



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



Interim Report 2014

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DEFINITIONS

“A Share(s)”	the share(s) that is (are) traded on the SSE or the SZSE in Renminbi
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“Board” or “Board of Directors”	the board of Directors of the Company
“bp”	unit of measurement for the change in interest rate of bonds and notes, one bp equals to 1% of a percentage point
“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, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 06881)
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) subscribed for or credited as fully paid in RMB
“End of the Reporting Period”	30 June 2014
“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 and a wholly-owned subsidiary of 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), which holds approximately 69.23% interests of the Company and is 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 and a non wholly-owned subsidiary of 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 and a wholly-owned subsidiary of the Company
“Galaxy Jinhui”	Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金滙證券資產管理有限公司), owned as to 100% by the Company and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the Hong Kong Stock Exchange and are subscribed for and traded in HK dollars
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“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 approximately 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 Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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”	National Equities Exchange and Quotations for medium and small-sized enterprises
“QFII”	Qualified Foreign Institutional Investor
“Reporting Period”	the six-month period ended 30 June 2014
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RQFII”	Renminbi Qualified Foreign Institutional Investor, a pilot program launched in the PRC which allows Hong Kong subsidiaries of PRC brokerage companies and fund houses to facilitate investments of offshore Renminbi into the PRC capital markets
“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
“Supervisor(s)”	supervisor(s) of the Company
“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
“VaR”	value at risk

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.



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, 100033

Office address: 2-6/F, Tower C, Corporate Square,
35 Finance Street, Xicheng District,
Beijing, PRC, 100033

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 Certified Public
Accountants LLP

International: Deloitte Touche Tohmatsu

HONG KONG LEGAL ADVISOR

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

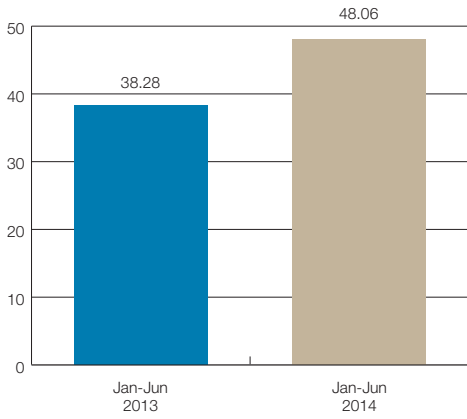
Items	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Increase
Operating results (RMB'000)			
Revenue and other income	4,805,919	3,828,314	25.54%
Profit before income tax	1,769,924	1,329,939	33.08%
Profit for the period – attributable to owners of the Company	1,346,567	967,691	39.15%
Cash flow from/(used in) operating activities	542,915	(2,915,927)	NA
Earnings per share (RMB per share)			
Basic earnings per share	0.18	0.15	20.00%
Diluted earnings per share	NA	0.15	NA
Profitability ratios			
Weighted average return on net assets	5.20%	5.10%	0.10 percentage points
<hr/>			
Items	As at 30 June 2014	As at 31 December 2013	Increase
Scale indicator (RMB'000)			
Total assets	90,327,654	78,284,368	15.38%
Total liabilities	63,735,029	52,862,702	20.57%
Accounts payable to brokerage clients	43,059,406	36,451,282	18.13%
Equity attributable to owners of the Company	26,294,192	25,174,828	4.45%
Share capital (in thousand shares)	7,537,259	7,537,259	0.00%
Net assets value per share attributable to owners of the Company (RMB per share)	3.49	3.34	4.49%
Gearing ratio (%)¹	43.74%	39.23%	4.51 percentage points

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

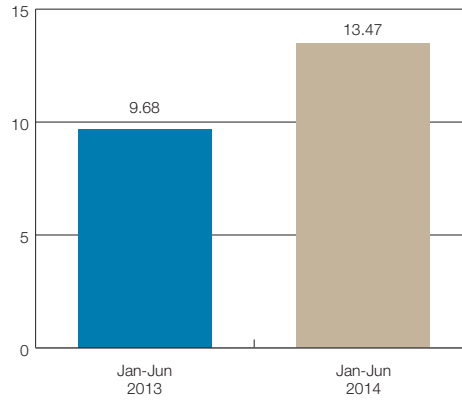


FINANCIAL HIGHLIGHTS

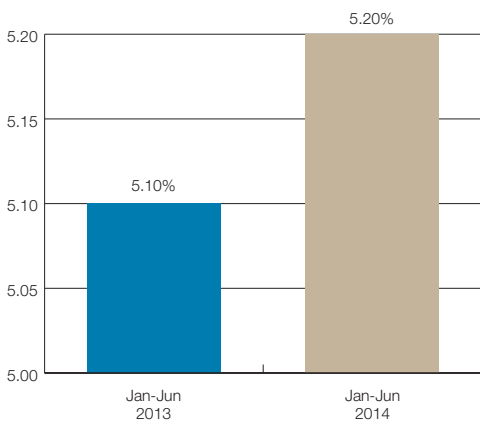
**Revenue and other income
(RMB100 million)**



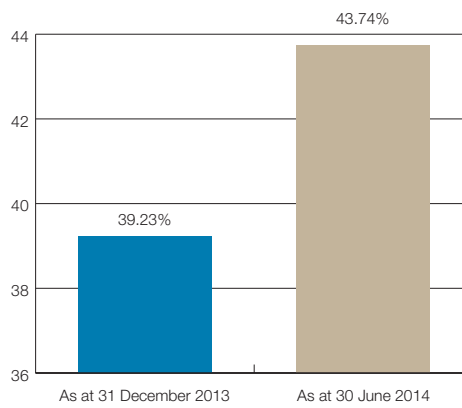
**Profit for the period –
attributable to owners of the Company
(RMB100 million)**



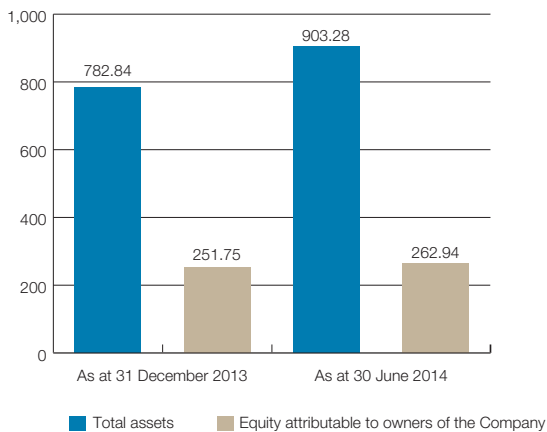
Weighted average return on net assets (%)



Gearing ratio (%)



Scale indicator (RMB100 million)



MANAGEMENT DISCUSSION AND ANALYSIS

I. ECONOMIC ENVIRONMENT AND MARKET CONDITIONS DURING THE REPORTING PERIOD

(I) Economic environment

During the Reporting Period, the global economy recovered in a slow pace. U.S. economy returned to stable growth in the second quarter after slight adjustments in the first quarter; the economy of Euro zone recovered from the bottom, yet the basis for the overall recovery remained weak; Japan's economic recovery slightly slowed down in the short term; and the emerging economies remained differentiated. During the Reporting Period, the Chinese economy was slightly adjusted; the domestic inflation was mild under the stable and flexible monetary policies with CPI up by 2.3% as compared with the corresponding period of last year, and the rise in real estate price was expected to be weakened; meanwhile, PPI fell 1.8% as compared with the corresponding period of last year, yet the whole industry remained in the slow clearing period of eliminating excess production capacity.

(II) Market conditions

During the Reporting Period, domestic securities trading market remained weak while the issuance market experienced certain recovery. In terms of stocks, the SSE Composite Index declined by 3.2% while the index of growth enterprise market rose 7.69%. In terms of trading volume, the turnover of stock market amounted to RMB21.55 trillion, representing a 2.43% increase as compared with the corresponding period of last year. In terms of margin financing and securities lending, as at the End of the Reporting Period, the balance of the margin financing and securities lending amounted to RMB406.408 billion, representing an 82.9% increase as compared with the corresponding period of last year. In terms of bond market, the yield of 10-year fixed rate MOF bond in the interbank market declined by 49.06bp to 4.0612%. In terms of equity financing, the actual amount of financing of listed companies amounted to RMB319.768 billion, representing a 50.39% increase as compared with the corresponding period of last year. In terms of debt financing, the number of newly issued bonds was 2,972 with principal amounts of RMB5.53 trillion. As at the End of the Reporting Period, there were a total of 8,852 bonds in issue with balances of RMB32.48 trillion, representing an increase of 34.53% and 14.81% as compared with the corresponding period of last year, respectively.

II. OVERVIEW OF OPERATIONS

During the Reporting Period, revenue and other income of the Group amounted to RMB4.806 billion and net profit attributable to owners of the Company amounted to RMB1.347 billion, representing an increase of 25.54% and 39.15% respectively, as compared with the corresponding period in 2013.

As at the End of the Reporting Period, total assets of the Company amounted to RMB90.328 billion, representing an increase of 15.38% as compared with the beginning of the year. Total liabilities amounted to RMB63.735 billion, representing an increase of 20.57% as compared with the beginning of the year. Equity attributable to owners of the Company amounted to RMB26.294 billion, representing an increase of 4.45% as compared with the beginning of the year. The gearing ratio of the Company was 43.74%, representing an increase of 4.51 percentage points as compared with the beginning of the year. (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients))



MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF MAJOR BUSINESS

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

(i) Brokerage, sales and trading business

During the Reporting Period, the revenue and other income from the securities brokerage business of the Group amounted to RMB3.073 billion, representing an increase of 13.44% as compared with the corresponding period of last year.

1. Securities brokerage, sales and trading business

The Company is committed to establishing a wealth management platform to provide seamless wealth management service for its clients. In order to cope with the impact from internet financing, the Company insisted on combining online and offline services, promoting online account opening, and organizing and conducting marketing service for clients through online channels such as payment by third parties and marketing through Baidu search; on 17 February 2014, the Company received the No Objection Letter for Conducting Client Securities Fund Consumption and Payment Service by China Galaxy Securities Co., Ltd. on a Pilot Basis from the CSRC; and on 3 April 2014, the Company received the Letter of Approval for Conducting Internet Securities Business on a Pilot Basis from the Securities Association of China, and became the first batch of securities traders with qualification for conducting internet securities business on a pilot basis in the industry. The Company attached great importance to the establishment of an investment advisory team, strongly promoted the Prime Brokerage business (PB business), promoted quantitative trading, enhanced client loyalty with products, stabilized the clients and optimized the client structure, trading structure and income structure. The Company actively introduced private equity funds and special account products, and increased the supplies of cash financial products. During the Reporting Period, the sales of financial products by the Company amounted to RMB6.348 billion, representing an increase of RMB2.585 billion or 68.7% as compared with the corresponding period of last year; the daily average inventory of cash products amounted to RMB17.289 billion, representing an increase of RMB4.029 billion or 30.4% as compared with 2013.

The Company has been actively pushing forward the establishment of new networks. During the Reporting Period, the Company completed the establishment of 7 branch offices and 64 securities branches, and there were another 36 securities branches that were in the process of establishment. As at the End of the Reporting Period, the Company had 36 branch offices and 298 securities branches, maintaining its advantage in business networks. The Company made efforts in its futures IB business to satisfy the demands of clients for investment in futures market, thus providing comprehensive and personalized futures investment services for clients. As at the End of the Reporting Period, the Company had a total of 111 securities branches with qualification to conduct futures IB business, and there were 18,100 existing clients of the futures IB business with daily average interest of clients of RMB1.145 billion.

With the effective control of risks, the Company has further expanded its market for margin financing and securities lending, optimized its business and client structures, adopted various measures to promote the innovation of products, thereby establishing a client classification service system for margin financing and securities lending. It has also designed and launched differentiated and personalized portfolio of services and products, developed new products for realization of margin financing and securities lending, actively promoted the “products of securities lending by duration”, as a result of which all indicators of major businesses of the Company achieved steady growth. As at the End of the Reporting Period, the balance of the margin financing and securities lending of the Company amounted to RMB21.271 billion, representing an increase of 81.31% as compared with the corresponding period of last year with a market share of 5.23%; turnover from margin financing and securities lending amounted to RMB179.147 billion, representing an increase of 12.96% as compared with the corresponding period of last year; there were totally 148,502 credit fund accounts, representing an increase of 251.33% as compared with the corresponding period of last year; outstanding balance of margin and securities refinancing business was RMB640,500.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company accelerated its innovation in the investment research and institutional sales business. During the Reporting Period, the Company actively gained understanding of the demands of clients and dealt with clients according to their levels, which enabled the Company to establish business cooperative relationship with 76 fund company clients. The Company obtained the “qualification as trustee of securities investment funds” and promoted its asset custody business, such as publicly-raised funds and asset management plans; and attempted to develop products with absolute returns. The Company also actively introduced foreign institutional investors. It had 11 QFIs and RQFIs, and reserved 6 clients to be signed. The Company had 4 new clients who had signed the lease agreements for trading units, and had 10 insurance institution clients who had signed agreements (for lease of trading units); the services provided by the Company covered 19 insurance asset management companies, asset management departments of 31 insurance companies and 4 group clients. In addition, the Company explored the development of quantitative products and introduced the strategic services of corporate finance engineering; and tried to promote the financing business to its existing clients.

2. Futures brokerage

Galaxy Futures actively enhanced the professional service capability of its brokerage business, stimulated its innovative business through cross-sales, improved the construction and operation of the risk and trading management system, and improved the establishment and coordination of the sale system, so as to create a complete wealth management service system and make it a new profit growth point. During the Reporting Period, Galaxy Futures realized revenue and other income of RMB295 million, representing an increase of 9.97% as compared with the corresponding period of last year; daily average interest of futures brokerage clients amounted to RMB8.359 billion, representing an increase of 19.57% as compared with the corresponding period of last year; the trading volume accumulated to 28 million board lots (one side of a trade only), representing an increase of 0.96% as compared with the corresponding period of last year; the trading turnover amounted to RMB6.3 trillion (one side of a trade only), representing a decrease of 18.25% as compared with the corresponding period of last year. In addition, Galaxy Derivatives Financial Service Co., Ltd., a subsidiary of Galaxy Futures, obtained the business license for legal person on 29 April 2014; the business scope mainly included: capital management, investment management, investment consultancy, enterprise management consultancy, business consultancy, industry investment and other commercial activities; the registered capital was RMB200 million and the place of registration was Shanghai.

3. Proprietary trading and other securities trading services

During the Reporting Period, the revenue and other income of the Group from the proprietary trading and other securities trading services amounted to RMB676 million, representing an increase of 40.52% as compared with the corresponding period of last year.

The proprietary equity investment business of the Company has followed the market closely and maintained a clear development trend. During the Reporting Period, the business focus was positioned on subscription of IPO shares and participation in the placement of shares of listed companies, as well as participation in stock and fund investment in the secondary market. The overall result was satisfactory.

The Company conducted the proprietary bond investment business in a way that constantly traced the changes in markets, developed bond loan business, operated the MOF bond futures on a pilot basis, attempted to launch such businesses as MOF bond hedging, arbitrage and speculation, etc, adjusted the investment proportion of all assets in a timely manner, and maintained a durable and steady growth. As at the End of the Reporting Period, the accumulative number of accounts opened of Daily Profit, the Company’s dealer-quoted bond repurchase product, amounted to 224,400 and the balances not yet due amounted to RMB7.787 billion.



MANAGEMENT DISCUSSION AND ANALYSIS

The proprietary investment of derivatives of the Company developed steadily. As at the End of the Reporting Period, the amount of initial nitrating of securities-based lending business (the product “Jin Shi Yu”) to be repurchased amounted to RMB384 million; the amount of initial investment of dealer-quoted securities repurchase business (the product “Xin Shi Yu”) to be repurchased was RMB255 million; the financing scale of equity income swap business (the product “Jin Hu Huan”) and “purchased for re-sale” trading financing business amounted to RMB102 million. During the Reporting Period, two standardized small-amount products of dealer-quoted securities repurchase, which were specially used for transactions on exchange and subscription of IPO shares, were firstly promoted by the Company in the industry and highly recognized by SSE, and the accumulative initial trading amount as at the End of the Reporting Period was RMB47 million. In addition, the Company newly developed the income receipt business and received the Letter of Approval for Conducting Income Receipt Business on OTC Market on a Pilot Basis from the Securities Association of China, thus becoming one of the securities traders to conduct income receipt business.

(ii) Investment banking business

During the Reporting Period, revenue and other income of the Group from investment banking business amounted to RMB506 million, representing an increase of 161.73% as compared with the corresponding period of last year.

1. Equity financing

Along with the structural reform of new share issue, the cautious restart of IPO and the promulgation of the “New Nine Policies”, the scale of equity financing was expanded as compared with the corresponding period of 2013. The Company made a correct judgment on the market trend and set out a forward-looking layout according to the regulatory policies, and improved the operation efficiency of projects through professional division of labor and collaboration. During the Reporting Period, the Company completed 4 private placement projects, 1 material asset reorganization and corresponding financing project. The underwriting amount of stocks amounted to RMB9.319 billion.

During the Reporting Period, the Company completed 7 projects for promotion of listing on New OTC Board, and 3 projects of private placement for New OTC Board enterprises. On 2 July 2014, the Company received the Letter of Business Filing for Chief Agency Broker from National Equities Exchange and Quotations Co., Ltd. and obtained the qualification for market-making business for the national equities exchange and quotations. On 1 August 2014, the issuance of assets backed securities under the “Special Project of Asset Management for the Right to Incomes from the Transportation Service Fee of Special Lines of Huabei Mining Railway”, in which the Company acted as project manager and promotion institution, was completed. This placed the Company in a good position in respect of business relating to assets backed securities.

Equity Securities Lead Underwriting and New OTC Board Businesses

Item	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Increase/ Decrease (%)
Amount of equity securities underwritten by the Company as the lead underwriter (RMB100 million)	93.19	28.83	223.24%
Number of equity securities underwritten by the Company as the lead underwriter	5	4	25.00%
Number of New OTC Board projects	10	3	233.33%

MANAGEMENT DISCUSSION AND ANALYSIS

Equity Securities Lead Underwriting Projects

Name of Project	Financing method	Role of the Company	Lead underwriting amount (RMB in 100 million)
Sanan Optoelectronics	Private placement	Sponsor, joint lead underwriter	29.70
Bohai Leasing	Material asset reorganization and corresponding financing	Lead underwriter	35.00
Boshai Piston	Private placement	Sponsor, lead underwriter	10.00
Elec-Tech International	Private placement	Sponsor, lead underwriter	13.48
Tianguang Fire-fighting	Private placement	Sponsor, lead underwriter	5.01
Total	—	—	93.19

2. Bond financing

In the first half of 2013, affected by the agency audit storm and debt audit by the audit offices of local governments, the bond regulatory authority slowed down the audit of bond issuance. In the same period of 2014, the bond market was relatively stable. Since 2014, the Company has strengthened its efforts in the underwriting of the bond financing business, and in combination with the market development trend and adjustment of regulatory policies, deeply explored the demands of clients for bond financing and the demands for asset securitization, promptly seized the good opportunities in the bond market, and promoted the successful issuance of bonds so as to maintain its leading market position and influence. During the Reporting Period, the Company completed 27 projects involving enterprise bonds, corporate bonds and short-term notes as the lead underwriter, with an underwriting amount of RMB37.543 billion, representing an increase of 59.85% as compared with the corresponding period of last year.

Bond Financing Business

Name of Project	For the six months ended 30 June 2014		For the six months ended 30 June 2013	
	Amount underwritten by the Company as the lead underwriter (RMB in 100 million)	Number of issuance	Amount underwritten by the Company as the lead underwriter (RMB in 100 million)	Number of issuance
Enterprise bonds	289.33	22	98.20	7
Corporate bonds	50.00	2	66.67	1
Short-term notes	30.00	1	70.00	2
Subordinated bonds (special financial bonds)	5.10	1	—	—
Medium term notes	1.00	1	—	—
Total	375.43	27	234.87	10



MANAGEMENT DISCUSSION AND ANALYSIS

(iii) Investment management business

1. Asset management

On 25 April 2014, Galaxy Jinhui was established and took over resources of the original asset management business of the Company such as relevant personnel, system and equipment. The original collective asset management plans of the Company were managed and operated by Galaxy Jinhui after its incorporation. Galaxy Jinhui took over the asset management business of the Company, vigorously carried out research and development of new products and business innovation, and actively expanded the business scope. During the Reporting Period, the revenue and other income from the asset management business amounted to RMB84 million, representing an increase of 22.39% as compared with the corresponding period of last year. The scale of asset management amounted to RMB34.734 billion, representing an increase of 10.08% as compared with the corresponding period of last year, of which, the scale of collective asset management business amounted to RMB9.05 billion, and the scale of targeted asset management business amounted to RMB25.684 billion. As at the End of the Reporting Period, Galaxy Jinhui accumulated 72 management products (including: 35 collective wealth management products and 37 targeted wealth management products).

2. Private equity investment

Galaxy Capital promoted the transformation of private equity investment business into diversified investment, actively explored new business fields, such as the real estate mezzanine fund business, M&A funds and debt investment, meanwhile, Galaxy Capital strengthened the post-investment management of projects. During the Reporting Period, the revenue and other income realized by Galaxy Capital amounted to RMB32 million; and Galaxy Capital completed 30 reserved projects, including 13 projects that were promoted and one completed investment project with investment amount of RMB50 million. Galaxy Yueke Fund Management Co., Ltd, a subsidiary in which Galaxy Capital has a controlling shareholding, started to manage Galaxy Yueke Industry Investment Fund in May 2014 with an initial investment of RMB500 million.

(iv) Overseas business

The overseas business of the Company continued to maintain a stable and healthy development with remarkable operating results. During the Reporting Period, the revenue and other income realized by Galaxy International Holdings amounted to RMB100 million, representing an increase of 78.57% as compared with the corresponding period in 2013 after an adjustment was made by excluding the underwriting income of RMB52 million derived from H Share IPO of the Company from the revenue and other income of last year. As at the End of the Reporting Period, the number of clients of Galaxy International Holdings amounted to 9,513, representing an increase of 129% as compared with the corresponding period of last year. Among others, the number of clients for securities brokerage increased to 8,166, representing an increase of 137% as compared with the corresponding period of last year; the number of clients for futures brokerage business increased to 1,347, representing an increase of 91% as compared with the corresponding period of last year. The scale of assets under securities brokerage business amounted to HKD10.177 billion. According to the data of the Hong Kong Stock Exchange, as at the End of the Reporting Period, the stock brokerage business of Galaxy International Holdings ranked 66 among 490 exchange participants, with a market share of 0.2098%. The investment banking business of Galaxy International Holdings developed rapidly. During the Reporting Period, Galaxy International Holdings completed 7 financial advisory projects and 7 underwriting projects. Galaxy International Holdings also set up a professional team for its asset management business, which ran steadily with certain achievements. In addition, Galaxy International Holdings actively expanded its business scope. During the Reporting Period, Galaxy International Holdings obtained the RQFII qualification from the CSRC, and the registration certificate of investment advisory business and discretionary trust investment management business from the Financial Services Commission of Korea.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. OUTLOOK AND FUTURE PLANS

In 2014, the participation of cross-licensed and internet enterprises accelerates changes in the industry ecology. The Company has faced with unprecedented pressures from horizontal competitions, mixed competitions and cross-industry competitions, and its business with traditional advantages have also been challenged. The Company focuses on facing the challenges, continues to promote the strategy of “One Core, Two Branches”, takes full advantages of the first move advantage and business network advantage of the Company in internet securities business, enhances the synergistic effects of its business, and strengthens its fundamental functions for the purpose of consolidating its market position in traditional business; it also makes efforts to improve the business capability of all business lines, cope with the industry transformation and realize the strategic targets. Meanwhile, the Company will accelerate the innovation and transformation, seek for reforms and breakthroughs, and make use of the internet to make IT one of the core competitive edges of the Company, so as to upgrade its financial services, catch up with the development of times and make the Company a new one that can adapt to the development in the times of internet.

V. LIQUIDITY, FINANCIAL RESOURCES AND SHARE CAPITAL STRUCTURE

During the Reporting Period, the Group continuously maintained its profit growth and realized capital preservation and appreciation. As at 30 June 2014, equity attributable to owners of the Company amounted to RMB26.294 billion, representing an increase of RMB1.119 billion or 4.45% as compared with RMB25.175 billion as at the beginning of the year, mainly due to profit realized in the first half of the year.

Asset structure was further optimized while asset quality and liquidity remained satisfactory. As at 30 June 2014, total assets of the Group, excluding clients' funds, amounted to RMB47.268 billion, representing an increase of RMB5.435 billion, or 12.99%, as compared with the total assets of RMB41.833 billion as at the end of 2013 on a comparable basis. Cash and bank balances, mainly denominated in RMB, accounted for 12.16% of the total assets. Assets classified as investments, which mainly consisted of investments in high liquidity financial assets including investments in subsidiaries, associates and financial assets, accounted for 34.54% of the total assets. Margin financing and securities lending business grew rapidly, with advances to customers accounting for 47.72% of the total assets, fixed assets and intangible assets accounting for 1.50% of the total assets.

The gearing ratio of the Group increased. As at 30 June 2014, the gearing ratio (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)) of the Company was 43.74%, representing an increase of 4.51 percentage points as compared with 39.23% as at the beginning of the year. Operating leverage (own assets/net assets) of the Company was 1.80 times, representing an increase of 8.43% as compared with 1.66 times as at the beginning of the year. The increase in leverage ratio was mainly attributable to the increase in borrowing through the issuance of subordinated bonds, and the significant growth of margin financing and securities lending, as well as high leverage businesses such as Daily Profit.

As at the end of the Reporting Period, the active liabilities of the Company mainly included subordinated bonds. 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. As of the End of the Reporting Period, the Company has issued the short-term subordinated bonds with a principal amount of RMB5.21 billion in total in six tranches, of which RMB700 million was repaid on maturity, and the balance was RMB4.51 billion. The above short-term subordinated bonds are fixed interest bonds.

As at the end of the Reporting Period, amount due to banks and non-bank financial institutions payable by the Group was RMB1.420 billion, which mainly consisted of short-term bank loans and placements, with maturities within this year.

The Company uses the available financial resources, including cash flows from operating activities, financing plan and available credit facility, to meet the financial needs for its business development.



MANAGEMENT DISCUSSION AND ANALYSIS

VI. ESTABLISHMENT AND DISPOSAL OF SECURITIES BRANCHES, BRANCH OFFICES AND SUBSIDIARIES

(i) Establishment and disposal of securities branches and branch offices

As at the End of the Reporting Period, the Company had 36 branch offices and 298 securities branches.

1. Establishment of branch offices and securities branches

During the Reporting Period, according to the “Approval on the Establishment of 107 Branch Offices by China Galaxy Securities Co., Ltd.” (Jing Zheng Jian Xu Ke [2013] No. 282) issued by CSRC Beijing Bureau, the Company completed the establishment of 7 branch offices and 64 securities branches.

The details of new branch offices are as follows:

No.	Provinces/autonomous regions/municipalities directly under the central government	Branch office	Address
1	Hainan Province	Hainan Branch	13F, Qiongtai Building, No. 83, Binhai Avenue, Longhua District, Haikou City, Hainan Province
2	Ningxia Hui Autonomous Region	Ningxia Branch	No. 126, Jiefang West Street, Xingqing District, Yinchuan City, Ningxia
3	Xinjiang Uygur Autonomous Region	Xinjiang Branch	No. 90, Jiankang Road, Jiefang North Road, Tianshan District, Urumqi, Xinjiang
4	Guizhou Province	Guizhou Branch	No. A58,-1F, No. D348, 1F, Building B, Jinyang Gantu Central Plaza, Guanshanhu District, Guiyang
5	Gansu Province	Gansu Branch	Rm 308, 3F, Bikexin Building, No. 77, Qingyang Road, Chengguan District, Lanzhou City, Gansu Province
6	Tibet Autonomous Region	Tibet Branch	No. 2, Chaoyang Road, Taiyang Island, Chengguan District, Lasha City, Tibet Autonomous Region
7	Guangxi Zhuang Autonomous Region	Guangxi Branch	3F, No. 12-2, Yuanhu South Road, Qingxiu District, Nanning City

MANAGEMENT DISCUSSION AND ANALYSIS

The details of new securities branches are as follows:

No.	Provinces/ autonomous regions/ municipalities directly under the central government	Name of securities branch	Address of securities branch
1	Tianjin City	Tianjin Shengan Street Securities Branch	No. 46, Sheng'an Street, Heping District, Tianjin
2	Liaoning Province	Shenyang South Shuncheng Road Securities Branch	No. 56, South Shuncheng Road, Shenhe District, Shenyang
3	Liaoning Province	Shenyang Changbai West Road Securities Branch	No. 36, Changbai West Road Heping District, Shenyang (36A, Changbai West Road)
4	Liaoning Province	Yingkou Shifu Road Securities Branch	No. 2, 1/F, Building A, Wealth Center Office Building, Building C, Wealth Plaza, No. 3 Shifu Road North, Zhanqian District, Yingkou City
5	Liaoning Province	Fuxin Xinhua Road Securities Branch	No. 74-15, Xinhua Road, Haizhou District, Fuxin City
6	Liaoning Province	Zhuanghe Xiangyang Road Securities Branch	No. 11, 18#1F, Changsheng Garden, No. 60, Section 2, Caizhengwei Xiangyang Road, Chengguan Street, Zhuanghe, Liaoning Province
7	Jilin Province	Jilin Chongqing Street Securities Branch	No. 033 Network, Jilin Wealth Plaza, No. 1367, Chongqing Road, Changyi District, Jilin
8	Heilongjiang Province	Jiamusi Baowei Road Securities Branch	No. 98, Baowei Road, Qianjin District
9	Jiangsu Province	Nanjing Jiangning Zhushan Road Securities Branch	No. 136, Zhushan Road, Jiangning District, Nanjing
10	Jiangsu Province	Nanjing Gaochun Baotao Road Securities Branch	No. 117, Baota Road, Chunxi Town, Gaochun District, Nanjing
11	Jiangsu Province	Nantong Gongnong Road Securities Branch	Room 107, Jintang Building, No. 198, Gongnong Road, Nantong
12	Jiangsu Province	Changshu Yubei Road Securities Branch	A-108, Huafushijia, No. 5, Haiyu North Road, Changshu City



MANAGEMENT DISCUSSION AND ANALYSIS

No.	Provinces/ autonomous regions/ municipalities directly under the central government	Name of securities branch	Address of securities branch
13	Jiangsu Province	Jiangyin Hongqiao North Road Securities Branch	No. 183-185, Hongqiao North Road, Jiangyin City
14	Zhejiang Province	Fuyang Yingbin Road Securities Branch	No. 47-5, Yingbing Road, Fuchun Street, Fuyang City
15	Zhejiang Province	Zhoushan Qiandao Road Securities Branch	1/F, Jianshe Building A, No. 167, Qiandao Road, Lincheng Avenue, Dinghai District, Zhoushan City
16	Zhejiang Province	Linhai Duqiao Xiazhu Road Securities Branch	No. 16, Xiazhu Road, Duqiao Town, Linhai City
17	Zhejiang Province	Taizhou Yinquan Road Securities Branch	No. 264-266, Yinquan Road, Nanyuan Community, Xicheng Street, Huangyan District, Taizhou
18	Zhejiang Province	Shaoxing Jinkeqiao Road Securities Branch	No. 248, 250, Jinkeqiao Avenue, Keqiao Avenue, Keqiao District, Shaoxing
19	Zhejiang Province	Chunan Xinan Street Securities Branch	1/F, No. 49, Xin'an Street, Qiandao Town, Chunan County
20	Zhejiang Province	Hangzhou Tiancheng East Road Securities Branch	(No. 1 Shangsha Yongyu Building) No. 246-234, Tiancheng East Road, Hangzhou Economic Technology Zone
21	Zhejiang Province	Ningbo Ningnan North Road Securities Branch	No. 1049, Ningnan North Road, Zhonggongmiao Street, Yinzhou District, Ningbo
22	Zhejiang Province	Fenghua Yuelin Road Securities Branch	No. 1-1, 1-2, Yuelin Road, Jinping Street, Fenghua City
23	Zhejiang Province	Yuyao Nanlei Road Securities Branch	No. 1, Shinan East Road, Yuyao City, Ningbo City, Zhejiang Province
24	Anhui Province	Anqing Yanjiang East Road Securities Branch	Room 6-7 (2F inclusive), 1F, No. 10 Building, Phase II, Sunshine Garden, No. 18, Yanjiang East Road, Yingjiang District, Anqing City, Anhui Province
25	Anhui Province	Huainan Guangchang Road Securities Branch	No. 116, 215, 216, façade room, Green City Garden, Guangchang Road, Tianjia'an District, Huainan City, Anhui Province

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No.	Provinces/ autonomous regions/ municipalities directly under the central government	Name of securities branch	Address of securities branch
26	Fujian Province	Quanzhou Nanjun Road Securities Branch	No. C4-19, Nanjun North Road, Licheng District, Quanzhou City, Fujian Province
27	Fujian Province	Sanming Liedong Street Securities Branch	Shops No. 6, 7 and 8, 1F, Building No. 362, Ganlongxincun Village, Meilie District, Sanming City
28	Jiangxi Province	Shang Rao Daihu Road Securities Branch	No. 1-1, Building 2, No. 50, Daihu Road, Xinzhou District, Shangrao City, Jiangxi Province
29	Jiangxi Province	Nanchang Honggu Middle Street Securities Branch	Room 105, Building 2 Shop, Area 1, Phase III, Wanda Star City, Honggutan New District, Nanchang City, Jiangxi Province
30	Shandong Province	Weihai Tongyi Road Securities Branch	No. 29, 47, 49, Tongyi Road, Weihai City
31	Shandong Province	Jining Guanghe Road Securities Branch	Yinghe Building, No. 18, Guanghe Road, Jining City
32	Shandong Province	Dongyingfu Qiandajie Securities Branch	No. 84, Fuqian Street, Dongying District
33	Shandong Province	Linyi Yimeng Road Securities Branch	Room 103, 203, 303, No. 22, Shifu Community (opposite to Yizhi Hotel), No. 108, Qimeng Road, Lanshan District, Linyi City
34	Shandong Province	Qingdao Development Zone Securities Branch	No. 509-18, Lijiang East Road, Economic Technology Zone, Qingdao City, Shandong Province
35	Henan Province	Xuchang Xuji Avenue Securities Branch	No. 589, Xuji Avenue, Weidu District, Xuchang City
36	Henan Province	Xinxiang Youyi Road Securities Branch	Room 107, 1-2F, No. 28 Building, Family Dormitory of No. 103 Factory, No. 1, Youyi Road, Xinxiang City
37	Henan Province	Luoyang Jingyuan Road Securities Branch	Room 108, Building 1, No. 99, Jingyuan Road, Xigong District, Luoyang City



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No.	Provinces/ autonomous regions/ municipalities directly under the central government	Name of securities branch	Address of securities branch
38	Hunan Province	Xiangtan Furong Middle Road Securities Branch	No. 0101004, Zhongyi International, No. 52, Fusong Middle Road, Baota Street, Yuetang District, Xiangtan City
39	Hunan Province	Zhuzhou Tianyuan Huangshan Road Securities Branch	Room 207, 107, Unit 6, Huacheng Yuyuan, Huangshan Road, Tianyuan District, Zhuzhou City
40	Guangdong Province	Guangzhou Guangzhou Middle Avenue Securities Branch	Room 2502, North Tower (only for office use), No. 988, Guangzhou Middle Avenue, Tianhe District, Guangzhou
41	Guangdong Province	Zhongshan Sanxiang Jingguan Avenue Securities Branch	Unit 48, Jingguan Haoting, No. 2, Jingguan Avenue, Sanxiang Town, Zhongshan City
42	Guangdong Province	Foshan Nanzhuang Dijing North Road Securities Branch	No. P1, 1/F, Area 3, No. 16, Dijing North Road, Chancheng District, Foshan
43	Guangdong Province	Foshan Shunde Longjiang Donghua Road Securities Branch	No. 77 Shop, Poly Garden, No. 23, Donghua Road, Neighborhood Committee of Xixi Community, Longjiang Town, Shunde District, Foshan City
44	Guangdong Province	Zhongshan Cuiling Road Securities Branch	17 Ka, 2F, Unit 1, Tianqinghuifu, No. 2, Cuiling Road, Huoju Development Zone, Zhongshan City
45	Guangdong Province	Zhanjiang Guanhai North Road Securities Branch	No. 21 House, 1F, No. 2, 3, 4, 5, Zhanjiang Binhai Garden, No. 1, Guanhai North Road, Chikan District, Zhanjiang City
46	Guangdong Province	Dongguan Humen Road Securities Branch	No. 12, North Jinyuege, Unit D (Golden Garden), Huangjinzhou Gaoke Building, Humen Town, Dongguan City
47	Guangdong Province	Foshan Nanhai Guangyun Road Securities Branch	No. 32 Shop, 1F, Yongjingge, Jiayi Garden, Guangyun Road, Dali Town, Nanhai District, Foshan City
48	Guangdong Province	Zhanjiang Minyou Road Securities Branch	No. A05 Shop, Market place, No. 1, Zhanlida Apartment, No. 1.3, Mingyou Road, Xiashan District, Zhanjiang

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No.	Provinces/ autonomous regions/ municipalities directly under the central government	Name of securities branch	Address of securities branch
49	Guangdong Province	Guangzhou Zengcheng Licheng Street Securities Branch	Room 1001, No. 20, Mingyue Road, Licheng Street, Zengcheng, Guangzhou
50	Guangdong Province	Guangzhou Yuejiang Middle Road Securities Branch	Room 106, No. 686, Yuejiang Middle Road, Haizhu District, Guangzhou City
51	Guangdong Province	Foshan Shunde Junan Baian North Road Securities Branch	No. 40, Shangye Junting, No. 20, Baian North Road, Junan Town, Shunde District, Foshan City
52	Guangdong Province	Shenzhen Longgang Huanan Avenue South China Town Securities Branch	Room 209-210, 2F, South China Development Center, South China Industrial Material City, Pinghu Street, Longgang District, Shenzhen
53	Sichuan Province	Meishan Renshou Guangming Road Securities Branch	No. 389, Section 2, Guangming Road, Wenlin Town, Renshou County
54	Sichuan Province	Leshan Remin South Road Securities Branch	No. 210, 212, Renmin South Road, Shizhong District, Leshan City
55	Sichuan Province	Bazhong Yuntai Street Securities Branch	No. 1-6, 1-7 Retail Shop, Comprehensive Building, Bank of China, Jiangbei Avenue, Bazhong City, Sichuan Province
56	Sichuan Province	Mianyang Yuejin Road Securities Branch	No. 1-4, 5F, Unit 3, Building No. 26, Changhong International, No. 6, Yuejin Road, Fucheng District, Mianyang City
57	Sichuan Province	Chengdu Shuangliu Yingchun Road Securities Branch	No. 66, Section 4, Yingchun Road, Dongsheng Street, Shuangliu County, Chengdu City, Sichuan Province
58	Yunnan Province	Chuxiong Lucheng South Road Securities Branch	No. 44, Lucheng South Road, Chuxiong City, Chuxiong State, Yunnan Province
59	Yunnan Province	Hekou Fu'an Road Securities Branch	No. 3, Building 22, Beishan New Area, Hekou County, Honghe State, Yunnan Province
60	Yunnan Province	Mojiang Huigui Avenue Securities Branch	No. D9, D10 Shops, Yintai Commercial Center, Huigui Avenue, Mojiang County, Pu'er City, Yunnan Province
61	Yunnan Province	Qujing Jiaotong Road Securities Branch	No. 189, Jiaotong Road, Qilin District, Qujing City, Yunnan Province



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No.	Provinces/ autonomous regions/ municipalities directly under the central government	Name of securities branch	Address of securities branch
62	Shaanxi Province	Baoji Gaoxing Avenue Securities Branch	No. 59, Gaoxing Avenue, Baoji City, Shaanxi
63	Ningxia Hui Autonomous Region	Shizuishan Chaoyang West Street Securities Branch	No. 1, Chaoyang West Street, Shizuishan, Ningxia
64	Tibet Autonomous Region	Lasha Chaoyang Road Securities Branch	No. 2, Chaoyang Road, Taiyang Island, Lasha City

On 13 June 2014, the Company obtained the Letter on Approval of Extending Deadline for the Establishment of 56 Branch Offices by China Galaxy Securities Co., Ltd.” (Jing Zheng Jian Fa [2014] No. 135), pursuant to which the deadline for the establishment of new branch offices that were approved to be established but have not claimed the License for Securities Business was extended.

2. Relocation of branch offices and securities branches

The Company constantly adjusted and optimized the layout of the network, and during the Reporting Period, completed inter-city relocation of 15 branches, including 4 branch offices and 11 securities branches.

No.	Provinces/autonomous regions/municipalities directly under the central government	Branch office	Current address
1	Beijing City	Beijing Branch	414-416, 4F, No. 111, Taipingqiao Avenue, Xicheng District, Beijing
2	Shanghai City	Shanghai Branch	Unit 04, 24F, No. 99, Fucheng Road, Pudong New Area, Shanghai
3	Guangdong Province	Guangdong Branch	Unit 01-04, 25F, North Tower, no. 988, Guangzhou Middle Avenue, Tianhe District, Guangzhou
4	Guangdong Province	Shenzhen Branch	Unit 4301-02, Building A, Jingjijibai Building, No. 5016, Shennan East Road, Luohu District, Shenzhen

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No.	Provinces/ autonomous regions/ municipalities directly under the central government	Name of current securities branch	Name of former securities branch/ service department	Current address
1	Zhejiang Province	Hangzhou Qingchun Road Securities Branch	Hangzhou Jiefang Road Securities Branch	No. 38-1, Qingchun Road, Hangzhou
2	Shanghai City	Shanghai Changning Zhenning Road Securities Branch	Shanghai Jiangsu North Road Securities Branch	Room 202, 2F, No. 525, Zhenning Road, Changning District, Shanghai
3	Shanghai City	Shanghai Pudong New Area Yuanshen Road Securities Branch	Shanghai Zhangyang Road Securities Branch	15F, No. 92, Yuanshen Road, Pudong New Area, Shanghai
4	Guangdong Province	Guangzhou Huanshi East Road Securities Branch	Guangzhou Jianshe Dama Road Securities Branch	3F, No. 336, Huanshi East Road, Yuexiu District, Guangzhou
5	Guangdong Province	Shenzhen Shennan Avenue Securities Branch	Shenzhen Baoan Road Securities Branch/ Shenzhen Securities Branch	Unit 1701-01, Building A, Jingjiyibai Building, No. 5016, Shennan East Road, Luohu District, Shenzhen
6	Tianjin City	Tianjin Shengli Road Securities Branch	Tianjin Xincheng West Road Securities Branch/ Tianjin Dalian Avenue Securities Branch	1-2-101, Ruihai Building, Northwest side of Junction of Shengli Road and Jianguo Road, Hebei District, Tianjin
7	Beijing City	Beijing Jinrong Street Securities Branch	Beijing Yuetan Securities Branch	401-413, 3F&4F, No. 111, Taipingqiao Avenue, Xicheng District, Beijing
8	Hubei Province	Wuhan Zhuankou Ningkang Road Securities Branch	Wuhan Hanyang Road Securities Branch Zhuankou Development Securities Service Department	No. 262-267, Shenlong Commercial Street, No. 69, Ningkang Road, Wuhan Economic and Technological Development Zone, Wuhan, Hubei



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No.	Provinces/ autonomous regions/ municipalities directly under the central government	Name of current securities branch	Name of former securities branch/ service department	Current address
9	Hebei Province	Xingtai Yejin North Road Securities Branch	Shijiazhuang North Station Securities Branch Weixian Service Department/Xingtai Xingzhou North Road Securities Branch	No. 208, 209 Shops, 2F, No. 109, 1F, Building 1, Jinyuan Apartment, No. 229, Yejin North Road, Qiaoxi District, Xingtai City, Hebei Province
10	Hunan Province	Changsha Jiefang Middle Road Securities Branch	Changsha Furong Road Securities Branch	5F, Huaqiao Building, No. 18, Jiefang Middle Road, Furong District, Changsha City, Hunan Province
11	Fujian Province	Fuzhou Zhongshan Road Securities Branch	Fuzhou Zhongshan Road Securities Branch	4F, Trading Central Building of Industrial Goods, No. 23, Zhongshan Road, Gudong Avenue, Gulou District, Fuzhou City, Fujian Province.

(ii) Establishment and disposal of subsidiaries

Galaxy Jinhui obtained the business license for legal person on 25 April 2014 and obtained the license for securities business on 15 May 2014. Its registered capital was RMB500 million; the place of registration: Qianhai, Shenzhen; business scope: asset management; legal representative: Yin Yanwu.

VII. SIGNIFICANT INVESTMENT AND FINANCING OF THE COMPANY

During the Reporting Period and as at the date of this report, the significant investment and financing of the Company are as follows:

(i) Significant investment

1. Use of proceeds from previous period

In May 2013, the Company issued H Shares through public offering and the H Shares were listed on the Hong Kong Stock Exchange, raising proceeds together with interest income amounting to HKD8.148 billion (equivalent to RMB6.498 billion). After deducting issuance expenses equivalent to RMB214 million, the net proceeds raised was a sum equivalent to RMB6.284 billion.

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The use of the net proceeds undertaken by the Company in the H Share prospectus are: (1) approximately 60% to be used for the development of its margin financing and securities lending business; (2) approximately 25% to be used for the development of its capital-based intermediary securities trading business, mainly including dealer-quoted bond repurchase transactions; (3) approximately 15% to be used for the expansion of its capital investment business.

As at 30 June 2014, the Company has accumulatively utilized HK\$7.809 billion (equivalent to RMB6.156 billion) of the net proceeds (including interest of deposits), and the remaining unutilized proceeds (including part of the issuance expenses not yet paid) was equivalent to RMB204 million. Details of the use of proceeds are as follows:

Unit: RMB

Total amount of proceeds raised			6,498,257,233.72			Total amount of proceeds utilized			6,156,033,577.46	
Net amount of proceeds raised			6,284,158,234.51			accumulatively				
Total amount of proceeds raised with changes of use			-			Utilization of		Utilization in 2013		6,113,371,133.14
Proportion of amount of proceeds raised with changes of use			0.00%			proceeds raised in		Utilization during Jan-		42,662,444.32
						each year		Jun 2014		
Investment project			Total investment amount from proceeds raised			Total amount of investment from proceeds raised as at closing date			Date for projects	
No.	Promised investment project	Actual investment project	Promised investment amount before raising proceeds	Promised investment amount after raising proceeds	Actual investment amount (including interests of deposits)	Promised investment amount before raising proceeds	Promised investment amount after raising proceeds	Actual investment amount (including deposit interests)	to reach intended use (or the extent of completion as at closing date)	
1	Margin financing and securities lending business	Margin financing and securities lending business			3,686,900,157.63			3,686,900,157.63	N/A	
2	Capital-based intermediary securities trading business	Capital-based intermediary securities trading business	6,284,158,234.51	6,284,158,234.51	1,536,470,975.51	6,284,158,234.51	6,284,158,234.51	1,536,470,975.51	N/A	
3	Capital investment business	Capital investment business			932,662,444.32			932,662,444.32	N/A	
Total			6,284,158,234.51	6,284,158,234.51	6,156,033,577.46	6,284,158,234.51	6,284,158,234.51	6,156,033,577.46		

2. Capital Increase in Galaxy International Holdings

At the 40th meeting of the 2nd session of the Board held on 26 March 2014, the Company passed the Resolution on Consideration and Approval of Increasing the Registered Capital of Galaxy International Holdings, pursuant to which it was agreed that the registered capital of Galaxy International Holdings would be increased by HKD0.4 billion. After the capital increase, its registered capital would be increased to HKD1 billion from HKD0.6 billion. Upon approval by the relevant government departments, the Company completed the capital increase on 28 July 2014.

(ii) Significant Financing

1. Bond financing

- On 13 January 2014, the Company issued the 2014 first tranche subordinated bonds by way of private placement with an offering size of RMB510 million, an interest rate of 6.85% per annum and a term of 182 days. The proceeds raised were used to replenish the liquid capital of the Company. These bonds were paid on maturity on 14 July 2014.
- On 23 July 2014, the Issuance Examination Committee of the CSRC approved the application for the proposed issuance of corporate bonds in an aggregate amount of not exceeding RMB5 billion by the Company in the PRC. The proceeds raised will be used to replenish the working capital of the Company.

2. Update on the progress of A Share issuance

On 25 April 2014, the Company held the extraordinary general meeting and the Domestic Share and the H Share class meetings, at which the amendment to the plan of A Share offering and other relevant resolutions were considered and approved. Pursuant to the A Share offering plan, the number of A Shares, with a nominal value of RMB1.00 each, that were approved to be issued on SSE by the Company, will not be more than 1,693,510,473



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shares (including any shares that may be issued under the over-allotment option) and will not exceed 18.35% of the total share capital of the Company immediately after the A Share offering. The total size of actual issue, over-allotment and proportion of allotment will be determined by the Board pursuant to the authorizations from the general meeting of the Company and based on the capital requirements of the Company, communication with the regulatory authorities and the prevailing market conditions at the time of the issuance. The proceeds raised from the A Share offering, after deduction of the issue expenses, will all be used for strengthening the capital base of the Company and replenishing the working capital of the Company. The A Share offering plan is valid for 12 months from the date of passing of such resolution at the general meeting and the class meetings.

The Company is actively preparing for A Share offering.

VIII. MATERIAL ASSET ACQUISITION, DISPOSAL, EXTERNAL 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, and merger and acquisition.

During the Reporting Period, there was no off balance sheet item or contingent liability which may have a material impact on the financial condition and operating results of the Company, such as material external guarantee, mortgage and pledge.

IX. EMPLOYEE, REMUNERATION AND TRAINING PLAN

As at the End of the Reporting Period, the Group had 7,757 employees (including client managers in sales) in total, of which, 6,868 (including client managers in sales) and 889 were employed by the Company and its subsidiaries, respectively.

The Company will gradually establish a competitive remuneration mechanism based on the performance and capabilities of employees, formulate market-oriented remuneration incentive policies in line with the market value of various talents, with a view to making the remuneration resource be inclined moderately to core personnel while maintaining an internal fairness. In respect of the training of employees, the Company adheres to the management mode with the combination of project management and quota management, as well as the control and compliance mechanism by lines, and strengthened its training efforts on the premise of reasonable allocation of training resources and improvement of training effectiveness in an aim of achieving the overall appreciation of human resources. Save for the above, there was no change in the remuneration policies and training plan of the Company as compared with those disclosed in the 2013 annual report.

X. RISK MANAGEMENT

Since its establishment, the Company has been committed to the philosophy that risk management creates value. It gradually promoted comprehensive risk management through identification, evaluation, monitoring, analysis and response of various kinds of risks, thus solidifying the foundation for the Company's 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 fluctuation of the fair value or future cash flows in respect of financial instruments held or to be held by the Company resulting from the changes in securities price, interest rate and currency rate, including price risk, interest rate risk and currency rate risk.

- (1) Price risk is the risk that the Company may suffer losses as a result of the fluctuation of the fair value or future cash flows of financial instruments due to the changes in securities prices (other than changes resulting from interest rate risk or currency risk).

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Price risk mainly relates to the Company's proprietary investment and market making businesses. In order to control price risks, the Company mainly adopts the following measures: firstly, constructing securities portfolios and using financial derivatives for risk hedging; secondly, implementing unified management of risk exposure, identifying and dealing with risks in time through risk monitoring, assessment and reporting; thirdly, carrying out risk quota management to control exposure scale, concentration and loss quota, and making adjustment timely based on the development of market and businesses and risk tolerance of the Company; fourthly, using quantitative methods such as VaR and combining with other methods such as sensitivity analysis and stress testing to assess the relative and absolute risk of portfolios.

During the Reporting Period, the price risk of the Company was relatively stable, and none of major losses from securities held by the Company occurred due to the significant fluctuation of their prices. As at the End of the Reporting Period, the VaR⁽¹⁾ of the total portfolios of the Company amounted to approximately RMB21 million, not over 0.1% of its net capital.

- (2) Interest rate risk refers to the risks resulting from the change in interest rate. The assets of the Company exposed to interest rate risks mainly include bank deposits, clearing settlement fund, refundable deposits and debt equities, etc. The Company used sensitivity analysis as the main instrument for monitoring interest rate risks. Meanwhile, the Company reduced the interest rate risks of portfolios by allocating the duration and convexity of its investment portfolios of fixed income. During the Reporting Period, the overall risk of the Company from interest rate was under control.
- (3) Currency rate risk is originated from the fluctuation of the fair value or future cash flows of financial instruments resulting from the change of currency rates of other countries. Given that the Company settles most of its transactions in RMB and the proportion of foreign currency assets, liabilities and proceeds of the Company in its total assets, liabilities and proceeds is small, the currency risk actually encountered by the Company is not significant. Nevertheless, with the gradual expansion of overseas businesses as well as the progress in the internationalization of RMB, the currency risks of the Company will increase gradually. The Company will conduct further studies and adopt reasonable and effective measures to mitigate any impact of currency risks.

2. Credit risk

Credit risk refers to the risk of incurring losses resulting from the failure of the borrower or counterparty to timely fulfill its contractual obligations. The Company managed credit risk mainly by evaluating credit risk in advance and following up and monitoring credit risk afterward, and gradually promoting the application of such tools as entry of counterparties, customer credit ratings and collateral management. On one hand, the Company established the standards for entry of counterparty and credit-rating models, which were used for evaluating the credit profile of counterparties in advance so as to determine corresponding risk control measures and standards; on the other hand, the Company gradually promoted unified collateral management, closely monitored the risk movement of collateral and controlled concentration risk. In addition, the Company continuously traced its clients' financial conditions, operation level and other significant events that would affect their credit within the duration of business, dynamically adjusted the internal credit rating, and identified, reported and dealt with credit risk in time.

As at the End of the Reporting Period, 52.63% of the bonds held by the Company had a credit rating of AAA, 46.81% had a credit rating of AA, AA+, AAA- with the remaining 0.56% rated AA or below. There was no default from counterparties. For the securities-based lending transactions, there occurred one customer default which had been dealt with by the Company promptly and did not result in actual losses. There was no credit default in margin financing and securities lending business and dealer-quoted securities repurchase transactions. The overall credit risk of the Company was under control.

¹ One-day VaR with confidence level of 95%.



MANAGEMENT DISCUSSION AND ANALYSIS

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 such external events as natural disaster and fraud. In order to manage operational risk effectively, the Company established a well-developed internal control system, regularly carried out effective assessment of internal control and compliance management throughout the Company; meanwhile, the operational risk management team specially set up by the Risk Management Department provided assistance in standardization and optimization of relevant business procedures, identified, analyzed and monitored operational risks, and calculated the frequency and amount of losses resulting from the operational risk incidents. Furthermore, the Company strengthened the suitability of behaviors and normalization of operations of personnel by means of internal training, supervision and assessment, and optimized the functions of systems.

During the Reporting Period, the overall operational risk of the Company was under control.

4. Liquidity risk

Liquidity risk refers to the risk resulting from the failure to make payment, settlement, reimbursement, redemption and to meet obligations in connection with financial liabilities due to shortage of funds during the ordinary course of business of the Company.

To cope with and manage 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, adjusted and configured the scale and maturity structure of assets and liabilities to build up a multi-level liquidity reserve system, and achieved the target of our liquidity portfolio through accessing the money market, capital market and bank credit.

During the Reporting Period, the overall liquidity risk of the Company was under control and all financial indicators were satisfactory.

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

In order to secure business development and robust operation, the Company constantly improved risk management initiatives, implemented effective risk management measures and gradually promoted the construction of comprehensive risk management through various aspects including culture, authorisation management, IT system, credit evaluation and innovation.

1. Promoting the cultivation of a risk management culture and strengthening risk management philosophy

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.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Implementing risk quota management and optimising the three-level authorization system

The Company implemented a three-level authorization system with risk quota as its core, which includes the first level of authorization from the shareholders' general meeting to the Board, the second level of authorization from the Board to the president, and the third level of the authorization from the 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 proprietary investment, securities derivatives, client financing and innovative businesses. 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. Strengthening the construction of IT system and integration of data and centralizing the control and management of different types of risks

The Company has established a centralized control system and a performance evaluation and risk management system to centralize the risk control and management for all businesses. Through the centralized control system, client information, client trading behavior and risk indicators of various businesses may be monitored. Through the performance evaluation and risk management system, risk analysis and evaluation for investment and financing business may be conducted, and the VaR, duration and other risk indicators may be monitored and reported. To cope with business development, the Company has continued to develop and optimize functional modules for risk management of various businesses and strengthened the establishment of risk management IT system. Meanwhile, on the foundation of the existing data center, the Company tried to integrate risk data resources and establish risk data mart to provide data support for the implementation of centralized risk control and management.

4. Strengthening review and evaluation of financing business and enhancing credit risk management

To enhance the overall standard of credit risk management, the Company has focused on the ex-ante (before they occur), ex-nunc (when they occur) and ex-post (after they occurred) risk management of various financing businesses. It has also established independent risk control standard, reviewed process and internal credit evaluation mechanism, clearly specified the requirements for due diligence and client credit granting rules, and specially strengthened ex-ante risk review for agency sale of financial products business and client financing business with high risk. The Company has also tried to establish a management platform for collaterals to strengthen the tracking and analysis of collaterals and financing parties, and, in particular, to strengthen the comprehensive management in respect of the same counterparty and the same collateral. The Company has advanced the formulation of follow-up management plan for financing business, supervised its implementation, closely followed the change of risk during the duration, timely identified potential risk, thereby constantly enhancing the Company's proactive management capability for financing business.

5. Deeply exploring business innovation and implementing comprehensive risk management

The risk management department of the Company has deeply explored various business innovations, including the establishment of risk evaluation criteria, design of process of risk control, formulation of risk control indicators, construction of ancillary system for risk management and relevant system for risk monitoring IT system, to carry out risk management function throughout the process. Taking into consideration of innovation trends of the industry, the department has timely collaborated in innovation studies relating to internet finance, stock option, income receipt, Southbound Trading Link, custody businesses, etc., identified and analysed their business risk, formulated risk management plan and suggested risk control measures, so as to implement comprehensive risk management for innovative businesses.



OTHER INFORMATION

I. INTERIM DIVIDEND, SPECIAL DIVIDEND AND OTHERS

(1) Interim dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2014.

(2) Payment of special and other dividends

1. Special dividend

At the first extraordinary general meeting of 2013 of the Company, the Resolution on Profit Distribution for the Period from the Base Date of IPO Reporting Financial Statements to the Issue Date was passed, pursuant to which the Company was approved to 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 (the “Special Dividend Date”, i.e. 30 April 2013), to shareholders whose names appeared on the register of members of the Company as at the Special Dividend Date. The amount of the Special Dividend was determined based on the audited unconsolidated net profit of the Company calculated in accordance with PRC GAAP or IFRSs, whichever is lower, after deduction of 10% statutory reserve, 10% reserve for general risk and 10% transaction risk reserve.

The audited unconsolidated net profit of the Company for the period from January to April 2013 prepared under each of PRC GAAP and IFRSs was RMB606 million, and the distributable profit was RMB424 million. On 23 May 2014, the Company has completed the distribution of the Special Dividend to shareholders whose names appeared on the register of members of the Company as at the Special Dividend Date.

2. Profit distribution for 2013

The Resolution on the 2013 Profit Distribution Plan was passed at the 2013 annual general meeting of the Company held on 12 June 2014, pursuant to which the Company was approved to pay the 2013 final dividend of RMB0.62 per ten shares (inclusive of tax), amounting to RMB467 million in total. For the distribution of 2013 final dividend to holders of H Shares, such dividend was paid to shareholders whose names appeared on the H Share register of members of the Company on 25 June 2014.

The cash dividend is denominated and declared in RMB, and payable in RMB and in HK dollars to holders of Domestic Shares and holders of H Shares, respectively. The actual amount distributed in HK dollars was calculated based on the average benchmark exchange rate of RMB against HK dollar as announced by the People’s Bank of China in five working days prior to the date of the 2013 annual general meeting, (i.e. RMB0.79402 against HK\$1.00). Accordingly, the 2013 final dividend is HK\$0.07808 per H Share (inclusive of tax). The distribution of 2013 final dividend of the Company was completed on 8 August 2014.

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 EXECUTIVE

Based on the information available to the Company and so far as the Directors are aware, as at 30 June 2014, none of the Directors, Supervisors and chief executive of the Company has interests or short positions in the shares, underlying shares or 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”).

OTHER INFORMATION

III. RIGHTS OF THE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

As at 30 June 2014, 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 Directors are aware after making all reasonable enquiries, as at 30 June 2014, the following persons (other than the Directors, Supervisors or chief executive 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 held (share) (Note 2)	Percentage of the total number of issued shares of the Company (%)	Percentage of the total number of issued Domestic Shares/H Shares of the Company (%)	Long positions/short positions/shares available for lending
Huijin (Note 1)	Domestic Shares	Interests of controlled corporation	5,217,743,240	69.23	89.25	Long position
Galaxy Financial Holdings	Domestic Shares	Beneficial owner	5,217,743,240	69.23	89.25	Long position
National Council for Social Security Fund	H Shares	Beneficial owner	85,807,133	1.14	5.07	Long position
Citigroup Inc.	H Shares	Others	36,491,917	0.48	2.15	Long position
	H Shares	Others	93,738,644	1.24	5.54	Short position
	H Shares	Others	31,358,273	0.42	1.85	Shares available for lending

Note 1: Huijin directly holds approximately 78.57% equity interest in Galaxy Financial Holdings and is therefore deemed to be interested in 5,217,743,240 Domestic Shares directly held by Galaxy Financial Holdings.

Note 2: 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 2014, the Company was not aware of any other person (other than Directors, Supervisors and chief executive 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

Save for the 2014 first tranche short-term subordinated bonds issued by the Company on 13 January 2014 (the details of which are disclosed in the sub-section "VII. Significant investment and financing of the Company" under the "Management Discussion and Analysis" section), the Company and its subsidiaries did not purchase, sell or redeem any of its listed securities during the Reporting Period.



OTHER INFORMATION

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 the code provisions of Corporate Governance Code set out in Appendix 14 to the Listing Rules during the Reporting Period, and met the requirements of the majority of the recommended best practices set out in the Corporate Governance Code. 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 enquiries to all Directors and Supervisors with respect to their compliance with the Model Code, and all Directors and Supervisors confirmed that they have complied with all standards set out in the Model Code during the Reporting Period.

VIII. OPERATION OF THE BOARD AND ITS SPECIAL COMMITTEES

During 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, Zhou Ruijin and Wu Yuwu

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. The committees assist the Board in conducting work within the terms of reference as specified in the procedural rules of meetings, and are accountable to and report to the Board. 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

OTHER INFORMATION

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 its shareholders. During the Reporting Period, all Directors faithfully and diligently performed their duties entitled by laws and regulations, and have protected the overall interests of the Company, especially the legitimate interests of small and medium shareholders. During the Reporting Period, the Board convened 1 annual general meeting, 1 extraordinary general meeting, 1 Domestic Share class meeting and 1 H Share class meeting and submitted 21 proposals for shareholders' consideration. The Board actively organized, supervised and followed up the implementation of the resolutions passed at general meetings. The Board has convened 3 Board meetings to consider 28 proposals. The Strategy and Development Committee, the Risk Management Committee, the Nomination and Remuneration Committee and the Audit Committee convened 4 meetings, 2 meetings, 2 meetings and 3 meetings, respectively. The special committees gave full play to their own professional strengths, providing strong support for the decision-making of the Board and further enhancing the efficiency and level of decision-making of 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 2014. The external auditor of the Company has reviewed the interim financial information in accordance with the 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, there was no change in the members of the Supervisory Committee. The Supervisory Committee currently comprises 5 Supervisors, including 2 employee Supervisors.

Supervisory Committee	Chairman	Supervisors
Supervisors	Yu Wenxiu	Zhong Cheng, Wu Huanliang, Gu Shulin (employee Supervisor), Liu Zhiyi (employee Supervisor)

The Performance Supervision and Inspection Committee and Financial Supervision and Inspection Committee have been established under the Supervisory Committee. The responsibilities of each committee are clearly divided and defined and the operation of each committee is effective. The members of each committee are as follows:

Special committees	Chairman	Members
Performance Supervision and Inspection Committee	Yu Wenxiu	Zhong Cheng, Gu Shulin
Financial Supervision and Inspection Committee	Wu Huanliang	Zhong Cheng, Liu Zhiyi

The Supervisors 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 legitimate interests of the Company and its shareholders. During the Reporting Period, the Supervisory Committee convened 1 meeting to consider 9 proposals. Each of the Performance Supervision and Inspection Committee and the Financial Supervision and Inspection Committee convened 1 meeting.

X. MATERIAL LITIGATIONS

With respect to the three material litigations as disclosed in the 2013 annual report of the Company, the update on their status are as follows:

- (1) Contractual dispute arising from account statements falsified by Bai Weitong (a former employee of Xiaolan branch in Zhongshan). On 21 March 2014, the Second People's Court of Zhongshan of Guangdong Province reached its decisions for the first trial, rejecting all claims from Cai Hualin and Cai Jinglin. On 12 April 2014, Cai Hualin and Cai Jinglin have appealed to the Intermediate People's Court of Zhongshan. The case is still under the second trial.



OTHER INFORMATION

- (2) Civil dispute arising from the fraud by Liang Jianwei (a former employee of Xiaolan branch in Zhongshan). On 23 June 2014, the Company received the Civil Ruling for retrial of civil suits in relation to the fraud by Liang Jianwei from the Higher People's Court of Guangdong Province, in which the Court rejected the Company's petition for retrial. According to the compensation finally determined by the Second People's Court of Zhongshan on 20 January 2014, the amount that the Company and the Xiaolan branch shall compensate for is RMB16.5397 million. On 24 January 2014, the Second People's Court of Zhongshan has fully transferred out the aforesaid amount from the bank account of the Company.
- (3) Civil proceeding arising from the private acts of Li Lei (a former employee of Jiangdongzhong Road branch in Nanjing) with client is still under the first trial.

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

XI. NEW BUSINESS QUALIFICATIONS OBTAINED DURING THE REPORTING PERIOD

- (1) On 12 February 2014, the Company obtained the qualification to engage in the self-operated business of option mock trading granted by SSE (Shang Zheng Qi Han [2014] Mo No.4046).
- (2) On 17 February 2014, the CSRC approved awarding the Company with the qualification to conduct client securities fund consumption and payment service on a pilot basis (Ji Gou Bu Bu Han [2014] No. 172).
- (3) On 3 April 2014, the Securities Association of China approved awarding the Company with the qualification to conduct the pilot internet securities business (Zhong Zheng Xie Han [2014] No.152).
- (4) On 21 May 2014, the Securities Association of China approved awarding the Company with the qualification to conduct the pilot OTC market beneficiary certificate business (Zhong Zheng Xie Han [2014] No. 284).
- (5) On 24 June 2014, the CSRC approved awarding the Company with the qualification as trustee of securities investment funds (Zheng Jian Xu Ke [2014] No. 629).

XII. EVALUATION RESULTS OF THE COMPANY BY SECURITIES REGULATORY AUTHORITY

In the evaluation of securities companies of 2014 carried out by the CSRC, the Company was again assigned an AA rating in A class. The Company has been assigned this rating for five consecutive years.

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

Pursuant to Rule 13.51B of the Listing Rules, during the Reporting Period, there was no change in details of Directors and Supervisors as compared with their biographies disclosed in the 2013 annual report, save for the followings:

1. Xu Guoping, a non-executive Director, ceased to act as a director and chairman of Beijing Galaxy Jixing Investment Management Company Limited (北京銀河吉星投資管理有限公司) starting from March 2014, and began to act as chairman of Galaxy Fund Management Company Limited since May 2014.
2. Wang Shiding, an independent non-executive Director, ceased to act as a member of the Examination Committee of Certified Public Accountants of the Ministry of Finance, an executive member of China Accountants Society and an independent non-executive director of each of Guangzhou Hengyun Enterprise Holdings Co., Ltd. (廣州恒運企業集團股份有限公司) and Beijing Utour International Travel Service Co., Ltd (北京眾信國際旅行社股份有限公司) during the Reporting Period.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Galaxy Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 76, which comprise the condensed consolidated statement of financial position as at 30 June 2014 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". 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.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

16 August 2014



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2014 (Unaudited)	2013 (Unaudited)
Revenue			
Commission and fee income	3	2,453,868	2,308,823
Interest income	4	1,695,740	1,124,306
Net investment gains	5	646,475	387,256
Total revenue		4,796,083	3,820,385
Other income and gains		9,836	7,929
Total revenue and other income		4,805,919	3,828,314
Depreciation and amortization	6	(96,665)	(121,289)
Staff costs	7	(1,540,490)	(1,100,508)
Commission and fee expenses	8	(77,688)	(66,630)
Interest expenses	9	(459,872)	(288,734)
Other operating expenses	10	(843,536)	(799,079)
Impairment losses	11	(18,639)	(122,135)
Total expenses		(3,036,890)	(2,498,375)
Share of result of an associate		895	–
Profit before income tax		1,769,924	1,329,939
Income tax expense	12	(417,391)	(352,042)
Profit for the period		1,352,533	977,897
Attributable to:			
Owners of the Company		1,346,567	967,691
Non-controlling interests		5,966	10,206
		1,352,533	977,897
Earnings per share attributable to owners of the Company (in RMB)			
– Basic	13	0.18	0.15
– Diluted	13	N/A	0.15

The notes on pages 41 to 76 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014
(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Profit for the period	1,352,533	977,897
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Available-for-sale financial assets		
Net fair value changes during the period	450,498	78,869
Reclassification adjustment to profit or loss on disposal	(86,079)	1,746
Reclassification adjustment to profit or loss on impairment	13,611	17,487
Income tax impact	(94,508)	(24,526)
Subtotal	283,522	73,576
Share of other comprehensive income of an associate	(190)	–
Exchange differences arising on translation	4,640	(7,769)
	287,972	65,807
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit obligation	(47,865)	–
	(47,865)	–
Other comprehensive income for the period, net of income tax	240,107	65,807
Total comprehensive income for the period	1,592,640	1,043,704
Attributable to:		
Owners of the Company	1,586,674	1,033,498
Non-controlling interests	5,966	10,206
	1,592,640	1,043,704

The notes on pages 41 to 76 form an integral part of these condensed consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Non-current assets			
Property and equipment	15	354,700	393,674
Goodwill		223,278	223,278
Other intangible assets		353,048	349,251
Investment in an associate		20,561	19,856
Available-for-sale financial assets	16	478,476	495,050
Loan investment		250,000	–
Deferred tax assets	17	229,060	308,204
Total non-current assets		1,909,123	1,789,313
Current assets			
Advances to customers	18	22,557,254	18,392,778
Accounts receivable	19	367,834	300,915
Prepaid taxes		94,045	29,894
Other receivables and prepayments	20	1,014,364	832,083
Loan investment		90,000	90,000
Available-for-sale financial assets	16	9,515,905	9,295,082
Financial assets held under resale agreements	21	818,032	1,283,838
Financial assets held for trading	22	3,964,514	5,027,321
Financial assets designated as at fair value through profit or loss	23	1,183,668	942,506
Derivative financial assets	24	4,007	2,281
Deposits with exchanges and a non-bank financial institution	25	3,820,740	2,840,742
Clearing settlement funds	26	5,740,044	4,373,917
Bank balances	27	39,248,124	33,083,698
Total current assets		88,418,531	76,495,055
Total assets		90,327,654	78,284,368
Current liabilities			
Subordinated bonds	29	4,510,000	4,000,000
Due to banks and non-bank financial institutions	30	1,420,453	592,687
Accounts payable to brokerage clients	31	43,059,406	36,451,282
Accrued staff costs	32	1,468,750	1,287,722
Other payables and accruals	33	2,083,754	1,616,371
Current tax liabilities		5,017	8,370
Derivative financial liabilities	24	19,801	7,883
Financial assets sold under repurchase agreements	34	11,167,848	8,898,387
Total current liabilities		63,735,029	52,862,702
Net current assets		24,683,502	23,632,353
Net assets		26,592,625	25,421,666

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Equity			
Share capital	35	7,537,259	7,537,259
Reserves		11,782,427	11,542,320
Retained profits		6,974,506	6,095,249
Equity attributable to owners of the Company		26,294,192	25,174,828
Non-controlling interests		298,433	246,838
Total equity		26,592,625	25,421,666

The condensed consolidated financial statements on pages 34 to 76 were approved and authorized for issue by the Board of Directors on 16 August 2014 and are signed on its behalf by:

Chen Youan

DIRECTOR

Gu Weiguo

DIRECTOR

The notes on pages 41 to 76 form an integral part of these condensed consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to owners of the Company									
	Share capital	Capital reserve	Reserves				Retained profits	Subtotal	Non-controlling interests	Total equity
			Investment revaluation reserve	Translation reserve	General reserves	Other reserves				
Six months ended 30 June 2014 (Unaudited)										
At 1 January 2014	7,537,259	4,798,418	(334,940)	(17,034)	7,075,584	20,292	6,095,249	25,174,828	246,838	25,421,666
Profit for the period	-	-	-	-	-	-	1,346,567	1,346,567	5,966	1,352,533
Other comprehensive income/(expense) for the period	-	-	283,332	4,640	-	(47,865)	-	240,107	-	240,107
Total comprehensive income/(expense) for the period	-	-	283,332	4,640	-	(47,865)	1,346,567	1,586,674	5,966	1,592,640
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	60,000	60,000
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(14,371)	(14,371)
Cash dividend recognized as distribution (note 14)	-	-	-	-	-	-	(467,310)	(467,310)	-	(467,310)
At 30 June 2014	7,537,259	4,798,418	(51,608)	(12,394)	7,075,584	(27,573)	6,974,506	26,294,192	298,433	26,592,625
Six months ended 30 June 2013 (Unaudited)										
At 1 January 2013	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
Issuance of H shares	1,537,259	4,960,998	-	-	-	-	-	6,498,257	-	6,498,257
Transaction cost of issuance of H shares	-	(162,247)	-	-	-	-	-	(162,247)	-	(162,247)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	100,092	100,092
Appropriation to general reserves	-	-	-	-	418,947	-	(418,947)	-	-	-
At 30 June 2013	7,537,259	4,798,751	46,411	(10,775)	6,717,350	-	5,710,371	24,799,367	239,287	25,038,654

The notes on pages 41 to 76 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	1,985,790	1,710,419
Increase in advances to customers	(4,164,476)	(6,528,598)
Decrease/(increase) in financial assets held under resale agreements	465,806	(856,370)
(Increase)/decrease in clearing settlement funds-clients	(1,252,178)	471,568
Increase in cash held on behalf of customers	(4,488,058)	(2,527,264)
Increase in placements from banks and non-bank financial institutions	70,000	2,823,000
Increase in accounts payable to brokerage clients, accrued staff costs and other payables and accruals	6,817,245	1,634,492
Increase in financial assets sold under repurchase agreements	2,269,461	1,232,371
Other working capital items	(360,220)	(288,052)
Cash from/(used in) operations	1,343,370	(2,328,434)
Income taxes paid	(500,259)	(349,249)
Interest paid	(300,196)	(238,244)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	542,915	(2,915,927)
INVESTING ACTIVITIES		
Dividends and interest received from investments	237,420	138,833
Purchases of property and equipment and other intangible assets	(68,220)	(30,783)
Proceeds from disposal of property and equipment and other intangible assets	6,990	306
Capital injection to an associate	-	(20,000)
Purchase of available-for-sale financial assets	(3,339,436)	(4,614,436)
Proceeds from disposal of available-for-sale financial assets	3,585,686	2,985,793
Cash injected to consolidated structured entities, net	(43,712)	-
Placement of bank deposits with original maturity of more than three months	(870,764)	(1,050,518)
Maturity of bank deposits with original maturity of more than three months	1,010,485	59,624
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	518,449	(2,531,181)



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2014 (Unaudited)	2013 (Unaudited)
FINANCING ACTIVITIES			
Proceeds from issuance of H shares		–	6,498,257
Special Dividend paid	14	(424,444)	–
Dividends paid to non-controlling interests		(26,098)	–
Capital injection from non-controlling interests		60,000	100,092
Proceeds from short-term notes and subordinated bonds issued		510,000	7,000,000
Proceeds from borrowings net of interest paid		1,060,453	79,660
Repayment of short-term notes and subordinated bonds		–	(18,858)
Repayment of borrowings		(306,987)	–
Transaction cost paid on issue of H shares		–	(3,249)
Transaction cost paid on issue of short-term notes		–	(2,243)
NET CASH FROM FINANCING ACTIVITIES		872,924	13,653,659
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,934,288	8,206,551
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		2,194,510	3,921,042
Effect of foreign exchange rate changes		3,749	(3,999)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	28	4,132,547	12,123,594
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		1,697,781	1,051,556
Total interest paid		(304,496)	(238,244)

The notes on pages 41 to 76 form an integral part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION OF THE GROUP

Pursuant to the approval from the China Securities Regulatory Commission (the “CSRC”), China Galaxy Securities Co., Ltd. (the “Company”) was established in Beijing, the People’s Republic of China (the “PRC”) on 26 January 2007. In May 2013, the Company issued overseas listed foreign shares (“H shares”) which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). Upon completion of the H share offering, the issued capital of the Company was increased to RMB7,537 million.

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, equity investment management, industrial investment, commodity futures brokerage, financial futures brokerage, futures investment advisory, wealth management, insurance brokerage and money lending business.

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

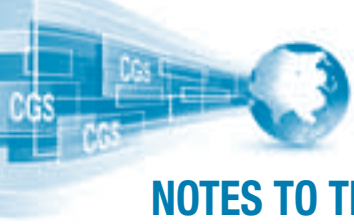
2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(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 set out in Appendix 16 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2013.

(b) Principal accounting policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013, except for the adoption of the new interpretation and amendments to standards effective on 1 January 2014, as follows:



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

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

(b) Principal accounting policies (Continued)

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting
IFRIC 21	Levies

The adoption of the new interpretation and amendments to standards did not have significant impact on the financial position or performance of the Group for the six months ended 30 June 2014.

3. COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Commission on securities dealing and broking and handling fee income	1,699,239	1,858,100
Underwriting and sponsors fees	498,009	181,477
Commission on futures and options contracts dealing and broking and handling fee income	135,730	168,068
Consultancy and financial advisory fee income	34,389	34,947
Asset management fee income	80,984	59,796
Others	5,517	6,435
	2,453,868	2,308,823

4. INTEREST INCOME

The following is the analysis excluding interest income from investments:

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Deposits with exchanges and a non-bank financial institution and bank balances	745,428	658,173
Advances to customers and securities lending	916,584	419,216
Financial assets held under resale agreements	33,728	46,917
	1,695,740	1,124,306

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

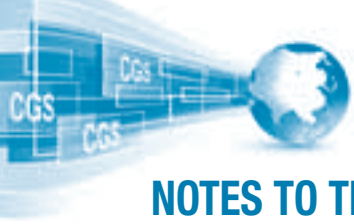
For the six months ended 30 June 2014
(Amounts in thousands of Renminbi, unless otherwise stated)

5. NET INVESTMENT GAINS

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Net realized gains/(losses) from disposal of available-for-sale financial assets	86,079	(1,746)
Dividend income and interest income from available-for-sale financial assets	260,030	164,850
Net realized losses from disposal of financial assets held for trading	(164,165)	(76,122)
Interest income from loan investments	8,753	–
Dividend income and interest income from financial assets held for trading	248,910	206,754
Net realized gains from disposal of financial assets designated as at fair value through profit or loss	9,546	42,639
Interest income from financial assets designated as at fair value through profit or loss	3,530	2,437
Net realized gains from derivatives	32,710	36,177
Unrealized fair value change of financial instruments at fair value through profit or loss		
– financial assets held for trading	159,105	(62,646)
– financial assets designated as at fair value through profit – derivatives	15,753	10,432
	(13,776)	64,481
	646,475	387,256

6. DEPRECIATION AND AMORTIZATION

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Depreciation for property and equipment	80,166	103,510
Amortization of other intangible assets	16,499	17,779
	96,665	121,289



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

7. STAFF COSTS

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Salaries, bonus and allowances	1,225,246	781,833
Social welfare	179,322	175,534
Contributions to annuity schemes	40,676	22,028
Supplementary retirement benefits	4,073	98
Early retirement benefits	3,570	50
Others	87,603	120,965
	1,540,490	1,100,508

8. COMMISSION AND FEE EXPENSES

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Securities and futures dealing and broking expenses	66,744	43,971
Underwriting and sponsors fee expenses	6,605	15,855
Other service expenses	4,339	6,804
	77,688	66,630

9. INTEREST EXPENSES

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Interest on liabilities that are wholly repayable within five years:		
– Accounts payable to brokerage clients	62,921	62,812
– Financial assets sold under repurchase agreements	238,995	124,996
– Due to banks and non-bank financial institutions	21,793	100,926
– Subordinated bonds	136,163	–
	459,872	288,734

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014
(Amounts in thousands of Renminbi, unless otherwise stated)

10. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
General and administrative expenses	193,168	200,156
Business tax and other tax	214,164	174,687
Operating lease rentals in respect of rented premises	213,561	195,856
Data transmission expenses	94,143	76,865
Securities investor protection funds	23,659	20,637
Business travel expenses	36,699	34,223
Utilities expenses	20,625	22,209
Foreign exchange (gains)/losses, net	(3,296)	9,290
Sundry expenses	50,813	65,156
	843,536	799,079

11. IMPAIRMENT LOSSES

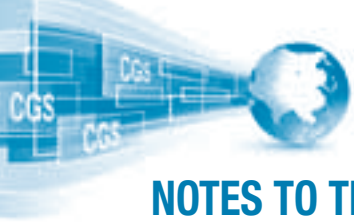
	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Allowance for impairment loss in respect of accounts receivable	1,625	22
Impairment loss in respect of other receivables	3,403	5,626
Impairment loss in respect of available-for-sale financial assets	13,611	116,487
	18,639	122,135

12. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Current income tax		
PRC Enterprise Income Tax	433,530	277,118
Overprovision in prior years:		
PRC Enterprise Income Tax	(775)	-
Subtotal	432,755	277,118
Deferred income tax (note 17)	(15,364)	74,924
	417,391	352,042

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Earnings for the purpose of basic earnings and diluted earnings per share:		
Profit for the period attributable to owners of the Company	1,346,567	967,691
Number of shares:		
Number of shares in issue (2013: weighted average number of shares in issue) (thousand)	7,537,259	6,335,197
Earnings per share:		
Basic earnings per share (in RMB)	0.18	0.15
Diluted earnings per share (in RMB)	N/A	0.15

The Group had no dilutive potential ordinary shares outstanding during the six months ended 30 June 2014. The Group considered the over-allotment options issued by the Company in June 2013 in the calculation of diluted earnings per share for the six months ended 30 June 2013 and the over-allotment options had no significant impact on the computation of diluted earnings per share. The weighted average number of ordinary shares in issue for the six months ended 30 June 2013 was adjusted to reflect the effect of H shares issued in 2013.

14. DIVIDEND

Pursuant to the resolutions of the annual general meeting in 2013, the Company declared a cash dividend of RMB0.62 per 10 shares (inclusive of tax), or a total of RMB467.31 million, based on a total of 7,537,258,757 shares in issue as at 31 December 2013. The cash dividend was paid on 8 August 2014.

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 at 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 completed its initial public offering in May 2013 and determined that the Distributable Profits in respect of the period from 1 January 2013 to 30 April 2013 as RMB424.44 million. On 26 March 2014, the Board of Directors passed a resolution to approve the Special Dividend of RMB424.44 million, of which RMB379.45 million is payable to China Galaxy Financial Holdings Company Limited (中國銀河金融控股有限責任公司) ("Galaxy Financial Holdings"). The Special Dividend was paid on 22 May 2014.

15. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired assets with a cost of RMB45.66 million (six months ended 30 June 2013: RMB24.36 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014
(Amounts in thousands of Renminbi, unless otherwise stated)

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Non-current		
Measured at fair value:		
Other investments ⁽¹⁾	183,526	200,100
Measured at cost:		
Equity securities ⁽²⁾		
– issued by corporate entities	294,950	294,950
	478,476	495,050
Analyzed as:		
Unlisted	478,476	495,050
	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Current		
Measured at fair value:		
Debt securities		
– government bonds	59,700	56,046
– corporate bonds	8,593,092	7,878,490
Subtotal	8,652,792	7,934,536
Equity securities		
– issued by corporate entities	299,734	378,667
– issued by banks and other financial institutions	7,125	10,696
– issued by public utility entities	434	727
– issued by others	101	303
Subtotal	307,394	390,393
Funds	11,294	11,684
Other investments ⁽¹⁾	544,425	958,469
Total	9,515,905	9,295,082
Analyzed as:		
Listed in mainland, PRC	8,971,480	8,336,613
Unlisted	544,425	958,469
	9,515,905	9,295,082



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

- (1) Other investments represent investments in collective asset management plans issued and managed by the Group, wealth management products issued by banks 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 undated collective asset management plans and other collective asset management plans with investment period ranging from one year to nine years till the end of the investment period.
- (2) During the six months ended 30 June 2013, an impairment loss of RMB99.00 million in respect of certain private equity investments measured at cost less impairment was recognized.

The unlisted equity securities held by the Group are issued by private companies that are in the mineral resources, manufacturing, or information technology 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 values of these securities are measured at cost less impairment at the end of each reporting period.

Included in the Group's listed equity securities of approximately RMB223.77 million as at 30 June 2014 (31 December 2013: RMB362.94 million) were restricted shares listed in the PRC with a legally enforceable restriction that prevents the Group to dispose of within the specified period.

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 periods.

The Group has entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale equity securities and exchange-traded funds ("ETF") to clients for the six months ended 30 June 2014. These securities continued to be recognized as financial assets of the Group, and the fair value amounted to RMB25.78 million as at 30 June 2014 (31 December 2013: RMB26.82 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014
(Amounts in thousands of Renminbi, unless otherwise stated)

17. 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 2014 (Unaudited)	As at 31 December 2013 (Audited)
Net deferred income tax assets, at beginning of period	308,204	174,385
Recognized in profit or loss	15,364	31,164
Recognized in other comprehensive income	(94,508)	102,655
Net deferred income tax assets, at end of period	229,060	308,204

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.

18. ADVANCES TO CUSTOMERS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Loans to margin clients	22,389,533	18,298,434
Other loans and advances	167,721	94,344
	22,557,254	18,392,778

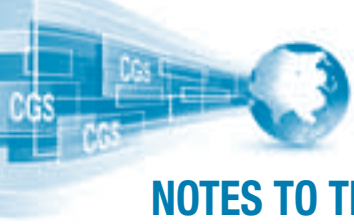
The credit facility limits for margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

Based on the agreement terms with margin clients in Hong Kong, the Group is able to repledge clients' securities for margin financing arrangements with qualified financial institutions. The fair value of these listed securities at 30 June 2014 was RMB7,603.08 million (31 December 2013: RMB3,269.56 million).

No aging analysis is disclosed as in the opinion of the directors of the Company; the aging analysis does not give additional value to the users of the 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 2014 and 31 December 2013.

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

19. ACCOUNTS RECEIVABLE

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Accounts receivable of:		
Client securities settlement	57,372	104,910
Brokers and dealers	79,658	53,994
Clearing houses	47,316	23,322
Underwriting and sponsors fee	106,236	48,460
Trading rights rental commission	45,333	57,807
Asset management and funds distribution handling fee	34,910	13,191
Investment advisory fee	100	1,500
Others	6,349	6,588
Subtotal	377,274	309,772
Less: Impairment on accounts receivable	(9,440)	(8,857)
Total	367,834	300,915

Aging analysis of accounts receivable is as follows:

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Within 1 year	356,544	289,575
Between 1 and 2 years	10,890	11,340
Between 2 and 3 years	400	-
	367,834	300,915

The movements in the allowance for impairment on accounts receivable are set out below:

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
At beginning of the period/year	8,857	1,210
Impairment losses recognized	1,625	7,647
Amounts written off	(1,042)	-
At end of the period/year	9,440	8,857

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014
(Amounts in thousands of Renminbi, unless otherwise stated)

19. ACCOUNTS RECEIVABLE (Continued)

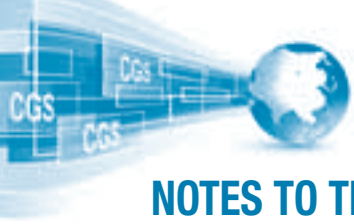
The credit term of accounts receivable is generally within three months. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimize credit risk. Overdue balances are regularly monitored by management.

20. OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Interest receivable	766,155	638,993
Prepaid expenses	122,495	110,053
Fund redemption receivable	–	32,883
Others	135,896	59,304
Subtotal	1,024,546	841,233
Less: Impairment on other receivables	(10,182)	(9,150)
Total	1,014,364	832,083

21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Analyzed by collateral type:		
Stocks	654,380	1,192,214
Bonds	161,900	50,000
Funds	1,752	41,624
	818,032	1,283,838
Analyzed by market of collateral:		
Stock exchanges	818,032	1,283,838



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL ASSETS HELD FOR TRADING

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Debt securities		
– financial bonds	73,217	229,642
– corporate bonds	3,373,741	3,039,367
Subtotal	3,446,958	3,269,009
Equity securities		
– issued by banks and other financial institutions	42,911	30,876
– issued by corporate entities	179,994	95,578
– issued by public utility entities	5,724	462
– issued by others	113	368
Subtotal	228,742	127,284
Funds	288,814	1,594,981
Other investments ⁽¹⁾	–	36,047
Total	3,964,514	5,027,321
Analyzed as:		
Listed in mainland, PRC	3,874,511	3,589,706
Unlisted	90,003	1,437,615
	3,964,514	5,027,321

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

The Group's investments in unlisted funds, comprise of money market funds and open-ended mutual funds, and other investments mainly invested in debt securities and publicly traded equity securities listed in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Convertible bonds ⁽¹⁾		
– financial bonds	321,023	144,833
– corporate bonds	485,037	484,009
Subtotal	806,060	628,842
Equity securities ⁽²⁾		
– issued by banks and other financial institutions	86,494	101,245
– issued by corporate entities	160,425	171,854
– issued by public utility entities	5,959	6,161
– issued by others	986	4,260
Subtotal	253,864	283,520
Funds ⁽²⁾	123,744	30,144
Total	1,183,668	942,506
Analyzed as:		
Listed in mainland, PRC	1,183,668	942,506

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

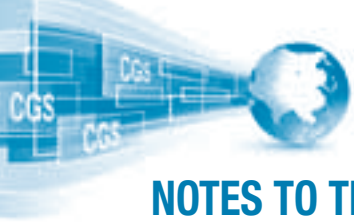
(2) These equity securities and ETF are used for securities lending business which are designated as financial assets at fair value through profit or loss. As at 30 June 2014, the Group entered into securities lending arrangement with clients that resulted in the transfer of financial assets designated as at fair value through profit or loss with a fair value of RMB149.52 million (31 December 2013: RMB107.66 million) to clients. These equity securities and ETF continued to be recognized as financial assets of the Group.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2014		As at 31 December 2013	
	Asset (Unaudited)	Liability (Unaudited)	Asset (Audited)	Liability (Audited)
Swap ⁽¹⁾	4,007	19,801	2,281	7,883
Stock index futures ⁽²⁾	–	2,747	821	–
Less: settlement	–	(2,747)	(821)	–
Others ⁽²⁾	–	16	–	–
Less: settlement	–	(16)	–	–
Total	4,007	19,801	2,281	7,883

(1) The equity return swaps are carried at fair values and the notional principal amounts of swaps as at 30 June 2014 were RMB83.48 million (31 December 2013: RMB83.51 million).

(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 each reporting period.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Deposits with stock exchanges		
– Shanghai Stock Exchange	59,085	78,142
– Shenzhen Stock Exchange	52,645	52,812
– Hong Kong Stock Exchange	36,606	29,670
– National Equities Exchange and Quotations	430	–
Deposits with futures and commodity exchanges		
– China Financial Futures Exchange	1,109,175	693,724
– Shanghai Futures Exchange	1,196,593	1,038,777
– Dalian Commodity Exchange	983,381	587,138
– Zhengzhou Commodity Exchange	369,903	347,569
China Securities Finance Corporation Limited	1,422	1,410
Guarantee fund paid to Shenzhen Stock Exchange	11,500	11,500
	3,820,740	2,840,742

26. CLEARING SETTLEMENT FUNDS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Clearing settlement funds held with clearing houses for:		
– House accounts	405,403	291,454
– Clients	5,334,641	4,082,463
	5,740,044	4,373,917

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014
(Amounts in thousands of Renminbi, unless otherwise stated)

27. BANK BALANCES

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
House accounts	5,015,909	3,339,541
Cash held on behalf of customers ⁽¹⁾	34,232,215	29,744,157
	39,248,124	33,083,698

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 31).

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Bank balances-house accounts	3,727,144	1,903,056
Clearing settlement funds-house accounts	405,403	291,454
	4,132,547	2,194,510

Cash and cash equivalent does not include bank deposits with original maturity of more than three months held by the Group and restricted bank deposits. As at 30 June 2014, bank deposits with original maturity of more than three months held by the Group were RMB1,280.76 million (31 December 2013: RMB1,420.48 million) and a bank deposit of RMB8.00 million was restricted for use (31 December 2013: RMB16.00 million).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

29. SUBORDINATED BONDS

Details of the subordinated bonds issued by the Company are as follows:

Issue date	Maturity date	Coupon rate	As at	As at
			30 June 2014 (Unaudited)	31 December 2013 (Audited)
10 September 2013	10 September 2014	5.85%	1,000,000	1,000,000
11 September 2013	11 September 2014	5.85%	2,500,000	2,500,000
31 October 2013	31 October 2014	6.25%	500,000	500,000
13 January 2014	14 July 2014	6.85%	510,000	–
			4,510,000	4,000,000

30. DUE TO BANKS AND NON-BANK FINANCIAL INSTITUTIONS

	As at	As at
	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Secured short-term bank loans ⁽¹⁾	873,910	180,826
Unsecured short-term bank loans ⁽²⁾	186,543	121,861
Placements from banks and non-bank financial institutions ⁽³⁾	360,000	290,000
	1,420,453	592,687

(1) The short-term bank loans borrowed by the Group are secured by the listed shares in Hong Kong pledged to the Group as a security for advances to customers (with customers' consent) with a fair value of approximately RMB956.55 million (31 December 2013: RMB605.28 million). The short-term bank loans bear interest at 0.73%-1.64% per annum (31 December 2013: 1.49%-1.93% per annum) and are repayable within 3 months.

(2) As at 30 June 2014, the unsecured short-term bank loans bear interest at 1.71%-2.41% per annum (31 December 2013: 1.91%-2.41% per annum) and are repayable within 3 months.

(3) As at 30 June 2014, the placements obtained from banks bear interest at 3.69%-3.76% per annum, with maturities within 1 month.

As at 31 December 2013, the placements obtained from a non-bank financial institution bear interest at 5.26% per annum, with maturities within 1 month.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

31. 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.

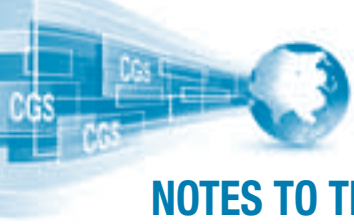
No aging analysis is disclosed as in the opinion of the directors of the Company; the aging analysis does not give additional value to the readers of the condensed consolidated financial statements in view of the nature of these businesses.

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

As at 30 June 2014, included in the Group's accounts payable to brokerage clients were approximately RMB2,013.32 million (31 December 2013: RMB1,361.64 million) of cash collateral received from clients for margin financing and securities lending arrangement.

32. ACCRUED STAFF COSTS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Salaries, bonus and allowances	1,146,711	1,020,072
Social welfare	8,889	8,180
Annuity scheme	8,681	6,399
Supplementary retirement benefits	205,374	156,959
Early retirement benefits	43,911	48,067
Others	55,184	48,045
	1,468,750	1,287,722



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

33. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Payables to interest holders of consolidated structured entities	507,126	300,838
Dividend payable	467,310	436,171
Business taxes and surcharges	42,703	121,853
IPO expenses payable	155,727	155,727
Customer deposits held for swap transactions	50,090	60,757
Accrued expense	170,407	68,505
Payables to margin client	237,578	143,763
Payables to clearing house	-	23,642
Sundry payables	51,114	48,732
Payable for the securities investor protection fund	28,967	26,496
Interest payable	252,122	96,746
Provision	759	18,136
Others	119,851	115,005
	2,083,754	1,616,371

34. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Analyzed by collateral type:		
Bonds (note)	10,237,356	6,998,379
Rights and interests in margin loans	930,490	1,900,000
Others	2	8
	11,167,848	8,898,387
Analyzed by market of collateral:		
Stock exchanges	9,744,418	6,938,227
Interbank bond market	492,940	60,160
Others	930,490	1,900,000
	11,167,848	8,898,387

Note: The Group entered into securities borrowing agreements with banks to borrow debt securities. As stipulated in the securities borrowing agreements, the legal ownership of these debt securities is transferred to the Group. Although the Group is allowed to sell or repledge these debt securities during the covered period, the Group has the obligations to return these debt securities to the banks at specified future dates and the maximum covered period is 10 days. As at 30 June 2014, the Group borrowed debt securities with a fair value of RMB0.45 billion from the banks and pledged debt securities classified as available-for-sale financial assets with a fair value of RMB0.36 billion as collaterals under the securities borrowing agreements.

These debt securities borrowed by the Group have all been used as collaterals under repurchase agreements with counterparties as at 30 June 2014 and the proceeds from selling such securities are presented as financial assets sold under repurchase agreements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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35. SHARE CAPITAL

The Company's number of shares and nominal value are as follows:

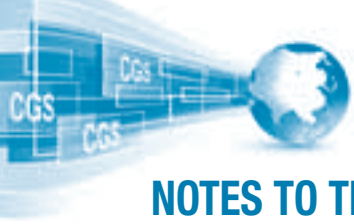
	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Issued and fully paid ordinary shares of RMB1 each (in thousands)		
Domestic shares	5,846,274	5,846,274
H shares	1,690,985	1,690,985
	7,537,259	7,537,259
Share capital (in RMB'000)		
Domestic shares	5,846,274	5,846,274
H shares	1,690,985	1,690,985
	7,537,259	7,537,259

36. CHANGE IN GROUP STRUCTURE

During the six months ended 30 June 2014, a directly wholly owned subsidiary and an indirect non-wholly owned subsidiary were incorporated, and a consolidated structured entity was established. The particulars of these subsidiaries and the consolidated structured entity as at 30 June 2014 are as follows:

Name	Place of incorporation/ establishment	Registered and paid-up capital	Direct interest held	Indirect interest held	Principal activities
銀河金匯證券資產管理有限公司 Galaxy Jinhui Securities Assets Management Co., Ltd. *	Shenzhen, PRC	RMB500,000,000	100%	–	Asset management
銀河德睿資本管理有限公司 Galaxy Derivatives Financial Service Co., Ltd. *	Shanghai, PRC	RMB200,000,000	–	70%	Investment management
華鑫信託銀華 1 號集合資金信託計劃 Huaxin Trust Yinhua No.1 Collective Fund*	Beijing, PRC	RMB250,000,000	–	20%	Loan investment

* These related parties do not have official English names.



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37. OPERATING LEASE COMMITMENTS

Leases for properties are negotiated with agreed rental charges. As at 30 June 2014 and 31 December 2013, lease terms are ranging from 1 to 15 years.

As at 30 June 2014 and 31 December 2013, 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 2014 (Unaudited)	As at 31 December 2013 (Audited)
Within 1 year	273,459	256,704
Beyond 1 year and not more than 2 years	226,572	198,366
Beyond 2 years and not more than 3 years	173,695	161,750
Beyond 3 years and not more than 5 years	217,836	208,260
More than 5 years	47,994	80,264
	939,556	905,344

The Group as lessor

At 30 June 2014 and 31 December 2013, the Group did not have material lease commitments as lessor.

38. CAPITAL COMMITMENTS

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Contracted but not provided for	13,861	4,500

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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39. RELATED PARTY TRANSACTIONS

(1) Immediate holding company

Galaxy Financial Holdings is a financial holding company approved by the State Council of the PRC and was established in Beijing on 8 August 2005. Galaxy Financial Holdings owned 5,217,743,240 shares in the Company, representing 69.23% of the entire equity interest of the Company as at 30 June 2014 and 31 December 2013. Galaxy Financial Holdings' shareholders are Central Huijin Investment Ltd. ("Central Huijin") with 78.57% equity interest and the Ministry of Finance ("the MOF") with 21.43% equity interest.

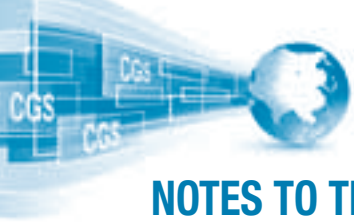
Central Huijin is a wholly-owned subsidiary of China Investment Corporation Limited, and is incorporated in Beijing, PRC. Central Huijin was established to hold certain equity investments as authorized by the State Council and does not engage in other commercial activities. Central Huijin exercises legal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

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

During the six months ended 30 June 2014 and 2013, 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.

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Accounts payable to brokerage clients	27,557	11,442
Special dividends payable (note 14)	–	379,453
Dividends payable	323,500	–

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 2014, the assets under investment management for Galaxy Financial Holdings amounted to approximately RMB50.41 million (31 December 2013: RMB50.30 million). For the six months ended 30 June 2014, no asset management fee income was received.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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39. RELATED PARTY TRANSACTIONS (Continued)

(2) Central Huijin

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

The Group’s transactions with Central Huijin Group

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Commission and fee income	4,432	9,456
Interest income from banks within the Central Huijin Group	290,776	404,127
Investment (losses)/gains of equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group	(3,049)	4,947
Interest expenses to brokerage clients within the Central Huijin Group	5,643	1,349

The Group’s balances with Central Huijin Group

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (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	–	1,300
– financial assets held for trading	73,482	230,863
– financial assets designated as at fair value through profit or loss	190,712	157,982
Bank balances deposited with banks within the Central Huijin Group	23,536,859	20,490,084
Accounts payable to brokerage clients within the Central Huijin Group	46,128	49,527

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For the six months ended 30 June 2014
(Amounts in thousands of Renminbi, unless otherwise stated)

39. RELATED PARTY TRANSACTIONS (Continued)

(2) Central Huijin (Continued)

As at 30 June 2014, a non-bank financial institution within the Central Huijin Group invested in collective asset management plans issued by the Company with a fair value of RMB52.18 million (31 December 2013: RMB100.85 million).

(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
中國銀河投資管理有限公司 China Galaxy Investment Management Company Limited ("Galaxy Investment")*	Note

Note: Shareholders of Galaxy Investment 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.

The Group's transactions with other related parties

Commission and fee income

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Galaxy Fund Management	1,950	1,691



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For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

39. RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

The Group's transactions with other related parties (Continued)

Other operating expenses

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Galaxy Investment	45,515	31,001

For the six months ended 30 June 2014 and 2013, other operating expenses between the Group and Galaxy Investment solely related to the leasing of premises owned by Galaxy Investment.

The Group's balances with other related parties

Accounts payable to brokerage clients

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
	Galaxy Investment	6,865

The Group's lease commitments with Galaxy Investment

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
	The Group as lessee	
Within 1 year	4,906	8,604
Beyond 1 year and not more than 2 years	2,594	2,169
Beyond 2 years and not more than 3 years	630	534
	8,130	11,307

Collective asset management plans held by Galaxy Investment

As at 30 June 2014, Galaxy Investment invested in collective asset management plans issued by the Company with a fair value of RMB9.02 million (31 December 2013: RMB8.65 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

39. 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	
	2014 (Unaudited)	2013 (Unaudited)
Salaries, allowances, bonuses, social welfare and annuity scheme contribution	25,838	23,748

Note: According to the regulations of the PRC relevant authorities, the key management personnel's final emoluments for the period ended 30 June 2014 have not been finalized. Management of the Group believes that difference in emoluments will not have significant impact on the condensed consolidated financial statements as at 30 June 2014. The amount of actual remuneration will be disclosed when determined.

40. 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.

The Group's operating segments are consistent with the Group's annual financial statements for the year ended 31 December 2013.

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 2014 and 2013.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

40. SEGMENT REPORTING (Continued)

The operating and reportable segment information provided to the CODM for the six months ended 30 June 2014 and 2013 is as follows:

	Securities brokerage	Futures brokerage	Proprietary trading and other securities services	Investment banking	Asset management	Private equity investment	Overseas business	Others	Segment total	Eliminations	Consolidated total
For the six months ended 30 June 2014 (Unaudited)											
Segment revenue and results											
Revenue											
- External	3,047,607	294,877	675,840	505,884	90,502	31,816	100,075	49,482	4,796,083	-	4,796,083
- Inter-segment	17,552	-	-	-	(6,661)	-	258	103,638	114,787	(114,787)	-
Other income and gains	7,778	502	-	480	-	-	70	1,006	9,836	-	9,836
Segment revenue and other income	3,072,937	295,379	675,840	506,364	83,841	31,816	100,403	154,126	4,920,706	(114,787)	4,805,919
Segment expenses	(1,427,184)	(213,633)	(284,814)	(228,750)	(42,664)	(15,012)	(91,053)	(744,929)	(3,048,039)	11,149	(3,036,890)
Share of result of an associate	-	-	-	-	-	-	-	895	895	-	895
Profit/(loss) before income tax	1,645,753	81,746	391,026	277,614	41,177	16,804	9,350	(589,908)	1,873,562	(103,638)	1,769,924
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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014
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40. SEGMENT REPORTING (Continued)

The segment assets and liabilities as at 30 June 2014 and 31 December 2013 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 2014 (Unaudited)											
Segment assets and liabilities											
Segment assets	56,952,462	10,543,569	15,340,017	512,924	880,843	1,390,652	2,271,792	27,492,178	115,384,437	(25,285,843)	90,098,594
Deferred tax assets											229,060
Group's total assets											90,327,654
Segment liabilities	54,753,609	9,128,535	14,998,027	42,410	326,885	519,925	1,782,002	7,469,479	89,020,872	(25,285,843)	63,735,029
As at 31 December 2013 (Audited)											
Segment assets and liabilities											
Segment assets	52,073,633	8,677,314	15,889,725	376,004	293,150	1,166,363	1,357,133	26,284,503	106,117,825	(28,141,661)	77,976,164
Deferred tax assets											308,204
Group's total assets											78,284,368
Segment liabilities	48,936,097	7,274,316	16,112,435	37,164	214,253	311,766	882,873	7,235,459	81,004,363	(28,141,661)	52,862,702

41. FINANCIAL RISK MANAGEMENT

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

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

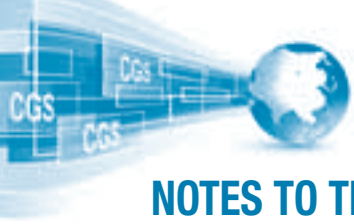
There have been no significant changes in the Group's risk management processes since 31 December 2013 or in any risk management policies.

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

42.1 Fair value of the Group's financial assets and financial liabilities that are not measured on a recurring basis

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is estimated using discounted cash flow method.

The carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate their fair values as at 30 June 2014 and 31 December 2013.



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42. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

42.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting periods. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Level 1 to 3) based on the degree to which the inputs to the fair value measurements 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 assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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).

Financial assets/ financial liabilities	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Held-for-trading financial assets:				
- Debt securities traded on stock exchanges	2,439,572	864,048	Level 1	Quoted bid prices in an active market.
- Debt securities traded on interbank market	1,007,386	2,404,961	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
- Equity securities and funds traded on stock exchanges and unlisted funds (open-ended mutual funds)	517,556	1,722,265	Level 1	Quoted bid prices in an active market.
- Other investments like collective asset management plans	-	36,047	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
Financial assets designated as at fair value through profit or loss:				
- Debt securities traded on stock exchanges	806,060	628,842	Level 1	Quoted bid prices in an active market.
- Equity securities and funds traded on stock exchanges	377,608	313,664	Level 1	Quoted bid prices in an active market.

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For the six months ended 30 June 2014
(Amounts in thousands of Renminbi, unless otherwise stated)

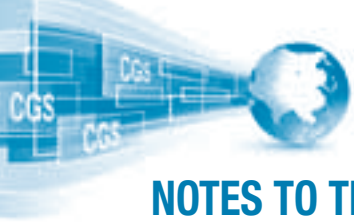
42. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

42.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/ financial liabilities	As at	As at	Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2014 (Unaudited)	31 December 2013 (Audited)		
Available-for-sale financial asset:				
– Debt securities traded on stock exchanges	8,522,041	7,522,057	Level 1	Quoted bid prices in an active market.
– Debt securities traded on interbank market	130,751	412,479	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
– Equity securities and funds traded on stock exchanges	94,922	39,134	Level 1	Quoted bid prices in an active market.
– Equity securities traded on stock exchanges with a lock-up period (Note 1)	223,766	362,943	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.
– Other investments like collective asset management plans and wealth management products	608,777	995,023	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
– Other investments like targeted asset management plans (Note 1)	119,174	163,546	Level 3	Calculated based on the fair value of the underlying investments which invest in listed shares with lock-up period in which the fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.
Derivative financial instruments:				
– Equity return swaps-assets	4,007	2,281	Level 2	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.
– Equity return swaps-liabilities	(19,801)	(7,883)	Level 2	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.
– Stock index futures (Note 2)	(2,747)	821	Level 1	Quoted bid prices in an active market.
– Others (Note 2)	(16)	–	Level 1	Quoted bid prices in an active market.

Notes:

- The unobservable inputs to fair value is the discount rate for lack of marketability, determined by reference to the share price of listed entities in similar industries, ranging from 32.66% to 38.57% (31 December 2013: ranging from 29.94% to 44.95%). The higher the discount rate, the lower the fair value.
- 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 2014 and 31 December 2013. 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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

42. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

42.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

As at 30 June 2014 (Unaudited)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
– Equity securities				
Construction	397	–	220,873	221,270
Financial services	7,125	–	–	7,125
Manufacturing	68,447	–	–	68,447
Mining	3,287	–	–	3,287
Real estate	1,876	–	–	1,876
Transportation, storage and postal service	173	–	–	173
Others	2,323	–	2,893	5,216
– Debt securities				
Corporate bonds	8,522,041	71,051	–	8,593,092
Government bonds	–	59,700	–	59,700
– Funds				
ETF	11,294	–	–	11,294
– Other investments				
Collective asset management plans	–	249,451	–	249,451
Wealth management products	–	359,326	–	359,326
Targeted asset management plans	–	–	119,174	119,174
	8,616,963	739,528	342,940	9,699,431
Financial assets held for trading				
– Equity securities				
Construction	3,502	–	–	3,502
Financial services	42,911	–	–	42,911
Manufacturing	49,666	–	–	49,666
Mining	18,459	–	–	18,459
Real estate	5,348	–	–	5,348
Health and personal care	72,388	–	–	72,388
Transportation, storage and postal service	316	–	–	316
Others	36,152	–	–	36,152
– Debt securities				
Corporate bonds	2,439,572	934,169	–	3,373,741
Financial bonds	–	73,217	–	73,217
– Funds				
Money market funds	115,126	–	–	115,126
ETF	173,168	–	–	173,168
	2,957,128	1,007,386	–	3,964,514

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42. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

42.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

As at 30 June 2014 (Unaudited)

	Level 1	Level 2	Level 3	Total
Financial assets designated as at fair value through profit or loss				
– Equity securities				
Construction	9,409	–	–	9,409
Financial services	86,494	–	–	86,494
Manufacturing	93,763	–	–	93,763
Mining	18,697	–	–	18,697
Real estate	13,353	–	–	13,353
Transportation, storage and postal service	6,037	–	–	6,037
Others	26,111	–	–	26,111
– Debt securities				
Corporate bonds	485,037	–	–	485,037
Financial bonds	321,023	–	–	321,023
– Funds				
ETF	123,744	–	–	123,744
	1,183,668	–	–	1,183,668
Derivative financial instruments				
– Equity return swaps-assets	–	4,007	–	4,007
– Equity return swaps-liabilities	–	(19,801)	–	(19,801)
– Stock index futures	(2,747)	–	–	(2,747)
– Others	(16)	–	–	(16)
	(2,763)	(15,794)	–	(18,557)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

42. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

42.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

As at 31 December 2013 (Audited)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
– Equity securities				
Construction	439	–	221,360	221,799
Financial services	10,696	–	–	10,696
Manufacturing	8,163	–	141,583	149,746
Others	8,152	–	–	8,152
– Debt securities				
Corporate bonds	7,466,011	412,479	–	7,878,490
Government bonds	56,046	–	–	56,046
– Funds				
ETF	11,684	–	–	11,684
– Other investments				
Collective asset management plans	–	285,523	–	285,523
Wealth management products	–	709,500	–	709,500
Targeted asset management plans	–	–	163,546	163,546
	7,561,191	1,407,502	526,489	9,495,182
Financial assets held for trading				
– Equity securities				
Construction	446	–	–	446
Financial services	30,876	–	–	30,876
Manufacturing	19,638	–	–	19,638
Mining	1,632	–	–	1,632
Real estate	1,845	–	–	1,845
Health and personal care	64,842	–	–	64,842
Transportation, storage and postal service	586	–	–	586
Wholesale and retail	486	–	–	486
Others	6,933	–	–	6,933
– Debt securities				
Corporate bonds	864,048	2,175,319	–	3,039,367
Financial bonds	–	229,642	–	229,642
– Funds				
ETF	193,413	–	–	193,413
Money market funds	1,400,000	–	–	1,400,000
Open-ended mutual funds	1,568	–	–	1,568
– Other investments				
Collective asset management plans	–	36,047	–	36,047
	2,586,313	2,441,008	–	5,027,321

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

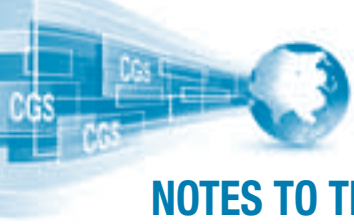
(Amounts in thousands of Renminbi, unless otherwise stated)

42. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

42.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

As at 31 December 2013 (Audited)

	Level 1	Level 2	Level 3	Total
Financial assets designated as at fair value through profit or loss				
– Equity securities				
Financial services	101,245	–	–	101,245
Manufacturing	96,230	–	–	96,230
Mining	19,533	–	–	19,533
Real estate	14,142	–	–	14,142
Transportation, storage and postal service	7,373	–	–	7,373
Wholesale and retail	9,318	–	–	9,318
Others	35,679	–	–	35,679
– Debt securities				
Corporate bonds	484,009	–	–	484,009
Financial bonds	144,833	–	–	144,833
– Funds				
ETF	30,144	–	–	30,144
	942,506	–	–	942,506
Derivative financial instruments				
– Equity return swaps-assets	–	2,281	–	2,281
– Equity return swaps-liabilities	–	(7,883)	–	(7,883)
– Stock index futures	821	–	–	821
	821	(5,602)	–	(4,781)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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42. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

42.3 Reconciliation of Level 3 fair value measurements

	Available-for-sale financial assets
Six months ended 30 June 2014 (Unaudited)	
At 1 January 2014	526,489
Total gains/losses	
– Profit or loss	–
– Other comprehensive income	(20,219)
Purchase	2,875
Transfer out (note)	(166,205)
As at 30 June 2014	342,940
Total gains for the period	
– dividends included in profit or loss	1,616
Year ended 31 December 2013 (Audited)	
At 1 January 2013	451,282
Total gains/losses	
– Profit or loss	–
– Other comprehensive income	139,528
Purchase	502,415
Transfer out (note)	(566,736)
As at 31 December 2013	526,489
Total gains for the year	
– dividends included in profit or loss	338

Note: The equity securities traded on stock exchanges with a lock-up period and targeted asset management plans holding listed shares with a lock-up period were transferred from Level 3 to Level 1 when the lock-up period lapsed and they became unrestricted.

Fair value measurements and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages external valuers to perform the valuation. The Group works closely with the external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

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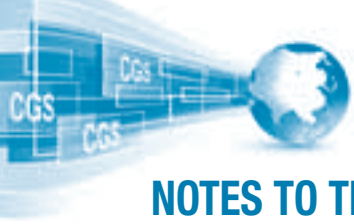
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43. MATURITY PROFILE OF ASSETS AND LIABILITIES

An analysis of the maturity profile of certain assets and liabilities of the Group as at 30 June 2014 and 31 December 2013 based on the remaining contractual maturity is as follows:

As at 30 June 2014 (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	–	22,557,254	–	–	22,557,254
Loan investments	–	90,000	250,000	–	340,000
Financial assets held under resale agreements	–	818,032	–	–	818,032
Debt securities classified as:					
Available-for-sale financial assets	–	49,905	3,618,842	4,984,045	8,652,792
Financial assets held for trading	–	99,650	1,079,845	2,267,463	3,446,958
Financial assets designated as at fair value through profit or loss	–	–	806,060	–	806,060
Deposits with exchanges and a non-bank financial institution	3,820,740	–	–	–	3,820,740
Clearing settlement funds	5,740,044	–	–	–	5,740,044
Bank balances	39,248,124	–	–	–	39,248,124
	48,808,908	23,614,841	5,754,747	7,251,508	85,430,004
Liabilities					
Subordinated bonds	–	4,510,000	–	–	4,510,000
Due to banks and non-bank financial institutions	–	1,420,453	–	–	1,420,453
Accounts payable to brokerage clients	43,059,406	–	–	–	43,059,406
Financial assets sold under repurchase agreements	–	11,167,848	–	–	11,167,848
	43,059,406	17,098,301	–	–	60,157,707



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43. MATURITY PROFILE OF ASSETS AND LIABILITIES (Continued)

As at 31 December 2013 (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	–	18,392,778	–	–	18,392,778
Loan investments	–	90,000	–	–	90,000
Financial assets held under resale agreements	–	1,087,393	196,445	–	1,283,838
Debt securities classified as:					
Available-for-sale financial assets	–	247,480	2,592,695	5,094,361	7,934,536
Financial assets held for trading	–	258,390	2,073,585	937,034	3,269,009
Financial assets designated as at fair value through profit or loss	–	–	604,385	24,457	628,842
Deposits with exchanges and a non-bank financial institution	2,840,742	–	–	–	2,840,742
Clearing settlement funds	4,373,917	–	–	–	4,373,917
Bank balances	28,479,842	4,603,856	–	–	33,083,698
	35,694,501	24,679,897	5,467,110	6,055,852	71,897,360
Liabilities					
Subordinated bonds	–	4,000,000	–	–	4,000,000
Due to banks and non-bank financial institutions	–	592,687	–	–	592,687
Accounts payable to brokerage clients	36,451,282	–	–	–	36,451,282
Financial assets sold under repurchase agreements	–	8,898,387	–	–	8,898,387
	36,451,282	13,491,074	–	–	49,942,356

44. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 23 July 2014, the Issuance Examination Committee (發行審核委員會) of the CSRC approved the application for the proposed issuance of corporate bonds in an aggregate amount of not exceeding RMB5 billion by the Company in the PRC.

At the 40th meeting of the 2nd session of the Board held on 26 March 2014, the Company passed a resolution to increase the registered capital of China Galaxy International Financial Holdings Company Limited, a directly wholly owned subsidiary of the Company, to HKD1 billion from HKD0.6 billion. The capital increase was completed on 28 July 2014.

At the 43th meeting of the 2nd session of the Board held on 16 August 2014, the Company passed a resolution to renew a lease agreement with Galaxy Investment for office premises for a lease term up to 31 December 2016. Under the agreement, the total rent is approximately RMB263.56 million.

