 million, representing an increase of 116% as compared with the end of 2012. The scale of entrusted assets under targeted asset management business amounted to RMB24,715 million, representing an increase of 88% as compared with the end of 2012.

During the Reporting Period, the Company obtained the Approval of the State Administration of Foreign Exchange on the Overseas Securities Investment Scale of China Galaxy Securities Co., Ltd. for a quota of USD400 million overseas securities investment under its asset management business. The Company also obtained the qualification to offer entrusted insurance fund management services granted by the China Insurance Regulatory Commission.

2. Private equity investment

During the Reporting Period, revenue from Galaxy Capital amounted to RMB5 million, representing a decrease of 55.40% as compared with the corresponding period of last year. A provision for impairment of RMB99 million was made.

(4) Overseas business

During the Reporting Period, revenue and other income from Galaxy International Holdings amounted to RMB108 million, representing an increase of 1048% as compared with the corresponding period of last year. The revenue included the proceeds of RMB52 million from the underwriting of H Shares of the Company in its initial public offering.

China Galaxy International Asset Management (Hong Kong) Co., Limited, a wholly-owned subsidiary of Galaxy International Holdings, obtained Type 4 license for advising on securities and Type 9 license for asset management from SFC on 25 February 2013. China Galaxy International Wealth Management (Hong Kong) Co., Limited, a wholly-owned subsidiary of Galaxy International Holdings, obtained the insurance broker membership issued by Hong Kong Professional Insurance Brokers Association on 23 March 2013. All businesses of Galaxy International Holdings have maintained stable growth. As at the End of the Reporting Period, client assets under the securities brokerage business of Galaxy International Holdings amounted to HKD4,062 million, ranking 85th among 497 participants of the Hong Kong Stock Exchange during the Reporting Period with a market share of 0.1422%, demonstrating a significant improvement as compared with the ranking of 104th among 494 participants of the Hong Kong Stock Exchange as at the end of 2012. Its investment banking business completed three underwriting projects and four financial advisory projects.

4. Outlook and Future Plans

China's economy is still under pressure for further adjustments in near future. Reform will be the key to turn pressure into motivation and risks into opportunities. In 2013, innovative development policies are expected to be fully implemented in securities industry. With the relaxation of regulatory policies in the capital market, the introduction of innovative products as well as the establishment of multi-level capital market, the innovative businesses of securities firms will be further promoted. The Company successfully listed its H Shares on the Hong Kong Stock Exchange in May 2013, which has provided another financing channel for the Company and a strong support for the Company to adapt to innovative developments and market oriented reforms. In the second half of 2013, the Company will push forward its transformation, upgrade, restructuring and reforms and adhere to its strategy of developing a business model with the brokerage, sales and trading business, or BS&T business, as the core and the investment banking and investment management businesses as the "two wings", so as to further strengthen its resource integration and business coordination. The Company will also strive to further promote the development of various businesses such as margin financing and securities lending, asset securitization, over-the-counter transactions and fund operation to enhance the operating efficiency and results of the Company.

5. Liquidity, Financial Resources and Share Capital Structure

During the Reporting Period, the Group maintained its profit growth and realized capital preservation and appreciation. As at the End of the Reporting Period, equity attributable to owners of the Company amounted to RMB24,799 million, representing an increase of 42.28% as compared with RMB17,430 million as at the end of 2012. Excluding the increase in net assets of RMB6,336 million attributable to the proceeds from the listing of H Shares of the Company, net assets increased by RMB1,033 million, mainly composed of profits realized in the Reporting Period.

Asset structure was further optimized while asset quality and liquidity remained satisfactory. At the End of the Reporting Period, total assets of the Group, excluding accounts payable to brokerage clients, amounted to RMB43,443 million, representing an increase of RMB18,893 million, or 76.96%, as compared with the total assets of RMB24,550 million as at the end of 2012 on a comparable basis. Cash and bank balances accounted for 29.57% of the total assets. Assets classified as investments, including investments in subsidiaries, an associate and financial assets which mainly consisted of investments in high liquidity financial assets, accounted for 34.41% of the total assets. Margin financing and securities lending business grew rapidly, with advances to customers accounted for 27.55% of the total assets. Fixed assets, projects under construction and intangible assets accounted for 1.81% of the total assets.

The gearing ratio of the Group increased. As at the End of the Reporting Period, the gearing ratio of the Group was 42%, representing an increase of 14 percentage points as compared with 28% as at the end of 2012. Operating leverage (total assets – account payables to brokerage clients/ equity attributable to owners of the Company) was 1.75 times (including increase in net assets due to the issue of H Shares), representing an increase of 24.11% as compared with 1.41 times as at the end of 2012. The increase in leverage ratio was mainly attributable to the increase in borrowing through margin and securities refinancing and issuance of short-term notes, and the significant growth of high leverage businesses such as Daily Profit.

The Company has formulated strict capital management measures according to net capital and other risk control indicators, and performs stress tests on its overall liquidity and other financial indicators before making any material capital investment decisions. The Company primarily satisfies its working capital and other capital requirement with cash flow generated from operating activities and repo transactions as well as cash on hand and cash equivalents. In addition, the Company also obtains short-term borrowings from time to time for liquidity management purpose. Since 2013, the Company has issued two tranches of short-term notes totalling RMB7 billion with a term of 90 days in April and June, respectively, in order to meet the funding needs of the rapid development of capital based intermediary business. As at the End of the Reporting Period, amounts due to banks and non-bank financial institutions were RMB3,203 million, comprising mainly borrowings from margin and securities refinancing which will become due in the third quarter.

After taking into account of the available financial resources, including the settlement of proceeds from the offering of H Shares in the third quarter, cash flows from operating activities, financing projects and available credit facility, the working capital of the Company is able to satisfy the funding needs of its business development.

6. Significant Financing of the Company

(1) Equity financing

The Company has successfully listed on Hong Kong Stock Exchange on 22 May 2013. Upon the exercise of over-allotment option on 13 June 2013, there were 1,606,604,500 H Shares in issue, among which, 69,345,743 H Shares were sold by the National Council for Social Security Fund and the remaining 1,537,258,757 H Shares were new shares issued by the Company. The proceeds amounted to HKD8,147 million.

The preparation for A Share offering of the Company is in progress.

(2) Bond financing

1. As disclosed in the section headed “Business” of the Prospectus, the shareholders of the Company authorized the Company to issue short-term notes in the aggregate principal amount of up to RMB7.0 billion in November 2012. The People’s Bank of China approved

the application of the Company for the issue of short-term notes on 1 April 2013. On 12 April 2013, the Company issued the first tranche of short-term notes in a principal amount of RMB3.5 billion with a term of 90 days in the national interbank bond market through a bidding process. The proceeds raised from these notes were used to replenish working capital of the Company. The first tranche of short-term notes were due on 11 July 2013, and the principal and interest of such short-term notes were repaid at maturity. On 20 June 2013, the Company issued the second tranche of short-term notes in a principal amount of RMB3.5 billion with a term of 90 days in the national interbank bond market through a bidding process. The proceeds raised from these notes were used to replenish working capital of the Company. The principal and interests of the second tranche of short-term notes will be repaid at maturity.

2. On 8 July 2013, at the 35th meeting of the second session of the Board of the Company, the Board resolved to put forward to the shareholders' general meeting a resolution regarding the issue of corporate bonds. The aggregate issue size of the corporate bonds shall not exceed RMB9.5 billion and shall not exceed 40% of the net assets of the Company as at the End of the Reporting Period. The Company may apply to the relevant regulatory authorities for the issuance of the corporate bonds in single or multiple tranches. The proceeds will be used to replenish working capital of the Company. The resolution will be considered by the shareholders at the fourth extraordinary general meeting of 2013 to be held on 25 September 2013.

3. As disclosed in the section headed "Business" in the Prospectus, at the shareholders' general meeting on 24 April 2013, shareholders of the Company authorized the Company to issue corporate debt financing instruments, which may take the form of short-term notes (up to 60% of the net capital of the Company), financial bonds, short-term and long-term subordinated bonds and other debt instruments, in the aggregate outstanding principal amount of up to RMB20 billion over a three-year period based on the liquidity needs of the Company, subject to regulatory approvals. On 25 July 2013, the Company obtained the approval from the CSRC for the issue of short-term subordinated bonds with a principal amount of RMB12 billion, with the first tranche amounting to RMB500 million and the proceeds from which will be used to supplement the liquid capital of the Company. The Company completed the issue of the first tranche on 15 August 2013. The term of the first tranche of short-term subordinated bonds is 90 days.

7. Investments during the Reporting Period

(1) Use of proceeds

During the Reporting Period, the Company completed the listing of H Shares, the proceeds from which amounted to HKD8,147 million. As at the End of the Reporting Period, such proceeds have not been used.

The proposed use of such proceeds remained consistent with the disclosure in the Prospectus without any change. The Company has completed the overseas listing registration with the State Administration of Foreign Exchange and is arranging the remittance of the proceeds back to the PRC. The proceeds will be used in accordance with their proposed use and the development strategy of the Company, taking into account the prevailing market condition.

(2) Investments in subsidiaries and affiliates

1. On 30 November 2012, a resolution regarding the investment of the Company in Beijing Equity Exchange Centre Co. Ltd. (北京股權交易中心有限公司) was considered and approved at the 24th meeting of the second session of the Board of the Company, which approved the Company to invest RMB20 million to Beijing Equity Exchange Centre Co. Ltd. (北京股權交易中心有限公司). To date, the Company has completed its capital contribution and Beijing Equity Exchange Centre Co. Ltd. (北京股權交易中心有限公司) has completed its business registration.

2. On 8 March 2013, a resolution regarding the investment of the Company in SAC Examination and Training Investment Management Company Limited (中證考培投資管理股份有限公司) was considered and approved at the 28th meeting of the second session of the Board of the Company. The Securities Association of China proposed to establish SAC Examination and Training Investment Management Company Limited (中證考培投資管理股份有限公司), and the Company proposed to make a capital contribution of RMB5 million (a shareholding of 2.5%). The management of the Company was authorized to deal with the relevant matters within the aforementioned investment amount.

3. On 24 April 2013, a resolution regarding the establishment of China Galaxy Asset Management Co., Ltd. was considered and approved at the third extraordinary general meeting of 2013 of the Company. It is proposed to establish an asset management subsidiary. On 3 May 2013, a notice of pre-approval of the company name was obtained from the State Administration for Industry and Commerce, pursuant to which "Galaxy Jinhui Asset Management Co., Ltd." (銀河金匯資產管理有限公司) was approved to be adopted as the name of the subsidiary. The investment amounted to RMB500 million and the proportion of shareholding was 100%. The Company submitted administrative approval materials to the CSRC in respect of the establishment of Galaxy Jinhui Asset Management Co., Ltd. (銀河金匯資產管理有限公司) in June 2013.

4. On 31 May 2013, the Company completed its capital injection to Galaxy Futures, its subsidiary, and the registered capital of Galaxy Futures increased from RMB600 million to RMB1,200 million, of which RMB499.908 million was contributed by the Company.

Following the capital injection, the shareholding of the Company in Galaxy Futures remained unchanged at 83.32%.

8. Material Asset Acquisition, Disposal, Guarantee, Mortgage, Pledge and Contingent Liabilities of the Company

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

During the Reporting Period, there was no off balance sheet item which may affect the financial condition and operating results of the Company such as material guarantee, mortgage and pledge.

As disclosed in the section headed "Financial Information" in the Prospectus, the Company made a provision of RMB18.90 million for pending litigations based on the court rulings and legal advice. The Company did not make any additional provisions for litigations during the Reporting Period. As at the End of the Reporting Period, the Company did not have other material contingent liabilities.

9. Employee and Remuneration Policy

As at the End of the Reporting Period, the Group had 8,031 employees in total, of which, 7,222 and 809 were employed by the Company and its subsidiaries, respectively.

Based on the characteristics of the industry and personnel, the Company has adopted an incentive scheme that links employees' remuneration with their performance. The Company's performance evaluation system provides the basis for making such personnel decisions as remuneration adjustment, bonus grant, career promotion, talent cultivation and employee incentive programs. The Company has been gradually cultivating a remuneration mechanism and culture based on the employees' positions, capabilities and performance, with an aim to enhancing the competitiveness of the Company, retaining talents and promoting the fairness of the scheme. The Company has adopted a remuneration policy based on the principle of maintaining competiveness of its entire remuneration system and taking into account of the characteristic and market value of relevant personnel. The remuneration of the Company comprised of fixed remuneration, performance based bonus and benefits. Benefits provided to employees include basic pension insurance, basic medical insurance, workplace injury insurance, unemployment insurance, maternity allowance and housing provident funds or allowances. In addition, the Company has provided supplementary medical insurance and optional annuity fund for its employees. The Company has formulated various training plans including trainings for core and key personnel, reserve talents and general managers of business departments, and comprehensive quality improvement training for all employees, strengthened its training efforts and allocated reasonable training resources to comprehensively improve the overall capability of its employees.

10. Risk Management

Since its establishment, the Company has been committed to the philosophy that risk management creates value. It formulated a set of comprehensive risk management and internal control procedures, with an aim to allocate risk-based capital reasonably, limit risks to a tolerable level, maximize its enterprise value and solidify the foundation for its sustainable, steady and healthy development.

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

1. Market risk

Market risk is originated from the unfavorable fluctuation of financial instruments held or to be held by the Company resulting from the changes in their market prices, including changes in securities prices and currency rates which may result in losses.

(1) Risk of fluctuation of securities prices mainly results from various securities investment businesses of the Company. The Company timely and accurately identifies the nature and type of the market risk according to the nature and characteristics of different assets. It also adopts different identification, measurement, controlling and monitoring methods according to different market risk. The Company mainly uses VaR to evaluate the risk exposure and combines with other methods such as scenario analysis and stress testing to assess the relative and absolute risk of portfolios and monitor their risk quotas. Taking account of the cost and benefit of hedging, the Company may manage or hedge the market risk in a certain extent by utilizing financial instruments such as financial derivatives. During the Reporting Period, the ratio of VaR of investment portfolio to net capital as at the end of each month has maintained within 0.5%.

(2) Interest rate risk mainly results from currency saving and bond investment businesses. The Company mainly controls the interest rate risk of its bond investment business by adopting scale control and investment portfolio methods in order to rationalize the allocation of assets. The Company evaluates the interest rate risk by measuring various indicators such as duration, convexity and price value of basis point of its investment portfolios regularly.

(3) Currency rate risk mainly results from the proceeds of the issuance of H Shares. The Company has closely monitored the currency market and made appropriate decisions. The Company will match HKD denominated deposits with related foreign exchange derivatives with the same duration, so as to avoid the currency rate risk and generate steady interest income. The Company has a limited involvement in other foreign currency deposit and foreign currency businesses.

2. Credit risk

Credit risk refers to the risk of incurring losses resulting from the failure of a counterparty to timely perform its contractual obligations. The Company has established models for counterparty credit-rating and credit-limit management to assess counterparty credit risks. Counterparties with low credit ratings are not accepted as clients of the Company. Business departments cooperate with the risk management department to establish a system analyzing the credit of clients and counterparties. The Company determines trading limits and other monitoring indicators based on credit ratings or credit models, and monitors counterparty's credit exposure to prevent the risk of counterparty default. For margin financing and securities lending business, the Company controls credit risks by formulating and implementing strict systems and measures, including credit investigation, granting credit, daily mark-to-market, real-time monitoring and liquidation. For investment in credit products, the Company has established multi-level authorization to manage the investment quota based on the credit ratings of products. The Company periodically assesses and monitors the credit risk of these products in order to prevent excessive risk concentration.

In addition, credit risk relates to market risk. Under the fluctuation of the market, the exposure of credit risk from certain financial products or transactions of the Company may change. As a result, certain monitoring and preventing measures for market risk adopted by the Company may also be applicable to credit risk. As of the End of the Reporting Period, 63.77% of the bonds held had a credit rating of AAA with the remaining rated AA- or above. There was no default in bond repurchase, securities-based lending transaction and margin financing and securities lending business.

3. Operational risk

Operational risk refers to the risk of incurring losses resulting from the inadequacy or defect of internal process, personnel or systems, or from external events. In order to monitor and manage the operational risk effectively, the Company has monitored, calculated and evaluated the losses resulting from operational errors and system errors of various businesses. The Company has also calculated and analyzed the frequency and amount of losses resulting from the operational risk incidents of its products, activities, processes and systems.

4. Liquidity risk

Liquidity risk refers to the risk resulting from the failure to effectively meet expected and unexpected needs for current or future cash flows or collateral without affecting daily operations or financial condition. During the ordinary course of business, the Company may face liquidity risk caused by changes of macro-economic policies, market fluctuations, poor operations, credit downgrades, or mismatch of assets and liabilities. To monitor and manage the liquidity risk effectively, the Company has strengthened the real-time monitoring and management of usage of large amounts of funds in order to achieve centralized fund allocation and coordinated liquidity risk management. The Company has also adjusted and configured the scale and maturity structure of assets and liabilities in order to build a multi-level liquidity reserve system and timely achieve the target of our liquidity portfolio through accessing the money market, capital markets and bank credit. The Company has enhanced its liquidity through borrowing and lending, redeeming and issuing short-term notes, borrowing loans from China Securities Finance Corporation Limited through margin and securities refinancing, and financing through other ways approved by relevant authorities, in order to fulfill the capital needs in short term. In general, the Company has had reserve assets with high liquidity and all financial indicators have been satisfactory.

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

In addition to an emphasis on sound development, the Company also focused on strengthening the development of risk management culture, refining the risk management system, implementing the three-level authorization system as the core of risk quota management, and continuously improving the risk management IT system, so as to supervise and manage various risks on a timely basis.

1. Cultivating a risk management culture that penetrating all levels of the Company

The Company has been committed to cultivating a risk management culture embodying the core philosophy that risk management creates value. The Company has cultivated risk management culture through two vertical and one horizontal ways. The Company has also implemented the risk management culture through risk management system comprising three levels, namely basis system for corporate governance, operation management core system and specific rules for operation management. The two vertical ways refer to "top-down approach" and "bottom-up approach", through which the Company has promoted risk management from the Board to operation management and to other departments of lower level, and the business departments have also managed risks proactively and recommended opinions regarding risk management to the management. The one horizontal way refers to the approach that all departments related to risk management, such as risk management department, legal compliance department and audit department, carry out risk control, supervision and management on all business departments, so as to enhance their risk prevention.

2. Three-level authorization system as the core of risk quota management

The three-level authorization system of the Company includes the first level of authorization from the shareholders' general meeting to the Board, the second level of authorization from the Board to the general manager (or president), and the third level of the authorization from the general manager (or president) to different business departments. The three-level authorization system has established risk quota management focusing on scale of investment, trading position exposures and stop-loss limits by setting various risk quota indicators to cover such businesses as stock investment, bond investment, asset management and derivatives, as well as margin financing and securities lending. The Company has a clear stop-loss mechanism that matches the earning target of its financial budget with the stop-loss limit for risk management so as to limit the potential aggregate loss of various businesses and provide reasonable assurance for achieving the business goals of the Company.

3. Improving the risk management IT system for monitoring of different types of risks

The Company has established a performance evaluation and risk management system and risk monitoring system. The Company has conducted risk analysis and evaluation for its investment and financing business and monitored and reported the VaR, duration and other indicators by using performance evaluation and risk management system. Through the risk monitoring system, the Company has monitored behavior of marketing personnel, client information and client trading behavior, among other things. The Company has designated specialized personnel to monitor specific business operational risks, so as to identify and rectify deficiencies promptly. These personnel make timely reports to the Board, the Supervisory Committee and senior management, and supervise the relevant departments to rectify the problems. The Company has further improved net capital monitoring system and refined monitoring system for risk control indicator which focuses on net capital so as to improve the allocation of net capital among all businesses.

4. Implementing comprehensive risk management in innovative business

The risk management department of the Company has participated in the risk evaluation, the design of the process of risk control, the formulation of risk control indicators and the determination of value of indicators, the establishment of ancillary system for risk management and relevant construction of system for risk management IT system. The Company has also implemented effective and comprehensive risk management in various innovative businesses through carrying out evaluation and review of risks before they occur, allocating risk quota, evaluating and carrying out independent supervision of risks when they occur and reporting risks after they occur. In addition, pursuant to the requirements of the Basic Standard for Enterprise Internal Control and its relevant guidelines, the Company conducted comprehensive internal inspection on key risk exposure and internal control procedures of its various businesses, and rectified the problems and defects in its internal control so discovered, so as to enhance the soundness and effectiveness of its internal control.

I. Interim Dividend and Special Dividend

(1) The Board does not recommend the payment of interim dividend for the six months ended June 30 2013 to the shareholders of the Company.

(2) As described in the section headed "Financial Information — Dividend Policy" in the Prospectus, at the extraordinary general meeting of the Company on 25 January 2013, the shareholders of the Company approved the proposal on dividend distribution before the proposed initial public offering. The Company will declare a cash dividend (the "Special Dividend"), in respect of the period from 1 January 2013 to the last day of the calendar month immediately prior to the completion of the initial public offering of the Company (i.e. 30 April 2013), to shareholders on the register of members of the Company as of the same date. The amount of the Special Dividend will be determined based on audited unconsolidated net profit of the Company in accordance with PRC GAAP or IFRSs, whichever is lower, after the required appropriations for a statutory reserve, a reserve for general risk and a transaction risk reserve that amounts to 10%, 10% and 10%, respectively, for the unconsolidated net profit of the Company for the same period.

The actual amount of the Special Dividend will be determined upon the completion of audit in the fourth quarter of 2013. The Company will make an announcement regarding the actual amount of the Special Dividend before the payment of such Special Dividend.

II. Interests and Short Positions in Shares, Underlying Shares or Debentures in the Company and its Associated Corporations held by the Directors, Supervisors and Chief Executives

Based on the information available to the Company and so far as the directors of the Company are aware, as at 30 June 2013, the interests and short positions of the directors, supervisors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) (i) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to

Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) which are required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or (iii) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (the "Model Code") are set out below:

Name	Class of shares	Nature of interest	Number of shares	Percentage of the total number of issued shares of the Company (%)	Percentage of the total number of issued H Shares of the Company (%)	Long positions/ short positions/ shares available for lending
Wu Yuwu (Director)	H Shares	Interest of spouse *(Note 1)*	210,000 *(Note 2)*	0.003	0.012	Long position

Note 1: The spouse of Mr. Wu Yuwu was interested in 210,000 shares in the Company. Mr. Wu Yuwu is therefore deemed or taken to be interested in all shares held by his spouse pursuant to the SFO.

Note 2: All of the above shares held by the spouse of Mr. Wu Yuwu were sold in the secondary market on 18 July 2013.

Save as disclosed above, as at 30 June 2013, none of the directors, supervisors and chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which are required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

III. Rights of the Directors to Acquire Shares or Debentures

As at 30 June 2013, none of the directors, supervisors or their respective spouses or minor children were granted rights or had exercised such rights to acquire benefits by means of acquisition of shares or debentures of the Company. The Company or any of its subsidiaries was not a party to any arrangement to enable the directors, supervisors or their respective spouses or minor children to acquire such rights from any other body corporate.

IV. Interests and Short Positions in Shares and Underlying Shares in the Company held by Substantial Shareholders and Other Persons

So far as our directors are aware after making all reasonable enquiries, as at 30 June 2013, the following persons (other than the directors, supervisors or chief executives of the Company) held interests or short positions in shares or underlying shares which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or which are recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name of substantial shareholders	Class of shares	Nature of interest	Number of shares	Percentage of the total number of issued shares of the Company (%)	Percentage of the total number of issued Domestic Shares of the Company (%)	Long positions/ short positions/ shares available for lending
Huijin *(Note 1)*	Domestic Shares	Interests of controlled corporation *(Note 2)*	5,214,534,387 *(Note 3)*	69.18	89.19	Long position
Galaxy Financial Holdings	Domestic Shares	Beneficial owner *(Note 2)*	5,214,534,387 *(Note 3)*	69.18	89.19	Long position

Note 1: Huijin directly holds approximately 78.57% of the equity interest in Galaxy Financial Holdings and is therefore deemed to be interested in the 5,214,534,387 Domestic Shares directly held by Galaxy Financial Holdings.

Note 2: Such 5,214,534,387 shares do not include 3,208,853 Domestic Shares transferred to the National Social Security Fund by Galaxy Financial Holdings on behalf of PICC Property and Causality Company Limited, a state-owned domestic shareholder of the Company.

Note 3: According to Section 336 of the SFO, shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the shareholders in the Company change, it is not necessary for the shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange.

Save as disclosed above, as at 30 June 2013, the Company was not aware of any other person (other than directors, supervisors and chief executives of the Company) who held interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

V. Purchase, Sale or Redemption of Listed Securities of the Company

The Company and its subsidiaries did not purchase, sell or redeem any of its listed securities during the six months ended 30 June 2013.

VI. Compliance with the Corporate Governance Code

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

VII. Compliance with the Model Code

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules for securities transactions by directors and supervisors. The Company has made specific enquires to all directors and supervisors concerning the compliance with the Model Code. Except for Mr. Wu Yuwu, an independent non-executive director, all directors and supervisors confirmed that they have complied with all standards set out in the Model Code from the Listing Date to the End of the Reporting Period. The Company was informed by Mr. Wu Yuwu that his spouse subscribed for and purchased 210,000 H Shares of the Company during the Reporting Period. At the time of the purchase, Mr. Wu Yuwu and his spouse did not possess any inside information, and the purchase was not made during the blackout period, but they did not perform their notification obligation in accordance with the Model Code. Mr. Wu Yuwu has subsequently informed the Company of the incident.

VIII. Operation of the Board and its Special Committees

From the Listing Date to the End of the Reporting Period, there was no change in the members of the Board. The Board comprises 11 directors, including 2 executive directors, 5 non-executive directors and 4 independent non-executive directors.

Board	Chairman and non-executive director	Vice chairman, executive director and president	Executive director, board secretary and joint company secretary	Non-executive director	Independent non-executive director
Directors	Chen Youan	Gu Weiguo	Wu Chengming	Xu Guoping, Li Chenghui, Shi Xun and Qi Xiaoli	Wang Shiding, Liu Feng, Wu Yuwu and Zhou Ruijin

The Strategy and Development Committee, Risk Management Committee, Nomination and Remuneration Committee and Audit Committee have been established under the Board. The responsibilities of each committee are clearly divided and defined and the operation of each committee is effective. The majority of the members of the Nomination and Remuneration Committee and the Audit Committee are independent non-executive directors, and the chairman of each of the two committees is an independent non-executive director. The composition of each committee is as follows:

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

All directors performed their duties honestly and diligently in accordance with the relevant requirements of the laws, regulations and the Articles of Association, so as to protect the interests of the Company and the minority shareholders. During the Reporting Period, the Board convened 4 shareholders' general meetings and submitted 26 proposals for shareholders' consideration. The Board organized and supervised relevant departments or personnel to implement the resolutions passed at the shareholders' general meetings and closely monitored the progress of the implementation of the resolutions. The Board has convened 10 Board meetings to consider 50 proposals. The Strategy and Development Committee, the Risk Management Committee, the Nomination and Remuneration Committee and Audit Committee convened 5 meetings, 2 meetings, 2 meetings and 4 meetings, respectively. The special committees provided professional opinions to the Board as reference and enhanced the reasonableness and accuracy of the decisions made by the Board.

The Audit Committee and the management have reviewed the accounting policies adopted by the Company, discussed matters including the internal control and financial statements of the Company, and reviewed the consolidated interim financial information of the Company for the six months ended 30 June 2013. The external auditor of the Company has reviewed the interim financial information in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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

IX. Operation of the Supervisory Committee

During the Reporting Period, the Supervisory Committee appointed Mr. Wu Huanliang and Ms. Liu Zhiyi as the supervisors of the Company with effect from the Listing Date.

The Supervisory Committee convened 4 meetings to consider 9 proposals. The supervisors of the Company performed their duties diligently in accordance with relevant laws and regulations, including the Company Law and Securities Law, and relevant requirements of the Articles of Association. The Supervisory Committee supervised the operation of the Company so as to protect the legal interests of the Company, its shareholders and investors.

Supervisory committee	Chairman	Supervisors
Supervisors	Yu Wenxiu	Zhong Cheng, Gu Shulin, Wu Huanliang (newly appointed), Liu Zhiyi (newly appointed)

X. Material Litigation

Among the three legal proceedings disclosed in section headed "Business — Laws and Regulations — Legal Proceedings" in the Prospectus, the appeal trial of civil dispute arising from the fraud by Jianwei Liang has concluded. The Company received the written judgment of the appeal trial with respect to the 13 cases of civil dispute arising from the fraud by Jianwei Liang on 22 July 2013.

The judgment agreed with the argument of the Company that the plaintiffs admitted to receive high interests and amended the judgment of the amount of loss incurred by the plaintiffs determined at the first trial. The amount of loss incurred by the plaintiffs decreased by approximately RMB5 million to approximately RMB44 million as compared to the amount determined at the first trial, but the court sustained the original judgment that the Company shall compensate 40% of the loss of the wealth management fund that Jiangwei Liang is unable to pay back. The Company has lodged an appeal with the People's High Court of Guangdong Province for the above judgment.

The Company considered that the above legal proceedings will not have material adverse effect on the business, financial position and operating results of the Company directly.

XI. Evaluation Results of the Company by Securities Regulatory Authority

In the evaluation of securities companies for 2013 carried out by the CSRC, the Company was assigned an AA rating in A class, which is currently the highest rating achieved by PRC securities firms. The Company has been assigned this rating for four consecutive years.

XII. Change in details of Directors and Supervisors after the Listing Date

Pursuant to Rule 13.51B of the Listing Rules, as at the End of the Reporting Period, there was no change in details of directors and supervisors.

Definitions

"Articles of Association" or "Articles"	the articles of association of the Company, as amended from time to time
"A Share(s)"	shares which are traded on the SSE or SZSE in RMB
"Board" or "Board of Directors"	the board of directors of the Company
"China" or "PRC"	the Peoples' Republic of China excluding, for the purpose of this interim report, Hong Kong, the Macau Special Administrative Region and Taiwan region
"Company"	China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司), a joint stock limited company incorporated in the PRC on 26 January 2007 (Stock Code: 06881)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Domestic Shares"	ordinary shares issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
"End of the Reporting Period"	30 June 2013
"ETF"	exchange-traded funds
"futures IB business"	the business activities in which securities firms, as commissioned by futures companies, introduce clients to futures companies to provide futures brokerage and other related services
"Galaxy Capital"	Galaxy Capital Management Company Limited (銀河創新資本管理有限公司), owned as to 100% by the Company
"Galaxy Financial Holdings"	China Galaxy Financial Holdings Company Limited (中國銀河金融控股有限責任公司), the controlling shareholder of the Company
"Galaxy Futures"	Galaxy Futures Company Limited (銀河期貨有限公司), owned as to approximately 83.32% by the Company
"Galaxy International Holdings"	China Galaxy International Financial Holdings Company Limited (中國銀河國際金融控股有限公司), owned as to 100% by the Company
"Group"	the Company and its subsidiaries

"H Share(s)"	overseas listed foreign shares in the share capital of the Company with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huijin"	Central Huijin Investment Ltd. (中央匯金投資有限責任公司), which currently holds an equity interest of 78.57% of Galaxy Financial Holdings
"IFRS"	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board (IASB) and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
"Listing Date"	22 May 2013, the date on which the H Shares of the Company were listed on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"margin and securities refinancing business"	a business in which securities firms can act as intermediaries to borrow funds or securities from China Securities Finance Corporation Limited and lend such funds and securities to their clients
"MOF bonds"	debt instruments issued by the Ministry of Finance of the PRC on behalf of the PRC government
"New OTC Board"	a pilot board launched to provide an over-the-counter market for quotations and transfers of shares of unlisted joint stock companies registered in the Zhongguancun Science and Technology Park in Beijing, the Zhangjiang Hi-Tech Industrial Development Zone in Shanghai, the Donghu New Technology Development Zone in Wuhan and the Binhai Hi-Tech Zone in Tianjin

"PRC GAAP"	generally accepted accounting principles in the PRC
"Prospectus"	the prospectus dated 9 May 2013 issued by the Company in connection with the initial public offering of the H Shares on the Main Board of the Hong Kong Stock Exchange
"QFII"	Qualified Foreign Institutional Investor
"Reporting Period"	the six-month period ended 30 June 2013
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"SSE"	the Shanghai Stock Exchange (上海證券交易所)
"SSE Composite Index"	Shanghai Stock Exchange Composite Index
"Supervisory Committee"	the supervisory committee of the Company
"SZSE"	the Shenzhen Stock Exchange (深圳證券交易所)
"USD"	United States dollars, the lawful currency of the United States

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

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

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

Introduction

We have reviewed the condensed consolidated financial statements of China Galaxy Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 102, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standard Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2012 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with ISRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 August 2013

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2013 (Unaudited)	2012 (Unaudited)
Revenue			
Commission and fee income	4	**2,308,823**	1,999,434
Interest income	5	**1,124,306**	844,942
Net investment gains	6	**387,256**	255,758
Total revenue		**3,820,385**	3,100,134
Other income and gains		**7,929**	9,399
Total revenue and other income		**3,828,314**	3,109,533
Depreciation and amortization	7	**(121,289)**	(129,787)
Staff costs	8	**(1,100,508)**	(953,923)
Commission and fee expenses	9	**(66,630)**	(48,733)
Interest expenses	10	**(288,734)**	(136,355)
Other operating expenses	11	**(799,079)**	(715,591)
(Allowance for)/reversal of impairment losses	12	**(122,135)**	12,256
Total expenses		**(2,498,375)**	(1,972,133)
Profit before income tax		**1,329,939**	1,137,400
Income tax expense	13	**(352,042)**	(260,735)
Profit for the period		**977,897**	876,665
Attributable to:			
Owners of the Company		**967,691**	865,753
Non-controlling interests		**10,206**	10,912
		977,897	876,665
Earnings per share attributable to owners of the Company (in RMB Yuan)			
— Basic	14	**0.15**	0.14
— Diluted	14	**0.15**	N/A

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

For the six months ended 30 June 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Profit for the period	**977,897**	876,665
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
Net fair value changes during the period	**78,869**	(14,989)
Reclassification adjustment to profit or loss on disposal	**1,746**	13,627
Reclassification adjustment to profit or loss on impairment	**17,487**	—
Income tax impact	**(24,526)**	341
Subtotal	**73,576**	(1,021)
Exchange differences arising on translation	**(7,769)**	957
Other comprehensive income/(expense) for the period, net of income tax	**65,807**	(64)
Total comprehensive income for the period	**1,043,704**	876,601
Attributable to:		
Owners of the Company	**1,033,498**	865,689
Non-controlling interests	**10,206**	10,912
	1,043,704	876,601

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Non-current assets			
Property and equipment	16	**436,250**	515,600
Goodwill		**223,278**	223,278
Other intangible assets		**351,456**	362,811
Investment in an associate	17	**20,000**	—
Available-for-sale financial assets	18	**563,057**	742,976
Deferred tax assets	19	**74,935**	174,385
Other receivables	20	**210,200**	—
Total non-current assets		**1,879,176**	2,019,050
Current assets			
Advances to customers	21	**11,967,266**	5,438,668
Accounts receivable	22	**278,417**	209,709
Prepaid taxes		**320,467**	268,136
Other receivables and prepayments		**675,102**	426,637
Available-for-sale financial assets	18	**7,696,431**	5,908,000
Financial assets held under resale agreements	23	**1,665,893**	809,523
Financial assets held for trading	24	**4,639,139**	4,622,021
Financial assets designated as at fair value through profit or loss	25	**359,576**	831,037
Derivative financial instruments	26	**2,844**	—
Deposits with exchanges and a non-bank financial institution	27	**2,833,811**	2,614,323
Clearing settlement funds	28	**3,870,586**	4,541,475
Bank balances	29	**48,527,036**	36,607,005
Total current assets		**82,836,568**	62,276,534
Total assets		**84,715,744**	64,295,584

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Current liabilities			
Short-term notes	31	**7,000,000**	—
Due to banks and a non-bank financial institution	32	**3,202,660**	318,858
Accounts payable to brokerage clients	33	**41,273,161**	39,745,629
Accrued staff costs	34	**843,015**	1,104,837
Other payables and accruals		**941,977**	363,707
Current tax liabilities		**470**	20,269
Financial assets sold under repurchase agreements	35	**6,415,807**	5,183,436
Total current liabilities		**59,677,090**	46,736,736
Net current assets		**23,159,478**	15,539,798
Net assets		**25,038,654**	17,558,848
Equity			
Share capital	36	**7,537,259**	6,000,000
Capital reserve	37	**4,798,751**	—
Investment revaluation reserve		**46,411**	(27,165)
Translation reserve		**(10,775)**	(3,006)
General reserves	38	**6,717,350**	6,298,403
Retained profits		**5,710,371**	5,161,627
Equity attributable to owners of the Company		**24,799,367**	17,429,859
Non-controlling interests		**239,287**	128,989
Total equity		**25,038,654**	17,558,848

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to owners of the Company								
	Share capital (Note 36)	Capital reserve (Note 37)	Investment revaluation reserve	Translation reserve	General reserves (Note 38)	Retained profits	Subtotal	Non-controlling interests	Total equity
At 1 January 2013 (audited)	**6,000,000**	**–**	**(27,165)**	**(3,006)**	**6,298,403**	**5,161,627**	**17,429,859**	**128,989**	**17,558,848**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**967,691**	**967,691**	**10,206**	**977,897**
Other comprehensive income/ (expense) for the period	**–**	**–**	**73,576**	**(7,769)**	**–**	**–**	**65,807**	**–**	**65,807**
Total comprehensive income/(expense) for the period	**–**	**–**	**73,576**	**(7,769)**	**–**	**967,691**	**1,033,498**	**10,206**	**1,043,704**
Initial public offering (Note 36)	**1,537,259**	**4,960,998**	**–**	**–**	**–**	**–**	**6,498,257**	**–**	**6,498,257**
Transaction cost of initial public offering	**–**	**(162,247)**	**–**	**–**	**–**	**–**	**(162,247)**	**–**	**(162,247)**
Capital injection from non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**100,092**	**100,092**
Appropriation to general reserves	**–**	**–**	**–**	**–**	**418,947**	**(418,947)**	**–**	**–**	**–**
At 30 June 2013 (unaudited)	**7,537,259**	**4,798,751**	**46,411**	**(10,775)**	**6,717,350**	**5,710,371**	**24,799,367**	**239,287**	**25,038,654**
At 1 January 2012 (audited)	6,000,000	–	(36,010)	(1,471)	5,720,521	4,321,099	16,004,139	122,656	16,126,795
Profit for the period	–	–	–	–	–	865,753	865,753	10,912	876,665
Other comprehensive (expense)/ income for the period	–	–	(1,021)	957	–	–	(64)	–	(64)
Total comprehensive (expense)/income for the period	–	–	(1,021)	957	–	865,753	865,689	10,912	876,601
Appropriation to general reserves	–	–	–	–	405,504	(405,504)	–	–	–
At 30 June 2012 (unaudited)	6,000,000	–	(37,031)	(514)	6,126,025	4,781,348	16,869,828	133,568	17,003,396

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before income tax	**1,329,939**	1,137,400
Adjustments for		
Interest expenses	**290,976**	136,355
Depreciation and amortization	**121,289**	129,787
Allowance for/(reversal of) impairment losses	**122,135**	(12,256)
Gain on disposal of property and equipment and other intangible assets	**(106)**	(164)
Foreign exchange losses, net	**9,290**	861
Net realized losses from disposal of available-for-sale financial assets	**1,746**	13,627
Dividend income and interest income from available-for-sale financial assets	**(164,850)**	(56,072)
Operating cash flows before movements in working capital	**1,710,419**	1,349,538
Increase in advances to customers	**(6,528,598)**	(1,861,521)
Increase in accounts and other receivables and prepayments	**(520,063)**	(76,808)
(Increase)/decrease in financial assets held under resale agreements	**(856,370)**	268,086
Decrease/(increase) in financial assets at fair value through profit or loss	**451,499**	(367,034)
Increase in deposits with exchanges and a non-bank financial institution	**(219,488)**	(387,481)
Decrease/(increase) in clients' clearing settlement funds	**471,568**	(886,414)
(Increase)/decrease in cash held on behalf of customers	**(2,527,264)**	2,292,146
Increase/(decrease) in accounts payable to brokerage clients, accrued staff costs and other payables and accruals	**1,634,492**	(1,718,917)
Increase in financial assets sold under repurchase agreements	**1,232,371**	3,144,117
Increase in due to banks and a non-bank financial institution	**2,823,000**	—
Cash (used in)/from operations	**(2,328,434)**	1,755,712
Income taxes paid	**(349,249)**	(250,350)
Interest paid	**(238,244)**	(137,663)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	**(2,915,927)**	1,367,699

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2013 (Unaudited)	2012 (Unaudited)
INVESTING ACTIVITIES			
Dividends and interest received from investments		**138,833**	56,072
Purchases of property and equipment and other intangible assets		**(30,783)**	(74,684)
Proceeds from disposal of property and equipment and other intangible assets		**306**	4,571
Capital injection to an associate		**(20,000)**	—
Purchase or proceeds from disposal of available-for-sale financial assets, net		**(1,628,643)**	(3,084,645)
Fixed deposits with banks placed		**(1,050,518)**	—
Fixed deposits with banks withdrawn		**59,624**	—
NET CASH USED IN INVESTING ACTIVITIES		**(2,531,181)**	(3,098,686)
FINANCING ACTIVITIES			
Proceeds from issue of H shares	36, 37	**6,498,257**	—
Capital injection from non-controlling shareholders		**100,092**	—
Dividends paid to non-controlling shareholders		**—**	(6,211)
Proceeds from short-term notes issued		**7,000,000**	—
Proceeds from borrowing		**79,660**	—
Repayments of borrowings		**(18,858)**	—
Acquisition of non-controlling interest in a subsidiary		**—**	(4,760)
Transaction cost paid on issue of H shares		**(3,249)**	—
Transaction cost paid on issue of short-term notes		**(2,243)**	—
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**13,653,659**	(10,971)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**8,206,551**	(1,741,958)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**3,921,042**	6,564,857
Effect of foreign exchange rate changes		**(3,999)**	585
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	30	**12,123,594**	4,823,484
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		**1,051,556**	826,816

1. GENERAL INFORMATION OF THE GROUP

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

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

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

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") in May 2013. Under this offering, the Company offered a total of 1,537,258,757 new shares (including over-allotment of 37,258,757 new shares) with a nominal value of RMB1.00 per share to the public. As at 30 June 2013, total share capital of the Company increased to RMB7,537,258,757. The capital increase has been verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP which issued the capital verification report De Shi Bao (Yan) Zi (2013) No. 0130. The H shares of the Company commenced trading on the Hong Kong Stock Exchange on 22 May 2013.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Principal accounting policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's consolidated financial statements for the three years ended 31 December 2010, 2011 and 2012 underlying the preparation of the accountants' report included in the prospectus of the Company in connection with the initial public offering of the H shares of the Company on the Main Board of the Hong Kong Stock Exchange issued on 9 May 2013. The condensed consolidated financial statements should be read in conjunction with the above-mentioned accountants' report.

Adoption of new accounting policy in the current interim period

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the condensed consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognized in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Principal accounting policies (continued)

Adoption of new accounting policy in the current interim period (continued)

Investments in associates (continued)

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group's condensed consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(c) Application of new or revised International Financial Reporting Standards (IFRSs)

In the current interim period, the Group has applied, for the first time, the following new or revised IFRSs that are relevant to the Group:

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (Revised 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Application of new or revised International Financial Reporting Standards (IFRSs) (continued)

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

The Group has applied a package of five standards on consolidation, joint arrangements, associates and disclosures, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011), IAS 28 (as revised in 2011) and the relevant amendments in the current period. IAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

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

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

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

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

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Application of new or revised International Financial Reporting Standards (IFRSs) (continued)

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

The Group has applied the amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities in the current interim period. The amendments require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The Group has certain offsetting and transactions under legally enforceable master netting agreement or similar arrangement. However, the amounts involved are considered insignificant and the relevant information is not presented in the condensed consolidated financial statements.

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current period. IFRS 13 establishes a single source of guidance for fair value measurements and replaces those requirements previously included in various IFRSs. Consequential amendments have been made to IAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of IFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. IFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also IFRS 13 includes extensive disclosure requirements.

The application of IFRS 13 has no material impact on the Group's profit or loss, other comprehensive income and financial position in the current and prior periods. The disclosure on the fair value information of the assets and liabilities is set out in note 44.

IAS 19 Employee Benefits (as revised in 2011)

In the current interim period the Group has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Application of new or revised International Financial Reporting Standards (IFRSs) (continued)

IAS 19 Employee Benefits (as revised in 2011) (continued)

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the condensed consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

The application of the amendments has no material impact on the Group's profit or loss, other comprehensive income and financial position in the current and prior periods.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Application of new or revised International Financial Reporting Standards (IFRSs) (continued)

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (continued)

The Group has renamed the title of its condensed consolidated income statement to condensed consolidated statement of profit or loss and its condensed consolidated statement of comprehensive income to condensed consolidated statement of profit or loss and other comprehensive income. Other amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 has no material impact on the Group's profit or loss, other comprehensive income and financial position in the current and prior periods.

Amendments to IAS 34 Interim Financial Reporting (as part of the Annual Improvements to IFRSs 2009–2011 Cycle)

The Group has applied the amendments to IAS 34 Interim Financial Reporting as part of the Annual Improvements to IFRSs 2009–2011 Cycle for the first time in the current period. The amendments to IAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment. Information of segment reporting is set out in note 42.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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

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

Impairment of available-for-sale financial assets

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

Impairment of advances to customers

The Group reviews its advances to customers to assess impairment on a periodic basis. In determining whether an impairment loss should be recognized in profit or loss, the Group reviews the value of the securities collateral received from the customers firstly on individual basis, then on collective basis in determining the impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of goodwill

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

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Income taxes

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

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

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognized in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the tax losses are disclosed in note 19.

Retirement benefit obligations

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

Determination of consolidation scope

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

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

(Amounts in thousands of Renminbi, unless otherwise stated)

4. COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Commission on securities dealing, broking and handling fee income	**1,858,100**	1,501,769
Underwriting and sponsors fees	**181,477**	297,680
Commission on futures and options contracts dealing, broking and handling fee income	**168,068**	172,008
Consultancy and financial advisory fee income	**34,947**	11,210
Asset management fee income	**59,796**	9,782
Others	**6,435**	6,985
	2,308,823	1,999,434

5. INTEREST INCOME

The following is the analysis excluding interest income from investments:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Deposits with exchanges and a non-bank financial institution, and bank balances	**658,173**	688,023
Advances to customers and securities lending	**419,216**	144,760
Financial assets held under resale agreements	**46,917**	12,159
	1,124,306	844,942

(Amounts in thousands of Renminbi, unless otherwise stated)

6. NET INVESTMENT GAINS

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Net realized losses from disposal of available-for-sale financial assets	**(1,746)**	(13,627)
Dividend income and interest income from available-for-sale financial assets	**164,850**	56,072
Net realized (losses)/gains from disposal of financial assets held for trading	**(76,122)**	12,662
Dividend income and interest income from financial assets held for trading	**206,754**	111,135
Net realized gains from disposal of financial assets designated as at fair value through profit or loss	**42,639**	1,136
Interest income from financial assets designated as at fair value through profit or loss	**2,437**	1,417
Net realized gains from derivatives	**36,177**	5,058
Unrealized fair value change of financial instruments at fair value through profit or loss		
— financial assets held for trading	**(62,646)**	52,983
— financial assets designated as at fair value through profit or loss	**10,432**	(501)
— derivatives	**64,481**	29,423
	387,256	255,758

7. DEPRECIATION AND AMORTIZATION

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Depreciation for property and equipment	**103,510**	117,871
Amortization of other intangible assets	**17,779**	11,916
	121,289	129,787

(Amounts in thousands of Renminbi, unless otherwise stated)

8. STAFF COSTS

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Salaries, bonus and allowances	**781,833**	677,360
Social welfare	**175,534**	176,860
Contributions to annuity scheme	**22,028**	21,035
Retirement benefit obligations	**148**	7,872
Others	**120,965**	70,796
	1,100,508	953,923

9. COMMISSION AND FEE EXPENSES

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Securities and futures dealing and broking expenses	**43,971**	39,042
Underwriting and sponsors fee expenses	**15,855**	6,874
Other service expenses	**6,804**	2,817
	66,630	48,733

10. INTEREST EXPENSES

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Interest on liabilities that are wholly repayable within five years:		
— Accounts payable to brokerage clients	**62,812**	94,961
— Financial assets sold under repurchase agreements	**124,996**	39,179
— Due to banks and a non-bank financial institution	**100,926**	2,215
	288,734	136,355

(Amounts in thousands of Renminbi, unless otherwise stated)

11. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
General and administrative expenses	**200,156**	206,282
Business tax and other tax	**174,687**	131,168
Operating lease rentals in respect of rented premises	**195,856**	181,142
Data transmission expenses	**76,865**	79,570
Securities investor protection funds	**20,637**	13,243
Business travel expenses	**34,223**	36,752
Utilities expenses	**22,209**	25,897
Foreign exchange losses, net	**9,290**	861
Sundry expenses	**65,156**	40,676
	799,079	715,591

12. IMPAIRMENT LOSSES

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Allowance for/(reversal of) impairment loss in respect of accounts receivable	**22**	(13,913)
Impairment loss in respect of other receivables	**5,626**	1,657
Impairment loss in respect of available-for-sale financial assets	**116,487**	—
	122,135	(12,256)

(Amounts in thousands of Renminbi, unless otherwise stated)

13. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Current income tax		
— PRC Enterprise Income Tax	**277,118**	152,835
Deferred income tax (note 19)	**74,924**	107,900
	352,042	260,735

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. No Hong Kong profits tax is provided for as the Group has not generated any assessable profit from its subsidiaries located in Hong Kong.

14. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic earnings and diluted earnings per share:		
Profit for the period attributable to owners of the Company	**967,691**	865,753
Number of shares:		
Weighted average number of shares in issue (thousand)	**6,335,197**	6,000,000
Earnings per share:		
Basic earnings per share (RMB Yuan)	**0.15**	0.14
Diluted earnings per share (RMB Yuan)	**0.15**	N/A

The over-allotment option issued by the Company in June 2013 has no significant impact in the computation of diluted earnings per share. The Group had no dilutive potential ordinary shares outstanding during the six months ended 30 June 2012.

15. DIVIDEND

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

As the Company completed its initial public offering in May 2013, the Special Dividend Date is 30 April 2013. The Company's Distributable Profits will be determined upon the completion of the audit on its results for the four-month period.

(Amounts in thousands of Renminbi, unless otherwise stated)

16. PROPERTY AND EQUIPMENT

	Leasehold land and buildings	Electronic and communication equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
Unaudited						
COST						
As at 1 January 2013	**245,040**	**684,402**	**88,557**	**126,500**	**328,185**	**1,472,684**
Additions	**–**	**14,109**	**292**	**1,944**	**8,013**	**24,358**
Disposals/written-off	**–**	**(9,100)**	**(235)**	**(456)**	**(21,198)**	**(30,989)**
As at 30 June 2013	**245,040**	**689,411**	**88,614**	**127,988**	**315,000**	**1,466,053**
ACCUMULATED DEPRECIATION						
As at 1 January 2013	**87,576**	**563,299**	**66,000**	**70,951**	**169,258**	**957,084**
Charge for the period	**5,470**	**38,129**	**4,856**	**10,128**	**44,927**	**103,510**
Disposals/written-off	**–**	**(8,913)**	**(224)**	**(456)**	**(21,198)**	**(30,791)**
As at 30 June 2013	**93,046**	**592,515**	**70,632**	**80,623**	**192,987**	**1,029,803**
CARRYING VALUES						
As at 30 June 2013	**151,994**	**96,896**	**17,982**	**47,365**	**122,013**	**436,250**
Audited						
COST						
As at 1 January 2012	244,111	681,221	85,901	108,957	275,653	1,395,843
Additions	929	61,602	6,571	24,215	99,747	193,064
Disposals/written-off	–	(58,421)	(3,915)	(6,672)	(47,215)	(116,223)
As at 31 December 2012	245,040	684,402	88,557	126,500	328,185	1,472,684
ACCUMULATED DEPRECIATION						
As at 1 January 2012	76,636	504,753	49,059	56,565	124,887	811,900
Charge for the year	10,940	106,625	19,387	19,699	91,586	248,237
Disposals/written-off	–	(48,079)	(2,446)	(5,313)	(47,215)	(103,053)
As at 31 December 2012	87,576	563,299	66,000	70,951	169,258	957,084
CARRYING VALUES						
As at 31 December 2012	157,464	121,103	22,557	55,549	158,927	515,600

(Amounts in thousands of Renminbi, unless otherwise stated)

16. PROPERTY AND EQUIPMENT (continued)

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

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
On long-term lease (over 50 years)	**6,324**	6,540
On medium-term lease (10–50 years)	**145,670**	150,924
	151,994	157,464

The Group was still in the process of applying for the title certificates for its leasehold land and buildings with a net book value of RMB29.89 million as at 30 June 2013 (31 December 2012: RMB30.99 million). The directors of the Company consider that this would not have significant impact on the condensed consolidated financial statements.

(Amounts in thousands of Renminbi, unless otherwise stated)

17. INVESTMENT IN AN ASSOCIATE

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Investment in unlisted shares, at cost	**20,000**	—

Details of the associate at 30 June 2013 were as follows:

Name	Place of incorporation/ establishment	Equity interest held by the Group As at 30 June 2013	As at 31 December 2012	Principal activities
北京股權交易中心有限公司 Beijing Equity Exchange Centre Co. Ltd.*	PRC	10.00%	–	Operates an exchange for the trading of unlisted equity investments and debt securities.

* This associate does not have an official English name.

In January 2013, the Company invested RMB20.00 million in Beijing Equity Exchange Centre Co. Ltd. ("Beijing Equity Exchange") for a 10% equity interest and voting right. The Company has accounted for its interest in Beijing Equity Exchange as investment in an associate as the Company is entitled to appoint one out of seven directors on the Board of Directors of Beijing Equity Exchange and can exercise significant influence over Beijing Equity Exchange.

(Amounts in thousands of Renminbi, unless otherwise stated)

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Non-current		
Measured at fair value:		
Other investments(1)	**219,607**	300,526
Measured at cost:		
Equity securities(2)	**343,450**	442,450
Issued by corporate entities	**343,450**	442,450
	563,057	742,976
Analyzed as:		
Unlisted	**563,057**	742,976
Current		
Measured at fair value:		
Debt securities	**6,872,291**	5,517,098
Corporate bonds	**6,872,291**	5,517,098
Equity securities	**555,318**	383,346
issued by banks and other financial institutions	**410,642**	361,700
issued by corporate entities	**143,633**	20,408
issued by public sector entities	**738**	846
issued by others	**305**	392
Funds	**6,936**	7,556
Other investments(1)	**261,886**	—
	7,696,431	5,908,000
Analyzed as:		
Listed outside Hong Kong(3)	**7,434,545**	5,908,000
Unlisted	**261,886**	—
	7,696,431	5,908,000

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

(1) Other investments represent investments in collective asset management plans issued and managed by the Company, and targeted asset management plans managed by non-bank financial institutions, which mainly invest in debt securities and publicly traded equity securities listed in the PRC. The Group has committed to hold its investments in collective asset management plans till the end of the investment period which ranges from 2 years to 10 years.

(2) During the current period, the directors of the Company recognized impairment loss amounting to RMB99.00 million (six months ended 30 June 2012: Nil) in respect of its investments in certain private equity investments which were measured at cost less impairment.

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

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

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

Included in the Group's listed equity securities of approximately RMB528.36 million as at 30 June 2013 (31 December 2012: RMB349.44 million) were restricted shares listed in the PRC with a legally enforceable restriction that prevents the Group to dispose of within the specified period. Fair values of these restricted shares are determined with reference to the quoted market prices with an adjustment of discount to reflect the effect of the restriction.

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

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

As at 30 June 2013, the Group entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale equity securities and exchange-traded funds with a total fair value of RMB28.71 million (31 December 2012: RMB35.50 million) to clients. These securities continued to be recognized as financial assets of the Group.

(Amounts in thousands of Renminbi, unless otherwise stated)

19. DEFERRED TAXATION

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

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Deferred tax assets	**74,935**	174,385

The followings are the major deferred tax assets and liabilities recognized and movements thereon during the reporting periods:

	Changes in fair value of financial assets at fair value through profit or loss	Changes in fair value of available-for-sale financial assets	Accrued staff cost	Allowance of impairment losses	Accrued interest expenses	Accrued expenses	Changes in fair value of derivative instruments	Accrued interest income	Provisions	Others	Total
Audited											
At 1 January 2012	6,585	12,003	298,674	21,607	1,652	5,687	597	(41,935)	–	–	304,870
(Charge)/credit to profit or loss	(17,323)	–	(84,111)	(12,822)	919	(735)	6,646	(26,365)	4,725	1,529	(127,537)
Charge to other comprehensive income	–	(2,948)	–	–	–	–	–	–	–	–	(2,948)
At 31 December 2012	(10,738)	9,055	214,563	8,785	2,571	4,952	7,243	(68,300)	4,725	1,529	174,385
Unaudited											
At 1 January 2013	**(10,738)**	**9,055**	**214,563**	**8,785**	**2,571**	**4,952**	**7,243**	**(68,300)**	**4,725**	**1,529**	**174,385**
Credit/(charge) to profit or loss	**13,053**	**–**	**(64,184)**	**5,037**	**12,622**	**11,270**	**(16,120)**	**(37,663)**	**–**	**1,061**	**(74,924)**
Charge to other comprehensive income	**–**	**(24,526)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(24,526)**
At 30 June 2013	**2,315**	**(15,471)**	**150,379**	**13,822**	**15,193**	**16,222**	**(8,877)**	**(105,963)**	**4,725**	**2,590**	**74,935**

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

(Amounts in thousands of Renminbi, unless otherwise stated)

19. DEFERRED TAXATION (continued)

During the current interim period, an impairment loss amounting to RMB 99.00 million (six months ended 30 June 2012: Nil) in respect of the Group's investments in certain private equity investments was recognized. No deferred tax asset has been recognized for the deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilized.

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

The Group has estimated unutilized tax losses of RMB59.05 million as at 30 June 2013 (31 December 2012: RMB46.59 million), available for offsetting against future profits of subsidiaries, and a portion of which have not been agreed with the PRC tax bureau or the Hong Kong tax authority. No deferred tax asset has been recognized due to the unpredictability of future profit streams of these PRC and Hong Kong group entities. The tax losses of PRC Group entities amounting to RMB15.22 million as at 30 June 2013 (31 December 2012: RMB2.76 million), including RMB2.76 million that will expire in 2016 and RMB12.46 million will expire in 2018, and those of Hong Kong entities amounting to RMB43.83 million as at 30 June 2013 (31 December 2012: RMB43.83 million), can be carried forward indefinitely.

20. OTHER RECEIVABLES

In the current period, the Company's subsidiary, Galaxy Capital Management Company Limited (銀河創新資本管理有限公司) ("Galaxy Capital"), entered into an agreement with a third party to jointly set up a private equity fund management company and a private equity investment fund for long-term strategic purpose, in which initial investments of RMB10.20 million and RMB200.00 million, respectively, were made by Galaxy Capital.

As at 30 June 2013, both the private equity fund management company and the private equity investment fund have yet to be established and the initial investments paid were classified as non-current other receivables.

21. ADVANCES TO CUSTOMERS

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Loans to margin clients	**11,967,266**	5,438,668
Less: Impairment on advances to customer	**—**	—
	11,967,266	5,438,668

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

(Amounts in thousands of Renminbi, unless otherwise stated)

21. ADVANCES TO CUSTOMERS (continued)

Based on the agreement terms with margin clients in Hong Kong, the Group is able to repledge clients' securities for margin financing arrangements with qualified financial institutions. The fair values of these securities were RMB3,044.00 million as at 30 June 2013 (31 December 2012: RMB1,380.00 million).

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

The Group evaluates the collectability of loans based on management's judgement regarding the change in credit quality, collateral value and the past collection history of each client. Management considered that there were no impaired debts as at 30 June 2013 and 31 December 2012.

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

22. ACCOUNTS RECEIVABLE

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Accounts receivable of:		
Client securities settlement	**78,645**	60,823
Brokers, dealers and clearing house	**86,278**	60,284
Trading rights rental commission	**64,373**	51,873
Asset management and funds distribution handling fee	**27,383**	17,115
Underwriting and sponsors fee	**18,970**	13,820
Investment advisory fee	**4,000**	3,105
Others	**—**	3,899
Subtotal	**279,649**	210,919
Less: Impairment on accounts receivable	**(1,232)**	(1,210)
Total	**278,417**	209,709

(Amounts in thousands of Renminbi, unless otherwise stated)

22. ACCOUNTS RECEIVABLE (continued)

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

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Within 1 year	**277,967**	207,351
Between 1 and 2 years	**450**	2,283
Between 2 and 3 years	**—**	75
	278,417	209,709

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

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
At beginning of the period/year	**1,210**	14,956
Impairment losses recognized	**22**	—
Reversal of impairment losses	**—**	(13,746)
At end of the period/year	**1,232**	1,210

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

(Amounts in thousands of Renminbi, unless otherwise stated)

23. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Analyzed by collateral type:		
Bonds	**214,700**	162,000
Stocks	**1,451,193**	647,523
	1,665,893	809,523
Analyzed by market of collateral:		
Stock exchanges	**1,665,893**	659,523
Interbank bond market	**—**	150,000
	1,665,893	809,523

24. FINANCIAL ASSETS HELD FOR TRADING

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Debt securities	**4,125,757**	3,346,520
Government bonds	**—**	4,982
Financial bonds	**186,951**	—
Corporate bonds	**3,938,806**	3,341,538
Equity securities	**210,777**	20,856
issued by banks and other financial institutions	**52,287**	5,358
issued by corporate entities	**130,404**	15,109
issued by public utility entities	**2,188**	318
issued by others	**25,898**	71
Funds	**156,139**	1,060,269
Other investments(1)	**146,466**	194,376
	4,639,139	4,622,021
Analyzed as:		
Listed outside Hong Kong(2)	**4,481,316**	3,499,402
Unlisted	**157,823**	1,122,619
	4,639,139	4,622,021

(1) Other investments represent investments in collective asset management plans issued and managed by the Company.

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

(Amounts in thousands of Renminbi, unless otherwise stated)

24. FINANCIAL ASSETS HELD FOR TRADING (continued)

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

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

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Convertible bonds(1)	**66,203**	485,400
Financial bonds	**27,171**	360,293
Corporate bonds	**39,032**	125,107
Equity securities(2)	**264,939**	318,076
— issued by banks and other financial institutions	**94,857**	106,974
— issued by corporate entities	**160,486**	199,336
— issued by public sector entities	**6,087**	7,678
— issued by and others	**3,509**	4,088
Funds(2)	**28,434**	27,561
	359,576	831,037
Analyzed as:		
Listed outside Hong Kong(3)	**359,576**	831,037

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

(2) These equity securities and exchange-traded funds are used for securities lending business which are designated as financial assets at fair value through profit or loss. As at 30 June 2013, the Group entered into securities lending arrangement with clients that resulted in the transfer of financial assets designated as at fair value through profit or loss with total fair value of RMB132.88 million (31 December 2012: RMB169.76 million) to clients. These equity securities and exchange-traded funds continued to be recognized as financial assets of the Group.

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

(Amounts in thousands of Renminbi, unless otherwise stated)

26. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Equity Return Swaps(1)	**2,844**	—
Stock index futures(2)	**—**	—
	2,844	—

(1) The equity return swaps are carried at fair values and the notional principal amounts of swaps as at 30 June 2013 were RMB70.79 million (31 December 2012: Nil).

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

Details of the Group's stock index futures are set out below:

As at 30 June 2013 (Unaudited)

Stock Index Futures	Contracts	Purchase/ sale	Positions	Contract value	Fair value
			Number of contracts		
CSI 300	**IF1307**	**Sale**	**445**	**286,304**	**15,677**
CSI 300	**IF1309**	**Sale**	**332**	**214,180**	**16,988**
Total				**500,484**	**32,665**
Less: settlement					**(32,665)**
Net position of SIF contracts					**—**

As at 31 December 2012 (Audited)

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

(Amounts in thousands of Renminbi, unless otherwise stated)

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

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Deposits with stock exchanges		
— Shanghai Stock Exchange	**64,722**	42,018
— Shenzhen Stock Exchange	**43,260**	524,358
— Hong Kong Stock Exchange	**8,730**	3,052
Deposits with futures and commodity exchanges		
— China Financial Futures Exchange	**489,533**	511,310
— Shanghai Futures Exchange	**922,004**	752,357
— Dalian Commodity Exchange	**414,476**	528,459
— Zhengzhou Commodity Exchange	**206,734**	198,894
China Securities Finance Corporation Limited (note 32)	**648,102**	16,125
Guarantee fund paid to Shenzhen Stock Exchange	**36,250**	37,750
	2,833,811	2,614,323

28. CLEARING SETTLEMENT FUNDS

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Clearing settlement funds held with clearing houses for:		
— House accounts	**266,706**	466,026
— Clients	**3,603,880**	4,075,449
	3,870,586	4,541,475

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

(Amounts in thousands of Renminbi, unless otherwise stated)

29. BANK BALANCES

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
House accounts	**12,847,782**	3,455,016
Cash held on behalf of customers[1]	**35,679,254**	33,151,989
	48,527,036	36,607,005

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

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

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Bank balances — house accounts	**11,856,888**	3,455,016
Clearing settlement funds — house accounts	**266,706**	466,026
	12,123,594	3,921,042

Cash and cash equivalent does not include bank deposits with original maturities of more than three months held by the Group. As at 30 June 2013, bank term deposits with original maturities of more than three months held by the Group were RMB990.89 million (31 December 2012: nil).

(Amounts in thousands of Renminbi, unless otherwise stated)

31. SHORT-TERM NOTES

With the approval from the People's Bank of China, the Company issued two tranches of short-term notes, each with a term of 90 days, during the current period.

Details of the Group's short-term notes as at 30 June 2013 are as follows:

Name	Issue date	Term	Coupon rate	Carrying Amount
2013 Tranche 1	12 April 2013	90 days	3.58%	3,500,000
2013 Tranche 2	20 June 2013	90 days	5.10%	3,500,000
				7,000,000

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

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Secured short-term bank loan(1)	**–**	18,858
Unsecured short-term bank loan(1)	**79,660**	—
Placements(2)	**3,123,000**	300,000
	3,202,660	318,858

(1) Short-term bank loans, borrowed by the subsidiaries in Hong Kong, amounted to approximately RMB79.66 million and RMB18.86 million as at 30 June 2013 and 31 December 2012, respectively. The short-term bank loan of RMB79.66 million as at 30 June 2013 was unsecured and will fall due in Aug 2013. The short-term bank loan of RMB18.86 million as at 31 December 2012 were secured by readily marketable securities listed on the Main Board of the Hong Kong Stock Exchange with a total fair value of RMB88.28 million held by the Group as collateral of the loans to margin clients in Hong Kong.

(2) As at 30 June 2013, placements were obtained from China Securities Finance Corporation Limited, a non-bank financial institution, of RMB3,123.00 million (31 December 2012: RMB300.00 million) with interest at 6.0%–6.5% (31 December 2012: 5.80%) per annum.

The placements from China Securities Finance Corporation Limited were secured by a cash deposit of RMB648.10 million as at 30 June 2013 (31 December 2012: RMB16.13 million) included in deposits with exchanges and a non-bank financial institution, and by debt securities with fair value of RMB61.80 million as at 30 June 2013 (31 December 2012: RMB61.80 million) included in available-for-sale financial assets. The placements are repayable within one month from the end of the reporting period.

(Amounts in thousands of Renminbi, unless otherwise stated)

33. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

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

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value to the readers of these condensed consolidated financial statements in view of the nature of these businesses.

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

As at 30 June 2013, included in the Group's accounts payable to brokerage clients were approximately RMB1,291.33 million (31 December 2012: RMB785.11 million) of margin deposits and cash collateral received from clients for margin financing and securities lending arrangement.

34. ACCRUED STAFF COSTS

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Salaries, bonus and allowances	**553,212**	788,828
Social welfare	**8,075**	9,154
Annuity scheme	**6,322**	13,310
Retirement benefit obligations	**224,644**	236,900
Others	**50,762**	56,645
	843,015	1,104,837

35. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Analyzed by collateral type:		
Bonds	**6,415,807**	5,183,436
Analyzed by market of collateral:		
Stock exchanges	**6,247,507**	4,333,436
Interbank bond market	**168,300**	850,000
	6,415,807	5,183,436

36. SHARE CAPITAL

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares and nominal value are as follows:

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Issued and fully paid ordinary shares of RMB1 each (in thousands)		
Domestic shares	**5,846,274**	6,000,000
H shares	**1,690,985**	—
	7,537,259	6,000,000
Share capital (in RMB'000)		
Domestic shares	**5,846,274**	6,000,000
H shares	**1,690,985**	—
	7,537,259	6,000,000

(Amounts in thousands of Renminbi, unless otherwise stated)

36. SHARE CAPITAL (continued)

In May 2013, the Company completed its initial public offering of 1,500,000,000 H shares on the Main Board of Hong Kong Stock Exchange. In June 2013, the joint global coordinators exercised the over-allotment option and thus the Company had issued an additional 37,258,757 H shares which are also listed on the Main Board of Hong Kong Stock Exchange. A total of 1,537,258,757 new shares have been issued by the Company to the public during the period.

The capital increase has been verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP which issued the capital verification report De Shi Bao (Yan) Zi (2013) No. 0130 dated 28 June 2013.

According to the relevant PRC requirements, existing shareholder of the state-owned shares of the Company has transferred an aggregate number of 153,725,876 state-owned shares of the Company to the National Council for Social Security Fund of the PRC, and such shares were then converted into H shares on a one-for-one basis. As a result of the H share issuance and the above-mentioned transfer, the number of H shares and domestic shares as at 30 June 2013 are 1,690,984,633 and 5,846,274,124 respectively (31 December, 2012: domestic shares of 6,000 million only).

37. CAPITAL RESERVE

The movements of capital reserve of the Company are set out below:

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
At beginning of the period/year	**–**	—
Share issuance pursuant to the initial public offering	**4,798,751**	—
At end of the period/year	**4,798,751**	—

The Company was listed on the Main Board of the Hong Kong Stock Exchange on 22 May 2013. The excess of the proceeds over the nominal value of the total number of ordinary shares issued which amounted to RMB4,960,998,000 was credited to the capital reserve. The Company incurred RMB213,766,000 as share issuance costs, of which RMB51,519,000 was related to inter-group transactions and eliminated on consolidation.

38. GENERAL RESERVES

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

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

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

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

(Amounts in thousands of Renminbi, unless otherwise stated)

38. GENERAL RESERVES (continued)

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

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

As at 30 June 2013 (Unaudited)

	Opening	Addition	Closing
Statutory reserve	**1,737,635**	**93,104**	**1,830,739**
Discretionary reserve	**1,085,498**	**139,635**	**1,225,133**
Reserve for general risk	**1,737,635**	**93,104**	**1,830,739**
Transaction risk reserve	**1,737,635**	**93,104**	**1,830,739**
	6,298,403	**418,947**	**6,717,350**

As at 31 December 2012 (Audited)

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

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

(Amounts in thousands of Renminbi, unless otherwise stated)

39. OPERATING LEASE COMMITMENTS

Leases for the properties are negotiated with agreed rental charges. As at 30 June 2013 and 31 December 2012, lease terms were ranging from 1 to 15 years.

At 30 June 2013 and 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

The Group as lessee

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Within 1 year	**272,859**	311,857
Beyond 1 year and not more than 2 years	**178,733**	192,435
Beyond 2 years and not more than 3 years	**143,211**	140,546
Beyond 3 years and not more than 5 years	**187,022**	195,234
More than 5 years	**79,161**	79,384
	860,986	919,456

The Group as lessor

As at 30 June 2013 and 31 December 2012, the Group did not have material lease commitments as lessor.

(Amounts in thousands of Renminbi, unless otherwise stated)

40. CAPITAL COMMITMENTS

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Contracted but not provided for	**6,105**	5,788

41. RELATED PARTY TRANSACTIONS

(1) Immediate holding company

China Galaxy Financial Holdings Company Limited (中國銀河金融控股有限責任公司) ("Galaxy Financial Holdings") is a financial holding company approved by the State Council of the PRC and was established in Beijing on 8 August 2005. Galaxy Financial Holdings owned 5,214,534,387 shares (31 December 2012: 5,364,121,983 shares), representing 69.18% of the entire equity interest of the Company as at 30 June 2013 (31 December 2012: 89.40%). Galaxy Financial Holdings' shareholders are Central Huijin Investment Ltd. ("Central Huijin") with 78.57% equity interest and the Ministry of Finance ("the MOF") with 21.43% equity interest.

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

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

(Amounts in thousands of Renminbi, unless otherwise stated)

41. RELATED PARTY TRANSACTIONS (continued)

(1) Immediate holding company (continued)

During the six months ended 30 June 2013 and 2012, the Group provided securities brokerage and asset management services to Galaxy Financial Holdings and details of the significant transactions and balances are set out below.

	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited)
Interest expenses	**95**	103

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Accounts payable to brokerage clients	**13,578**	1

In addition to the above related party transactions, the Company provided asset management services to Galaxy Financial Holdings in accordance with an agreement signed in June 2013. As at 30 June 2013, the entrusted assets under investment management for Galaxy Financial Holdings amounted to approximately RMB50.00 million.

(2) Central Huijin

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

(Amounts in thousands of Renminbi, unless otherwise stated)

41. RELATED PARTY TRANSACTIONS (continued)

(2) Central Huijin (continued)

The Group's transactions with Central Huijin Group

	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited)
Commission and fee income	**9,456**	257
Interest income from banks and non-bank financial institutions within the Central Huijin Group	**404,127**	450,965
Investment gains of equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group	**4,947**	10,829
Interest expenses to brokerage clients within the Central Huijin Group	**1,349**	3,512

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group classified as		
— available-for-sale financial assets	**1,459**	1,506
— financial assets held for trading	**189,925**	592
— financial assets designated as at fair value through profit or loss	**38,341**	375,218
Accounts receivable from the Central Huijin Group	**—**	1,605
Bank balances deposited with banks within the Central Huijin Group	**31,241,985**	21,160,689
Accounts payable to brokerage clients within the Central Huijin Group	**3,363,932**	86,045

41. RELATED PARTY TRANSACTIONS (continued)

(3) Government related entities

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

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

(4) Other related parties

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

Name	Relationship
銀河基金管理有限公司 Galaxy Fund Management Company Limited ("Galaxy Fund Management")*	fellow subsidiary
銀河保險經紀(北京)有限責任公司 Galaxy Insurance Brokerage (Beijing) Company Limited ("Galaxy Insurance Brokerage")*	fellow subsidiary
中國銀河投資管理有限公司 China Galaxy Investment Management Company Limited ("Galaxy Investment")*	Note
北京銀河吉星創業投資有限責任公司 Beijing Galaxy Jixing Investment Management Company Limited ("Galaxy Jixing")*	Note

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

* These related parties do not have official English names.

(Amounts in thousands of Renminbi, unless otherwise stated)

41. RELATED PARTY TRANSACTIONS (continued)

(4) Other related parties (continued)

The Group's transactions with other related parties

Commission and fee income

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Galaxy Fund Management	**1,691**	2,581

Other operating expenses

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Galaxy Investment	**31,001**	30,772

For the six months ended 30 June 2013 and 2012, other operating expenses between the Group and Galaxy Investment solely related to the leasing of premises owned by Galaxy Investment.

The Group's balances with other related parties

Other payables

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Galaxy Insurance Brokerage	**–**	1,369

(Amounts in thousands of Renminbi, unless otherwise stated)

41. RELATED PARTY TRANSACTIONS (continued)

(4) Other related parties (continued)

The Group's balances with other related parties (continued)

Accounts payable to brokerage clients

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Galaxy Investment	**4,178**	2,812
Galaxy Jixing	**3,081**	51
	7,259	2,863

The Group's lease commitments with Galaxy Investment

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
The Group as lessee		
Within 1 year	**44,770**	63,090
Beyond 1 year and not more than 2 years	**3,999**	7,290
Beyond 2 years and not more than 3 years	**1,624**	2,169
Beyond 3 years and not more than 5 years	**356**	557
	50,749	73,106

Collective asset management plans held by Galaxy Investment

As at 30 June 2013, Galaxy Investment invested in collective asset management plans issued by the Company with a fair value of RMB7.53 million (31 December 2012: RMB8.30 million).

(Amounts in thousands of Renminbi, unless otherwise stated)

41. RELATED PARTY TRANSACTIONS (continued)

(5) Key management personnel

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

	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited)
Salaries, allowances, bonuses, social welfare and annuity scheme contribution	**23,748**	6,769

Note: According to the regulations of the PRC relevant authorities, the key management personnel's final emoluments for the period ended 30 June 2013 and for the year ended 31 December 2012, have not been finalized. Management of the Group believes that difference in emoluments will not have significant impact on the Financial Information as at 30 June 2013. The amount of actual remuneration will be disclosed when determined.

42. SEGMENT REPORTING

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

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

(a) Securities brokerage: This segment engages in the provision of securities dealing and broking, margin financing to margin clients and securities lending;

(b) Futures brokerage: This segment engages in futures dealing and broking, futures information consulting and training;

(c) Proprietary trading and other securities trading services: This segment engages in trading of equities, bonds, funds, derivatives and other financial products for the Group;

42. SEGMENT REPORTING (continued)

(d) Investment banking: This segment engages in the provision of corporate finance services including underwriting of equity and debt securities and financial advisory services to institutional clients;

(e) Asset management: This segment engages in the provision of portfolio management and maintenance, investment advisory and transaction execution services;

(f) Private equity investment: This segment makes direct equity investments in private companies and realizes capital gains by exiting from these private equity investments through initial public offerings or share sales, or receives dividends from these portfolio companies;

(g) Overseas business: This segment mainly represents the business operations in securities brokerage, futures brokerage, securities research, investment banking, margin financing, money lending, asset management and insurance brokerage that are carried out in Hong Kong.

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

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

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

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

The Group operates in two principal geographical areas in the People's Republic of China, Mainland China and Hong Kong, representing the location of both income from external customers and assets of the Group. Segment revenue and all assets of the Group in respect of overseas business segment are attributable to operations in Hong Kong. Segment revenue and all assets of the Group except for the overseas business segment are attributable to operations in Mainland China. No single customer contributes more than 10% of the Group's income for the six months ended 30 June 2013 and 2012.

(Amounts in thousands of Renminbi, unless otherwise stated)

42. SEGMENT REPORTING (continued)

The operating and reportable segment information provided to the CODM for the six months ended 30 June 2013 and 2012 is as follows:

	Securities brokerage	Futures brokerage	Proprietary trading and other securities trading services	Investment banking	Asset management	Private equity investment	Overseas business	Others	Segment total	Eliminations	Consolidated total
For the six months ended 30 June 2013 (Unaudited)											
Segment revenue and results											
Revenue											
– External	2,699,673	268,150	480,962	193,466	68,502	4,716	55,682	49,234	3,820,385	–	3,820,385
– Inter-segment	3,979	–	–	–	–	–	51,519	–	55,498	(55,498)	–
Other income and gains	5,194	452	–	–	–	–	436	1,847	7,929	–	7,929
Segment revenue and other income	2,708,846	268,602	480,962	193,466	68,502	4,716	107,637	51,081	3,883,812	(55,498)	3,828,314
Segment expenses	(1,307,316)	(186,000)	(176,006)	(143,738)	(34,572)	(110,655)	(63,345)	(480,722)	(2,502,354)	3,979	(2,498,375)
Profit/(loss) before income tax	1,401,530	82,602	304,956	49,728	33,930	(105,939)	44,292	(429,641)	1,381,458	(51,519)	1,329,939
For the six months ended 30 June 2012 (Unaudited)											
Segment revenue and results											
Revenue											
– External	2,136,827	258,655	266,661	307,180	10,796	10,572	9,275	100,168	3,100,134	–	3,100,134
– Inter-segment	2,218	–	–	–	–	–	–	–	2,218	(2,218)	–
Other income and gains	6,766	1,595	–	250	–	1	99	688	9,399	–	9,399
Segment revenue and other income	2,145,811	260,250	266,661	307,430	10,796	10,573	9,374	100,856	3,111,751	(2,218)	3,109,533
Segment expenses	(1,249,058)	(170,190)	(88,029)	(168,326)	(15,214)	(10,087)	(26,751)	(246,696)	(1,974,351)	2,218	(1,972,133)
Profit/(loss) before income tax	896,753	90,060	178,632	139,104	(4,418)	486	(17,377)	(145,840)	1,137,400	–	1,137,400

(Amounts in thousands of Renminbi, unless otherwise stated)

42. SEGMENT REPORTING (continued)

The segment assets and liabilities as at 30 June 2013 and 31 December 2012 are as follow:

	Securities brokerage	Futures brokerage	Proprietary trading and other securities trading services	Investment banking	Asset management	Private equity investment	Overseas business	Others	Segment total	Eliminations	Consolidated total
As at 30 June 2013 (Unaudited)											
Segment assets and liabilities											
Segment assets	**53,004,361**	**8,512,015**	**14,419,713**	**374,780**	**316,105**	**919,975**	**876,600**	**28,309,911**	**106,733,460**	**(22,092,651)**	**84,640,809**
Deferred tax assets											**74,935**
Group's total assets											**84,715,744**
Segment liabilities	**51,350,976**	**7,093,125**	**14,196,099**	**209,195**	**292,593**	**14,633**	**394,696**	**8,218,424**	**81,769,741**	**(22,092,651)**	**59,677,090**
As at 31 December 2012 (Audited)											
Segment assets and liabilities											
Segment assets	43,056,563	6,601,961	12,252,829	109,431	230,774	1,029,133	677,732	15,564,837	79,523,260	(15,402,061)	64,121,199
Deferred tax assets											174,385
Group's total assets											64,295,584
Segment liabilities	42,598,151	5,848,639	12,282,449	98,320	262,144	17,993	233,926	797,175	62,138,797	(15,402,061)	46,736,736

43. FINANCIAL RISK MANAGEMENT

Overview

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

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

43. FINANCIAL RISK MANAGEMENT (continued)

Risk management organizational structure

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

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

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

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

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

43.1 Credit risk

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

43. FINANCIAL RISK MANAGEMENT (continued)

43.1 Credit risk (continued)

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

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

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

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

Margin trading assets consist of advances to customers and securities lent to customers. The main credit risk of these financial assets is customers' failure to repay the principal, interests or securities lent to them. The Group monitors margin trading clients' accounts on an individual customer basis and call for additional margin deposits, cash collateral or securities when necessary. The advances to margin clients are monitored through their collateral ratios, which ensure the value of the pledged assets is sufficient to cover the advances. As at 30 June 2013 and 31 December 2012, the collateral ratios of all of the Group's margin clients were above 130%, respectively, which indicated the collateral value was sufficient to cover the exposure to credit risk arising from margin trading.

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

(Amounts in thousands of Renminbi, unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

43.1 Credit risk (continued)

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

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Advances to customers	**11,967,266**	5,438,668
Accounts receivable	**278,417**	209,709
Other financial assets	**834,509**	374,471
Available-for-sale financial assets (1)	**6,901,001**	5,552,597
Including: Securities lent to customers	**28,710**	35,499
Financial assets held under resale agreements	**1,665,893**	809,523
Financial assets held for trading (1)	**4,125,757**	3,346,520
Financial assets designated as at fair value through profit or loss (1)	**199,085**	655,164
Including: Securities lent to customers	**132,882**	169,764
Derivative financial instruments	**2,844**	—
Deposits with exchanges and a non-bank financial institution	**2,833,811**	2,614,323
Clearing settlement funds	**3,870,586**	4,541,475
Bank balances	**48,527,036**	36,607,005
	81,206,205	60,149,455

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

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

43. FINANCIAL RISK MANAGEMENT (continued)

43.2 Market risk

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

Interest rate risk

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

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

(Amounts in thousands of Renminbi, unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

43.2 Market risk (continued)

Interest rate risk (continued)

As at 30 June 2013 (Unaudited)

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
Financial assets					
Advances to customers	11,967,266	–	–	–	11,967,266
Available-for-sale debt securities	245,871	468,749	1,168,439	4,989,232	6,872,291
Financial assets held under resale agreements	1,665,893	–	–	–	1,665,893
Financial assets held for trading	1,165,600	1,286,896	329,553	1,343,708	4,125,757
Financial assets designated as at fair value through profit or loss	–	–	66,203	–	66,203
Derivative financial instruments	2,844	–	–	–	2,844
Clearing settlement funds	3,870,586	–	–	–	3,870,586
Bank balances	48,527,036	–	–	–	48,527,036
Subtotal	67,445,096	1,755,645	1,564,195	6,332,940	77,097,876
Financial liabilities					
Short-term notes	7,000,000	–	–	–	7,000,000
Due to banks and a non-bank financial institution	3,202,660	–	–	–	3,202,660
Accounts payable to brokerage clients	41,273,161	–	–	–	41,273,161
Financial assets sold under repurchase agreements	6,415,807	–	–	–	6,415,807
Subtotal	57,891,628	–	–	–	57,891,628
Net interest-bearing position	9,553,468	1,755,645	1,564,195	6,332,940	19,206,248

(Amounts in thousands of Renminbi, unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

43.2 Market risk (continued)

Interest rate risk (continued)

As at 31 December 2012 (Audited)

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

(Amounts in thousands of Renminbi, unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

43.2 Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Profit before income tax for the period		
Increase by 100bps	**(46,044)**	(76,854)
Decrease by 100bps	**46,044**	76,854
Other comprehensive income before income tax		
Increase by 100bps	**(318,327)**	(218,059)
Decrease by 100bps	**318,327**	218,059

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 which are different from the respective group entity's functional currency.

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, a majority of the business transactions are denominated in RMB, and the proportion of foreign currency transactions is not significant to the Group. The Group considers that the currency risk of the Group's operations is immaterial due to the relatively low proportion of the Group's foreign currency denominated assets, liabilities, income and expense, as compared to the Group's total assets, liabilities, income and expenses. Hence, no further analysis is presented.

(Amounts in thousands of Renminbi, unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

43.2 Market risk (continued)

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

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

Sensitivity analysis

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Profit before income tax for the period		
Increase by 10%	**30,169**	68,548
Decrease by 10%	**(30,169)**	(68,548)
Other comprehensive income before income tax		
Increase by 10%	**93,904**	20,426
Decrease by 10%	**(93,904)**	(20,426)

43. FINANCIAL RISK MANAGEMENT (continued)

43.3 Liquidity risk

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

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

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

(Amounts in thousands of Renminbi, unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

43.3 Liquidity risk (continued)

Undiscounted cash flows by contractual maturities

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

As at 30 June 2013 (Unaudited)

	Undated	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
Financial assets								
Advances to customers	–	–	3,326,811	9,137,095	–	–	12,463,906	11,967,266
Accounts receivable	–	278,417	–	–	–	–	278,417	278,417
Other financial assets	–	327,819	–	–	–	–	327,819	327,819
Available-for-sale financial assets	1,387,198	–	136,123	474,800	3,001,976	5,846,982	10,847,079	8,259,488
Financial assets held under resale agreements	–	–	366,896	1,408,943	–	–	1,775,839	1,665,893
Financial assets held for trading	366,916	–	576,236	366,643	2,420,010	1,838,938	5,568,743	4,639,139
Financial assets designated as at fair value through profit or loss	293,373	–	203	501	67,207	–	361,284	359,576
Deposits with exchanges and a non-bank financial institution	–	1,986,414	847,397	–	–	–	2,833,811	2,833,811
Clearing settlement funds	–	3,870,586	–	–	–	–	3,870,586	3,870,586
Bank balances	–	41,379,698	5,409,854	1,850,369	–	–	48,639,921	48,527,036
Subtotal	2,047,487	47,842,934	10,663,520	13,238,351	5,489,193	7,685,920	86,967,405	82,729,031
Financial liabilities								
Short-term notes	–	–	7,032,803	–	–	–	7,032,803	7,000,000
Due to banks and a non-bank financial institution	–	–	3,218,299	–	–	–	3,218,299	3,202,660
Accounts payable to brokerage clients	–	41,273,161	–	–	–	–	41,273,161	41,273,161
Other financial liabilities	–	701,329	–	–	–	–	701,329	701,329
Financial assets sold under repurchase agreements	–	–	5,847,545	601,958	–	–	6,449,503	6,415,807
Subtotal	–	41,974,490	16,098,647	601,958	–	–	58,675,095	58,592,957
Net position	2,047,487	5,868,444	(5,435,127)	12,636,393	5,489,193	7,685,920	28,292,310	24,136,074

(Amounts in thousands of Renminbi, unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

43.3 Liquidity risk (continued)

Undiscounted cash flows by contractual maturities (continued)

As at 31 December 2012 (Audited)

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

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- The fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;

- The fair value of other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions;

- The fair value of derivative financial instrument is determined using quoted prices. Where such prices are not available, discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for non-option type of derivatives, and option pricing model is used for option type of derivatives.

As at 30 June 2013 and 31 December 2012, the financial assets at Level 2 include the debt securities traded on Interbank Bond Market, equity investments with restriction on disposal, collective investment plans and equity return swaps. The fair values of the debt securities traded on Interbank Bond Market are provided by CSDCC and determined by using the discounted cash flows approach with appropriate interest rate yield curves of different types of bonds as the key parameters for the fair value measurement. The fair values of equity investments with restriction on disposal are determined with reference to the quoted market prices with an adjustment of discount taking volatility of price into account to reflect the effect of the restriction. The fair values of collective investment plans are determined by the fair value of the underlying debt securities and publicly traded equity investments listed in Hong Kong and the PRC in each portfolio. The fair values of equity return swaps are determined by the difference between the equity return of underlying equity securities calculated based on quoted price from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.

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

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following tables provide an analysis of financial instruments that are measured at fair value on a recurring basis subsequent to initial recognition, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Amounts in thousands of Renminbi, unless otherwise stated)

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

As at 30 June 2013 (Unaudited)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
— Equity securities				
Financial services	10,242	400,400	—	410,642
Manufacturing	7,738	127,957	—	135,695
Others	8,981	—	—	8,981
— Debt securities				
Corporate bonds	145,950	6,726,341	—	6,872,291
— Funds	6,936	—	—	6,936
— Other investments				
Collective asset management plans	—	272,080	—	272,080
Targeted asset management plans	—	209,413	—	209,413
	179,847	7,736,191	—	7,916,038
Financial assets held for trading				
— Equity securities				
Manufacturing	43,689	—	—	43,689
Financial services	52,287	—	—	52,287
Transportation, storage and postal service	1,745	—	—	1,745
Wholesale and retail	8,230	—	—	8,230
Mining	5,961	—	—	5,961
Construction	3,132	—	—	3,132
Real Estate	4,788	—	—	4,788
Others	90,945	—	—	90,945
— Debt securities				
Corporate bonds	79,034	3,859,772	—	3,938,806
Financial bonds	—	186,951	—	186,951
— Funds	156,139	—	—	156,139
— Other investments				
Collective asset management plans	—	146,466	—	146,466
	445,950	4,193,189	—	4,639,139

(Amounts in thousands of Renminbi, unless otherwise stated)

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

As at 30 June 2013 (Unaudited) (continued)

	Level 1	Level 2	Level 3	Total
Financial assets designated as at fair value through profit or loss				
— Equity securities				
Financial services	94,857	–	–	94,857
Manufacturing	88,461	–	–	88,461
Mining	19,688	–	–	19,688
Real Estate	16,533	–	–	16,533
Transportation, storage and postal service	6,373	–	–	6,373
Others	39,027	–	–	39,027
— Debt securities				
Corporate bonds	39,032	–	–	39,032
Financial bonds	27,171	–	–	27,171
— Funds	28,434	–	–	28,434
	359,576	–	–	359,576
Derivative financial instruments[(1)]				
— Equity Return Swaps	–	2,844	–	2,844
— Stock index futures	32,665	–	–	32,665
	32,665	2,844	–	35,509

(Amounts in thousands of Renminbi, unless otherwise stated)

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

As at 31 December 2012 (Audited)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
— Equity securities				
Financial services	12,259	349,440	—	361,699
Manufacturing	9,414	—	—	9,414
Others	12,233	—	—	12,233
— Debt securities				
Corporate bonds	4,998,180	518,918	—	5,517,098
— Funds	7,556	—	—	7,556
— Other investments				
Collective asset management plans	—	198,684	—	198,684
Targeted asset management plans	—	101,842	—	101,842
	5,039,642	1,168,884	—	6,208,526
Financial assets held for trading				
— Equity securities				
Manufacturing	10,242	—	—	10,242
Financial services	5,358	—	—	5,358
Transportation, storage and postal service	195	—	—	195
Wholesale and retail	802	—	—	802
Mining	580	—	—	580
Construction	1,031	—	—	1,031
Real Estate	787	—	—	787
Others	1,861	—	—	1,861
— Debt securities				
Corporate bonds	236,385	3,105,153	—	3,341,538
Government bonds	4,982	—	—	4,982
— Funds	1,060,269	—	—	1,060,269
— Other investments				
Collective asset management plans	—	194,376	—	194,376
	1,322,492	3,299,529	—	4,622,021

(Amounts in thousands of Renminbi, unless otherwise stated)

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

As at 31 December 2012 (Audited) (continued)

	Level 1	Level 2	Level 3	Total
Financial assets designated as at fair value through profit or loss				
— Equity securities				
Financial services	106,974	—	—	106,974
Manufacturing	106,235	—	—	106,235
Mining	33,587	—	—	33,587
Real Estate	18,980	—	—	18,980
Transportation, storage and postal service	8,965	—	—	8,965
Wholesale and retail	7,184	—	—	7,184
Others	36,151	—	—	36,151
— Debt securities				
Corporate bonds	125,107	—	—	125,107
Financial bonds	360,293	—	—	360,293
— Funds	27,561	—	—	27,561
	831,037	—	—	831,037
Derivative financial instruments[1]				
— Stock index futures	(28,972)	—	—	(28,972)
	(28,972)	—	—	(28,972)

(1) Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 30 June 2013 and 31 December 2012. Accordingly, the net position of the stock index futures contracts was nil at the end of each reporting period. The above analysis only presents the fair value of derivative financial instruments.

There were no transfers between instruments in Level 1 and Level 2 for the Group during the six months ended 30 June 2013 and the year ended 31 December 2012.

(Amounts in thousands of Renminbi, unless otherwise stated)

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 2013 and 31 December 2012 based on the remaining contractual maturity is as follows:

As at 30 June 2013 (Unaudited)	Repayable on demand	Less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
Assets					
Advances to customers	–	11,967,266	–	–	11,967,266
Financial assets held under resale agreements	–	1,665,893	–	–	1,665,893
Debt securities classified as:					
Available-for-sale financial assets	–	507,757	1,772,528	5,073,499	7,353,784
Financial assets held for trading	–	719,300	1,875,799	1,677,124	4,272,223
Financial assets designated as at fair value through profit or loss	–	–	66,203	–	66,203
Clearing settlement funds	3,870,586	–	–	–	3,870,586
Bank balances	41,379,488	7,147,548	–	–	48,527,036
	45,250,074	22,007,764	3,714,530	6,750,623	77,722,991
Liabilities					
Short-term notes	–	7,000,000	–	–	7,000,000
Due to banks and a non-bank financial institution	–	3,202,660	–	–	3,202,660
Accounts payable to brokerage clients	41,273,161	–	–	–	41,273,161
Financial assets sold under repurchase agreements	–	6,415,807	–	–	6,415,807
	41,273,161	16,618,467	–	–	57,891,628

(Amounts in thousands of Renminbi, unless otherwise stated)

45. MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

As at 31 December 2012 (Audited)	Repayable on demand	Less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
Assets					
Advances to customers	—	5,438,668	—	—	5,438,668
Financial assets held under resale agreements	—	809,523	—	—	809,523
Debt securities classified as:					
Available-for-sale financial assets	—	108,181	1,963,869	3,745,574	5,817,624
Financial assets held for trading	—	219,358	1,703,490	1,618,048	3,540,896
Financial assets designated as at fair value through profit or loss	—	—	454,664	30,736	485,400
Clearing settlement funds	4,541,475	—	—	—	4,541,475
Bank balances	36,607,005	—	—	—	36,607,005
	41,148,480	6,575,730	4,122,023	5,394,358	57,240,591
Liabilities					
Due to banks and a non-bank financial institution	—	318,858	—	—	318,858
Accounts payable to brokerage clients	39,745,629	—	—	—	39,745,629
Financial assets sold under repurchase agreements	—	5,183,436	—	—	5,183,436
	39,745,629	5,502,294	—	—	45,247,923

46. OUTSTANDING LITIGATIONS

As at 30 June 2013, the Group was involved as defendant in certain lawsuits arising from normal business operations in which a provision of RMB18.90 million was made (31 December 2012: RMB18.90 million) by the Company based on the court rulings or advices from legal counsel. Directors of the Company are of the opinion that the final court judgment will not have a significant impact on the Group's financial position or operations.

47. SUBSEQUENT EVENTS

In accordance with the "Approval about the issuance of subordinated bonds of China Galaxy Securities Co., Ltd" (CSRC [2013] NO.974) issued by the CSRC on 25 July 2013, the Company was approved to issue subordinated bonds up to RMB12.00 billion through private placement. The Company issued its first tranche of short-term subordinated bonds on 15 August 2013 for an amount of RMB500.00 million with a tenure of 90 days.

The Group had no other material events for disclosure subsequent to 30 June 2013 and up to the date of issuance of these condensed consolidated financial statements.