



海通证券股份有限公司 HAITONG SECURITIES CO., LTD.*

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

Stock Code: 6837

2014 INTERIM REPORT



**For identification purpose only*

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IMPORTANT NOTICE

The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company represent and warrant that the contents of this interim report (this "Report") are true, accurate and complete, and does not contain any false records, misleading statements or material omission and severally and jointly take full responsibility as to the content herein.

This Report was passed at the twenty-eighth meeting of the fifth session of the Board and the fifteenth meeting of the fifth session of the Supervisory Committee. Director, Mr. Feng Huang requested a leave and had appointed the Chairman, Wang Kaiguo to vote on his behalf. None of the Directors or Supervisors has any objection to this Report.

The 2014 interim financial report of the Company was prepared in accordance with the IFRS and was reviewed by Deloitte Touche Tohmatsu. All the financial data in this Report were presented in RMB unless otherwise indicated.

No appropriation of funds on a non-recurring basis by the Company's controlling shareholders, if any, or their respective related parties has occurred.

The Company did not provide external guarantees which were in violation of stipulated decision-making procedures.

Mr. Wang Kaiguo (Chairman) and Mr. Li Chuqian (Chief Financial Officer responsible for the accounting affairs and accounting department) declare that they represent and warrant the truthfulness, accuracy and completeness of the financial report contained in this Report.

The Company had no profit distribution proposal or proposal on transfer of capital reserve fund into capital for the first half of 2014.

Forward-looking statements included in this Report, including future plans and development strategies, do not constitute a guarantee of the Company to investors. Investors shall be aware of the risks of investment.

Section I. DEFINITION

In this Report, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

“A Share(s)”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are traded on the Shanghai Stock Exchange
“Articles of Association” or “Articles”	the articles of association of Haitong Securities, as amended
“Board”	the board of Directors of Haitong Securities
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this Report, Hong Kong, Macau and Taiwan
“Company” or “Haitong Securities”	Haitong Securities Co., Ltd.
“Group”	the Company and its subsidiaries
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of Haitong Securities
“H Share(s)”	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
“HK\$” or “HK dollars” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“IFRS”	the International Financial Reporting Standards
“IPO”	initial public offering
“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

Section I. DEFINITION

“NSSF”	the National Council for Social Security Fund of the PRC
“PRC GAAP”	generally accepted accounting principles in the PRC
“QFII”	Qualified Foreign Institutional Investor
“Reporting Period”	the 6-month period from 1 January to 30 June 2014
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RQFII”	Renminbi Qualified Foreign Institutional Investor
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Supervisor(s)”	the supervisor(s) of Haitong Securities
“Supervisory Committee”	the supervisory committee of Haitong Securities
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所)
“Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules

Section II. BASIC PARTICULARS OF THE COMPANY

1. Company Names

Legal Chinese name: 海通證券股份有限公司

Abbreviation in Chinese: 海通證券

Legal English name: Haitong Securities Company Limited

Abbreviation in English: Haitong Securities Co., Ltd.

2. Legal Representative: Mr. Wang Kaiguo

3. Authorized Representatives: Mr. Wang Kaiguo, Mr. Jin Xiaobin

4. Board Secretary: Mr. Jin Xiaobin

Correspondence address: 12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC (Postal Code: 200001)

Tel: 8621-23219000

Fax: 8621-63410707

E-mail: jinxb@htsec.com

5. Representative of securities affairs: Ms. Sun Tao

Correspondence address: 12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC (Postal Code: 200001)

Tel: 8621-23219000

Fax: 8621-63410627

E-mail: sunt@htsec.com

6. Joint Company Secretaries: Mr. Jin Xiaobin, Ms. Lam Wai Yee Sophie

7. Company addresses

Registered address: Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC (Postal Code: 200001)

Business address: Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC (Postal Code: 200001)

Internet website: <http://www.htsec.com>

E-mail: haitong@htsec.com

8. Principal place of business in Hong Kong: 21st Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Central, Hong Kong

9. Information Disclosure and Place of Inspection

Newspapers for information disclosure: China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily

Website designated by the CSRC for publication of periodic reports: <http://www.sse.com.cn>

Website designated by the Hong Kong Stock Exchange for publication of periodic reports: <http://www.hkexnews.hk>

Place where periodic reports of the Company are available: Office of the Board, 12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC

Section II. BASIC PARTICULARS OF THE COMPANY

10. Places of listing, stock names and codes

A Share: Shanghai Stock Exchange	Stock name: Haitong Securities	Stock code: 600837
H Share: Hong Kong Stock Exchange	Stock name: Haitong Securities	Stock code: 6837

11. Legal Advisor to the Company, as to PRC law: Grandall Law Firm (Shanghai)

Legal Advisor to the Company, as to Hong Kong law: Clifford Chance

12. Domestic Auditor: BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)

Address: 4/F, 61 Nanjing Road East, Shanghai, PRC

International Auditor: Deloitte Touche Tohmatsu

Address: 35/F, One Pacific Place, 88 Queensway, Hong Kong

13. A Share Registrar: Shanghai Branch of China Securities Depository and Clearing Corporation Limited

Address: China Insurance Building, 166 Lujiazui Road East, Pudong New Area, Shanghai, PRC

H Share Registrar: Computershare Hong Kong Investor Services Limited

Address: 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

14. Changes in registration during the Reporting Period

During the Reporting Period, there is no change in registration for the Company.

Section III. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICES

(I) MAJOR ACCOUNTING DATA AND FINANCIAL INDICES

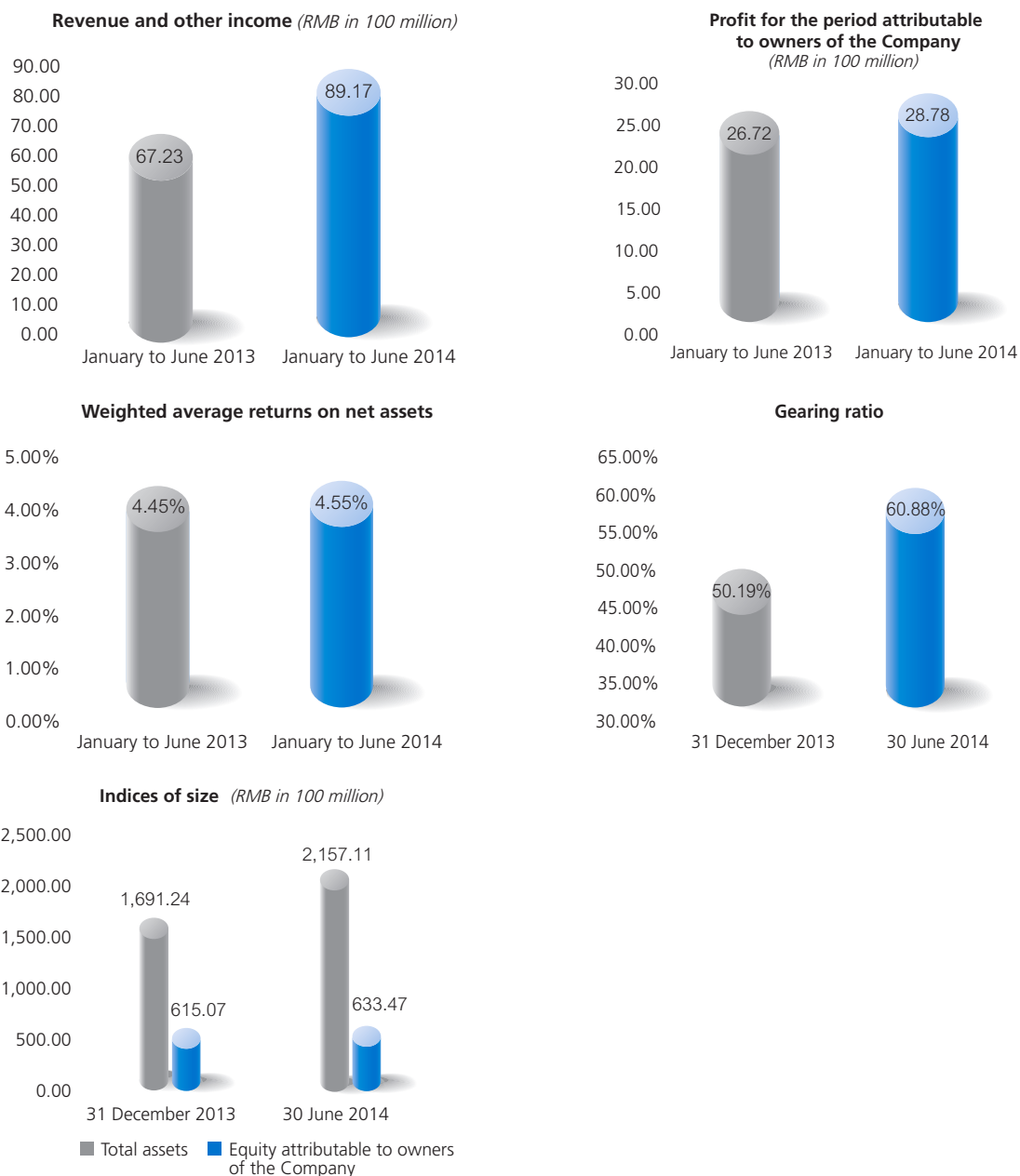
(All of the accounting data and financial indices set out in this Report are prepared in accordance with IFRS)

1. Major accounting data and financial Indices

Items	January to June 2014	January to June 2013	As compared to the last corresponding period
Results of operations (RMB'000)			<i>Increase</i>
Revenue and other income	8,917,232	6,722,595	32.65%
Profit before income tax	3,859,718	3,616,023	6.74%
Profit for the period attributable to owners of the Company	2,877,518	2,671,932	7.69%
Net cash from operating activities	(6,117,957)	4,676,149	-
Amount per share (RMB/share)			<i>Increase</i>
Basic earnings per share	0.30	0.28	7.14%
Diluted earnings per share	0.30	0.28	7.14%
Indices of profitability			<i>Change</i>
Weighted average returns on net assets (%)	4.55	4.45	increase by 0.1 percentage points
Items	As at 30 June 2014	As at 31 December 2013	As compared to the last corresponding period end
Indices of size (RMB'000)			<i>Increase</i>
Total assets	215,711,160	169,123,603	27.55%
Total liabilities	148,916,838	105,018,445	41.80%
Accounts payable to brokerage clients	44,971,835	40,429,567	11.24%
Equity attributable to owners of the Company	63,346,892	61,506,991	2.99%
Total share capital (share'000)	9,584,721	9,584,721	-
Net assets per share attributable to owners of the Company (RMB/share)	6.61	6.42	2.99%
Gearing ratio (%) ⁽¹⁾	60.88	50.19	increase by 10.69 percentage points

Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

Section III. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICES



2. Particulars of major accounting data

During the first half of 2014, the Group steadily promoted the transformation of the traditional business, while speeding up its pace in innovation and demonstrating a diversified pattern of profit making. For the first half year, the operating income of the Group increased by 32.65% over the same period of last year, where the fixed income investments enjoyed pretty good return; the revenue from the investment bank operations increased significantly compared with the same period of last year; and the businesses such as direct investment, overseas business and futures brokerage progressed steadily. Besides, the Company successfully completed the equity takeover of the UT Capital Group Co., Limited ("UT Capital Group") and smoothly transited the operation which offers the benefits to the Company.

During the first half of 2014, the Group achieved good results in terms of major accounting data and financial indicators with sound capital structure, strong liquidity and robust asset quality.

Section III. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICES

(II) DIFFERENCES BETWEEN IFRS AND PRC GAAP

The net profits for the periods January to June 2014 and January to June 2013 and the net assets as at 30 June 2014 and 31 December 2013 as stated in the consolidated financial statements of the Company prepared in accordance with PRC GAAP are consistent with those in accordance with IFRS.

(III) THE NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS OF THE COMPANY

As at 30 June 2014, the net capital of the Company was RMB37.354 billion, representing a decrease of RMB0.496 billion as compared to the net capital of RMB37.850 billion as at the end of prior year. During the Reporting Period, all risk control indicators including net capital of the Company met the regulatory requirements.

Unit: RMB'000

Items	30 June 2014	31 December 2013	Change
Net Capital	37,354,121	37,849,947	-1.31%
Net assets	61,566,168	60,310,727	2.08%
Total of risk capital reserves	3,263,502	3,049,620	7.01%
Net capital/total reserves of risk capital	1,144.60%	1,241.14%	Decrease by 96.54 percentage points
Net capital/net assets	60.67%	62.76%	Decrease by 2.09 percentage points
Net capital/liabilities	66.67%	89.12%	Decrease by 22.45 percentage points
Net assets/liabilities	109.88%	142.01%	Decrease by 32.13 percentage points
Proprietary equity securities and securities derivatives/net capital	51.52%	38.29%	Increase by 13.23 percentage points
Proprietary fixed income securities/net capital	86.27%	97.20%	Decrease by 10.93 percentage points

Section IV. REPORT OF THE BOARD OF DIRECTORS

(I) DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S OPERATION DURING THE REPORTING PERIOD

1. Overall operations

In the first half of 2014, the Company managed to eliminate the impacts of the unfavourable factors, such as the decline of trading commission rates and stock market downturn, speeded up its pace in innovation and achieved good operating results. The Company's traditional seller business maintained a good momentum of development: it kept a stable market share of the brokerage business, got a breakthrough for underwriting in investment banking, and improved the profitability of the asset management business dramatically; it further expanded the presence of its innovative business, successfully obtained the qualifications to be a market-maker in the tertiary market, run a pilot internet securities business program, underwrote securities denominated in foreign currency, and traded gold, and completed the first BT asset securitization project, becoming the first domestic broker to carry out public fund custody business; it further strengthened the development of its four pillars, i.e. human capital, research, IT and compliance and risk management, ensuring the smoothly and orderly operation of the Company.

As at the end of June 2014, the Group's total assets amounted to RMB215.711 billion, among which, net assets attributable to shareholders of the listed company amounting to RMB63.347 billion. In the first half of 2014, the net profit of the Group attributable to the shareholders of the listed company amounted to RMB2.878 billion, and the total revenue and other income amounted to RMB8.917 billion, among which, securities and futures brokerage amounting to RMB3.502 billion, representing 39.28%; proprietary trading amounting to RMB1.526 billion, representing 17.11%; asset management business amounting to RMB530 million, representing 5.95%; investment banking business amounting to RMB676 million, representing 7.58%; income from direct investment amounting to RMB192 million, representing 2.16%; income from overseas business amounting to RMB900 million, representing 10.09%; income from financing lease business amounting to RMB712 million, representing 7.99%; the percentage of revenue from innovative business reached 24.3%, with an increase by 1 percentage points compared to last year. In the first half of 2014, the major financial indices such as net profits and net assets of the Group all ranked the top in the domestic securities industry.

The Group's main business table

Items	Segment revenue	Segment expenses	Segment margin	Increase/decrease of segment revenue over the same period last year	Increase/decrease of segment expenses over the same period last year	Unit: RMB'000
						Increase/decrease of segment margin over the same period last year
Securities and futures brokerage	3,502,261	2,497,016	28.70%	27.14%	88.77%	Decrease by 23.28 percentage points
Proprietary trading	1,525,787	459,239	69.90%	-21.51%	44.98%	Decrease by 13.80 percentage points
Asset management	530,167	294,588	44.47%	26.22%	1.53%	Increase by 13.55 percentage points
Investment banking	676,128	271,848	59.79%	83.20%	14.87%	Increase by 23.92 percentage points
Oversea business	900,044	689,673	23.60%	48.24%	79.88%	Decrease by 13.26 percentage points
Direct investment	192,271	11,945	89.22%	44.95%	-39.27%	Increase by 10.72 percentage points
Financing lease	712,048	471,489	33.78%	-	-	-

Section IV. REPORT OF THE BOARD OF DIRECTORS

2. Analysis of Our Principal Business Lines

A. Principal Business Lines

(1) Securities and futures brokerage business

Retail brokerage business is undergoing a comprehensive transformation. In the first half of 2014, the Company has achieved a market share of 5.45% in terms of total trading volume and 4.68% in terms of stock-based trading volume; by strengthening the promotion of innovative businesses to the branches, it actively advances measures such as the transformation of network offices and the development of Internet financial services, so as to improve the competitiveness of its retail brokerage.

Institutional business strengthened its efforts in customer development. The Company took the advantage of its comprehensive resources to enrich its customer services for public funds, insurers, private equity funds, trust companies and banks, increasing its share to 5.65% in the divided commission market, representing an increase of 0.36% compared with that of last year; the Company used market value management, stock mortgage repurchases, bulk trading and other services to attract and actively develop business and high-net-worth clients; the Company speeded up its development of international institutional clients and added 15 QFII clients.

The margin financing and securities lending business maintained a rapid growth. As at the end of June 2014, the balance of the margin financing and securities lending business was RMB25.256 billion, representing an increase of 27.5% compared with that at the beginning of the year, and ranking third in the industry in terms of market share.

Futures business led the industry. Haitong Futures Co., Ltd (“Haitong Futures”) had a market share of 6.49% with regard to its brokerage business, representing an annual growth of 0.86 percentage points compared with that of the last year, continuing to rank top in the industry; it strengthened its efforts in developing institutional clients with the number of institutional clients growing by 22% since the beginning of the year; the preparation progressed orderly for new products like stock index options and crude oil futures.

In the first half of 2014, securities and futures brokerage business achieved a total profit of RMB1.005 billion, accounting for 26.04%.

Section IV. REPORT OF THE BOARD OF DIRECTORS

(2) *Proprietary trading*

The Company strengthened its efforts in the innovation of proprietary trading, kept diversifying its profit-making approaches, effectively eliminated the unfavourable impacts of the stock market downturn, and seized the opportunities in the fixed income market, achieving satisfactory returns on investments. In the first half of 2014, the Company continued to promote quantitative investment, equity return swap, and ETF market making arbitrage for equity investment, and actively develop diversified business models and trading strategies including OTC options, laying a solid foundation for future development; the fixed income products and service system underwent continuous improvements, and profit-making models such as interest rate swaps, treasury bond futures arbitrage and other capital intermediary services became increasingly mature, and the Company actively advanced the transition of fixed income business to FICC; and the Company actively established alternative investment business in new areas and explored new business models, laying the foundations for sustainable development.

In the first half of 2014, proprietary trading achieved a total profit of RMB1.067 billion, accounting for 27.63%.

(3) *Asset management business*

The asset management subsidiary of the Company had a dramatic increase in the profits. At the end of June 2014, the scale of assets under management amounted to RMB211.4 billion, representing 4.9% increase compared with that at the beginning of the year; the product business remained stable, and seven products ranked top 50% of the market in terms of performance.

The scale of public funds under the management of HFT Investment Management Co., Ltd. (hereafter referred to as "HFT Investment Management") was RMB25.2 billion, while the scale of enterprise annuity, separately managed accounts, social security portfolio and others under its management was RMB48.9 billion in total. The Company provided its investment advisory services for assets at scale of up to RMB18.9 billion.

The scale of various industrial investment fund under its management amounted to RMB7.8 billion with a managed market value of RMB11 billion and the number of new investment projects was 19 with an increased investment amount of RMB837 million.

In the first half of 2014, asset management business achieved a total profit of RMB236 million, accounting for 6.11%.

Section IV. REPORT OF THE BOARD OF DIRECTORS

(4) *Investment banking business*

The Company accelerated the development of its investment banking business and completed 27 equity and debt underwriting projects as the lead underwriter with a financed amount of RMB44.5 billion in the first half year of 2014. Among these projects, as the lead underwriter, the Company completed six equity financing projects with an underwritten amount of RMB13.5 billion, ranking No. 3 and No. 2 respectively in terms of number of projects and amount in the industry. The Company also successfully sponsored the CSIC placement project and achieved a breakthrough in large state-owned military enterprise projects; as the lead underwriter, the Company completed 21 debt projects with an underwritten amount of RMB31 billion and completed the first “super long term bond” project in China, creating a new model of bond issuance.

In the first half of 2014, investment banking business achieved a total profit of RMB404 million, accounting for 10.47%.

(5) *Direct investment business*

The Company completed eight direct investment projects with an investment amount of RMB376 million with another seven projects in the pipeline. The Company actively explored various means of capital exit, such as repurchase or backdoor. Two projects were repurchased with the repurchase and exit agreements signed for another three projects.

In the first half of 2014, direct investment business achieved a total profit of RMB172 million, accounting for 4.44%.

(6) *Overseas business*

In the first half of 2014, Haitong International Holdings Limited (the “Haitong International Holdings”) realized a profit HK\$105 million attributable to the owners of the Company. The business in Hong Kong developed rapidly, where the Company has completed six IPO projects as an investment bank, ranking No. 4 in terms of number of projects; the Company completed five bond issuance projects, ranking No. 2 among Chinese-funded brokers in terms of underwritten amount; the scale of assets under management had increased by 24% since the beginning of the year; the Company managed to issue a RQFII 300ETF index fund, which was the first fund of that kind issued by Chinese-funded brokers outside China.

In the first half of 2014, overseas business achieved a total profit of RMB212 million, accounting for 5.50%.

Section IV. REPORT OF THE BOARD OF DIRECTORS

(7) *Financing lease*

The Company successfully took over the equity of UT Capital Group and took advantage of the conglomeration so as to actively advance business cooperation. In the first half of 2014, UT Capital Group achieved a good operational results and circumstances with its total assets reaching RMB16.8 billion, representing an increase of 26% compared with that at the beginning of the year.

During the first half of 2014, the financing lease business achieved a profit of RMB241 million in total, accounting for 6.23%.

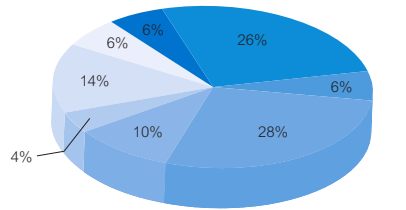
(8) *Development of innovative business*

The Company consistently facilitated its transformation through innovation and made quite a few achievements with regard to innovative business:

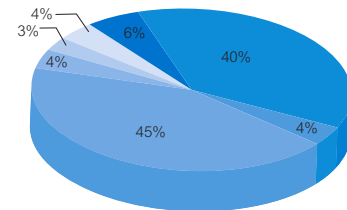
1. The Company vigorously promoted various innovative businesses introduced by the regulatory agencies. It was the first to launch the public fund custody business; it successfully obtained the qualifications to be a market-maker in the new tertiary market, ran a pilot internet securities business program, underwrote securities denominated in foreign currencies, and traded gold; and it successfully completed the first asset securitization project.
2. The Company accelerated the pace of self-innovation, providing its customers with innovative business solutions. It successfully issued the first "super long-term bond" in China, and created a new model of bond issuance; it was a leader for equity return swap business in the industry; it kept improving its FICC product service system; it managed to issue a RQFII 300ETF index fund, which was the first fund of that kind issued by Chinese-funded brokers outside China.
3. Its innovative businesses continued to maintain the industry leadership with a much higher proportion in its total revenue. The business scales of the Company all topped the industry in terms of margin financing and securities lending, stock repo securities, stock collateralized repo and fund custody among others; the Company also led the industry for the number and total scale of products issued in the over-the counter market; the proportion of revenue generated from the innovative businesses continued to increase, and had reached 24.3% in the first half of 2014.

Section IV. REPORT OF THE BOARD OF DIRECTORS

The percentage of segment profit of January to June 2014



The percentage of segment profit of January to June 2013



B. Particulars On Principal Components Of The Company's Consolidated Income Statement

(1) Revenues and other income

In the first half of 2014, the revenue and other income realized by the Group totalled RMB8.917 billion, representing an increase of RMB2.194 billion or 32.65% as compared to the same period of last year. It was mainly because all of its traditional business made steady progresses and the acquired financing lease business started to make contribution, while the innovation and transformation were advancing with the revenue from the innovative businesses accounting for an annually increasing percentage. In the first half of 2014, the revenues from the innovative businesses, such as margin financing and securities lending, arbitrage and repurchase agreement, occupied up to 24.3% in the total revenue, showing a further increase compared with that of 2013, where:

- Commission and fee income amounted to RMB3.31 billion, accounting for 37.12% and representing an increase of 7.78% year over year, mainly due to the slightly year-over-year increase of trading volume in the secondary market and the year-over-year increase of brokerage commission; in the meantime, the investment banking group actively developed its business, leading to an year-over-year increase of underwriting and sponsoring revenues;
- The interest income amounted to RMB3.184 billion, accounting for 35.71% and representing an increase of 97.31% year over year, mainly because 1) the Group actively expanded into margin financing and securities lending and Hong Kong margin financing, resulting in a rapid growth of securities lending, agreement to repurchase securities and stock pledged repo financing businesses and in turn the significant increase of interest income; 2) as a result of merger with UT Capital Group, interest income from financing lease receivables was added; 3) interest income from financial assets held under resale agreements also increased compared to that of the last year; and
- Net investment gains amounted to RMB2.173 billion, accounting for 24.37% and representing an increase of 10.31% year over year, mainly because the fixed income group actively seized the market opportunity and achieved good results.

Section IV. REPORT OF THE BOARD OF DIRECTORS

The Group's revenue and other income composition for the Reporting Period were as follows:

Unit: RMB'000

Items	January to June 2014		January to June 2013		Increase/Decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Commission and fee income	3,309,902	37.12%	3,071,052	45.68%	238,850	7.78%
Interest income	3,183,907	35.71%	1,613,655	24.00%	1,570,252	97.31%
Net investment gains	2,173,169	24.37%	1,970,052	29.30%	203,117	10.31%
Other income and gains	250,254	2.80%	67,836	1.02%	182,418	268.91%
Total revenue and other income	8,917,232	100.00%	6,722,595	100.00%	2,194,637	32.65%

(2) Total Expenses

In the first half of 2014, total expenses of the Group amounted to RMB5.094 billion, representing a slight increase of 62.39% year-on-year, mainly due to the increase in interest expenses and labour cost, among which:

- Interest expenses amounted to RMB1.658 billion, representing an increase of 196.20% year-on-year, mainly because 1) interest expenses increased year over year originated from the Group's issued bonds, short term financing bills, placements from other financial institutions and sale of repo among others; 2) due to the merger with UT Capital Group, the borrowings amount was much more than that of the last year, and so were the interest expenses;
- Staff costs amounted to RMB1.659 billion, representing an increase of 49.02% year over year, mainly due to the higher salaries of the staff of the Company and the merger with UT Capital Group; and
- Other expenses primarily include operation expenses, business tax and surcharges and impairment loss on assets. During the Reporting Period, other expenses amounted to RMB1.184 billion, representing an increase of 33.02% year over year, mainly because 1) the futures subsidiary has a higher cost as a result of its expanding scale of products on sale; 2) due to the merger with UT Capital Group, the impairment of financing lease receivables increased year over year.

Section IV. REPORT OF THE BOARD OF DIRECTORS

The components of total expenses of the Group in the first half of 2014 are shown as below:

Total Expenses	January to June 2014	January to June 2013	<i>Unit: RMB'000</i>	
			Increase/Decrease Amount	Percentage
Staff costs	1,659,219	1,113,384	545,835	49.02%
Interest expenses	1,657,577	559,610	1,097,967	196.20%
Brokerage transaction fees and other services expenses	277,267	257,082	20,185	7.85%
Commission to account executives	173,048	164,454	8,594	5.23%
Depreciation and amortization	143,437	152,564	-9,127	-5.98%
Other expenses	1,183,859	889,962	293,897	33.02%
Total	5,094,407	3,137,056	1,957,351	62.39%

C. Public Welfare Contributions

In the first half of 2014, the Group contributed RMB5,137,000 in total in public welfare areas like environmental protection projects, disaster relief donations, education subsidies and charity donations.

Breakdown of public welfare contributions from January to June 2014

Items	<i>Unit: RMB'000</i> Amount during the period
Charity donations	5,112
Others	25
Total	5,137

Section IV. REPORT OF THE BOARD OF DIRECTORS

D. Cash Flows

From January to June 2014, net increase of the cash and cash equivalents of the Group amounted to RMB49 million, of which:

- (1) Net cash used in operating activities was RMB6.118 billion, mainly due to the effects of cash outflow of RMB10.182 billion in our working capital. The decrease of the Group's working capital included:
 - The scale of loans and advances to customers further expanded, resulting in a cash outflow of RMB6.046 billion from the working capital;
 - The receivables and other receivables increased, resulting in a cash outflow of RMB5.953 billion from the working capital;
 - The scale of financial assets held under resale agreements increased, resulting in a cash outflow of RMB5.752 billion from the working capital;
 - After the merger with UT Capital Group, the expanded scale of financing lease resulted in a cash outflow of RMB2.582 billion from the working capital; and
 - The increase of financial assets at fair value through profit or loss resulted in a cash outflow of RMB3.482 billion from the working capital.

The aforesaid cash outflow was partially offset by the cash inflow of RMB10.957 billion from the additional sale of repo financial assets and the increase of placements from other financial institutions.

- (2) Net cash used in investing activities was RMB5.632 billion, which was mainly the cash outflow for the acquisition of UT Capital Group and the additional investment in available-for-sale financial assets.
- (3) Net cash from financing activities was RMB11.799 billion, which was mainly attributable to inflow cash, such as borrowings, issuance of short-term financial bills and mid-term notes.

E. Research And Development Expenses

In order to facilitate the innovation of securities business, the adaptation to the new trading products and the application of new trading varieties, and to enhance the efficiencies of operation and management, the Company has invested RMB21.2228 million in the research and development of information systems management platform by independent development, cooperative development and entrusted development.

Section IV. REPORT OF THE BOARD OF DIRECTORS

F. Others

(1) *Details of material changes in the composition or sources of the profits*

During the Reporting Period, there were no material changes in the composition and sources of the Group's profits.

(2) *Analysis and description of various previous financing and significant asset reorganization events of the Company*

As of 30 June 2014, the proceeds raised by the Company from its H Shares had been utilized gradually according to the plan.

Please see 6. Analysis on investments, F. Use of proceeds, for details.

(3) *Explanation on progress of development strategies and business plans*

During the first half of 2014, the securities market on the whole remained range-bound. The resumption of IPO drove up the revenue of the investment banking business. The innovative business, typically the margin financing and securities lending business, experienced strong growth, and the stock market has been promoting the business transformation. Under the backdrop of transformation, the Company adhered to its strategy of being customer-oriented with brokerage, investment banking, asset management, and other intermediary businesses at the core, capital intermediary business and investment/lease at the wings, and innovation and internalization as driving forces, so as to reinforce its four pillars (R&D, talents, IT and risk management and compliance), strengthen the building of five capacities, i.e. investment, asset and wealth management, investment banking, underwriting and pricing, institutional brokerage and sales and online securities services, and strive to make the Company a domestically first-class and internationally influential financial service group with online securities service, asset management service, SME securities service and institutional securities services as its key services. In the first half of 2014, the Company successfully completed the equity delivery of UT Capital Group. Meanwhile, the Group continued to expand its channels of financing, strongly advance the transformation of traditional businesses and promote the development of innovative businesses in an orderly fashion. All of the business lines of the Group maintained a momentum of development.

Section IV. REPORT OF THE BOARD OF DIRECTORS

3. Analysis on principal components of consolidated statement of financial position

A. Overall situation of consolidated statement of financial position

As at the end of June 2014, the total assets of the Group amounted to RMB215.711 billion representing 27.55% increase compared with that at the beginning of the year; its total liabilities amounted to RMB148.917 billion representing 41.80% increase compared with that at the beginning of the year. The bank balance and cash and clearing settlement funds of the Group represented 29.37% of its total assets; financial assets at fair value through profit or loss, available-for-sale investments, loan and receivable investments and other financial assets represented 31.34% of its total assets; loans and advances to customers represented 15.54% of its total assets; financing lease receivables represented 6.96% of its total assets; financial assets held under resale agreements represented 6.88% of its total assets, while property and equipment represented 0.53% of its total assets only. The assets of the Group were in reasonable structure with stronger liquidity. Major items of the consolidated statement of financial position of the Group are as follows:

	2014		2013		Unit: RMB'000	
	30 June	Composition	31 December	Composition	Increase/Decrease Amount	Percentage
Non-current assets	26,096,272		13,077,439		13,018,833	99.55%
Of which: Financing lease receivables	8,979,581	4.16%	-	-	8,979,581	
Available-for-sale investments	5,112,879	2.37%	4,720,906	2.79%	391,973	8.30%
Goodwill	2,616,667	1.21%	623,072	0.37%	1,993,595	319.96%
Loan and receivable investments	2,255,057	1.05%	1,829,199	1.08%	425,858	23.28%
Investments accounted for using equity method	2,231,790	1.03%	2,231,269	1.32%	521	0.02%
Financial assets held under resale agreements	1,490,488	0.69%	-	-	1,490,488	
Property and equipment	1,142,182	0.53%	1,171,604	0.69%	-29,422	-2.51%
Loans and advances to customers	1,052,153	0.49%	934,200	0.55%	117,953	12.63%
Current assets	189,614,888		156,046,164		33,568,724	21.51%
Of which: Bank balance and cash	57,420,913	26.62%	52,586,993	31.09%	4,833,920	9.19%
Financial assets at fair value through profit or loss	51,079,556	23.68%	47,590,047	28.14%	3,489,509	7.33%
Loans and advances to customers	32,459,218	15.05%	26,531,096	15.69%	5,928,122	22.34%
Financial assets held under resale agreements	13,348,251	6.19%	9,036,993	5.34%	4,311,258	47.71%
Financing lease receivables	6,052,114	2.81%	-	-	6,030,500	
Available-for-sale investments	5,358,682	2.48%	4,951,872	2.93%	406,810	8.22%
Loan and receivable investments	3,540,994	1.64%	2,086,056	1.23%	1,454,938	69.75%
Total assets	215,711,160		169,123,603		46,587,557	27.55%

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	2014		2013		Increase/Decrease	
	30 June	Composition	31 December	Composition	Amount	Percentage
Current liabilities	123,059,484		86,657,902		36,401,582	42.01%
Of which: Accounts payable to brokerage clients	44,971,835	30.20%	40,429,567	38.50%	4,542,268	11.24%
Financial assets sold under repurchase agreements	34,267,225	23.01%	26,111,914	24.86%	8,155,311	31.23%
Short-term borrowings	14,505,832	9.74%	5,796,395	5.52%	8,709,437	150.26%
Financial liabilities at fair value through profit or loss	8,927,515	5.99%	6,506,512	6.20%	2,421,003	37.21%
Other payables and accrued expenses	6,124,559	4.11%	3,295,497	3.14%	2,828,062	85.85%
Short-term financing bill payables	5,800,000	3.89%	3,000,000	2.86%	2,800,000	93.33%
Long-term borrowings due within one year	3,988,886	2.68%	-	-	3,988,886	
Net current assets	66,555,404		69,388,262		(2,832,858)	(4.08%)
Non-current liabilities	25,857,354		18,360,543		7,496,811	40.83%
Of which: Bonds payable	18,534,110	12.45%	17,939,628	17.08%	594,482	3.31%
Long-term borrowings	5,142,631	3.45%	-	-	5,142,631	
Other payables and accrued expenses	1,548,684	1.04%	-	-	1,548,684	
Total liabilities	148,916,838		105,018,445		43,898,393	41.80%
Total equity	66,794,322		64,105,158		2,689,164	4.19%

- Percentages for assets and liabilities refer to the share of total assets and the share of total liabilities respectively.

Non-current assets

As at the end of June 2014, the non-current assets of the Group increased by 99.55% to RMB26.096 billion as compared to the beginning of the year, mainly due to the merger with UT Capital Group, which resulted in the increase in the financing lease receivables and goodwill, among others.

Current assets and liabilities

As at the end of June 2014, the net current assets of the Group decreased by RMB2.833 billion to RMB66.555 billion as compared to RMB69.388 billion as at the beginning of the year, representing a decrease of 4.08%, mainly because both assets and liabilities of the Group increased relatively significantly and the current liabilities grew slightly faster than the current assets.

Section IV. REPORT OF THE BOARD OF DIRECTORS

The growth of the current assets was mainly because: 1) the scale of the innovative businesses, such as margin financing and securities lending, stock repo securities and stock collateral repo, grew at a relatively fast pace; 2) due to the merger with UT Capital Group, its assets increased.

The increase in the Group's current liabilities was mainly because 1) the Group moderately expanded its scale of financial assets sold under repurchase agreements and increased that of short-term financing bill payables; 2) due to the merger with UT Capital Group, its liabilities increased.

Non-current liabilities

The growth of the non-current liabilities was mainly due to the merger with the increase of UT Capital Group and new long term borrowings.

Borrowings and bond financing

As at 30 June 2014, the total borrowings and bond financing of the Group amounted to RMB52.091 billion, set out below is the breakdown of borrowings and bond financing for the Group at the end of June 2014:

	2014 30 June	<i>Unit: RMB'000</i> 2013 31 December
Bonds payable	18,534,110	17,939,628
Short-term borrowings	14,505,832	5,796,395
Long-term borrowings	9,131,517	–
Short-term financing bill payables	5,800,000	3,000,000
Placements from other financial institutions	4,120,000	1,120,000
Total	52,091,459	27,856,023

For the information of interest rate and maturities of borrowings and bonds financing, please refer to notes 31, 32, 33 and 47 set out in the financial statements.

As at 30 June 2014, borrowings and bonds due within one year amounted to RMB28.415 billion; other debts due within one year (including financial assets purchased for resale) amounted to RMB94.644 billion. The high liquidity assets held by the Company were more than the aforesaid liabilities. As of 30 June 2014, the net current assets amounted to RMB66.555 billion.

Except for the liabilities disclosed in this Report, as at 30 June 2014, the Group did not have any outstanding mortgage, charges, bonds, other debt capital, liabilities under acceptance or other similar indebtedness, hire purchase and financing lease commitment, guarantee or other material contingent liabilities.

Section IV. REPORT OF THE BOARD OF DIRECTORS

4. Change in the scope of consolidation

- A. 10 new units were consolidated for the Reporting Period since the end of the previous year, because Haitong Capital Investment Co., Ltd. founded 1 new subsidiary; Haitong International Holdings and its subsidiaries founded 6 new subsidiaries; 3 new collective asset management plans were created.
- B. 2 units were deconsolidated for the Reporting Period, because 2 collective asset management plans were removed upon expiration of their contracts.

5. Analysis on core competitiveness

In the process of long-standing business operation, the Company has gradually formed its characteristic core competitiveness which is mainly embodied in:

A. *Leading capital strength in the industry*

The Company has taken the market opportunities and strengthened its capital strength through two strategic equity financing arrangements respectively in 2007 and 2012; the Company successfully issued bonds at home and abroad since 2013, to further improve its capital strength. Haitong Securities ranked second among all securities firms in the PRC in terms of total assets and net assets of the Company from 2009 to the first half of 2014. Sufficient capital provided the Company with first-mover advantage with regard to implementing business transformation and accelerating business innovation.

B. *Excellent integrated business platform*

The Company has strong basis in brokerage business, high market influence in investment banking business, rapid development in asset management business, and top market ranking in innovative business. The Company successfully acquired and integrated Taifook Securities Group Limited ("Taifook Securities") in Hong Kong and acquired UT Capital Group. The Company has established a comprehensive industry chain of various businesses covering brokerage, investment banking, asset management, futures, PE investment, alternative investment and financing lease, which has formed strong scale effects and cross-selling potential, and has provided powerful support for its business development.

C. *Extensive branch network with a substantial and stable customer base*

The Company has speeded up its network layout. As at 30 June 2014, the Company had 286 securities and futures business departments (including 252 securities business departments and 34 futures business departments) spanning across 28 provinces and 131 cities in the PRC, as well as 12 branches in Hong Kong, Macau and Singapore operated through our subsidiary, Haitong International Securities Group Limited ("Haitong International Securities Group") (listed on Hong Kong Stock Exchange, stock code: 665). Leveraging its strategically located branch network nationwide, the Company has built a large and stable customer base. As at 30 June 2014, the Company had over 4.7 million customers in China.

Section IV. REPORT OF THE BOARD OF DIRECTORS

D. Leading innovation ability in the market

The Company always treats innovation as the key driving force in promoting strategic transition. In recognition of its strong capital position, effective risk management and proven execution capabilities, the Company is frequently designated by the regulatory authorities as the first few securities firms to participate in pilot programs for new businesses. The Company has maintained its leading positions in innovation businesses such as margin financing and securities lending, and OTC business, etc. in the recent years. In addition, the Company accelerated the pace of self-independent innovation, and continuously provided innovative business solutions and enriched its serving methods for customers at home and abroad. The proportion of revenue generated from innovative businesses continued increasing, and has approached 24.3% in the first half of 2014.

E. Comprehensive international business platform

After the Company successfully acquired and integrated Taifook Securities, the Company acquired UT Capital Group, which made the Company become the first domestic securities company offering financing lease services. Meanwhile, the Company has been approved to set up branches in Shanghai Free Trade Zone to further improve the cross border business. The Company will benefit from the comprehensive international business platform to capture the cross border business opportunities, meet the cross border business needs of the customers, and enhance the international influence of the Company.

F. Regulatory corporate governance and effective risk management and internal control systems

With scientific and standardized corporate governance and high transparency, the “three committees with one operating layer” runs efficiently. The Company is included in the SSE Corporate Governance Index, SSE 50 Index, SSE 180 Index, CSI 300 Index, Hang Seng China H-Financials Index, Hang Seng Mainland 100 and Hang Seng China Enterprises Index and was awarded as Excellent Board of PRC Listed Company for the fifth consecutive year. The Company has navigated through regulatory reforms, industry transformation developments and the cyclical market changes over its 26 years of operating history. The Company is the only major PRC securities firm founded in the 1980s that remains the same brand without receiving government-backed capital injections or being acquired or restructured. The Company has continuously improved the risk control system that effectively manages market risk, credit risk, liquidity risk and operational risk. The Company has also established effective Chinese walls and precautionary mechanisms across its business lines to prevent potential conflicts of interests. In addition, the Company has established an independent and centralized internal audit and compliance system, which effectively controls its operations and transactions.

Section IV. REPORT OF THE BOARD OF DIRECTORS

6. Analysis on investments

A. External equity investments

As at the end of the Reporting Period, the investments accounted for using equity method of the Group amounted to RMB2.232 billion, representing an increase of RMB1 million, or 0.04%, as compared with RMB2.231 billion as at the end of last year.

B. Securities investment

Unit: RMB'000

No.	Type of securities	Stock code	Abbreviated name of securities	Initial investment cost	Number of shares held (share)	Carrying value as at the end of the period	Percentage of total securities investment at the end of the period (%)	Profit and loss during the Reporting Period
1	Treasury bonds	10213	02 Treasury bonds (13)	2,008,734.02	20,820,100.00	1,996,647.59	3.47	81,111.94
2	Treasury bonds	10107	21 Treasury bonds (7)	1,556,556.80	15,000,000.00	1,512,000.00	2.63	77,623.75
3	Fund		Dacheng Haitong China Bond Fund I	1,116,888.03	111,508,217.09	1,137,829.85	1.98	20,941.82
4	Fund	511210	Boshi Corporate Bond on Shanghai Stock Exchange 30ETF	554,994.32	5,551,110.00	570,543.09	0.99	25,179.83
5	Fund	2811	Haitong CSI 300 Index ETF	518,444.42	64,620,000.00	517,186.09	0.90	332.54
6	Fund		BOC – QFII Fund	504,813.63	/	485,394.19	0.84	-4,949.60
7	Fund		UBS SDIC China Income Fund (UBS) 11 Shenzhen Development	393,583.68	63,121,224.00	402,112.56	0.70	15,211.43
8	Financial bonds	1116001	Bank 01 Minsheng Royal Cash	389,105.72	3,800,000.00	401,767.54	0.70	26,778.11
9	Fund	690210	Value Fund B	400,000.00	400,000,000.00	400,147.64	0.70	147.64
10	Corporate bonds	1380007	13 Panjin Hi-tech Bonds	396,889.90	3,900,000.00	393,970.20	0.69	31,142.67
Other securities investment held as at the end of the period				49,684,428.74	/	49,649,549.74	86.40	1,246,120.82
Profit and loss for securities investment sold during the Reporting Period				/	/	/	/	253,456.82
Total				57,524,439.26	/	57,467,148.47	100.00	1,773,097.78

Note 1: The sequence of this table is based on the percentage of the carrying value as at the end of the Reporting Period attributed to the total securities investment of the Group as at the end of the Reporting Period, and this table only shows the top ten securities of the Group as at the end of the Reporting Period;

Note 2: The securities investment of this table refers to the investment in securities at fair value, including stocks, options, convertible bonds, etc. Investment in stocks only shows the accounting part of financial assets at fair value through profit or loss listed in the consolidated financial statement of the Company;

Note 3: Other securities investment refers to investment in other securities, other than the top ten securities; and

Note 4: Profit and loss during the Reporting Period includes investment gains and gains from the change of fair value from holding such securities by the Company.

Section IV. REPORT OF THE BOARD OF DIRECTORS

C. Shareholding in other listed companies

Unit: RMB'000

Stock code	Abbreviated name of securities	Percentage as at the beginning of the Period	Percentage as at the end of the Period	Carrying value as at the end of the period	Profit and loss during the Reporting Period	Changes in interests of owners during the Reporting Period	Accounting items	Source of shares
002353	傑瑞股份	0.08%	0.81%	286,781.25	1,187.50	-45,623.75	Available-for-sale investments	Non-public issuance
600198	大唐電信	0.86%	0.86%	112,936.13		2,765.83	Available-for-sale investments	Direct investment and merger through exchange of shares
000156	華數傳媒	0.45%	0.46%	110,146.53		34,905.43	Available-for-sale investments	Non-public issuance
600885	宏發股份	-	1.09%	106,591.06		19,591.06	Available-for-sale investments	Non-public issuance
600705	中航投資	0.33%	0.33%	81,036.99		-4,588.90	Available-for-sale investments	Purchase from secondary market
002321	華英農業	3.29%	3.29%	76,260.71		45.93	Available-for-sale investments	Non-public issuance
002578	閩發鋁業	3.49%	3.49%	66,060.00		2,160.00	Available-for-sale investments	Listing of direct investment project
300256	星星科技	1.82%	1.64%	51,356.00		1,803.75	Available-for-sale investments	Direct investment and merger through exchange of shares
000651	格力電器	0.09%	0.02%	15,239.61	1,600.54	-5,192.85	Available-for-sale investments	Purchase from secondary market
601318	中國平安	0.02%	0.00%	12,570.39	-10,791.83	-32,743.68	Available-for-sale investments	Purchase from secondary market
Shareholding in other listed companies		/	/	544,318.21	-31,440.18	99,135.45		
Total		/	/	1,463,296.89	-39,443.97	72,258.27		

Note 1: This table only shows the Group's shareholdings in other listed companies recorded under available-for-sale investments;

Note 2: Profit and loss during the Reporting Period refers to the impact of this investment on consolidated profit during the Reporting Period; and

Note 3: Changes in interests of owners during the Reporting Period doesn't reflect profit and loss during the Reporting Period and deferred income taxes.

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D. Equity participation in non-listed financial companies

Unit: RMB'000

Name	Initial investment (RMB'000)	Percentage as at the beginning of the Period	Percentage as at the end of the Period	Investment for the Period (RMB'000)	Carrying value as at the end of the period (RMB'000)	Profit and loss during the Reporting Period (RMB'000)	Changes in interests of owners during the Reporting Period (RMB'000)	Accounting items	Source of shares
Fullgoal Fund Management Co., Ltd.	92,907.38	27.775%	27.775%	-	349,684.90	43,491.88	-141.32	Investments accounted for using equity method	Capital contribution for subscription
HFT Investment Management Co., Ltd	67,000.00	51.00%	51.00%	-	76,500.00	25,124.66	242.40	Investment in subsidiaries	Capital contribution for establishment of subsidiaries
Haitong-Fortis Private Equity Fund Management Co., Ltd	63,650.00	67.00%	67.00%	-	63,650.00	4,475.01	-1,088.97	Investment in subsidiaries	Capital contribution for establishment of subsidiaries
Haitong Futures Co., Ltd.	699,191.78	66.667%	66.667%	-	699,191.78	33,347.62	-915.00	Investment in subsidiaries	Subsidiaries acquired through business combination not involving entities under common control
Haitong International Holdings Limited	3,494,038.00	100.00%	100.00%	-	3,494,038.00	266,465.87	-25,147.34	Investment in subsidiaries	Capital contribution for establishment of subsidiaries
Haitong Capital Investment Co., Ltd.	6,000,000.00	100.00%	100.00%	250,000.00	6,000,000.00	131,118.93	28,920.25	Investment in subsidiaries	Capital contribution for establishment of subsidiaries
Haitong Innovation Securities Investment Co., Ltd	3,000,000.00	100.00%	100.00%	-	3,000,000.00	115,132.36	1,925.53	Investment in subsidiaries	Capital contribution for establishment of subsidiaries
Shanghai Haitong Securities Asset Management Company Ltd.	1,200,000.00	100.00%	100.00%	200,000.00	1,200,000.00	97,740.08	10,577.33	Investment in subsidiaries	Capital contribution for establishment of subsidiaries
Total	14,616,787.15	/	/	450,000.00	14,883,064.68	716,896.40	14,372.88	/	/

Note 1: Financial companies include commercial banks, securities companies, insurance companies, trust companies, and future brokerage companies. This table only shows the shareholdings in non-listed financial companies held by the Company;

Note 2: Profit and loss during the Reporting Period refers to the impact of this investment on consolidated profit during the Reporting Period; and

Note 3: Changes in interests of owners during the Reporting Period refer to the Changes in the paid up capital of the investment and the effects on the interests of owners rather than those specified in Note 2 during the Reporting Period.

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E. Trading in shares of other listed companies

Buy or sell	Shares held at the beginning of the period (share)	Shares bought during the Reporting Period (share)	Shares sold during the Reporting Period (share)	Shares held at the end of the period (share)	Fund utilized (RMB'000)	Investment gains generated from disposal (RMB'000)
Shares	2,543,123,571	18,592,504,721	19,821,952,188	1,313,676,104	9,588,490.50	102,672.20

Notes: Changes in investment income and fair value included the profits or losses resulted from the aforesaid stock trading, changes in fair value and stock index futures arbitrage.

The total investment gains generated from selling new shares obtained from application for subscription during the Reporting Period amounted to RMB12.2840 million.

F. Use of proceeds

(1) Overall use of proceeds raised from issuance of its H share

With the approval by the CSRC, the Company completed the issuance of H Shares in 2012. The proceeds raised from its H Shares have been verified by Deloitte Touche Tohmatsu CPA LLP. (Special General Partnership) with the capital verification report De Shi Bao (Yan) Zi (12) No. 0025.

During the Reporting Period, the interest on the proceeds from the listing of H Shares accumulated to HK\$248 million and was all settled and utilized for replenishment of working capital.

As of 30 June 2014, the proceeds raised by the Company from its H Shares had been utilized gradually as set out below according to the plan:

- (1) the part of HK\$8.979 billion (65% of the proceeds) to be used onshore had been transferred from offshore to onshore and put into use according to the proceeds plan.
- (2) the part of HK\$4.850 billion (35% of the proceeds) to be used overseas had been used to subscribe for the convertible bonds of Haitong International Holdings.

Unit: RMB'000

Year	Method	Total proceeds	Total proceeds used this year	Total accumulated proceeds used	Unutilized proceeds	Use and purpose of unutilized proceeds
2012	IPO (H Shares)	11,184,024	199,210	11,383,234	-	-

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(2) Use of proceeds on committed projects

Unit: RMB'000

Name of committed project	Any changes in the project	Amount of proceeds scheduled to invest	Amount of proceeds invested in the year	Actual accumulated amount of proceeds invested	Whether in line with the schedule	Project progress	Expected revenue	Generation of revenue	Explanations		
									Whether the expected revenue achieved	on failure to achieve the schedule and expected revenue	Reasons of changes and explanations on change in proceeds
Proceeds used for strategic acquisitions of overseas securities firms and/or further expansion of our overseas securities business	No	3,813,216		3,813,216	Yes	100%	-	102,481	-	-	-
Proceeds used to expand our margin financing and securities lending business	No	2,265,411		2,265,411	Yes	100%	-	54,015	-	-	-
Proceeds used to develop our alternative financial products investment business and other businesses as permitted by the PRC regulatory authorities	No	2,269,805		2,269,805	Yes	100%	-	87,109	-	-	-
Proceeds used for capital contributions to Haitong Capital Investment and the expansion of our direct investment and private equity funds management businesses	No	1,700,849		1,700,849	Yes	100%	-	41,024	-	-	-
Proceeds used for working capital and general corporate purposes	No	1,134,744	199,210	1,333,954	Yes	117% (Note)	-	48,264	-	-	-

Note: the interest income of RMB199,210,000 on the proceeds during the Reporting Period was fully settled with the approval from the State Administration of Foreign Exchange and was used to replenish the working capital and for general corporate purposes.

(3) Changes in fund-raising projects

There is no change in fund-raising projects, so that this clause is not applicable.

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G. Analysis on principal subsidiaries and non-controlling companies

- (1) The registered capital of HFT Investment Management was RMB150 million, 51% of which was held by Haitong Securities. As at 30 June 2014, total assets and net assets (attributable to the Company) of HFT Investment Management amounted to RMB976 million and RMB792 million respectively; in the first half of 2014, its net profit amounted to RMB49 million.

The main business scope of HFT Investment Management includes: fund raising, fund sale, asset management and other businesses permitted by the CSRC.

- (2) The registered capital of Fullgoal Fund Management Co., Ltd. (the "Fullgoal Fund Management") was RMB180 million, of which 27.775% was held by Haitong Securities. As at 30 June 2014, total assets and net assets of Fullgoal Fund Management amounted to RMB1.385 billion and RMB1.098 billion respectively; in the first half of 2014, its net profit amounted to RMB152 million.

The main business scope of Fullgoal Fund Management includes: fund raising, fund sale, asset management and other businesses permitted by the CSRC.

- (3) The registered capital of Haitong-Fortis Private Equity Fund Management Co., Ltd. (the "Haitong-Fortis Private Equity Fund Management") was RMB100 million, of which 67% was held by Haitong Securities. As at 30 June 2014, total assets and net assets of Haitong-Fortis Private Equity Fund Management amounted to RMB152 million and RMB118 million respectively; in the first half of 2014, its net profit amounted to RMB7 million.

The main business scope of Haitong-Fortis Private Equity Fund Management includes: industrial investment fund management; investment advisory; investment funds formation.

- (4) The registered capital of Haitong Futures was RMB1 billion, of which 66.667% was held by Haitong Securities. As at 30 June 2014, total assets and net assets of Haitong Futures amounted to RMB11.445 billion and RMB1.188 billion respectively; in the first half of 2014, its net profit amounted to RMB50 million.

The main business scope of Haitong Futures includes: commodity futures brokerage, financial futures brokerage, futures investment consultation and asset management.

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- (5) The registered capital of Haitong International Holdings was HK\$4 billion, of which 100% was held by Haitong Securities. As at 30 June 2014, total assets and net assets (attributable to the Company) of Haitong International Holdings amounted to HK\$64.594 billion and HK\$ 4.84 billion respectively; in the first half of 2014, its net profit amounted to HK\$ 440 million.

The principal business activities of Haitong International Holdings includes: investment holdings, to engage in brokerage, corporate finance and asset management and other businesses permissible under the Hong Kong Securities Regulatory Rules respectively by establishing different subsidiaries.

- (6) The registered capital of Haitong Capital Investment Co., Ltd. ("Haitong Capital") was RMB6 billion, of which 100% was held by Haitong Securities. As at 30 June 2014, total assets and net assets (attributable to the company) of Haitong Capital amounted to RMB7.465 billion and RMB6.566 billion respectively; in the first half of 2014, its net profit amounted to RMB145 million.

The main business scope of Haitong Capital includes: using its own capital or establishing direct investment funds to make equity investments or debt investments in relation to equity in enterprises; or investing in other investment funds in relation to equity investments; providing investment advisory services, investment management and financial advisory services on equity investments to clients; other businesses permitted by the CSRC.

- (7) The registered capital of Haitong Innovation Securities Investment Co., Ltd. ("Haitong Innovation Securities Investment") was RMB3 billion, of which 100% was held by Haitong Securities. As at 30 June 2014, the total assets and the net assets of Haitong Innovation Securities Investment amounted to RMB3.72 billion and RMB3.449 billion respectively. In the first half of 2014, its net profit amounted to RMB115 million.

The main business scope of Haitong Innovation Securities Investment includes: financial products investment, securities investment, investment consultation and investment management.

- (8) The registered capital of Shanghai Haitong Securities Asset Management Company Ltd. ("Haitong Asset Management") was RMB1 billion, of which 100% was held by Haitong Securities. As of the date of the Report, Haitong Capital has completed the relevant registration procedure with the Commercial and Industrial Administration Authority to change its registered capital to RMB1.2 billion. Haitong Securities Management had total assets and net assets of RMB1.402 billion and RMB1.164 billion as at 30 June 2014, respectively. In the first half of 2014, its net profit amounted to RMB98 million.

The main scope of business of Haitong Asset Management includes: securities asset management.

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7. Risk Management

A. Major risk exposures in operating activities of the Company

The Company is exposed to risks mainly associated to: market risk, credit risk, liquidity risk and operational risk. Specifically, they are represented in the following aspects:

(1) Market risk

- A. Price fluctuation risk of securities assets. Securities asset price risk mainly refers to the risk of changes in the market value of the Company's securities trading and securities invested will bring loss to the Company. Market risk includes security price risk, interest rate and exchange rate fluctuation risk and bulk commodity price risk involved in the Company's brokerage business, underwriting business, proprietary trading investment, asset management, derivative products and other business. The operation state of the Company highly relates to the environment of securities market and has great uncertainties.

In the first half of 2014, Shanghai and Shenzhen index kept the sluggish market of the last year. SSE Composite Index started from 2115.98 points at the year end, and closed at 2048.33 points at the end of June 2014, with a decrease of 3.20% compared with the end of 2013. SZSE Component Index experienced a much larger decrease of 9.59%.

For market risk management, the Company focused on implementing diversified investment strategies. The Company took an effective control of market risk by conducting proper control and appropriate adjustment on trading positions in equity securities investment, and participating in stock index futures with the purpose of hedging. To monitor the impact of market risk on the value of equity securities, the Company kept a regular track of changes in value at risk (the "VaR") of trading position in equity securities.

- B. Interest rate risk. Interest rate risk is the risk arising from changes in market interest rate. The Company's exposure to interest rate risk relates primarily to monetary deposits and bond investments. In the first half of 2014, the interest rates went south in volatility on the whole in the money market. The central bank maintained its conservative monetary policy. In addition to the rolling repo operations carried out in the public market, it introduced two "targeted reduction of reserve ratio" respectively in April and June 2014, by adjusting down the reserve ratio of deposits for county-level rural commercial banks, rural cooperative banks and the commercial banks who were in line with the prudential operational requirements and whose "three rural" loans and small and micro business loans had reached a certain percentage in its

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portfolio. The market's overall liquidity was relatively stable. In the first half of 2014, the China bond index soared all the way, and the yield curves went sharply downward. China bond composite full-price index closed at point 111.84 at the end of June 2014, representing a rise of 4.07% over the last-year-end point. The Company took control of the interest rate risk mostly by employing methodologies such as size control and investment portfolio to make a reasonable allocation of assets, and by evaluating interest rate risk through regular estimation of indicators such as duration, convexity and DV01 of the investment portfolio.

- C. Exchange rate risk. Exchange rate risk is the risk arising from changes in foreign exchange rate. With the international expansion of the Company, the exchange rate risk is gradually revealed. The Company often conducts the follow-up study for foreign exchange market and supports the expansion of overseas business. As of 30 June 2014, the exchange rate risk of the Company had no significant impact on its financial statements.

(2) *Credit Risk*

Credit risk refers to the risk that the Company's counter party or issuer of the securities the Company holds fails to perform the contract obligations, thus bringing loss to the Company or where the Company holds securities issued by a third-party, the deterioration of the party's credit quality brings loss to the Company. Credit risk has certain correlation with market risk. During the market fluctuation, the Company's credit risk exposure degree on some financial products and transactions will accordingly change. Therefore, some monitoring and preventive means of the Company against market risk can also play a role in the management of credit risk.

Generally speaking, credit risk exposed to securities firms in the industry mainly relates to the trading of securities on behalf of the customers, provision of margin financing and securities lending services and stock repo transaction business to customers, and the losses caused in bond investment by counterparty's default. In terms of securities brokerage business, credit risk can be effectively controlled under the PRC's current rules on trading and settlement in securities market, and trading of securities by securities firms on behalf of the customers is settled in full by security deposit for the sake of risk avoidance. With respect to margin financing and securities lending business and stock repo transaction business, the Company took control of credit risk involved in the business through the establishment and enforcement of various strict systems and measures in several aspects such as credit reference checks, credit approval, mark-to-market and margin call. The Company placed an emphasis on diversified credit type fixed income securities investment, investing main products with higher credit ratings, and kept a close track of the operations condition and credit rating changes in investees, therefore, credit risk associated with the subject of investment was well under control.

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(3) *Liquidity risk*

Liquidity risk refers to the risk that the security company can't gain the sufficient funds with reasonable cost in a timely manner to pay the due debts, satisfy other payment obligations and meet the requirements for carrying out the normal business operations. The regulatory constraints on the industry where the Company operated limited its major financing channels to corporate bonds, short-term financing bills, collateralized repo and interbank lending. During the Reporting Period, the Group kept improving its debt structure and duration by issuing debt instruments such as corporate bonds and short-term financing bills, and can raise the capital required for the daily operation of the Company and the rapid growth of capital intensive businesses, such as margin financing and securities lending. It is the fast development of capital intensive businesses such as margin financing and securities lending, stock repo securities trading, and stock collateralized repo trading, and the growth of the upcoming over the counter business, as well as the fact that the Group will function as a market maker that all imposed additional requirements on its liquidity. In order to beat the challenges arising thereof, the Group will continue to improve its liquidity management system and risk control mechanism, so as to further expand its financing channels within the regulatory limits, reasonably maintain its debt structure, strive to keep a strong solvency and actively enhance the profitability and sustainability of every business lines.

(4) *Operational risk*

Operational risk refers to risks associated with losses arising from the deficiency and defects of the internal processes, human and system faults and external events. Operational risk usually includes the risks resulted from intra-company human-error in operation, imperfection of internal process, information system fault and imperfection, trading failure and other reasons, and also includes the risks caused by fraudulent conduct outside the Company. Information technology risk is a main component of the present operational risks. Information technology is of importance for the business development and management of securities trading, settlement and service, etc. The unreliability of system, imperfection of network technology and data error will all bring losses to the Company.

The Company adheres to improving the internal control management mechanism, completing the operational processes, strengthening the inspection and audit, intensifying the accountability system, reducing the possibility of operational risks and actively and properly dealing with the adverse effects. However, although the Company formulates a relatively perfect internal control system in accordance with the provisions of Guidelines of Securities Company for Internal Control by the CSRC, it still can't guarantee to completely avoid the economic loss, legal disputes and violation risks likely resulted from operation error and subjective omission. Besides, the securities industry which the Company belongs to is an intelligence-intensive industry, therefore, the staff moral hazard is more severe than that of other industries, and staff moral crime will cause loss to the Company's assets and adverse effects to the Company's reputation. The Company will persist in implementation of refined management, constantly improve the business process and strengthen the professional integrity and professional ethics education of staff, so as to well control and minimize the occurrence of operational risk.

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B. Reflection of main risk factors in this Reporting Period

The ratio of VaR to net capital as at each month ended in the first half of 2014 kept below 0.3%. The risk was under control and bearable. However, the employment of these managing tools remained subject to the impact of the validity of investment and hedging strategies. The validity of methodologies was restricted when there were negative changes on market liquidity, and the correlation between the prices of securities and hedging derivatives had an influence on the validity of hedging strategies as well.

The scale of investment by non-equity securities proprietary business of the Company tended to go upwards based on the trends in bond market, with the support of the Company's liquidity. However, the whole portfolio duration was under control with little change and remains relatively stable at each month-end. The duration at the end of June 2014 was 3.23, representing a slight increase compared with 3.44 at the end of 2013. In the first half of 2014, the market risk control of the Company is generally good for its fixed income investments.

As at the end of June 2014, the liquidity coverage ratio of the Company was 141.47%, and the net stable funding ratio was 153.44% and continued to comply with the regulatory requirements. In general, the Company held substantial reserve assets with strong liquidity and excellent financial indicators, and thus the liquidity risk was relatively low.

The scale of our securities investment in the first half of 2014 increased. The earning model of proprietary trading was diversified through active business transformation by quantifying the trading investment. The equity securities investment implemented the stock index futures hedging business more effectively, so as to hedge the systematic risk. Meanwhile, the scale of return on equity swaps that started since the end of the last year further expanded. In the first half of 2014, there was no defaults of counterparties upon margin calls. Attributable to an operation by laws, the Company has not experienced any material default risk. Through continuous consolidation in construction and maintenance of IT system, together with regular and irregular inspection and maintenance in respect of such system pursuant to relevant operational management procedures, the Company guaranteed reliable, steady and safe operation of IT system without occurrence of technical risk. By strengthening the enforcement of its respective rules and regulations and dedicating to improve each system and procedure, the Company didn't experience any management risk bringing substantial affects. During the Reporting Period, the Company is steady in business, reasonable in assets allocation, good in financial situation and abundant in net assets.

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C. *Countermeasures and measures taken (or proposed to be taken) by the Company*

In response to the above mentioned risks, the Company has targetedly taken or is taking a variety of measures to prevent and control related risks according to the recent situation of domestic and international market:

- (1) Adhere to the development strategy of international development and innovation, actively explore ways to enhance capital strength through equity financing and debt financing, etc., strengthen control of global financial market and improve the competitiveness of enterprises and overall risk management capabilities.

Through the steady progress of internationalization strategy and international business expansion, the Company is aimed at raising the international brand awareness of Haitong, promoting the diversification of business development, enhancing the competitiveness of enterprises, and improving risk management capability by the complementarity and co-movement of domestic and foreign financial markets. The conglomeration strategy of the Company made new progress. On January 15, 2014, Haitong International Holdings, a wholly-owned subsidiary of the Company, completed the settlement procedure of equity transaction to formally acquire the 100% equity of UT Capital Group 100% shares and laid a foundation for promoting product innovation and further expanding its scale of business.

Since 2014, the Company has actively involved itself in innovative business, on the one hand, in order to achieve the strategic objective of transformation development, on the other hand, to accumulate experience, train the team and improve risk management capability through the interaction between business development and risk management. By taking advantage of benefits brought by global development, the Company is trying to strengthen the cooperation between parent companies and subsidiary companies home and abroad, as well as study and explore ways and tools of risk hedging.

- (2) Insist on improving corporate governance structure. Continue to regulate operation of the general meeting of shareholders; to ensure that all shareholders, especially minority shareholders enjoy equal status; to standardize and improve operation of the Board; to give full play to the role of each special committee and independent Directors; to give full play to the supervision role of the Supervisory Committee to the Board and managers.
- (3) Adhere to optimizing internal control system, enforcing Basic Standards for Enterprise Internal Control and its supporting guidelines in full, and striving to develop a risk management system in line with international standards.

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- (4) Strengthen Compliance and Risk Management. Continue to improve various compliance and risk management functions, and constantly improve the relevant risk management systems; further strengthen the anti-money laundering and the development of information firewall, and strengthen compliance monitoring, so as to prevent breaches, such as insider trading, conflicts of interest, and interest tunneling.

The Company paid significant attention to identifying and assessing of risk exposures for new products and new businesses, and standardizing operational procedures; monitoring system was improved continuously from time to time, in order to make sure that business was operated with real time monitoring and risk alarm; various businesses received more inspections, so as to promise the effective implementation of relevant systems, procedures and risk management measures. Aiming to building an adequate corporate culture with lawful and compliance operation, the Company strengthened the compliance trainings for its staffs, particularly to raise their awareness of compliance and their ability of risk management by advocating and building such compliance culture with full and active participation from staffs.

- (5) Continue to improve net capital monitoring system, strengthen the net capital-oriented risk control indicator monitoring system, and optimize allocation between various businesses, so as to prevent and resolve the liquidity risk. At the same time, the Company continues to strengthen the application of sensitivity analysis and stress testing tools, providing risk assessment support for major business development and important decisions in a timely manner. With company funds deposited in the state-owned holding banks and listed joint-stock banks, financial security can be guaranteed. Efforts to improve efficient use of funds should be made under the premise of ensuring the safety of funds.
- (6) By focusing on institutional reform, team-building and marketing development, quality service and network construction, the Company is aimed at enhancing customer service and satisfaction comprehensively, and strong enough to withstand the impact of adverse changes in its market economic environment.
- (7) By strengthening the study of domestic and international macro-economy, economic industry and listed companies, the Company has improved control of market fluctuations; based on the judgment of the market, it has made real-time adjustments of proprietary trading scale, asset allocation structure, standardized the investment decision-making process, strengthened alternative library management of investment products, implemented strictly proprietary investment earnings only stop system and guarded against market risk and counterparty credit risk.

Section IV. REPORT OF THE BOARD OF DIRECTORS

- (8) Increase system investment and strengthen the construction of IT governance. Fully survey the information system framework, search the blind spots in information management, strengthen system privileges management, and standardize the network construction of branches. At the same time, the Company continues to strengthen the upgrading and optimization of centralized trading, legal person settlement, marketing management, securities margin trading, stock index futures, human resources management, OA (Office Automation) system of the Company, promoting customer relationship management systems and database construction and providing strong support for business development.
- (9) Adhere to investor education and appropriate management. The Company insists on investor education, works on customer and product management at different levels, and reveals the risks to investors in a timely manner. At the same time, the Company integrates customer resources and enhances customer data analysis and service capabilities. The Company will make full use of the channels of customer service and the advantages of integration of resources, devoting to appropriate investor management and providing appropriate products and services to all types of customers.

(II) PROPOSAL OF PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND INTO CAPITAL

1. Implementation or adjustment of profit distribution proposal during the Reporting Period

The Company's 2013 profit distribution proposal was reviewed and approved by its shareholders at the 2013 annual general meeting: during which it was resolved that a cash dividends of RMB0.12 per share (inclusive of tax) was distributed to all shareholders on the basis of a total share capital of 9,584,721,180 shares at issue. Consequently, an aggregate cash dividend of RMB1,150,166,541.60 was distributed. The Company published an announcement relating to the implementation of 2013 profit distribution in the China Securities Journal, the Shanghai Securities News, the Securities Times, and the respective websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company. As at 17 June 2014, the Company's 2013 profit distribution proposal was fully implemented.

2. Profit distribution proposal and proposal on transfer of capital reserve fund into capital for the first half of 2014

The Company had no profit distribution proposal or proposal on transfer of capital reserve fund into capital for the first half of 2014.

(III) OTHER DISCLOSURES

During the Reporting Period, the Company had no other discloseable event not disclosed.

Section V. SIGNIFICANT EVENTS

(I) MATERIAL LITIGATION, ARBITRATION AND MATTERS COMMONLY QUESTIONED BY MEDIA

The Company was not involved in any material litigation and arbitration and did not have matters commonly questioned by media during the Reporting Period.

(II) BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

The Company did not have bankruptcy and restructuring related matter during the Reporting Period.

(III) ASSETS TRANSACTIONS AND MERGER OF COMPANIES

1. Acquisition of UT Capital Group by Haitong International Holdings, a wholly-owned subsidiary

On 25 September 2013, the Resolution on Acquisition of UT Capital Group by Haitong International Holdings was reviewed and passed at the twentieth meeting of the fifth Board. So far, one senior management of the Company has been added. In January 2014, replies coded (Ji Gou Bu Bu Han No. [2013]866) were respectively received from CSRC and Shanghai Financial Services Office (Hu Jin Rong Ban No. [2014]4) to allow the filing of the acquisition of UT Capital Group by the Company. According to the "Equity Sale and Purchase Agreement" between Haitong International Holdings, a wholly-owned subsidiary of the Company and UT Capital Holdings, the parties completed the procedure of equity delivery on 15 January 2014, and Haitong International Holdings formally finalized its acquisition of UT Capital Group.

(IV) EQUITY INCENTIVES OF THE GROUP AND ITS EFFECT

The Company has not operated any equity incentive scheme during the Reporting Period.

Haitong International Securities Group adopted a share option scheme (the "2002 Share Option Scheme") on 23 August 2002, which was valid and effective for a period of 10 years commencing from the date of adoption and expired on 22 August 2012. For further information, please refer to 2014 interim report of Haitong International Securities Group.

UT Capital Group, a subsidiary of Haitong International Holdings, adopted a share option incentive scheme on 27 May 2014, which was valid and effective for a period of five years commencing from the date of adoption. According to the scheme, the eligible participants include directors, senior management, key operational managerial personnel and key technical or business personnel of UT Capital Group and its subsidiaries as determined by the board of directors of UT Capital Group, the total number of which shall not exceed 50. No more than 97,321,500 share options shall be granted to the participants under the scheme. As at 30 June 2014, UT Capital Group did not grant any share options under the scheme.

(V) SIGNIFICANT RELATED TRANSACTIONS

During the Reporting Period, the Company had neither major connected transactions nor non-operating credit or indebtedness with related parties.

Section V. SIGNIFICANT EVENTS

(VI) MATERIAL CONTRACTS AND THEIR PERFORMANCE

1. Trust, contracting and leasing matters

During the Reporting Period, the Company was not involved in any material trust, contracting or leasing matters.

2. Guarantees

During the Reporting Period, the Company had no relevant undertakings.

3. Other material contract

During the Reporting Period, the Company had no other discloseable material contract not disclosed.

(VII) PERFORMANCE OF UNDERTAKINGS

As at the end of the Reporting Period, no shareholder directly held more than 5% of the shares of the Company. During the Reporting Period, the Company had no relevant undertakings.

(VIII) APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

During the Reporting Period, the Company re-appointed BDO China Shu Lun Pan Certified Public Accountants LLP. (Special General Partnership) as its external auditor for 2014, who will be responsible for provision of relevant domestic audit services and internal control audit in accordance with the PRC GAAP, for a term of one year. In addition, Deloitte Touche Tohmatsu CPA LLP. (Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) and Deloitte Touche Tohmatsu Certified Public Accountants LLP. (德勤華永會計師事務所) (Special General Partnership) were re-appointed as the Company's external auditors for 2014 for a term of one year, who will be responsible for provision of relevant audit and review services in accordance with the IFRS.

(IX) PUNISHMENT ON AND RECTIFICATION OF THE LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS WHO HELD MORE THAN 5% OF SHARES, DE FACTO CONTROLLER AND BUYER

As at the end of the Reporting Period, the Company had neither shareholder who held directly more than 5% of shares, nor de facto controller. During the Reporting Period, none of the following circumstances occurred to the Company, the Board, Directors, Supervisors, and senior management: being investigated by competent authorities, imposed coercive measures by a judiciary institution or disciplinary department, transferred to a judicial institution or held criminally responsible, investigated or imposed administrative penalties by CSRC, banned from access to market, identified as an unsuitable person, punished by other administrative departments situations and publicly condemned by a stock exchange. None of the Directors, Supervisors and senior management of the Company violated any rules or regulation with regard to transaction of the shares of the Company.

Section V. SIGNIFICANT EVENTS

(X) CONVERTIBLE CORPORATE BONDS

During the Reporting Period, the Company and its subsidiaries did not issue any convertible bonds.

(XI) CORPORATE GOVERNANCE

During the Reporting Period, the Company's operation and management are standard and in compliance with the Code of Corporate Governance for Listed Companies, the Rules for Governance of Securities Companies, the Regulatory Rules for Securities Companies, and laws and regulations of the CSRC. In the meantime, the Company has since the listing of its H Shares in Hong Kong on 27 April 2012 strictly complied with the Code, observed all code provisions under the Code, if applicable, and followed most of the requirements of recommended best practices set out therein.

During the Reporting Period, the Company convened 15 meetings in total comprising one general meeting of shareholders, four Board meetings, two Supervisory Committee meetings, three audit committee meetings, two working conferences of independent non-executive Directors on annual report, one nomination, remuneration and assessment committee meeting, one development strategy and investment management committee meeting, and one compliance and risk control committee meeting.

1. Shareholders and general meetings

The Company convenes general meetings in accordance with the requirements under the Articles of Association and Rules of Procedures of the General Meeting, to ensure that all shareholders are treated equally and are able to fully exercise their rights.

2. Directors and the Board

The Company engages and changes its Directors according to the relevant provisions under the Articles of Association. The number and qualification of the Directors are in compliance with the applicable laws and regulations. The Board of the Company now comprises 17 Directors, among whom two are executive Directors, eight are non-executive Directors and seven are independent non-executive Directors. All Directors are able to perform their obligations in due diligence and protect the interests of the Company and that of all shareholders. Development strategy and investment management committee, audit committee, compliance and risk control committee, and nomination, remuneration and assessment committee are all established under the Board. Each committee has specific work allocations and clear accountabilities and operates in high efficiency. Out of these four committees, except for the development strategy and investment management committee, which is chaired by our Chairman, each of the other three committees is chaired by independent non-executive Directors.

Section V. SIGNIFICANT EVENTS

3. Supervisors and Supervisory Committee

Our Supervisory Committee currently consists of 11 Supervisors, among whom, four are employee representative Supervisors and seven are shareholder representative Supervisors. The qualification and formation of Supervisors are in compliance with applicable laws and regulations. All Supervisors of the Company are able to perform their obligations in due diligence, monitor the legality and compliance of the performance of duties by the Company's financing department, Board members and senior management and provide recommendations and suggestions to the Board and senior management regarding relevant matters.

4. Senior management

Procedures for the appointment of the Company's senior management are in compliance with the China's Company Law and the Articles of Association. In addition, according to the applicable laws and regulations and with the authorizations from the Board, the Company's senior management is able to operate the Company in compliance and with a view towards maximizing shareholders' value and social benefits.

5. Stakeholders

The Company fully respects and protects the legal interests of all of its stakeholders and, together with them, continues to focus on the Company's consistent and healthy development.

6. Information disclosure and investor relations management

During the Reporting Period, the Company was able to disclose relevant information in a manner that is true, accurate, complete, timely and fair in accordance with the applicable laws, regulations and regulatory documents in the PRC and Hong Kong where its shares are listed. The Company can, strictly according to relevant provisions of Insider Registration System, strengthen the management of the Company's inside information and well organize the insider registration, with honest and professional management of investor relations. The Company obtained an A rating from the Shanghai Stock Exchange for its performance regarding information disclosure in 2013. The Company managed its investor relations in a manner of integrity and professionalism. The Company's senior management participated in investors' services in person and also appointed a full-time investor relations service team. In addition, the Company utilized various forms of communication, including setting up a hotline for investors, holding online interactions, e-mails, telephone conferences, receptions on-site, result briefing, investor presentation and road shows, etc., to strengthen its communication with its investors inside and outside, thereby further enhanced the Company's transparency.

Section V. SIGNIFICANT EVENTS

7. Building of compliance system

During the Reporting Period, the Company strictly complied with the requirements of CSRC, took into account its real situation and endlessly improved its compliance management system. The Company's general compliance officer strictly performed compliance management obligations according to applicable laws and regulations. There is neither direct order given to, nor interference of works performed by, general compliance officer, which constitutes a violation of obligations or procedures by the shareholders, Directors and senior management of the Company. The Company provided human resource, material resource, financial resource and technical support to its general compliance officer to carry out his duties to ensure effective compliance management. During the Reporting Period, the Company continued to implement internal control standardization, strengthen its internal control system, and strictly manage compliance of all of its business lines. It established a system of compliance review, monitoring and inspection and assessment. In addition, the Company strived to effectively implement a comprehensive internal control system, procedures and risk management measures, to strengthen compliance training of its staff, to emphasize a compliance culture that, led by the example of its senior management, encourages full and active compliance by all of its employees. It intended to create corporate value through compliance and enhance staff's compliance awareness and risk management capacity in order to establish a corporate culture that deems compliance operation as a core part.

(XII) AUDIT COMMITTEE

There is an audit committee under the Board of the Company, which was in compliance with the relevant requirements of CSRC and Shanghai Stock Exchange and the requirements of Chapter 3 of Hong Kong Listing Rules. The audit committee comprises Mr. Zhang Ming (committee chairman), Mr. Dai Genyou, Mr. Chen Qiwei, Mr. Zhang Huiquan, Mr. Zhou Donghui, Mr. Xu Chao and Mr. Wang Hongxiang. The audit committee is mainly responsible for jobs like facilitating communication between the Company's internal and external auditors, monitoring and reviewing, and providing professional advice to the Board. The audit committee has reviewed and confirmed the 2014 interim financial report of the Company.

(XIII) DESCRIPTION OF OTHER SIGNIFICANT EVENTS

1. Establishment of a branch company in Free Trade Zone

In February 2014, the Company received Approval for Establishment of 1 Branch by Haitong Securities Co., Ltd. (Hu Zheng Jian Xu Ke No. [2014]15) from CSRC Shanghai Branch to permit the Company to set up one branch company in the China (Shanghai) Free Trade Zone with the following scope of business: securities brokerage; securities investment consulting; securities investment fund agency; provision of intermediary services for futures companies; margin financing and securities lending; financial products agency; financial advisory service related to securities trading and investment activities; securities underwriting and sponsorship (project proposal, project information passing and recommendation, customer relationship maintenance and other supporting work only).

Shanghai Free Trade Pilot Zone Branch completed its business registration and collected the business license on 19 March 2014, the organization code certificate on 8 April 2014, the tax registration certificate on 15 April 2014 and the securities business license on 25 April 2014.

Section V. SIGNIFICANT EVENTS

2. Issuance of corporate bonds

The Proposal on Issuance of Corporate Bonds was considered and approved at the 2012 annual general meeting on 27 May 2013. On 24 September 2013, the Company received Reply for Public Issuance of Corporate Bonds issued by Haitong Securities from CSRC, which approved the Company to issue corporate bonds with nominal value not more than RMB23 billion to the public. The Company issued corporate bonds at the amount of RMB12 billion and RMB11 billion respectively in November 2013 and July 2014, and the raised capital were all credited into the Company's account. The capital raised through the two bond issuance will be all used for working capital. As at now, the balance of the bonds issued by the Company was RMB23 billion in total.

3. Issuance of short-term financing bills

The Proposal on Issuance of Short-term Financing Bonds of Securities Companies was considered and approved at the 2012 annual general meeting on 27 May 2013. On 18 June 2013, the Company received Supervision Letter regarding the Application of Issuing Short-term Financing Bonds by Haitong Securities from CSRC. On 17 September 2013, the Company received Notice of Issuing Short-term Financing Bonds by Haitong Securities issued by the People's Bank of China, which approved the maximum short-term payable financing bonds of RMB14.9 billion.

During the Reporting Period, the Company issued short-term financing bonds for three times, which raised capital in total of RMB8.8 billion. All raised capital will be used for the liquidity of the Company. As at the end of the Reporting Period, the balance of the financing bonds issued was RMB5.8 billion.

4 Change of joint company secretary

On 25 July 2014, the Company held the twenty-seventh meeting of the fifth session of the Board through voting by correspondence to review and pass Resolution on Change of Joint Company Secretary, according to which Ms. Mok Mingwai ceased to act as a joint company secretary of the Company since 27 July 2014 and meanwhile, the Board appointed Ms. Lam Wai Yee Sophie as the joint company secretary of the Company and the appointment was effective since 27 July 2014.

Section V. SIGNIFICANT EVENTS

5. The Company's securities branches

As at 30 June 2014, the Company had 26 branch offices and 252 securities branches. During the Reporting Period, the establishment and relocation of the Company's securities branches are as follows:

A. Establishment of branch offices

According to Approval for Establishment of 92 Branches by Haitong Securities Co., Ltd. (Hu Zheng Jian Ji Gou Zi [2013] No. 173), Approval for Establishment of 1 Subsidiary by Haitong Securities Co., Ltd. (Shanghai Free Trade Pilot Zone) (Hu Zheng Jian Xu Ke No. [2014]15) and Letter to Approve the Extension of the Preparation Period of Xinjiang and Other Branches by Haitong Securities Co., Ltd (Hu Zheng Jian Ji Gou Zi [2014]25) from CSRC Shanghai, the Company has completed its preparation of Shanghai Free Trade Pilot Zone Branch and Hainan Branch and acquired securities business licenses. The name and addresses of these branches are detailed in the table below.

No.	Name of branch offices	Address	Date of License
1	Shanghai Free Trade Pilot Zone Branch, Haitong Securities Co., Ltd.	Unit 1401, 14/F, 6 Jilong Road, China (Shanghai) Free Trade Pilot Zone	25 April 2014
2	Hainan Branch, Haitong Securities Co., Ltd.	Zhonghang Plaza, 15 North Longkun Road, Haikou	27 May 2014

B. Establishment of new securities branches

According to Approval for Qualification of Distribution Of Financial Products by Haitong Securities Co., Ltd. (Hu Zheng Jian Ji Gou Zi [2013] No. 173), and Letter to Approve the Extension of the Preparation Period of Xinjiang and Other Branches by Haitong Securities Co., Ltd. (Hu Zheng Jian Ji Gou Zi [2014]25) from CSRC Shanghai, during the Reporting Period, the Company has completed its preparation of 12 securities branches such as Nantong Zhongba South Road Securities Branch and acquired securities business licenses. The name and addresses of these securities branches are detailed in the table below.

No.	Name of securities branches	Address	Date of License
1	Haitong Securities Co., Ltd Securities Branch, Zhongba South Road, Hai'an, Nantong	19 Zhongba South Road, Hai'an Town, Hai'an, Nantong	16 January 2014
2	Haitong Securities Co., Ltd Securities Branch, Beimen Road, Chongming, Shanghai	408 Beimen Road, Chengqiao Town, Chongming, Shanghai	16 January 2014
3	Haitong Securities Co., Ltd Securities Branch, Qixing Road, Xinchang	166 Qixing Road, Xinchang	16 January 2014

Section V. SIGNIFICANT EVENTS

No.	Name of securities branches	Address	Date of License
4	Haitong Securities Co., Ltd Securities Branch, Xihu Road, Tianmen	4/F, Building 2, Dijingwan, New Tianmen City (Tianmen CBD), Jingling Office, Xihu Road, Tianmen	16 January 2014
5	Haitong Securities Co., Ltd Securities Branch, Dongfeng East Street, Weifang	Room 1904, Dongsheng Plaza, 8081 Dongfeng East Street, Kuiwen, Weifang	16 January 2014
6	Haitong Securities Co., Ltd Securities Branch, Yingbin Road, Qinhuangdao	100 Yingbin Road, Haigang, Qinhuangdao	16 January 2014
7	Haitong Securities Co., Ltd Securities Branch, Kunlun Avenue, Yingkou	Kunlun Avenue (mid), Bayuquan, Yingkou (05-South wing of Bank of Communications)	24 March 2014
8	Haitong Securities Co., Ltd Securities Branch, Baoyuan Road, Shenzhen	1902F, Block D, Baoyuan Fortune Harbour Plaza, Xixiang Neighbourhood, Bao'an, Shenzhen	24 March 2014
9	Haitong Securities Co., Ltd Securities Branch, Jiuzhou Avenue East, Zhuhai	Unit F, 1159 Jiuzhou Avenue East (Jilin University), Xiangzhou District, Zhuhai	25 March 2014
10	Haitong Securities Co., Ltd Securities Branch, Suzhong South Road, Baoying, Yangzhou	6-1038, Golden Bridge Life Plaza, Baoying	25 March 2014
11	Haitong Securities Co., Ltd Securities Branch, Baling Road, Yueyang	Unit 703, Floor 7, Haichuang Plaza, 450 Baling Mid Road, Yueyanglou District Yueyang	25 March 2014
12	Haitong Securities Co., Ltd Securities Branch, Lize Road, Suzhou	Unit 102, Building 4, Zhengtai Community, Songling Town, Wujiang District	25 March 2014

Section V. SIGNIFICANT EVENTS

C. *Relocation of branches*

- (1) Daqing Honggang Beilu Securities Branch was relocated from No. 6 Beilu East Street, Honggang District, Daqing, Heilongjiang, to the second floor (203, 204, 205) and Unit 402, 11 Nanlu, Honggang District, Daqing, Heilongjiang, the name of which is changed to Daqing Honggang Nanlu Securities Branch, Haitong Securities Co., Ltd.
- (2) Chongqing California City Garden Securities Branch was relocated from Building 9, California City Garden, Longxi Neighbourhood, Yubei District, Chongqing to Unit 6-2, Building 3, Caixin City International, 107-9 Longhua Avenue, Longxi Neighbourhood, Yubei District, Chongqing, of which the name was changed to Chongqing Longhua Avenue Securities Branch, Haitong Securities Co., Ltd.
- (3) Shangdong Branch and Jinan Quancheng Road Securities Branch was relocated from 15 Quancheng Road, Lixia District, Jinan to 13 Quancheng Road, Lixia District, Jinan, of which the names remained as Shangdong Branch and Jinan Quancheng Road Securities Branch, Haitong Securities Co., Ltd.
- (4) Guangzhou Jiangnan West Road Securities Branch was relocated from 2/F, 13-16 Qinqui Avenue, Jiangnan West Road, Haizhu District, Guangzhou to North Side, 6/F, Grandbuy New City, 498 Baogang Avenue, Haizhu District, Guangzhou, Guangdong Province, of which the name was changed to Guangzhou Baogang Avenue Securities Branch, Haitong Securities Co., Ltd.

Section VI. CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

(I) CHANGES IN SHARE CAPITAL

1. Table Of Changes In Shares

A Table of changes in shares during the Reporting Period

	Before the change		Changes				After the change	
	Number of shares	Percentage (%)	New issuance (H Shares)	State-owned shares Transfer	Other	Sub-total	Unit: share	
							Number of shares	Percentage (%)
I. Shares subject to trading moratorium								
1. Shares held by state	-	-	-	-	-	-	-	-
2. Shares held by state-owned legal persons	-	-	-	-	-	-	-	-
3. Shares held by other domestic investors	-	-	-	-	-	-	-	-
Including: shares held by domestic non state-owned legal persons	-	-	-	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-	-	-	-
4. Shares held by foreign investors	-	-	-	-	-	-	-	-
Including: shares held by foreign legal persons	-	-	-	-	-	-	-	-
Shares held by foreign natural persons	-	-	-	-	-	-	-	-
Total number of shares subject to trading moratorium	-	-	-	-	-	-	-	-
II. Circulating shares not subject to trading moratorium								
1. RMB denominated ordinary shares	8,092,131,180	84.43	-	-	-	-	8,092,131,180	84.43
2. Foreign shares listed in the PRC	-	-	-	-	-	-	-	-
3. Foreign shares listed overseas	1,492,590,000	15.57	-	-	-	-	1,492,590,000	15.57
4. Others	-	-	-	-	-	-	-	-
Total number of circulating shares not subject to trading moratorium	9,584,721,180	100	-	-	-	-	9,584,721,180	100
III. Total	9,584,721,180	100	-	-	-	-	9,584,721,180	100

B. Particulars about changes in shares

During the Reporting Period, there is no change in shares of the Company.

2. Changes in restricted shares

All shares of the Company are circulating shares not subject to trading moratorium.

Section VI. CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

(II) PARTICULARS ABOUT SHAREHOLDERS

1. Total number of shareholders

As at the end of the Reporting Period, the total number of shareholders of the Company was 421,005, among which 420,839 were holders of A Shares and 166 were registered as holders of H Shares.

2. Shareholdings of the top ten shareholders

A. The table for the shareholdings of the top ten shareholders of the Company as at 30 June 2014

Unit: share

Name of shareholders	Nature of shareholders	Percentage (%)	Total number of shares held	Changes in the number of shares during the Reporting Period	Number of shares held subject to trading moratorium	Number of shares subject to pledge or freeze
Hong Kong Securities Clearing Company Nominees Limited ("HKSCC Nominees Limited")	Foreign legal person	15.57	1,492,143,200	-12,400	0	nil
Bright Food (Group) Co., Ltd.	State-owned legal person	4.40	422,180,000	0	0	210,000,000 (pledged)
Shanghai Haiyan Investment Management Company Limited	State-owned legal person	4.18	400,709,623	0	0	nil
Shanghai Electric (Group) Corporation	State-owned shares	3.78	362,345,157	-14,120,101	0	nil
Shenergy Group Company Limited	State-owned legal person	3.36	322,162,086	0	0	nil
Shanghai Jiushi Corporation	State-owned legal person	2.45	235,247,280	0	0	nil
Shanghai Friendship Group Incorporated Company	Domestic non-State-owned legal person	2.24	214,471,652	0	0	nil
Shanghai Lansheng Corporation	State-owned legal person	1.99	190,680,000	+3,098,100	0	nil
Wenhui-Xinmin United Press Group	State-owned legal person	1.89	180,829,853	0	0	nil
Liaoning Energy Investment (Group) Co., Ltd.	State-owned legal person	1.60	153,126,585	0	0	nil

- Notes:
- Among the H shareholders of the Company, HKSCC Nominees Limited held the H Shares on behalf of the holders who did not register such shares under their names;
 - In the above table, the shares held by HKSCC Nominees Limited are foreign shares listed overseas (H Shares) and the shares held by other shareholders are RMB denominated ordinary A Shares; and
 - The nature of the Company's A shareholders represents that of accounts registered by such shareholders in Shanghai branch of China Securities Depository and Clearing Corporation Limited.

Section VI. CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

B. Shareholdings of the top ten shareholders of circulating shares of the Company not subject to trading moratorium as at 30 June 2014

Name of shareholders	Number of circulating shares held not subject to trading moratorium (shares)	Type of shares (A, B, H or others)
Hong Kong Securities Clearing Company Nominees Limited	1,492,143,200	H shares
Bright Food (Group) Co., Ltd.	422,180,000	A shares
Shanghai Haiyan Investment Management Company Limited	400,709,623	A shares
Shanghai Electric (Group) Corporation	362,345,157	A shares
Shenergy Group Company Limited	322,162,086	A shares
Shanghai Jiushi Corporation	235,247,280	A shares
Shanghai Friendship Group Incorporated Company	214,471,652	A shares
Shanghai Lansheng Corporation	190,680,000	A shares
Wenhui-Xinmin United Press Group	180,829,853	A shares
Liaoning Energy Investment (Group) Co., Ltd.	153,126,585	A shares

(III) CHANGES IN THE CONTROLLING SHAREHOLDERS OR THE DE FACTO CONTROLLERS

Due to the diverse shareholding of the Company, no shareholder directly held more than 5% of the shares of the Company (excluding HKSCC Nominees Limited). HKSCC Nominees Limited held shares on behalf of H shareholders who did not register the H Shares under their names.

Section VI. CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

(IV) SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2014, so far as the Directors, having made all reasonable enquiries, are aware, the following parties (other than the Directors, Supervisors and chief executive of the Company) had an interest or short position in the shares or underlying shares, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to section 336 of the SFO.

No.	Name of substantial shareholders	Type of shares	Nature of interests	Number of shares held (shares)	Percentage of total issued shares of the Company (%)	Percentage of total issued A Shares/H Shares of the Company (%)	Long position (Note 3)/short position (Note 4)/ interest in lending pool
1	Bright Food (Group) Co., Ltd.	A shares	Beneficial owners (Note 1)	422,180,000	4.40	5.21	Long position
2	Shanghai Haiyan Investment Management Company Limited	A shares	Beneficial owners (Note 1)	400,709,623	4.18	4.95	Long position
3	NFFS	H shares	Beneficial owners	89,385,600	0.93	5.99	Long position
4	JP Morgan Chase & Co.	H shares	Beneficial owners	8,352,251	0.09	0.56	Long position
			Beneficial owners	4,418,210	0.05	0.30	Short position
			Investment manager	44,810,400	0.47	3.00	Long position
			Custodian-corporation/ approved lending agent	36,844,788	0.38	2.47	Lending pool
5	Capital Research and Management Company	H shares	Investment manager	75,000,000	0.78	5.02	Long position
6	Pacific Alliance Group Limited	H shares	Interests in controlled corporation (Note 2)	130,704,400	1.36	8.76	Long position
7	PAG Asia Capital GP I Limited	H shares	Investment manager (Note 2)	130,704,400	1.36	8.76	Long position
8	PAG Asia I LP	H shares	Interests in controlled corporation (Note 2)	130,704,400	1.36	8.76	Long position
9	PAG Capital Limited	H shares	Interests in controlled corporation (Note 2)	130,704,400	1.36	8.76	Long position
10	PAG Holdings Limited	H shares	Interests in controlled corporation (Note 2)	130,704,400	1.36	8.76	Long position
11	PAGAC Horseshoe Holding I SARL	H shares	Beneficial owners (Note 2)	130,704,400	1.36	8.76	Long position
12	Roseworth Investments Limited	H shares	Interests in controlled corporation (Note 2)	130,704,400	1.36	8.76	Long position
13	Shan Weijian	H shares	Interests in controlled corporation (Note 2)	130,704,400	1.36	8.76	Long position
14	Citigroup Inc.	H shares	Other	47,288,130	0.49	3.17	Long position
		H shares	Other	48,173,197	0.50	3.23	Short position
		H shares	Other	43,098,273	0.45	2.89	Lending pool
15	BlackRock, Inc.	H shares	Interests in controlled corporation	105,477,376	1.10	7.07	Long position
		H shares	Interests in controlled corporation	330,400	0.03	0.02	Short position
16	Nomura Holdings, Inc	H shares	Interests in controlled corporation	71,506,633	0.75	4.79	Long position
		H shares	Interests in controlled corporation	33,538,233	0.35	2.25	Short position
17	GIC Private Limited (previously "Government of Singapore Investment Corporation Pte Ltd")	H shares	Investment manager	89,935,200	0.94	6.03	Long position

Section VI. CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

Note 1: According to the information disclosed on the website of the Hong Kong Stock Exchange (www.hkexnews.com.hk), an aggregate of 482,686,582 A Shares are held by Bright Food (Group) Co., Ltd., and an aggregate of 416,420,568 A Shares are held by Shanghai Haiyan Investment Management Company Limited. Under Section 336 of the SFO, forms disclosing of interests shall be submitted by shareholders of the Company upon satisfaction of certain conditions. Changes of shareholders' shareholdings in the Company are not required to inform the Company and Hong Kong Stock Exchange, except for the satisfaction of certain conditions. Therefore, there could be difference between substantial shareholders' latest shareholdings in the Company and the shareholdings submitted to Hong Kong Stock Exchange;

Note 2: Such 130,704,400 shares represent the same block of shares;

Note 3: A shareholder has a "long position" if such shareholder has an interest in shares, including interests through holding, writing or issuing financial instruments (including derivatives) under which: (i) such shareholder has a right to purchase the underlying shares; (ii) such shareholder is under an obligation to purchase the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares increases; or (iv) such shareholder has a right to avoid or reduce a loss if the price of the underlying shares increases; and

Note 4: A shareholder has a "short position" if such shareholder borrows shares under a securities borrowing and lending agreement, or holds, writes or issues financial instruments (including derivatives) under which: (i) such shareholder has a right to require another person to take the underlying shares; (ii) such shareholder is under an obligation to deliver the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares declines; or (iv) such shareholder has a right to avoid or reduce a loss if the price of the underlying shares declines.

Save as disclosed above, the Company is not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company as at 30 June 2014 required to be recorded in the register pursuant to Section 336 of the SFO.

(V) DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2014, according to the information obtained by the Company and so far as the Directors are aware, none of the Directors, Supervisors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which shall 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 and short positions which is taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

(VI) REPURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES

During the Reporting Period, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed the listed securities of the Company and its subsidiaries.

Section VII. Preferred Shares

During the Reporting Period, the Company didn't have anything to report regarding preferred shares.

Section VIII. PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(I) CHANGES IN SHAREHOLDING

1. Changes in shareholding of current and resigned Directors, Supervisors and senior management during the Reporting Period

During the Reporting Period, none of the Directors, Supervisors or senior management held any shares of the Company.

2. Equity incentives granted for Directors, Supervisors and senior management during the Reporting Period

The Company has not operated any share incentive scheme during the Reporting Period. None of the Directors, Supervisors and senior management of the Company was granted any stock option of the Company.

For the details about the share options held by the Directors, Supervisors and senior management of the Company in Haitong International Securities Group, a subsidiary of the Company, please refer to the 2014 Interim Report of Haitong International Securities Group. UT Capital Group, a subsidiary of the Company, adopted a share option incentive scheme on 27 May 2014 but no share option was granted yet.

(II) CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

1. Changes in Directors

On 28 March 2014, the Resolution on the Resignation of Mr. Li Mingshan as the Director and General Manager of the Company was passed at the twenty-fourth meeting of the fifth session of the Board. Mr. Li Mingshan no longer acted as the Director of the Company as he had reached the retirement age. Meantime, the Resolution on Nomination of Mr. Qu Qiuping as the Candidate of Director was passed. The Resolution has been approved at the 2013 annual general meeting of the Company held on 27 May 2014 and his qualification of serving as the Director of the Company has also been approved by the regulatory authorities and effective on 25 June 2014.

As at 30 June 2014, the Board of the Company was composed of 17 Directors, including two executive Directors, namely Mr. Wang Kaiguo and Mr. Qu Qiuping; eight non-executive Directors, namely Mr. Zhuang Guowei, Mr. Zhou Donghui, Mr. He Jianyong, Mr. Zhang Jianwei, Mr. Xu Chao, Mr. Wang Hongxiang, Mr. Li Gewei and Mr. Feng Huang; seven independent non-executive Directors, namely Mr. Xia Bin, Mr. Chen Qiwei, Mr. Zhang Huiquan, Mr. Zhang Ming, Mr. Dai Genyou, Mr. Liu Cheeming and Mr. Xiao Suining. The Directors were all elected by the shareholders at the general meeting of the Company for a term of three years, which is subject to re-elections.

2. Changes in Supervisors

During the Reporting Period, there is no change in Supervisors of the Company.

As at 30 June 2014, the Supervisory Committee of the Company was composed of eleven Supervisors, including four employee representative Supervisors, namely, Mr. Yang Qingzhong, Mr. Wang Yimin, Ms. Qiu Xiaping and Mr. Du Hongbo; seven shareholder representative Supervisors, namely Mr. Lilin, Mr. Dong Xiaochun, Mr. Wu Zhilin, Ms. Jin Yanping, Mr. Xu Qi, Mr. Xing Jianhua and Mr. Hu Jingwu. Except for the employee Supervisors elected by the workers' congress, the shareholder Supervisors were elected by our shareholders at the general meeting of the Company for a term of three years, which is subject to re-elections.

Section VIII. PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

3. Changes in senior management

On 28 March 2014, the Resolution on the Resignation of Mr. Li Mingshan as the Director and General Manager of the Company was passed at the twenty-fourth meeting of the fifth session of the Board. Mr. Li Mingshan no longer acted as the General Manager of the Company as he had reached the retirement age. At the same time, the Resolution on Appointment of Mr. Qu Qiuping as the General Manager of the Company was considered and passed. His qualification of serving as the General Manager of the Company has also been approved by the regulatory authorities and effective on 25 June 2014.

On 4 June 2014, the Company issued an Announcement on Mr. Wu Bin's Resignation as Deputy General Manager of the Company. Mr. Wu Bin has resigned as the deputy general manager of the Company due to reappointment.

As at 30 June 2014, the senior management of the Company was composed of 11 members, namely, Mr. Qu Qiuping, Mr. Ji Yuguang, Mr. Ren Peng, Mr. Li Xunlei, Mr. Hiroki Miyazato, Mr. Pei Changjiang, Mr. Jin Xiaobin, Mr. Wang Jianye, Mr. Li Chuqian, Mr. Li Jianguo and Mr. Chen Chunqian.

(III) DEALINGS IN SECURITIES BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Company has adopted the standards as set out in the Model Code, as the code of conduct of the Company regarding securities transactions by the Directors, Supervisors and relevant employees. The Company, having made enquiries to all Directors and Supervisors, confirmed that they had been in compliance with the requirements of the Model Code, during the period from 1 January to 30 June 2014. No noncompliance with the Model Code by the relevant employees was identified by the Company.

(IV) MATERIAL CHANGES IN RELATED INFORMATION OF DIRECTORS AND SUPERVISORS

Mr. Feng Huang as the Director has served as the vice chairman of Shanghai Guojing Leasing Co., Ltd. since January 2014.

Mr. Zhang Huiquan as the independent non-executive Director served as the attorney at Beijing Jiacheng and Taihe Law Firm from December 2002 until 30 June 2014 and then the director and vice president of Orient Group since 1 July 2014.

Mr. Dai Genyou as independent non-executive Director ceased to serve as the independent non-executive director of Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600895) since 30 June 2014.

Section VIII. PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Li Lin as the Supervisor served as the chief financial officer of Bright Food (Group) Co., Ltd. since April 2014, and ceased to serve as the general manager of the Finance Department of Bright Food (Group) Co., Ltd.

Mr. Wu Zhilin as the Supervisor served as the president of Shanghai Newspapers Association since June 2014 and ceased to serve as the chairman of the supervisory board of Shanghai Xinmin Channel Media Co., Ltd. and the chairman of the supervisory board of Shanghai Xinmin Community Media Co., Ltd. since April 2014.

According to the Rule 13.51B of the Listing Rules, save as disclosed above, no other related information of the Directors and Supervisors has changed materially during the Reporting Period.

(V) PARTICULARS OF SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, the Company has entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with the relevant laws and regulations and observation of the Articles of Association and provisions on arbitration. Save as disclosed above, the Company has not entered into, and does not propose to enter into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors/Supervisors (other than contracts expiring or terminable by the employer within one year without the payment of compensation (other than statutory compensation)).

(VI) STAFF AND REMUNERATION POLICY

At the end of the Reporting Period, the Group had 7,459 employees. Of whom 5,082 were from the Company, and 2,377 were from subsidiaries.

The Company emphasizes talent attraction, motivation, training and retention, and focuses on the external competitiveness of its remuneration level and the internal fairness of its remuneration system. We implement a remuneration system under which remunerations are determined based on the market levels and the individual performance appraisal results. The remuneration package generally comprises basic salary, allowance, performance bonus, and staff benefits. Under the applicable laws and regulations in the PRC, the Company enters into a labour contract and establishes employment relationship with each of its employees. A labour contract contains the provisions relating to contract term, working hours, rest and vacation, labour remuneration and insurance benefits, labour protection and conditions, as well as modification and termination of the contract.

Under the applicable laws and regulations of the PRC, the Company purchased various social insurance policies (endowment insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and established housing funds for its employees, and made social insurance and housing fund contributions in full in accordance with applicable regulations. Meanwhile, the Company also established a corporate annuity system which provides supplemental pension protection in accordance with applicable regulations.

Section IX. FINANCIAL REPORTS

- I. The 2014 Interim Report has been audited by Deloitte Touche Tohmatsu with the auditor's report attached hereto.
- II. The Interim Financial Report (Appendix).

Section X. DOCUMENTS AVAILABLE FOR INSPECTION

- I. The text of the interim report with signature of the legal representative of the Company.
- II. The text of the interim financial report with signatures and seals of the legal representative of the Company and the Chief Financial Officer responsible for the accounting affairs and accounting department.
- III. The text of the auditor's report from Deloitte Touche Tohmatsu.
- IV. Original copies of all documents and notices disclosed on newspapers appointed by CSRC during the Reporting Period.
- V. Other relevant materials.

Section XI. DISCLOSURE INFORMATION OF SECURITIES COMPANY

(I) ADMINISTRATIVE CONSENTS AND APPROVALS OBTAINED DURING THE REPORTING PERIOD

1. Business and Products Related Administrative Licensing

No.	Date of approval	Title and Number of Approval
1	2014-05-22	Approval from Shanghai Branch of State Administration of Foreign Exchange for Expansion of Scope of Foreign Currency Businesses by Haitong Securities Co., Ltd. (Shanghai Hui Fu No. [2014]16)
2	2014-01-20	Approval of the application from Haitong Securities Co., Ltd. for acquisition of the seventh instalment of individual creditor's right using Securities Investor Protection Fund (Gan Zheng Jian Fa Zi No. [2014]9)
3	2014-01-03	Approval for establishment of Special Asset Management Scheme of Pudong Development Group BT Repurchase Project by Shanghai Haitong Securities Asset Management Co., Ltd. (Zheng Jian Xu Ke No. [2013]1622)
4	2014-04-28	Letter on Approval of Membership of China Futures Industry Association (Zhong Qi Xie Han Zi No. [2014]148)

2. Administrative Licensing of qualifications of staff and institutions

No.	Date of approval	Title and Number of Approval
1	2014-06-30	Approval for Qualification of Li Xiaolin as the Head of a Securities Company's Branch (Securities Branch, Hangzhou Road, Qingdao) (Qing Zheng Jian Xu Ke No. [2014]28)
2	2014-02-11	Approval for establishment of 1 branch by Haitong Securities Co., Ltd. (Shanghai Pilot Free Trade Zone) (Hu Zheng Jian Xu Ke No. [2014]15)
3	2014-01-06	Approval for Qualification of Gu Yue as the Head of a Securities Company's Branch (Securities Branch, Yingbin Road, Qinhuangdao) (Ji Zheng Jian Fa No. [2013]94)
4	2014-01-16	Approval for Qualification of Tang Yi as the Head of a Securities Company's Branch (Securities Branch, East Su Zhong Road, Baoying, Yangzhou) (Su Zheng Jian Ji Guan Zi No. [2014]8)
5	2014-01-16	Approval for Qualification of Wu Min as the Head of a Securities Company's Branch (Securities Branch, Lize Road, Suzhou) (Su Zheng Jian Ji Guan Zi No. [2014]7)
6	2014-01-29	Approval for Qualification of Zhou Haibo as the Head of a Securities Company's Branch (Securities Branch, Nanling Road, Chenzhou) (Xiang Zheng Jian Ji Guan Zi No. [2013]96)
7	2014-01-29	Approval for Qualification of Hu Ming as the Head of a Securities Company's Branch (Securities Branch, Baling Road, Yueyang) (Xiang Zheng Jian Ji Guan Zi No. [2014]2)
8	2014-02-20	Approval for Qualification of Chen Xiao as the Head of a Securities Company's Branch (Securities Branch, Bao Yuan Road, Shenzhen) (Shen Zheng Ju Xu Ke Zi No. [2014]200)

Section XI. DISCLOSURE INFORMATION OF SECURITIES COMPANY

No.	Date of approval	Title and Number of Approval
9	2014-02-21	Approval for Retirement of Li Mingshan (Hu Wei No. [2014] 165)
10	2014-02-27	Confirmation of Qualification of Yu Wencai as the Head of a Securities Company's Branch (Securities Branch, Kunlun Avenue, Yingkou) (Liao Zheng Jian Han No. [2014]26)
11	2014-03-12	Approval for Qualification of Zhao Chenguang as the Head of a Securities Company's Branch (Securities Branch, Yuyang, Yulin) (Shan Zheng Jian Xu Ke Zi No. [2014]14)
12	2014-03-21	Decision regarding Qualification of Qi Huaijun as the Head of a Securities Company's Branch (Deputy General Manager, Shandong Branch) (Lu Zheng Jian Xu Ke No. [2014]28)
13	2014-03-21	Circular regarding Appointment of Qu Qiuping from Shanghai Municipal Government (Hu Fu Ren No. [2014] 67)
14	2014-04-03	Approval for Qualification of Duan Guangjun as the Head of a Securities Company's Branch (Securities Branch, Liuzhou Road, Guangxi) (Gui Zheng Jian Xu Ke No. [2013]21)
15	2014-04-10	Approval for Qualification of Xu Feng as the Head of a Securities Company's Branch (Securities Branch, Qinghu Road, Qingpu District, Shanghai) (Hu Zheng Jian Xu Ke No. [2014]60)
16	2014-04-28	Approval for Qualification of Ding Zhendong as the Head of a Securities Company's Branch (Securities Branch, Middle Jianjun Road, Yancheng) (Su Zheng Jian Ji Guan Zi No. [2014]174)
17	2014-06-11	Approval for Qualification of Zhao Zhifeng as the Head of a Securities Company's Branch (Securities Branch, Xiangshan Road, Huaibei) (Wan Zheng Jian Han Zi No.[2014]123)
18	2014-06-11	Approval for Qualification of Luo Faqiang as the Head of a Securities Company's Branch (Securities Branch, Middle Changjiang Road, Tongling) (Wan Zheng Jian Han Zi No.[2014]124)
19	2014-06-11	Approval for Qualification of Wu Kan as the Head of a Securities Company's Branch (Securities Branch, East Tianchang Road, Chuzhou) (Wan Zheng Jian Han Zi No.[2014]125)
20	2014-06-16	Approval for Qualification of Fei Jun as the Head of a Securities Company's Branch (Securities Branch, Cidu Avenue, Jingdezhen) (Gan Zheng Jian Xu Ke No. [2014]53)
21	2014-06-16	Approval for Qualification of Hong Haiyan as the Head of a Securities Company's Branch (Securities Branch, East Xunyang Road, Jiujiang) (Gan Zheng Jian Xu Ke No. [2014]54)
22	2014-06-16	Approval for Qualification of Ai Disheng as the Head of a Securities Company's Branch (Securities Branch, Wuzhou Road, Yingtian) (Gan Zheng Jian Xu Ke No. [2014]56)
23	2014-06-16	Approval for Qualification of Mo Fang as the Head of a Securities Company's Branch (Securities Branch, Zhengyang Road, Hengyang) (Xiang Zheng Jian Ji Guan Zi No. [2014]64)

Section XI. DISCLOSURE INFORMATION OF SECURITIES COMPANY

No.	Date of approval	Title and Number of Approval
24	2014-06-19	Approval for Qualification of Li Guohua as the Head of a Securities Company's Branch (Securities Branch, Yuan Shan Road, Yichun) (Gan Zheng Jian Xu Ke No. [2014]57)
25	2014-06-19	Decision regarding Qualification of Chen Ming as the Head of a Securities Company's Branch (Securities Branch, Dongsan Road, Dongying) (Lu Zheng Jian Xu Ke No. [2014]68)
26	2014-06-19	Decision regarding Qualification of Yang Lei as the Head of a Securities Company's Branch (Securities Branch, Suhenan Street, Linyi) (Lu Zheng Jian Xu Ke No. [2014]69)
27	2014-06-23	Approval for Qualification of Lin Hai as the Head of a Securities Company's Branch (Xinjiang Branch) (Xin Zheng Jian Ju No. [2014]62)
28	2014-06-25	Approval for Qualification of Yang Hongbin as the Head of a Securities Company's Branch (Securities Branch, Xing Wu Road, Dandong) (Liao Zheng Jian Xu Ke No. [2014]39)
29	2014-06-25	Approval for Qualification of Xu Jianqiang as the Head of a Securities Company's Branch (Securities Branch, Tongfeng Road, Kunshan) (Su Zheng Jian Ji Guan Zi No. [2014]270)
30	2014-06-26	Approval for Qualification of Qu Qiuping as the senior management at executive level of a Securities Company's Branch (Hu Zheng Jian Xu Ke No. [2014] 159)
31	2014-07-01	Approval for Qualification of Bai Yu as the Head of a Securities Company's Branch (Securities Branch, Yan Da Yi Road, Huizhou) (Guang Dong Zheng Jian Xu Ke No. [2014]147)
32	2014-07-03	Approval for Qualification of Sun Shijie as the Head of a Securities Company's Branch (Securities Branch, East Hanghai Road, Zhengzhou) (Yu Zheng Jian Fa No. [2014]176)
33	2014-07-03	Approval for Qualification of Meng Xinke to as the Head of a Securities Company's Branch (Securities Branch, Ta Na Road, Jiaozuo) (Yu Zheng Jian Fa No. [2014]175)
34	2014-07-03	Approval for Qualification of Tian Dong as the Head of a Securities Company's Branch (Securities Branch, Minzhu Road, Shangqiu) (Yu Zheng Jian Fa No. [2014]177)
35	2014-07-08	Approval for Qualification of Don Fanxing as the Head of a Securities Company's Branch (Securities Branch, Dongrun Road, Taixing) (Su Zheng Jian Ji Guan Zi No. [2014]300)
36	2014-07-16	Approval for Qualification of Fu Guopeng as the Head of a Securities Company's Branch (Securities Branch, Xihu Road, Tianmen) (E Zheng Jian Xu Ke No. [2014]41)
37	2014-05-22	No Comment Letter on change of Haitong Securities Branch, Tian An Road, Quanzhou to Type B Branch (Ming Zheng Jian Han No. [2014]146)

Section XI. DISCLOSURE INFORMATION OF SECURITIES COMPANY

No.	Date of approval	Title and Number of Approval
38	2014-07-07	Letter to Approve Internet Securities Services Pilot Program (Zhong Zheng Xie Han No. [2014]358)

(II) RESULT OF CLASSIFICATION BY REGULATORY AUTHORITY

In 2014, the Company was rated by the relevant regulatory authority as: a “Grade A, Category AA” company.

Wang Kaiguo
Chairman
Haitong Securities Co., Ltd.

26 August 2014

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF
HAITONG SECURITIES CO., LTD.

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

Introduction

We have reviewed the condensed consolidated financial statements of Haitong Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 64 to 122, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2014, 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 Standards 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 inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	<i>NOTES</i>	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited/ restated)
Revenue			
Commission and fee income	4	3,309,902	3,071,052
Interest income	5	3,183,907	1,613,655
Net investment gains	6	2,173,169	1,970,052
Total revenue		8,666,978	6,654,759
Other income and gains	7	250,254	67,836
Total revenue and other income		8,917,232	6,722,595
Depreciation and amortisation	8	(143,437)	(152,564)
Staff costs		(1,659,219)	(1,113,384)
Commission to account executives		(173,048)	(164,454)
Brokerage transaction fees and other services expenses	9	(277,267)	(257,082)
Interest expenses	10	(1,657,577)	(559,610)
Other expenses		(1,183,859)	(889,962)
Total expenses		(5,094,407)	(3,137,056)
Share of results of associates and a joint venture		36,893	30,484
Profit before income tax	11	3,859,718	3,616,023
Income tax expense	12	(842,791)	(827,621)
Profit for the period		3,016,927	2,788,402
Attributable to:			
Owners of the Company		2,877,518	2,671,932
Non-controlling interests		139,409	116,470
		3,016,927	2,788,402
Earnings per share (Expressed in RMB per share)			
– Basic	13	0.30	0.28
– Diluted	13	0.30	0.28

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited/ restated)
Profit for the period	3,016,927	2,788,402
Other comprehensive income (expense): Items that may be reclassified subsequently to profit or loss:		
Available-for-sale investments		
Net fair value changes during the period	80,067	270,481
Reclassification adjustment to profit or loss on disposal/impairment	36,569	(332,970)
Income tax relating to components of other comprehensive income	(31,312)	10,397
Share of revaluation gains (losses) of associates	14,994	(2,812)
	100,318	(54,904)
Exchange differences arising on translation	42,363	(87,609)
Other comprehensive income (expense) for the period (net of tax)	142,681	(142,513)
Total comprehensive income for the period	3,159,608	2,645,889
Attributable to:		
Owners of the Company	3,014,225	2,551,196
Non-controlling interests	145,383	94,693
	3,159,608	2,645,889

The accompanying notes presented on pages 71 to 122 form part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Non-current assets			
Property and equipment	14	1,142,182	1,171,604
Investment properties		85,150	86,814
Goodwill	15	2,616,667	623,072
Other intangible assets		255,471	256,125
Investments accounted for using equity method	16	2,231,790	2,231,269
Finance lease receivables	17	8,979,581	–
Held-to-maturity investments	18	151,975	353,349
Available-for-sale investments	19	5,112,879	4,720,906
Loan and receivable investments	20	2,255,057	1,829,199
Deferred tax assets	40	259,918	430,935
Restricted bank deposits	29	391,366	349,231
Financial assets held under resale agreements	25	1,490,488	–
Other assets	21	71,595	90,735
Advances to customers	22	1,052,153	934,200
Total non-current assets		26,096,272	13,077,439
Current assets			
Advances to customers	22	32,459,218	26,531,096
Accounts receivable	23	7,039,078	1,647,258
Finance lease receivables	17	6,030,500	–
Other receivables and prepayments	24	2,376,862	1,889,348
Available-for-sale investments	19	5,358,682	4,951,872
Loan and receivable investments	20	3,540,994	2,086,056
Held-to-maturity investments	18	105,724	281,613
Financial assets held under resale agreements	25	13,348,251	9,036,993
Financial assets at fair value through profit or loss	26	51,079,556	47,590,047
Deposits with exchanges	27	4,929,737	3,693,835
Clearing settlement funds	28	5,925,373	5,751,053
Bank balances and cash	29	57,420,913	52,586,993
Total current assets		189,614,888	156,046,164
Total assets		215,711,160	169,123,603
Current liabilities			
Short-term borrowings	31	14,505,832	5,796,395
Long-term borrowings due within one year	31	3,988,886	–
Short-term financing bills payables	32	5,800,000	3,000,000
Placements from banks and other financial institutions	33	4,120,000	1,120,000
Accounts payable to brokerage clients	34	44,971,835	40,429,567
Other payables and accruals	35	6,124,559	3,295,497
Provisions		2,493	2,740
Tax liabilities		351,139	395,277
Financial assets sold under repurchase agreements	36	34,267,225	26,111,914
Financial liabilities at fair value through profit or loss	38	8,927,515	6,506,512
Total current liabilities		123,059,484	86,657,902
Net current assets		66,555,404	69,388,262
Total assets less current liabilities		92,651,676	82,465,701

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<i>Notes</i>	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Equity			
Share capital	39	9,584,721	9,584,721
Capital reserve		32,358,913	32,383,071
Investment revaluation reserve		269,248	163,065
Translation reserve		(383,110)	(413,634)
General reserves		7,779,881	7,779,881
Retained profits		13,737,239	12,009,887
Equity attributable to owners of the Company		63,346,892	61,506,991
Non-controlling interests		3,447,430	2,598,167
Total equity		66,794,322	64,105,158
Non-current liabilities			
Deferred tax liabilities	40	93,361	85,586
Long-term borrowings	31	5,142,631	–
Bonds payables	41	18,534,110	17,939,628
Financial assets sold under repurchase agreements	36	538,568	335,329
Other payables and accruals	35	1,548,684	–
Total non-current liabilities		25,857,354	18,360,543
Total equity and non-current liabilities		92,651,676	82,465,701

This unaudited condensed consolidated financial statements on pages 64 to 122 was approved for issue by the Board of Directors on 26 August 2014 and signed on its behalf by:

Wang Kaiguo
Chairman of Board

Qu Qiuping
Executive Director and
General Manager

Li Chuqian
Chief Financial Officer

The accompanying notes presented on pages 71 to 122 form part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company						Non-controlling interests				Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000 (Note a)	Investment revaluation reserve RMB'000	Translation reserve RMB'000	General reserves RMB'000	Retained profits RMB'000	Total subsidiaries RMB'000	Share of net assets of subsidiaries RMB'000	Share option reserve of a subsidiary RMB'000	Total RMB'000	
Unaudited											
At 1 January 2014 (audited)	9,584,721	32,383,071	163,065	(413,634)	7,779,881	12,009,887	61,506,991	2,592,765	5,402	2,598,167	64,105,158
Profit for the period	-	-	-	-	-	2,877,518	2,877,518	139,409	-	139,409	3,016,927
Other comprehensive income for the period	-	-	106,183	30,524	-	-	136,707	5,974	-	5,974	142,681
Total comprehensive income for the period	-	-	106,183	30,524	-	2,877,518	3,014,225	145,383	-	145,383	3,159,608
Changes of equity interests in subsidiaries	-	(24,158)	-	-	-	-	(24,158)	176,524	-	176,524	152,366
Capital injection by non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	644,501	-	644,501	644,501
Cash dividend recognised as distribution (note 44)	-	-	-	-	-	(1,150,166)	(1,150,166)	(117,145)	-	(117,145)	(1,267,311)
At 30 June 2014	9,584,721	32,358,913	269,248	(383,110)	7,779,881	13,737,239	63,346,892	3,442,028	5,402	3,447,430	66,794,322
Unaudited											
At 1 January 2013 (audited)	9,584,721	32,376,205	63,963	(250,116)	6,740,034	10,164,876	58,679,683	1,745,511	5,402	1,750,913	60,430,596
Profit for the period (restated)	-	-	-	-	-	2,671,932	2,671,932	116,470	-	116,470	2,788,402
Other comprehensive income for the period	-	-	(50,739)	(69,997)	-	-	(120,736)	(21,777)	-	(21,777)	(142,513)
Total comprehensive income for the period (restated)	-	-	(50,739)	(69,997)	-	2,671,932	2,551,196	94,693	-	94,693	2,645,889
Changes of equity interests in subsidiaries	-	(709)	-	-	-	-	(709)	(33,040)	-	(33,040)	(33,749)
Capital injection by non-controlling shareholder of subsidiaries (restated)	-	-	-	-	-	-	-	279,514	-	279,514	279,514
Cash dividend recognised as distribution (note 44) (restated)	-	-	-	-	-	(1,150,166)	(1,150,166)	(103,869)	-	(103,869)	(1,254,035)
At 30 June 2013 (restated)	9,584,721	32,375,496	13,224	(320,113)	6,740,034	11,686,642	60,080,004	1,982,809	5,402	1,988,211	62,068,215

Notes:

- a. Capital reserve of the Group represents primarily (i) the share premium arisen from the issuance of the Company's shares and (ii) the difference between the considerations paid or received over the proportionate share of net assets attributable to the changes of the Group's equity interest in subsidiaries without loss of control.

The accompanying notes presented on pages 71 to 122 form part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited/ restated)
OPERATING ACTIVITIES		
Profit before income tax	3,859,718	3,616,023
Adjustments for		
Interest expenses	1,657,577	559,610
Share of results of associates and a joint venture	(36,893)	(30,484)
Depreciation and amortisation	143,437	152,564
Provision for/(reversal of) impairment loss in respect of other receivables	74,912	(22,764)
Gain on loan and receivable investments and others and interest income from held-to-maturity investments	(168,739)	(226,633)
Gain/(Loss) on disposal of property and equipment and other intangible assets	(851)	406
Foreign exchange losses, net	7,800	49,939
Net gains arising from available-for-sale investments	(225,612)	(465,140)
Impairment loss in respect of available-for-sale investments	-	1,165
Operating cash flows before movements in working capital	5,311,349	3,634,686
(Increase)/decrease in deposits and reserve funds and deposits with exchanges	(1,217,014)	1,395,102
Increase in advances to customers	(6,046,075)	(8,738,111)
(Increase)/decrease in accounts and other receivables and prepayments	(5,952,238)	139,767
Increase in financial assets held under resale agreements	(5,751,746)	(2,018,697)
(Increase)/decrease in financial assets at fair value through profit or loss and derivative financial assets	(3,482,073)	3,459,880
Increase in restricted fixed bank deposits	(22,229)	(11,992)
Increase in cash held on behalf of clients	(4,949,013)	(1,279,434)
Increase in financial lease receivables	(2,581,984)	-
Increase in accounts payable to brokerage clients and other payables and accruals	6,444,397	3,096,962
Increase in financial liabilities at fair value through profit or loss and derivative financial liabilities	2,419,489	11,263
Increase in financial assets sold under repurchase agreements	7,957,000	2,594,479
Increase in deposits taken from banks and other financial institutions	3,000,000	3,190,000
(Decrease)/increase in provisions	(247)	38,439
Cash (used in)/generated from operations	(4,870,484)	5,512,344
Income taxes paid	(700,633)	(318,323)
Interest paid	(546,840)	(517,872)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(6,117,957)	4,676,149

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	<i>Notes</i>	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited/ restated)
INVESTING ACTIVITIES			
Dividends received from associates and other investments		53,240	–
Purchases of property and equipment and other intangible assets		(113,977)	(211,138)
Proceeds on disposal of property and equipment		2,574	3,258
Proceeds from disposal of an associate		1,287	–
Other cash received from investing activities		397,368	247,033
(Increase)/decrease in available-for-sale investments		(458,957)	138,110
Net cash flows from business combination	50	(3,784,038)	–
Payment for other investment activities		(1,729,293)	(2,641,308)
NET CASH USED IN INVESTING ACTIVITIES		(5,631,796)	(2,464,045)
FINANCING ACTIVITIES			
Dividends paid		(1,221,453)	(46,116)
Proceeds from transactions with non-controlling interest		153,735	–
Purchase of additional interest in subsidiaries		–	(35,882)
Proceeds from short term bonds and non-convertible bonds		3,296,392	–
Proceeds from issue of subsidiaries' shares		644,501	276,511
Borrowings raised (repaid)		9,515,408	1,033,832
Borrowing and bond interest paid		(589,430)	(33,648)
Proceeds from other financing activities		–	3,634
NET CASH FROM FINANCING ACTIVITIES		11,799,153	1,198,331
NET INCREASE IN CASH AND CASH EQUIVALENTS		49,400	3,410,435
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		20,372,606	16,361,970
Effect of foreign exchange rate changes		9,827	(108,712)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	30	20,431,833	19,663,693
Total interest paid		(1,136,270)	(551,520)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. GENERAL INFORMATION OF THE GROUP

The Company was transformed from Shanghai Haitong Securities Company (上海海通證券公司), which was established in 1988, to a limited liability company upon the authorisation by the People's Bank of China in September 1994 and had changed its name to 海通證券有限公司. In December 2001, the Company was further transformed to a joint-stock company upon the approval from China Securities Regulatory Commission (the "CSRC"). In January 2002, the Company changed its name from 海通證券有限公司 to Haitong Securities Co., Ltd. (海通證券股份有限公司). In June 2007, the Company's merger with former Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) was approved by the CSRC, and was listed on the Shanghai Stock Exchange in July in the same year, with its listing reference name changed to "Haitong Securities". On 27 April 2012, the Company issued H shares which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company and its subsidiaries (the "Group") are principally engaged in securities and futures contracts dealing and broking, proprietary trading, margin and other financing, underwriting, assets management, finance leasing and providing investment advisory and consultancy services.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The condensed consolidated financial statements of the Group should be read in conjunction with its 2013 annual financial statements.

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

Significant accounting policies relating to leasing businesses

During the current interim period, the transaction that Haitong International Holdings Limited ("HIH"), a wholly-owned subsidiary of the Company, to acquire 100% shares of UT Capital Group Co., Ltd ("UT Capital Group") from UT Capital Holdings Co., Ltd ("UT Capital Holdings"), an independent third party, has been completed. UT Capital Group together with its three directly or indirectly wholly-owned subsidiaries, namely, UniTrust Finance & Leasing Corporation ("UniTrust"), UniFortune International Leasing Co., Ltd ("UniFortune"), and Shanghai UniCircle Investment & Development Co., Ltd ("UniCircle"), became the subsidiaries of the Group. UT Capital Group mainly engages in finance lease business. Since then, accounting policies relating to leasing businesses have become significant accounting policies of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Significant accounting policies relating to leasing businesses (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognised as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognised as unearned finance income. Unearned finance income is recognised as finance income for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Application of a new interpretation and amendments to International Financial Reporting Standards ("IFRSs")

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to IFRSs issued by the IASB, which are applicable for the Group's financial year beginning on 1 January 2014.

Amendments to IFRS 10,

IFRS 12 and IAS 27

Amendments to IAS 32

Amendments to IAS 39

IFRIC 21

Investment Entities

Offsetting Financial Assets and Financial Liabilities

Novation of Derivatives and Continuation of Hedge Accounting

Levies

The application of the above new interpretation and amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Except for the significant accounting policies relating to leasing businesses and new interpretation and amendments to IFRSs mentioned above, the significant accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the 2013 Annual Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of condensed consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The key sources of estimation uncertainty used in the condensed consolidated financial statement for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

4. COMMISSION AND FEE INCOME

	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited)
Commission on securities dealing and broking and handling fee income	1,943,933	1,786,267
Commission on futures and options contracts dealing and broking and handling fee income	159,487	203,217
Financial advisory and consultancy fee income	139,057	326,388
Underwriting and sponsor's fees	681,515	375,763
Asset management fee income (including fund management income)	381,613	365,999
Commission on bullion contracts dealing	681	3,091
Others	3,616	10,327
	3,309,902	3,071,052

5. INTEREST INCOME

	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited)
Bank interest income	944,577	789,310
Interest income from finance leases	656,476	-
Interest income from advances to customers	1,138,701	678,191
Interest income from financial assets held under resale agreements (note)	423,783	90,990
Interest income from held-to-maturity investments	20,104	51,879
Other interest income	266	3,285
	3,183,907	1,613,655

Note: In the current period, interest income from financial assets held under resale agreements includes the interest income from securities repo, amounting to RMB117,778,000 (2013: RMB84,218,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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6. NET INVESTMENT GAINS

	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited/ restated)
Net gains arising from available-for-sale investments	225,612	465,140
Net gains arising from financial assets/liabilities at fair value through profit or loss	964,114	833,458
Fair value change of financial instruments at fair value through profit or loss	810,848	406,180
Gains from fair value hedge (note 37)	23,960	90,520
Net gains arising from loan and receivable investments and others	148,635	174,754
	2,173,169	1,970,052

7. OTHER INCOME AND GAINS

	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited)
Non-recurring government grants (note)	123,014	96,180
Rental income from investment properties	7,236	7,259
Foreign exchange losses, net	(7,800)	(49,939)
Others	127,804	14,336
	250,254	67,836

Note: The non-recurring government grants were received unconditionally by the Company and its subsidiaries from their respective local governments where they reside. The main purpose is to subsidise the operation of these entities.

8. DEPRECIATION AND AMORTISATION

	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited)
Depreciation for property and equipment	111,859	120,468
Depreciation for investment properties	1,664	1,664
Amortisation of other intangible assets	29,662	30,180
Amortisation of prepaid lease payments	252	252
	143,437	152,564

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

9. BROKERAGE TRANSACTION FEES AND OTHER SERVICES EXPENSES

	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited)
Securities and futures dealing and broking expenses	242,048	222,357
Services expenses for underwriting, sponsorship, financial advisory and others	35,219	34,725
	277,267	257,082

10. INTEREST EXPENSES

	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited)
Bank loans and overdrafts	349,056	39,407
Placement from banks	63,912	72,320
Financial assets sold under repurchase agreements (note)	538,197	311,009
Accounts payable to brokerage clients	52,191	50,110
Placement from China Securities Finance Corporation Ltd.	39,814	51,695
Bond payables	614,344	–
Others	63	35,069
	1,657,577	559,610

Note: In the current period, interest expenses from financial assets sold under repurchase agreements includes the interest expenses from bond pledged repo in stock exchange, amounting to RMB22,098,000 (2013: RMB34,150,000).

11. PROFIT BEFORE INCOME TAX

	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited)
The Group's profit before income tax is arrived at after charging (crediting):		
Impairment loss in respect of available-for-sale investments (included in other expenses)	–	1,165
Provision for/(reversal) of impairment loss in respect of receivables	74,912	(22,764)
Loss/(gain) on disposal of property and equipment and other intangible assets	(851)	406
Operating lease rentals in respect of rented premises	151,240	141,794

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

12. INCOME TAX EXPENSE

	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited)
Current tax:		
PRC Enterprise Income Tax and other jurisdictions	576,369	593,435
Hong Kong Profits Tax	47,804	18,918
	624,173	612,353
Adjustments to current income tax in relation to prior years:		
PRC Enterprise Income Tax and other jurisdictions	(5,551)	1,868
Hong Kong Profits Tax	–	(52)
	(5,551)	1,816
Deferred tax	224,169	213,452
	842,791	827,621

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate is 25%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

13. EARNINGS PER SHARE

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

	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited/ restated)
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	2,877,518	2,671,932
Effect of dilutive potential ordinary shares:		
Interest expense on convertible bonds (note i)	15,496	–
Adjustment to the share of profit of a listed subsidiary based on dilution of its earnings per share (note i)	(29,141)	–
Earnings for the purpose of diluted earnings per share	2,863,873	2,671,932
Number of shares for basic and diluted earnings per share:		
Number of shares in issue(in thousand)	9,584,721	9,584,721
Basic earnings per share (Expressed in RMB per share)	0.30	0.28
Diluted earnings per share (Expressed in RMB per share)	0.30	0.28

- (i) On 18 July 2013 and 10 October 2013, a listed subsidiary of the Company, issued convertible bonds of HKD776 million and HKD232 million respectively (Details are set out in note 41). These convertible bonds created a potential dilutive effect to the basic earnings per share. In the calculation of the diluted earnings per share, the convertible bonds are assumed to have been converted into ordinary shares of the subsidiary.

For the six months ended 30 June 2014 and 2013, as the exercise price of the listed subsidiary's share options is above its average share price, the share options have no effect of dilutive potential ordinary shares for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

14. PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Unaudited							
COST							
As at 1 January 2014	1,012,010	627,474	730,124	165,014	131,255	4,440	2,670,317
Transfer in arising from acquisition of subsidiary	–	3,561	1,818	411	1,362	–	7,152
Additions during the period	–	13,932	46,992	7,979	6,697	4,148	79,748
Disposals during the period	–	–	(19,340)	(7,644)	(5,290)	–	(32,274)
Transfer during the period	–	3,394	–	–	11	(3,405)	–
As at 30 June 2014	1,012,010	648,361	759,594	165,760	134,035	5,183	2,724,943
ACCUMULATED DEPRECIATION							
As at 1 January 2014	278,347	467,925	535,430	104,275	82,354	–	1,468,331
Provided for the period	15,053	37,180	42,500	8,975	8,151	–	111,859
Eliminated on disposals	–	–	(15,680)	(7,335)	(4,796)	–	(27,811)
As at 30 June 2014	293,400	505,105	562,250	105,915	85,709	–	1,552,379
ALLOWANCE FOR IMPAIRMENT LOSSES							
As at 1 January 2014 and 30 June 2014	30,382	–	–	–	–	–	30,382
CARRYING VALUES							
As at 30 June 2014	688,228	143,256	197,344	59,845	48,326	5,183	1,142,182

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

14. PROPERTY AND EQUIPMENT (continued)

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Audited							
COST							
As at 1 January 2013	870,063	589,132	717,244	155,235	144,877	4,945	2,481,496
Additions during the period	142,024	25,285	86,808	15,009	8,808	14,340	292,274
Disposals during the period	(77)	–	(73,981)	(5,230)	(24,165)	–	(103,453)
Transfer during the period	–	13,057	53	–	1,735	(14,845)	–
As at 31 December 2013	1,012,010	627,474	730,124	165,014	131,255	4,440	2,670,317
ACCUMULATED DEPRECIATION							
As at 1 January 2013	245,956	381,335	515,160	88,193	86,015	–	1,316,659
Provided for the period	32,421	86,590	85,488	20,898	17,905	–	243,302
Eliminated on disposals	(30)	–	(65,218)	(4,816)	(21,566)	–	(91,630)
As at 31 December 2013	278,347	467,925	535,430	104,275	82,354	–	1,468,331
ALLOWANCE FOR IMPAIRMENT LOSSES							
As at 1 January 2013 and 31 December 2013	30,382	–	–	–	–	–	30,382
CARRYING VALUES							
As at 31 December 2013	703,281	159,549	194,694	60,739	48,901	4,440	1,171,604

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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15. GOODWILL

	30.6.2014 <i>RMB'000</i> (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Cost	2,616,667	623,072

Cost

	30.6.2014 <i>RMB'000</i> (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
At the beginning of the period/year	623,072	642,398
Goodwill arising on acquisition (Note 51)	1,968,860	–
Effect of exchange rate	24,735	(19,326)
	2,616,667	623,072

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	30.6.2014 <i>RMB'000</i> (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
A joint venture:		
Cost of unlisted investments in associates	122,076	122,076
Share of post-acquisition profits and other comprehensive income, net of dividends received	6,919	11,917
Associates:		
Cost of unlisted investments in associates	1,871,965	1,873,265
Share of post-acquisition profits and other comprehensive income, net of dividends received	230,830	224,011
	2,231,790	2,231,269

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

The Group has the following investments accounted for using equity method:

Name of entity	Place of establishment	Equity interest held by the Group		Principal activities
		As at 30 June 2014	As at 31 December 2013	
A joint venture:				
Haitong-AC Asian Special Opportunities Fund	Cayman Islands	44%	44%	Investment holding
Associates:				
富國基金管理有限公司 Fullgoal Fund Management Co. Ltd.*	PRC	27.775%	27.775%	Provision of fund trading distribution services
海富金匯(天津)資本管理企業 (有限合夥)	PRC	–	65.00%	Investing in securities
HFT Jinhui (Tianjin) Capital Management Enterprise (Limited Partnership)*^				
吉林省現代農業和新興產業 投資基金有限公司 Jilin Modern Agricultural and Emerging Markets Investment Fund Limited (“Jilin”)*	PRC	37.50%	37.50%	Investing in securities
西安航天新能源產業投資有限公司 Xian Aerospace and New Energy Industry Fund (“Xi’an Aerospace”)*	PRC	37.00%	37.00%	Investing in securities
上海文化產業股權投資基金 合夥企業(有限合夥) Shanghai Cultural Industries Investment Fund (Limited Partnership)**	PRC	42.83%	42.83%	Investing in securities
山東華安新材料有限公司 Shandong Hua’an New Material Co., Ltd	PRC	21.71%	21.71%	Manufacturing
Trinitus Asset Management management Limited	Hong Kong	20%	20%	Investment management services
Diamond Head Capital International, Ltd Class E	Cayman Islands	31.54%	31.43%	Investment holding

* The English translated name is for identification only.

^ Pursuant to the partnership agreement, the Group is a limited partner of the partnership and therefore the Group does not control HFT Jinhui (Tianjin) Capital Management Enterprise (Limited Partnership) (海富金匯(天津)資本管理企業(有限合夥)) (hereinafter referred to as “HFT Jinhui”). The directors of the Company consider that the Group does exercise significant influence over HFT Jinhui through the Group’s participation in its operating and financing activities and it is therefore classified as an associate of the Group.

On 12 March 2014, HFT Jinhui received approval for cancellation from Tianjin Administration for Industry and Commerce Binhai New District Office. Carrying amount of the investment at the beginning of this period is RMB1,123,000. As at the end of March 2014, the Company had retrieved RMB1,287,000 from investment in HFT Jinhui, among which, cash and bank deposit RMB1,287,000, and recognized a gain of RMB164,000 in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

17. FINANCE LEASE RECEIVABLES

	30.6.2014 <i>RMB'000</i> (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Finance lease receivables	17,739,464	–
Less: unrecognized finance income	(2,472,545)	–
Finance lease receivables balance	15,266,919	–
Less: allowance for impairment	(256,838)	–
Finance lease receivables, net	15,010,081	–
Analysed for reporting purpose as:		
Current assets	6,030,500	–
Non-current assets	8,979,581	–
	15,010,081	–

The minimum lease receivables due are analysed by periods as follows:

	30.6.2014		31.12.2013	
	Net book value	percent (%)	Net book value	percent (%)
Within 1 year	7,152,610	40	–	–
1 to 2 years	5,061,709	29	–	–
2 to 3 years	3,083,235	17	–	–
Over 3 years	2,441,910	14	–	–
Sub-total	17,739,464	100	–	–
Unrecognized finance income	(2,472,545)		–	
Present value of minimum lease payments receivables	15,266,919		–	
Allowance for impairment	(256,838)		–	
Finance lease receivables, net	15,010,081		–	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

17. FINANCE LEASE RECEIVABLES (continued)

a) Finance lease receivables are analyzed by industries as follows:

	30.06.2014		31.12.2013	
	Amount	percent(%)	Amount	percent(%)
Education	6,901,045	39	–	–
Healthcare	4,283,954	24	–	–
Printing & Packaging	2,208,058	12	–	–
Machinery processing	2,032,794	11	–	–
Motor vehicles	625,783	5	–	–
Agricultural and forestry machinery	517,562	3	–	–
Textile	338,562	2	–	–
Electronics	313,827	2	–	–
Plastic	255,750	1	–	–
New energy	133,907	1	–	–
Others	128,222	0	–	–
Sub-total	17,739,464	100	–	–
Unrecognized finance income	(2,472,545)		–	
Present value of minimum lease payments receivables	15,266,919		–	
Allowance for impairment	(256,838)		–	
Finance lease receivables, net	15,010,081		–	

b) Allowance for impairment

	30.6.2014			31.12.2013		
	Individual assessment	Collective assessment	Total	Individual assessment	Collective assessment	Total
As at beginning of the period/year	–	–	–	–	–	–
Addition during the period/year	62,879	193,959	256,838	–	–	–
As at end of the period/year	62,879	193,959	256,838	–	–	–

18. HELD-TO-MATURITY INVESTMENTS

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Debt securities listed in Hong Kong	257,699	634,962
Analysed as:		
Current assets	105,724	281,613
Non-current assets	151,975	353,349
	257,699	634,962

As at 30 June 2014, the fair value of the held-to-maturity investments was approximately RMB260,699,000 (31 December 2013: RMB636,386,000). These corporate bonds were issued by various corporate entities with coupon rate ranging from 4.4% to 13.75% per annum and maturity dates ranging from 22 July 2014 to 22 May 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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19. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> <i>(audited)</i>
Debt securities	2,452,874	1,579,670
Equity securities	4,022,037	4,460,217
Funds	904,253	1,095,378
Others (note i)	3,092,397	2,537,513
	10,471,561	9,672,778
Analysed as:		
Listed in Hong Kong	13,891	12,088
Listed outside Hong Kong (primarily in the PRC)	3,062,849	3,471,268
Unlisted	7,394,821	6,189,422
	10,471,561	9,672,778
Analysed as:		
Listed equity securities (note ii)	1,463,298	1,835,251
Unlisted equity securities (note iii)	2,558,739	2,624,966
	4,022,037	4,460,217
Analysed for reporting purpose as:		
Current assets	5,358,682	4,951,872
Non-current assets	5,112,879	4,720,906
	10,471,561	9,672,778

Note:

- (i) The others comprise structured products and trust products where funds are mainly invested in listed securities, fund and beneficial rights in loans pledged by securities; the Group's return of investment is tied to the result of such investment.
- (ii) Included in the Group's listed equity securities of approximately RMB960,694,000 and RMB263,587,000 as at 30 June 2014 and 31 December 2013, respectively, are restricted shares listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within a specified period. The fair values of these securities have taken into account the instrument-specific restriction.
- (iii) The unlisted equity securities held by the Group are issued by private companies (including companies in (among others) banking, manufacturing, property development and utilities sectors). 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, these equity securities are measured at cost less impairment at the reporting date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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19. AVAILABLE-FOR-SALE INVESTMENTS (continued)

In the opinion of the directors of the Company, non-current available-for sale investments are expected to be realised or not restricted for sale beyond one year from the end of the respective reporting periods.

As at 30 June 2014 and 31 December 2013, the Group has entered into securities lending arrangements with clients that resulted in the transfer of available-for-sale investments with a total fair value of RMB194,045,000 and RMB294,226,000 to external clients, respectively, which did not result in the derecognition of such financial assets. RMB2,073,311,000 and RMB1,350,325,000 cash collateral was received from clients for such securities lending arrangements and margin financing activities carried out in the PRC, and reported under accounts payable to brokerage clients (note 34).

20. LOAN AND RECEIVABLE INVESTMENTS

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Structured products (note)	2,678,601	877,756
Trust products (note)	1,975,300	2,013,300
Bonds	1,142,150	1,024,199
	5,796,051	3,915,255
Analysed for reporting purpose as:		
Current assets	3,540,994	2,086,056
Non-current assets	2,255,057	1,829,199
	5,796,051	3,915,255

Note: The above products comprise fixed-yield structured products and trust products, which are recoverable in determinable amounts by principle and interest according to the relevant agreements.

21. OTHER ASSETS

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Foreclosed assets	33,485	33,485
Deposits with the Hong Kong Stock Exchange	1,192	1,181
Contributions to reserve funds of		
– HKFE Clearing Corporation Limited	5,749	4,557
– The SEHK Options Clearing House Limited	3,353	6,786
Deposits for trading rights	12,057	28,715
Prepaid lease payments	15,759	16,011
	71,595	90,735

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

22. ADVANCES TO CUSTOMERS

	30.6.2014 <i>RMB'000</i> (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Loans to margin clients (note i)	32,688,910	25,759,839
Other loans and advances (note ii)	823,575	1,706,571
Less: Allowance for doubtful debts	(1,114)	(1,114)
	33,511,371	27,465,296
Analysed for reporting purpose as:		
Current assets	32,459,218	26,531,096
Non-current assets	1,052,153	934,200
	33,511,371	27,465,296

Notes:

- (i) The credit facility limits to margin clients are determined by the discounted market value of the securities collateral accepted by the Group.

The majority of the loans to margin clients which are secured by the underlying pledged securities are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make good of the shortfall.

Advances to customers as at 30 June 2014 and 31 December 2013 were secured by the customers' securities to the Group as collateral with undiscounted market value of approximately RMB98,630,640,000 and RMB78,898,188,000, respectively.

No ageing analysis is disclosed as in the opinion of the directors, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.

The Group determines the allowance for impaired debts based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the assessment of change in credit quality, collateral and the past collection history of each client. There was RMB1,114,000 impaired debt for the six months ended 30 June 2014 and the year ended 31 December 2013. The concentration of credit risk is limited due to the customer base being large and unrelated.

- (ii) All other loans and advances are secured and/or backed by guarantees with contractual maturity within 2 years from the reporting date. These loans bear interest at Hong Kong prime rate minus 2% to Hong Kong prime rate plus 10% or at a fixed rate of 2% to 13% per annum and fair value is similar to book value. (31 December 2013: Hong Kong prime rate minus 2% to Hong Kong prime rate plus 10% or at a fixed rate of 2% to 13% per annum).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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23. ACCOUNTS RECEIVABLE

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Accounts receivable from:		
– Cash clients	138,230	115,359
– Brokers, dealers and clearing houses	2,496,496	1,368,823
– Advisory and financial planning	6,372	7,990
– Asset and fund management	636,761	120,642
– Clients for subscription of new shares in IPO (Note)	3,246,397	228
– Others	515,683	34,338
	7,039,939	1,647,380
Less: allowance for doubtful debts on account receivables	(861)	(122)
	7,039,078	1,647,258

Note: Clients for subscription of new shares in IPO is from a Hong Kong subsidiary. Account receivable from clients arising from financing of IPO subscriptions are required to settle their securities trading balances on the allotment date determined under the relevant market practices or exchange rules. As at 30 June 2014, the settlement dates are in the range of 2 July 2014 to 8 July 2014.

Movements in the allowance for doubtful debts are as follows:

	2014/06/30 RMB'000	2013/12/31 <i>RMB'000</i>
At beginning of the period/year	122	–
Provision for impairment allowance, net	739	122
At end of the period/year	861	122

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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23. ACCOUNTS RECEIVABLE (continued)

Ageing analysis of accounts receivable from the trade date is as follows:

	30.6.2014 <i>RMB'000</i> (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Between 0 and 3 months	6,951,726	1,618,954
Between 4 and 6 months	21,239	15,597
Between 7 and 12 months	11,062	8,023
Over 1 year	55,051	4,684
	7,039,078	1,647,258

Except for accounts receivables from financial leasing, the normal settlement terms for accounts receivable from clients and brokers, dealers and clearing houses are within two days after the trade date. Normal settlement terms of accounts receivable from advisory and financial planning, asset and fund management are determined in accordance with the contract terms, usually within one year after the service provided.

Trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. The management regularly monitors the qualities of the receivables to ensure that the listed equity securities belonged to clients in which the Group holds as custodian are sufficient to cover the amount due to the Group.

24. OTHER RECEIVABLES AND PREPAYMENTS

	30.6.2014 <i>RMB'000</i> (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Interest receivable	1,481,302	1,441,683
Dividend receivable	–	30,000
Expenses for underwriting business to be settled by clients	2,180	420
Other receivables and prepayments	1,393,027	915,102
	2,876,509	2,387,205
Less: Allowance for doubtful debts on other receivables	(499,647)	(497,857)
	2,376,862	1,889,348

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

24. OTHER RECEIVABLES AND PREPAYMENTS (continued)

Movements in the allowance for doubtful debts are as follows:

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
At beginning of the period/year	497,857	520,092
Reversal of impairment allowance, net	(2,439)	(20,288)
Recoveries of other receivables previously written off	4,229	7,448
Amounts written off during the period/year	–	(9,395)
At end of the period/year	499,647	497,857

As at 30 June 2014, included in the allowance for doubtful debts of the Group mainly represents a gross receivable of RMB550,000,000 from an independent third party. In the opinion of the directors of the Company, the recoverability of the receivable is remote and a full provision was made in prior year. As of 30 June 2014, amounts of RMB72,602,000 (31 December 2013: RMB65,105,000) of the above receivable were recovered. In 2014, amounts of RMB7,497,000 (2013:RMB18,764,000) of the above receivable were recovered.

25. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Analysed by collateral type:		
Stock (note)	12,777,770	8,095,083
Bonds	2,009,342	902,240
Fund	51,627	39,670
	14,838,739	9,036,993
Analysed by market:		
Shanghai Stock Exchange	9,222,939	5,943,360
Shenzhen Stock Exchange	4,368,422	2,590,622
Inter- bank market	875,378	107,000
Others	372,000	396,011
	14,838,739	9,036,993
Analysed for reporting purpose as:		
Current assets	13,348,251	9,036,993
Non-current assets	1,490,488	–
	14,838,739	9,036,993

Note: The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchase the specified securities at a future date with an agreed price. As of 30 June 2014, the fair value of the collateral was RMB41,577,653,000. (2013: RMB20,993,516,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> <i>(audited)</i>
Debt securities	32,431,105	32,207,768
Equity securities	10,081,953	6,940,629
Funds	8,504,566	8,394,003
Derivatives (note 37)	61,932	47,647
	51,079,556	47,590,047
Analysed as:		
Listed in Hong Kong	204,540	210,048
Listed outside Hong Kong (primarily in the PRC)	33,420,710	31,906,580
Unlisted	17,454,306	15,473,419
	51,079,556	47,590,047

As at 30 June 2014 and 31 December 2013, the Group has entered into securities lending arrangements with clients that resulted in the transfer of financial assets at fair value through profit or loss with a total fair value of RMB124,417,000 and RMB46,596,000 respectively to external clients, which did not result in derecognition of the financial assets.

27. DEPOSITS WITH EXCHANGES

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> <i>(audited)</i>
Deposits with stock exchanges		
– Shanghai Stock Exchange	99,209	68,973
– Shenzhen Stock Exchange	52,217	48,576
– Other	1,900	–
	153,326	117,549
Deposits with futures and commodity exchanges		
– Shanghai Futures Exchange	1,123,578	854,953
– Dalian Commodity Exchange	663,285	447,736
– Zhengzhou Commodity Exchange	286,867	284,600
– China Financial Futures Exchange	2,586,614	1,801,083
	4,660,344	3,388,372
Guarantee fund		
– Guarantee fund paid to Shanghai Stock Exchange	17,471	11,730
– Guarantee fund paid to Shenzhen Stock Exchange	9,218	11,951
– Deposit with China Securities Finance Corporation Ltd.	89,378	164,233
	116,067	187,914
	4,929,737	3,693,835

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

28. CLEARING SETTLEMENT FUNDS

	30.6.2014	31.12.2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Clearing settlement funds held with clearing houses for:		
The Group	1,113,768	1,563,201
Clients	4,811,605	4,187,852
	5,925,373	5,751,053

These clearing settlement funds are held by the clearing houses for the Group and can be withdrawn freely by the Group. These balances carry interest at prevailing market interest rates.

29. BANK BALANCES AND CASH

	30.6.2014	31.12.2013
	RMB'000	RMB'000
	(unaudited)	(audited)
General accounts	19,709,431	19,158,636
Cash held on behalf of clients (note i)	38,102,848	33,777,588
	57,812,279	52,936,224
Less: Non-current restricted bank deposits (note ii)	(391,366)	(349,231)
	57,420,913	52,586,993

Bank balances and cash comprise cash on hand and demand deposits which bear interest at the prevailing market rates.

Notes:

- (i) The Group maintain segregated bank accounts with banks to hold clients' deposits arising from normal business transactions. The Group have recognised the corresponding amount in accounts payable to brokerage clients (note 34). The Group currently does not have a legally enforceable right to offset these payables with deposit place.
- (ii) The non-current restricted bank deposits are mainly restricted for fund management general reserve purpose.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises the following:

	30.6.2014 <i>RMB'000</i> (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Bank balances and cash – general account	19,709,431	19,158,636
Less: Restricted bank deposits	(391,366)	(349,231)
Clearing settlement funds – the Group	1,113,768	1,563,201
	20,431,833	20,372,606

31. BORROWINGS

	30.6.2014 <i>RMB'000</i> (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Secured borrowings:		
Short-term borrowings (notes (i), (ii), (iii))	5,539,863	2,206,850
Long-term borrowings (notes (iv))	9,070,417	–
Unsecured borrowings:		
Short-term borrowings (notes (ii), (iii))	8,965,969	3,589,545
Long-term borrowings	61,100	–
	23,637,349	5,796,395
Current liabilities:		
Short-term borrowings (notes (i), (ii), (iii))	14,505,832	5,796,395
Long-term borrowings due within one year	3,988,886	–
	18,494,718	5,796,395
Non-current liabilities:		
Long-term borrowings	5,142,631	–
	23,637,349	5,796,395

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

31. BORROWINGS (continued)

Notes:

- (i) The Group's subsidiaries had bank loans of approximately RMB2,942,945,000 and RMB2,206,850,000 as at 30 June 2014 and 31 December 2013, respectively which were secured by the listed shares pledged to the Group as collateral for advances to customers (with customers' consent) of approximately RMB7,579,519,000 and RMB5,351,868,000 as at 30 June 2014 and 31 December 2013, respectively.

The Group's subsidiary had short-term bank loans of approximately RMB332,687,000 and RMB2,264,231,000 at 30 June 2014, which were secured by finance lease receivables of approximately RMB408,840,000 at 30 June 2014 and 100% equity interest of UniTrust pledged by the Group as collateral respectively. The fair value of share is enough to cover the borrowing's principle and interest.

- (ii) Short-term bank borrowings and other loans are repayable on demand or within 1 year.
- (iii) The Group's Hong Kong subsidiaries' bank borrowings bear interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 0.55% to HIBOR plus 2.25% per annum and HIBOR plus 0.55% to HIBOR plus 2% per annum as at 30 June 2014 and 31 December 2013, respectively. As at 30 June 2014, the Group's domestic subsidiary has short-term bank loans and long-term bank loans bearing interest from 4.6% to 6.9% per annum and long-term bank loans bearing interest at 6.15% per annum, respectively.
- (iv) The Group's subsidiaries had long-term bank loans of approximately RMB8,117,917,000 and RMB952,500,000 at 30 June 2014, respectively which were secured by finance lease receivables and fund pledged to the Group as collateral with fair value of approximately RMB13,163,614,000 and RMB1,137,830,000 at 30 June 2014, respectively.

32. SHORT-TERM FINANCING BILLS PAYABLES

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Analysed as:		
Inter-bank	5,800,000	3,000,000

As at 30 June 2014, the short-term financing bills are debt securities issued by the Company in PRC inter-bank market bearing interest at 4.7% to 4.77% per annum (31 December 2013: 5.1% per annum), repayable within 3 months.

33. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Placement from banks	3,000,000	–
Placement from China Securities Finance Corporation Ltd.	1,120,000	1,120,000
	4,120,000	1,120,000

As at 30 June 2014, all the placements from banks and other financial institutions bear interest at rates from 3.21% to 7.1% per annum with a short-term maturity of 3 month or less (31 December 2013: 7% per annum with maturities of 3 month or less).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

34. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

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

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

Accounts payable mainly include money held on behalf of clients at banks and at clearing houses by the Group.

As at 30 June 2014 and 31 December 2013, included in the Group's accounts payable to brokerage clients were approximately RMB2,073,311,000 and RMB1,350,325,000 cash collateral received from clients for securities lending and margin financing arrangements.

Accounts payable to brokerage clients are interest bearing at the prevailing interest rates.

35. OTHER PAYABLES AND ACCRUALS

	30.6.2014 <i>RMB'000</i> (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Accrued staff cost	713,909	853,296
Business tax and other tax payable	201,046	248,003
Pending payable to open-fund issuers	–	73,527
Dividends payable	45,858	7,536
Risk reserve regarding future brokerage business	127,101	112,711
Pending payable to clearing house	178,272	371,557
Settlement payables	2,912,836	746,615
Commission and fee payables	40,520	19,248
Payables due to fund redemption	61	74,027
Lease guarantee deposits	1,855,577	–
Interest payables	659,138	228,387
Payables relating to equipment for finance lease businesses	187,675	–
Others	755,250	560,590
	7,673,243	3,295,497
Analysed for reporting purpose as:		
Current liabilities	6,124,559	3,295,497
Non-current liabilities	1,548,684	–
	7,673,243	3,295,497

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

36. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Analysed as collateral type:		
Funds	404,904	–
Bonds	22,880,369	21,564,645
Other rights and interests in debt instruments	11,520,520	4,882,598
	34,805,793	26,447,243
Analysed by market:		
Shanghai Stock Exchange	15,878,745	15,046,296
Shenzhen Stock Exchange	–	234,540
Inter-bank market	7,406,528	5,948,480
Others	11,520,520	5,217,927
	34,805,793	26,447,243
Analysed for reporting purpose as:		
Current	34,267,225	26,111,914
Non-current	538,568	335,329
	34,805,793	26,447,243

As of 30 June 2014, the above financial assets sold under repurchase agreements include those repurchase agreements entered into with qualified investors, which amounted to RMB950,162,000 (31 December 2013: RMB1,001,497,000).

Sale and repurchase agreements are transactions in which the Group sell a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities are not derecognized from the financial statements but regarded as the collateral of liabilities, because the Group retains substantially all the risks and rewards of these securities. In addition, it recognises a financial liability for cash received.

As at 30 June 2014 and 31 December 2013, the Group enters into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as financial assets sold under repurchase agreements. As the Group does not have the legal title of the securities, it does not have the ability to use the transferred securities during the term of the arrangement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

36. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (continued)

The following tables provides a summary of carrying amounts and fair values of the transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at 30 June 2014

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale investments RMB'000	Financial assets held under repurchase agreements RMB'000	Loans and advances to customers RMB'000	Total RMB'000
Carrying amount of transferred assets	22,400,298	1,266,833	11,671,546	1,667,667	37,006,344
Carrying amount of associated liabilities	22,328,500	1,262,772	10,077,421	1,137,100	34,805,793
Net position	71,798	4,061	1,594,125	530,567	2,200,551

As at 31 December 2013

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale investments RMB'000	Financial assets held under repurchase agreements RMB'000	Loans and advances to customers RMB'000	Held-to-maturity investment RMB'000	Total RMB'000
Carrying amount of transferred assets	25,887,326	1,368,035	1,467,145	4,323,626	597,175	33,643,307
Carrying amount of associated liabilities	20,163,748	1,065,568	982,598	3,900,000	335,329	26,447,243
Net position	5,723,578	302,467	484,547	423,626	261,846	7,196,064

37. DERIVATIVE INSTRUMENTS

	30.6.2014		31.12.2013	
	Assets RMB'000 (unaudited)	Liabilities RMB'000 (unaudited)	Assets RMB'000 (audited)	Liabilities RMB'000 (audited)
Stock index futures contracts (note i, note ii)	-	-	-	-
Treasury futures contracts (note iii)	-	-	-	-
Commodity Futures (note iv)	-	-	-	-
Interest swap contracts (note v)	25,323	19,805	16,553	51,801
Equity linked notes (note vi)	36,609	-	31,094	-
Total	61,932	19,805	47,647	51,801

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

37. DERIVATIVE INSTRUMENTS (continued)

Notes:

(i) Hedge

The stock index futures contracts outstanding as at 30 June 2014 and 31 December 2013 are used to hedge the exposure to the changes in fair values of certain available-for-sale investments. The index future contract of the Group is the standard CSI 300 stock index futures contracts listed in China Financial Futures Exchange.

Fair value hedge

The Group adopted hedging strategy, where by the Group used CSI 300 stock index future contract to hedge the market risk of the securities lent or to be lent to clients, which consist of stock portfolio with reference to that used by CSI 300 stock index.

At the inception of the hedge relationship, the Group have designated the CSI 300 stock index future contract as hedging instrument, and document the hedging relationship, risk management and hedge strategy. According to the effectiveness test of the fair value hedge by the Group, the hedge instruments are considered highly effective.

Included in the derivative financial instruments above are those designated as hedging instruments in a fair value hedge by the Group as follows:

	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited)
Fair value gain on hedging instruments	188,867	489,500
Fair value loss on hedged items	(164,907)	(398,980)
Total	23,960	90,520

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

37. DERIVATIVE INSTRUMENTS (continued)

Notes: continued

(ii) CSI 300 stock index futures

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 payments or receipts were included in "clearing settlement funds" as at 30 June 2014 and 31 December 2013. Accordingly, the net position of the SIF contracts in derivative instruments was nil at the end of Reporting Period.

Contract	30.06.2014	
	Contract value RMB'000	Fair value RMB'000
IF1407	9,300,539	(47,617)
IF1407 (note)	387,684	3,006
IF1408	348,075	(2,042)
IF1409	584,226	(5,083)
IF1412	63,293	(870)
Total	10,683,817	(52,606)
Less: settlement		52,606
Net position of SIF contracts		-

Contract	31.12.2013	
	Contract value RMB'000	Fair value RMB'000
IF1401	6,115,938	73,440
IF1402	236,818	(4,303)
IF1403	238,452	360
Total	6,591,208	69,497
Less: settlement		(69,497)
Net position of SIF contracts		-

Note: This contract was in long position, and all the others were in short position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

37. DERIVATIVE INSTRUMENTS (continued)

Notes: continued

(iii) Treasury bond futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury futures ("TF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 30 June 2014. Accordingly, the net position of the TF contracts in derivative instruments was nil at the end of Reporting Period. The group did not held any balance as at 31 December 2013.

Contract	30.06.2014	
	Contract value RMB'000	Fair value RMB'000
TF1409	198,269	(684)
TF1409 (note)	169,945	(295)
TF1412	37,932	22
Total	406,146	(957)
Less: settlement		957
Net position of SIF contracts		—

Note: This contract was in long position, and all the others were in short position.

(iv) Commodity futures

As at 31 December 2013, the contract value of the Group's commodity futures was about RMB2,577,000, with fair value loss in profit or loss of about RMB18,000. As at 30 June 2014, the group did not hold any commodity futures.

(v) Swap contracts

The notional principal amounts of the Group's swap contracts as at 30 June 2014 are approximately RMB8,912,168,000 (2013: RMB3,922,300,000).

(vi) Equity linked notes

The notional principal amounts of the Group's equity linked notes as at 30 June 2014 are approximately RMB615,280,000 (2013: RMB609,690,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

38. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.06.2014 <i>RMB'000</i>	31.12.2013 <i>RMB'000</i>
Financial liabilities held for trading (note)	8,907,710	6,454,711
Derivative instruments (note 37)	19,805	51,801
	8,927,515	6,506,512

Note: Financial liabilities held for trading mainly consist of the liabilities arising from consolidation of structured entities.

Details of the derivative instruments are in note 37.

39. SHARE CAPITAL

	Listed A shares		Listed H shares		Total	
	Number of share '000	Amount <i>RMB'000</i>	Number of share '000	Amount <i>RMB'000</i>	Number of share '000	Amount <i>RMB'000</i>
Registered, issued and fully paid at RMB1.0 per share:						
At 1 January 2014 (audited) and At 30 June 2014 (unaudited)	8,092,131	8,092,131	1,492,590	1,492,590	9,584,721	9,584,721

40. DEFERRED TAXATION

For the purpose of presentation in the Group's condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30.6.2014 <i>RMB'000</i> (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Deferred tax assets	259,918	430,935
Deferred tax liabilities	(93,361)	(85,586)
	166,557	345,349

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

40. DEFERRED TAXATION (continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon in the relevant year/period:

	Financial assets held for trading RMB'000	Accelerated depreciation RMB'000	Derivative assets RMB'000	Accrued expense RMB'000	Available- for-sale investments RMB'000	Derivative liabilities RMB'000	Impairment of finance lease receivables RMB'000	Others RMB'000	Total RMB'000
Audited									
At 1 January 2013	(48,706)	(15,427)	(3,677)	61,716	129,085	94,793	-	1,859	219,643
Credit (charge) to profit or loss	228,508	3,202	(13,693)	(5,296)	18,437	(83,188)	-	2,719	150,689
Charge to other									
comprehensive income	-	-	-	-	(25,392)	-	-	-	(25,392)
Exchange gains or losses	-	468	-	-	-	-	-	(59)	409
At 31 December 2013 and 1 January 2014	179,802	(11,757)	(17,370)	56,420	122,130	11,605	-	4,519	345,349
Unaudited									
Transfer in arising from acquisition of subsidiary	-	-	(1,859)	5,423	-	379	65,245	7,557	76,745
(Charge) credit to profit or loss	(158,117)	2,731	17,693	(22,852)	(57,418)	4,772	(279)	(10,699)	(224,169)
Credit to other									
comprehensive Income	-	-	-	-	(31,312)	-	-	-	(31,312)
Exchange gains or losses	-	(88)	-	-	-	-	-	32	(56)
At 30 June 2014	21,685	(9,114)	(1,536)	38,991	33,400	16,756	64,966	1,409	166,557

41. BOND PAYABLES

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Convertible bonds (note i)	780,537	759,713
Medium term note (note ii)	496,484	-
Non-convertible bonds (note iii, iv)	17,257,089	17,179,915
	18,534,110	17,939,628

Note:

- (i) On 18 July 2013, the Group's subsidiary, Haitong International Securities Group Limited ("HISGL") issued listed convertible bonds in principal amount of HKD776 million at par and further issued listed convertible bonds in principal amount of HKD232 million principal amount at 105% on 10 October 2013. The convertible bonds issued on 10 October 2013 constitute an additional issue to the convertible bonds issued on 18 July 2013 and two issues have been combined legally and constitute a single series. The redemption value of these convertible bonds at maturity on 18 July 2018 is 112.89% of their principal amount, and these convertible bonds bear interest at a fixed rate of 1.25% per annum. The values of the liability component and the equity conversion component were determined at issuance of the bond. The effective interest rate of the liability component on initial recognition is 5.09% and 3.88% per annum. As at 30 June 2014, the conversion price is adjusted to HK\$3.67 per share after the rights issued by the subsidiary on 23 April 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

41. BOND PAYABLES (continued)

Note: (continued)

- (ii) On 30 May, 2014, the Group's wholly owned subsidiary Unican Limited issued medium term note in principal amount of RMB500 million at par which is listed on the Hong Kong Exchanges and Clearing Limited. The note carries a fixed annual interest rate of 5.8% with a maturity period of 3 years. The principal will be fully repayable on the maturity date.
- (iii) On 25 November 2013, the Company issued non-convertible bonds in principal amount of RMB12 billion at par, which includes 3 installments at a fixed interest rate with a maturity term of three years, five years and ten years, respectively. The principle amounts are RMB7.26 billion, RMB2.35 billion and RMB2.39 billion and bear interest rate at 6.05% per annum, 6.15% per annum and 6.18% per annum, respectively.
- (iv) On 29 October, 2013, the Group's wholly owned subsidiary Haitong International Finance Holdings Limited issued corporate bonds with credit enhancement of standby letter of credit issued by Bank of China Singapore Branch in principal amount of USD900 million at a discount of 99.574% which is listed on the Hong Kong Exchanges and Clearing Limited. The bond carries a fixed annual interest rate of 3.95% with a maturity period of 5 years, and the interest will be paid semi-annually in arrears on 29 April and 29 October in each year with the first interest payment date on 29 April 2014. The principal will be fully repayable on the maturity date.

The Company as the ultimate controlling company of Haitong International Holdings entered into a keepwell deed for the above bonds. Pursuant to the keepwell deed, the Company will undertake to cause Haitong International Holdings Limited to remain solvent at all times and to have sufficient liquidity to ensure timely payment by Haitong International Finance Holdings Limited of any amounts payable in respect of the bonds in accordance with the terms and conditions of the bonds any payments due.

Extraordinary meeting of the Company's Board of Directors reviewed and approved resolution on providing counter guarantee for guarantor concerning indirect wholly-owned subsidiary's first issuance of offshore bond. The meeting approved to provide counter guarantee for Bank of China Singapore Branch concerning the bond, and the amount of counter guarantee should not exceed the bond's face value and interest totalling 8.5 billion RMB equivalents of USD.

42. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Leases for the properties are negotiated for an average term of three years and rentals are fixed for an average term of three years.

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:

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Within one year	217,447	204,649
In the second to fifth year, inclusive	301,121	358,751
Over five years	30,556	55,641
	549,124	619,041

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For the six months ended 30 June 2014

42. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor

The lease terms are negotiated for an average term of two years and rental are fixed for an average of two years.

At the end of the Reporting Period, the Group had contracted with tenants for the following future minimum lease payments:

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Within one year	10,047	13,518
In the second to fifth year, inclusive	25,658	13,511
Over five years	9,569	315
	45,274	27,344

43. CAPITAL COMMITMENTS

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Capital expenditure in respect of acquisition of property and equipment: – Contracted but not provided for	10,668	26,737
	10,668	26,737

44. DIVIDENDS

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Dividends recognised as distribution	1,150,166	1,150,166

Pursuant to the resolutions of the annual general meeting in 2014 and 2013, the Company declared a 2013 final dividend of RMB0.12 per share and 2012 final dividend of RMB0.12 per share respectively, satisfied by cash.

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45. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with the associate for the period ended 30 June 2014 and 2013:

	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited)
Broking fee income received and receivable from:		
– Fullgoal Fund Management Co. Ltd.	423	489
Interest expense paid and payable to:		
– Fullgoal Fund Management Co. Ltd.	(17)	(3)

The followings are the material transactions between the Group's subsidiary, HFT Investment Management Company Limited and BNP Paribas Investment Partners BE Holding SA ("BNP") (formerly known as Fortis Investment Management S.A.), its non-controlling shareholder, and its fellow subsidiaries:

	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited)
Financial advisory and consultancy fee income received and receivable from:		
– SHINHAN BNP(HK)	396	639
– BNP Paribas Investment Partners Asia Ltd	22,790	32,362
Other operating expenses paid and payable to:		
– BNP Paribas Investment Partners Japan Ltd	98	166
– BNP Paribas Wealth Management Bank	12	16
– BNP Paribas Investment Partners Singapore Ltd	9	10
– BNP Paribas Investment Partners Asia Ltd	50	–

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45. RELATED PARTY TRANSACTIONS (continued)

The followings are the material transactions between the Group's subsidiary, HFT Investment Management Company Limited and BNP Paribas Investment Partners BE Holding SA ("BNP") (formerly known as Fortis Investment Management S.A.), its non-controlling shareholder, and its fellow subsidiaries: (continued)

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Accounts receivable from:		
– SHINHAN BNP(HK)	187	311
– BNP Paribas Investment Partners Asia Ltd	11,279	16,079
Accounts payable to:		
– BNP Paribas Investment Partners Japan Ltd	79	85
– BNP Paribas wealth management bank	8	17
– BNP Paribas Investment Partners Singapore Ltd	–	5
– BNP Paribas Investment Partners Asia Ltd	51	1,069

The followings are the material transactions between the Group's subsidiary, Haitong Capital Investment Co., Ltd., and the Group's associates, Jilin and Xi'an Aerospace and Cultural Industries Fund:

	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 <i>RMB'000</i> (unaudited)
Financial advisory and consultancy fee income: received and receivable from:		
– Jilin	10,000	10,000
– Xi'an Aerospace	9,960	9,980
– Cultural Industries Fund	21,695	21,647

The remuneration of the key management personnel of the Group was as follows:

	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 <i>RMB'000</i> (unaudited)
Short-term benefits:		
– Fees, salaries, commission and bonuses	14,089	12,014
Post-employment benefits:		
– Employer's contribution to pension schemes/annuity plans	1,328	508
	15,417	12,522

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46. SEGMENT REPORTING

The segment information provided to the chief operating decision maker for the six months ended 30 June 2014 and the six months ended 30 June 2013 are as follows:

For the six months ended 30 June 2014 (unaudited)

	Securities and futures brokerage RMB'000	Asset management RMB'000	Proprietary trading RMB'000	Investment banking RMB'000	Direct investment RMB'000	Headquarters and others RMB'000	Finance lease [^] RMB'000	Overseas operations RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results											
Revenue											
– External	3,214,374	675,672	1,396,777	673,427	189,728	920,678	689,801	906,521	8,666,978	–	8,666,978
– Inter-segment	277,452	(145,871)	19,603	2,699	43	949,590	–	–	1,103,516	(1,103,516)	–
Other income and gains	10,435	366	109,407	2	2,500	111,774	22,247	(6,477)	250,254	–	250,254
Segment revenue	3,502,261	530,167	1,525,787	676,128	192,271	1,982,042	712,048	900,044	10,020,748	(1,103,516)	8,917,232
Segment expenses	(2,497,016)	(294,588)	(459,239)	(271,848)	(11,945)	(1,488,829)	(471,489)	(689,673)	(6,184,627)	1,090,220	(5,094,407)
Segment results	1,005,245	235,579	1,066,548	404,280	180,326	493,213	240,559	210,371	3,836,121	(13,296)	3,822,825
Share of results of associates	–	164	–	–	(8,777)	43,491	–	2,015	36,893	–	36,893
Profit before income tax	1,005,245	235,743	1,066,548	404,280	171,549	536,704	240,559	212,386	3,873,014	(13,296)	3,859,718

[^] In January 2014, HTIH, a wholly-owned subsidiary of the Company, acquired 100% shares of UT Capital Group. UT Capital Group mainly engages in finance lease business in mainland China, thus a new segment, finance lease is added in this interim period.

For the six months ended 30 June 2013 (unaudited/restated)

	Securities and futures brokerage RMB'000	Asset management RMB'000	Proprietary trading RMB'000	Investment banking RMB'000	Direct investment RMB'000	Headquarters and others RMB'000	Overseas operations RMB'000	Segment total RMB'000	Consolidated Eliminations RMB'000	total RMB'000
Segment revenue and results										
Revenue										
– External	2,440,530	414,254	1,943,932	363,948	132,560	762,444	597,091	6,654,759	–	6,654,759
– Inter-segment	300,315	6	–	4,504	83	191,477	10,011	506,396	(506,396)	–
Other income and gains	13,753	5,760	–	604	1	47,671	47	67,836	–	67,836
Segment revenue	2,754,598	420,020	1,943,932	369,056	132,644	1,001,592	607,149	7,228,991	(506,396)	6,722,595
Segment expenses	(1,322,810)	(290,146)	(316,759)	(236,655)	(19,668)	(889,269)	(383,397)	(3,458,704)	321,648	(3,137,056)
Segment results	1,431,788	129,874	1,627,173	132,401	112,976	112,323	223,752	3,770,287	(184,748)	3,585,539
Share of results of associates	–	(2)	–	–	(8,841)	39,327	–	30,484	–	30,484
Profit before income tax	1,431,788	129,872	1,627,173	132,401	104,135	151,650	223,752	3,800,771	(184,748)	3,616,023

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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46. SEGMENT REPORTING (continued)

The analysis of the Group's assets and liabilities by operating and reportable segment is as follows:

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> <i>(audited)</i>
Securities and futures brokerage	85,769,160	71,403,717
Asset management	15,836,738	10,297,796
Proprietary Trading	40,382,964	41,357,989
Investment banking	583,534	455,282
Direct investment	6,255,600	5,717,223
Headquarters and others	118,291,979	96,928,602
Overseas operations	34,115,542	28,376,112
Finance lease	16,749,579	–
Segment total assets	317,985,096	254,536,721
Eliminations	(104,765,644)	(88,075,322)
Investment accounted for using equity method	2,231,790	2,231,269
Deferred tax assets	259,918	430,935
	215,711,160	169,123,603
Securities and futures brokerage	83,578,795	67,313,271
Asset management	12,393,133	7,608,785
Proprietary Trading	35,778,627	36,605,300
Investment banking	179,250	222,596
Direct investment	138,532	62,839
Headquarters and others	59,557,754	41,621,395
Overseas operations	31,388,541	24,007,513
Finance lease	14,112,546	–
Segment total liabilities	237,127,178	177,441,699
Eliminations	(88,303,701)	(72,508,840)
Deferred tax liabilities	93,361	85,586
	148,916,838	105,018,445

The Group operates in two principal geographical areas, the PRC (excluding Hong Kong, Macau and Taiwan) and overseas, representing the locations of the majority of the income from external customers and non-current assets of the Group. Segment revenue and non-current assets in respect of overseas operations segment are substantially attributable to Hong Kong. No single customer contributes more than 10% of the Group's income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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47. MATURITY PROFILE OF ASSETS AND LIABILITIES

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

	Repayable on demand RMB'000	Less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Unaudited					
As at 30 June 2014					
Assets					
Loans and advances to customers	32,459,218	–	1,052,153	–	33,511,371
Bank balances and cash (including restricted bank deposits)	39,684,601	18,127,678	–	–	57,812,279
Clearing settlement funds (client money)	4,811,605	–	–	–	4,811,605
Financial assets held under resale agreement	–	13,348,251	1,490,488	–	14,838,739
Debt securities classified as:					
Financial assets held for trading	–	869,725	15,534,901	16,026,479	32,431,105
Available-for-sale investments (bond investment)	–	3,033	605,622	1,844,219	2,452,874
Held-to-maturity investments	–	105,724	151,975	–	257,699
Loan and receivable investments	–	3,540,994	2,255,057	–	5,796,051
Finance lease receivables	–	6,030,500	8,979,581	–	15,010,081
	76,955,424	42,025,905	30,069,777	17,870,698	166,921,804
Liabilities					
Borrowings from banks	–	18,494,718	5,142,631	–	23,637,349
Financial assets sold under repurchase agreement	–	34,267,225	538,568	–	34,805,793
Short-term financing bills payable	–	5,800,000	–	–	5,800,000
Placements from banks and other financial institutions	–	4,120,000	–	–	4,120,000
Accounts payable to brokerage clients (money held on behalf of clients only)	44,971,835	–	–	–	44,971,835
Bond Payables	–	–	16,144,110	2,390,000	18,534,110
	44,971,835	62,681,943	21,825,309	2,390,000	131,869,087
Audited					
As at 31 December 2013					
Assets					
Loans and advances to customers	26,531,096	–	934,200	–	27,465,296
Bank balances and cash (including restricted bank deposits)	33,560,390	19,375,834	–	–	52,936,224
Clearing settlement funds (client money)	4,187,852	–	–	–	4,187,852
Financial assets held under resale agreement	–	9,036,993	–	–	9,036,993
Debt securities classified as:					
Financial assets held for trading	–	1,930,419	12,355,725	17,921,624	32,207,768
Available-for-sale investments (bond investment)	–	–	461,996	1,117,674	1,579,670
Held-to-maturity investments	–	281,613	353,349	–	634,962
Loan and receivable investments	–	2,086,056	1,829,199	–	3,915,255
	64,279,338	32,710,915	15,934,469	19,039,298	131,964,020
Liabilities					
Borrowings from banks	–	5,796,395	–	–	5,796,395
Financial assets sold under repurchase agreement	–	26,111,914	335,329	–	26,447,243
Short-term financing bills payable	–	3,000,000	–	–	3,000,000
Placements from other financial institutions	–	1,120,000	–	–	1,120,000
Accounts payable to brokerage clients (money held on behalf of clients only)	37,965,440	–	–	–	37,965,440
Bond Payables	–	759,713	14,789,915	2,390,000	17,939,628
	37,965,440	36,788,022	15,125,244	2,390,000	92,268,706

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48. FINANCIAL INSTRUMENTS

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Financial assets		
Loans and receivables	147,261,423	106,376,503
Available-for-sale investments	10,471,561	9,672,778
Held-to-maturity investments	257,699	634,962
Financial assets at fair value through profit or loss	51,079,556	47,590,047
	209,070,239	164,274,290
Financial liabilities		
Amortised cost	138,627,375	97,253,559
Financial liabilities at fair value through profit or loss	8,927,515	6,506,512
	147,554,890	103,760,071

49. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include equity and debt investments, trusts, structured products, derivative instruments, advances to customers, accounts receivable, other receivables, financial assets held under resale agreements, clearing settlement funds, deposits with exchanges, bank balances and cash, pledged bank deposits, borrowings, placements from other financial institutions, financial assets sold under repurchase agreements, accounts payable to brokerage clients and other payables. The risks associated with these financial instruments include market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the economic environment. Market risk comprises three types of risks: price risk, currency risk and interest rate risk.

The Group's exposures to market risk include price risk, currency risk and interest rate risk.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting equity instruments traded in the market.

The Group is exposed to price risk arising from individual investment classified as financial assets held for trading and available-for-sale investments. The directors of the Company manage the exposure by closely monitoring the portfolio of investments. The Group enter into derivatives contracts to hedge against the exposure arising from the securities lending activities.

Price risk exposures are measured using value-at-risk (VaR) at the Company level.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

49. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Price risk (continued)

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Value at Risk (VaR) analysis

The VaR risk measure estimates the potential loss over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 95% VaR number used by the Company reflects the 95% probability that the daily loss will not exceed the reported VaR.

The following VaR methodologies apply to the Company.

	30.6.2014 <i>RMB'000</i> (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Historical VaR (95%, one-day) by risk type		
Total VaR exposure	110,000	90,000
	Average	
	1.1.2014 to 30.6.2014 <i>RMB'000</i> (unaudited)	1.1.2013 to 30.6.2013 <i>RMB'000</i> (unaudited)
Historical VaR (95%, one-day) by risk type		
Total VaR exposure	58,000	91,000
	Minimum	
	1.1.2014 to 30.6.2014 <i>RMB'000</i> (unaudited)	1.1.2013 to 30.6.2013 <i>RMB'000</i> (unaudited)
Historical VaR (95%, one-day) by risk type		
Total VaR exposure	29,000	49,000

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49. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Price risk (continued)

Value at Risk (VaR) analysis (continued)

	Maximum	
	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited)
Historical VaR (95%, one-day) by risk type		
Total VaR exposure	110,000	116,000

The subsidiaries of the Company have utilised the sensitivity analysis of security price variation on net profit for the period and revaluation reserve, rather than VaR methodology, to manage and analyse the price risk. When reporting internally to the key management on risk, the management estimates that reasonably possible change in price is 10%. If the prices of the respective equity instruments had been 10% higher/lower, and other variables constant held, the impact on the profit for the period and investment revaluation reserve are as follows:

	30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Profit for the period		
Increase by 10%	9,001	1,599
Decrease by 10%	(9,001)	(1,599)
Investment revaluation reserve		
Increase by 10%	12,367	4,298
Decrease by 10%	(12,367)	(4,298)

In the above analysis, management also considers the case of an available-for-sale equity investment where a reasonably possible downward fall in the equity price would lead to an impairment of the investment, the effect of loss would be shown as affecting profit or loss and the cumulative loss previously recognised in investment revaluation reserve would be reclassified to profit or loss, but an equivalent upward shift in the equity price would be shown as affecting investment revaluation reserve.

In the case that an available-for-sale equity investment that has already been impaired, a reasonably possible downward fall in the equity price may continue to be recognised in profit or loss but an equivalent upward shift in the equity price would be shown as affecting investment revaluation reserve.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the reporting period-end exposure does not reflect the exposure during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

49. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The other amounts of financial assets and liabilities of the Group are denominated in the functional currency of the respective entity within the Group except that as at 30 June 2014, the Group's Hong Kong subsidiaries, whose functional currency is Hong Kong dollar, have significant monetary assets denominated in RMB.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to foreign exchange rates for financial assets and liabilities mainly denominated in HKD for the Company and in RMB for the Group's Hong Kong subsidiaries. The analysis is prepared assuming the financial instruments outstanding at 30 June 2014 were outstanding for the whole period. When reporting to the management on the currency risk, the Company will adopt a 50 basis points increase or decrease for sensitivity analysis, while considering the reasonably possible change in RMB/HKD.

If RMB had strengthened/weakened against HKD by 5% with all other variables were held constant, the Group's profit for the six months ended 30 June 2014 would decrease/increase by RMB12,001,000 (for the six months ended 30 June 2013: RMB19,395,000).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to the Group's bank deposits, advances to customers, clearing settlement funds, held to maturity investments, debt securities, accounts payable to brokerage clients, deposits taken from financial institutions and borrowings. There has been no changes in the interest rate risk management policies since 31 December 2013.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate financial assets and liabilities. The analysis is prepared assuming the financial instruments outstanding at the end of the period were outstanding for the whole period. When reporting to the management on the interest rate risk, the Company will adopt a 50 basis points increase or decrease for sensitivity analysis, while considering the reasonably possible change in interest rates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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49. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the six months ended 30 June 2014 and 30 June 2013 would decrease/increase by RMB264,168,000 and RMB290,684,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its bank balances, accounts payable to brokerage clients and held for trading debt securities; and
- Investment revaluation reserve for the six months ended 30 June 2014 and 30 June 2013 would decrease/increase by RMB24,364,000 and RMB23,720,000, respectively, mainly as a result of the changes in the fair value of available-for-sale debt investments.

Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

Credit exposures arise principally from investments in debt securities, advances to customers, accounts receivable, clearing settlement funds and bank balances which are included in the Group's asset portfolios. There has been no change in the credit risk management policies since 31 December 2013.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from other financial institutions in the market, and the ability to close out market positions. As part of the measures to safeguard liquidity, the Group has maintained substantial long-term and other stand-by banking facilities, diversifying the funding sources and spacing out the maturity dates.

Fair value of financial assets and liabilities

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the fair value of other financial assets and financial liabilities (excluding those described above) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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49. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

The Group uses valuation techniques to determine the fair value of financial instruments when it is unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external valuers, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The fair value measurement of these instruments will not change significantly if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

49. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at		Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		30/06/2014 In RMB'000	31/12/2013 In RMB'000				
1) Interest rate swaps and equity linked notes	Derivative instruments	61,932 (Assets) 19,805 (Liabilities)	47,647 (Asset) 51,801 (Liabilities)	Level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties. The fair value of the equity linked note was determined with reference to the quoted price of the underlying equity instruments.	N/A	N/A
2) Equity investments (non-restricted shares), funds and debt investments listed in exchange	Financial assets at fair value through profit or loss Available-for-sale investments	33,625,250 (Assets) 202,911 (Liabilities) 2,111,441	32,116,628 (Assets) 113,842 (Liabilities) 3,209,279	Level 1	Quoted bid prices in an active market.	N/A	N/A
3) Debt investments in interbank market	Financial assets at fair value through profit or loss Available-for-sale investments	10,993,654 1,158,219	8,676,272 262,878	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
4) Unlisted fund investments	Financial assets at fair value through profit or loss Available-for-sale investments	6,398,720 585,466	6,749,501 764,065	Level 2	Based on the net asset values of the funds, determined with reference to observable(quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
5) Investments in structured products and trust products where funds are mainly invested in listed securities or open ended funds	Available-for-sale investments	3,092,397	2,537,513	Level 2	Shares of the net assets of the products, determined with reference to the net asset value of the products, calculated by observable(quoted) prices of underlying investment portfolio. and adjustments of related expenses.	N/A	N/A
6) Restricted shares and funds	Available-for-sale investments	965,299	274,078	Level 3	Discounted cash flow. The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discount for lack of marketability with reference to prices of unrestricted shares.	The higher the discount, the lower the fair value.
7) Financial liabilities held for trading	Financial liabilities held for trading	8,704,799	6,340,869	Level 2	Based on the net asset values of the structured entities, determined with reference to observable(quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

49. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

As at 30 June 2014 (unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments				
– Equity securities				
Manufacturing	216,122	–	774,286	990,408
Financial services	195,362	–	–	195,362
Information transmission, software and information technology	5,990	–	–	5,990
Mining	25,372	–	–	25,372
Construction	8,681	–	–	8,681
Electricity, heat, gas and water production and supply	4,217	–	–	4,217
Transportation, storage and postal services	8,410	–	–	8,410
Wholesale and retail	9,499	–	–	9,499
Real Estate	17,845	–	–	17,845
Water conservancy, environment and public facilities management	2,897	–	–	2,897
Farming, forest, herd, fishery	2,597	–	76,261	78,858
Culture, sports and entertainments	–	–	110,147	110,147
Leasing and business services	2,259	–	–	2,259
Comprehensive	3,353	–	–	3,353
– Debt securities				
Corporate bonds	1,294,655	1,078,473	–	2,373,128
Others	–	79,746	–	79,746
– Funds	314,182	585,466	4,605	904,253
– Other Investments				
Asset management plans	–	2,405,473	–	2,405,473
Trusts	–	543,773	–	543,773
Others	–	143,151	–	143,151
Subtotal	2,111,441	4,836,082	965,299	7,912,822

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

49. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– Equity securities				
Manufacturing	4,085,925	–	–	4,085,925
Financial services	3,125,721	–	–	3,125,721
Information transmission, software and information technology	442,224	–	–	442,224
Mining	455,766	–	–	455,766
Construction	309,165	–	–	309,165
Electricity, heat, gas and water production and supply	320,641	–	–	320,641
Transportation, storage and postal services	218,991	–	–	218,991
Wholesale and retail	256,765	–	–	256,765
Real Estate	459,435	–	–	459,435
Water conservancy, environment and public facilities management	83,563	–	–	83,563
Farming, forest, herd, fishery	29,511	–	–	29,511
Culture, sports and entertainments	136,132	–	–	136,132
Leasing and business services	83,326	–	–	83,326
Comprehensive	70,896	–	–	70,896
Scientific research and technical services	75	–	–	75
Accommodation and catering industry	1,170	–	–	1,170
Health and social work	2,647	–	–	2,647
– Debt securities				
Corporate bonds	17,070,641	10,072,240	–	27,142,881
Government bonds	4,021,303	441,184	–	4,462,487
Other bonds	345,507	480,230	–	825,737
– Funds	2,105,846	6,398,720	–	8,504,566
Subtotal	33,625,250	17,392,374	–	51,017,624
Derivative financial assets	–	61,932	–	61,932
Total	35,736,691	22,290,388	965,299	58,992,378
Held for trading financial liabilities	202,911	8,704,799	–	8,907,710
Derivative financial liabilities	–	19,805	–	19,805
Total	202,911	8,724,604	–	8,927,515

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

49. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

As at 31 December 2013 (audited)

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Available-for-sale investments				
– Equity securities				
Manufacturing	397,498	–	112,131	509,629
Financial services	474,635	–	–	474,635
Information transmission, software and information technology	20,084	–	–	20,084
Mining	84,373	–	–	84,373
Construction	25,852	–	–	25,852
Electricity, heat, gas and water production and supply	13,419	–	–	13,419
Transportation, storage and postal services	416,630	–	–	416,630
Wholesale and retail	31,572	–	–	31,572
Real Estate	64,438	–	–	64,438
Water conservancy, environment and public facilities management	10,944	–	–	10,944
Farming, forest, herd, fishery	10,092	–	76,215	86,307
Culture, sports and entertainments	–	–	75,241	75,241
Leasing and business services	8,137	–	–	8,137
Comprehensive	13,990	–	–	13,990
– Debt securities				
Corporate bonds	1,316,792	233,676	–	1,550,468
Others	–	29,202	–	29,202
– Funds	320,822	764,065	10,491	1,095,378
– Other Investments				
Asset management plans	–	2,261,444	–	2,261,444
Trusts	–	276,069	–	276,069
Subtotal	3,209,278	3,564,456	274,078	7,047,812

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

49. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

As at 31 December 2013 (audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– Equity securities				
Manufacturing	3,055,888	–	–	3,055,888
Financial services	1,754,542	–	–	1,754,542
Information transmission, software and information technology	351,697	–	–	351,697
Mining	289,632	–	–	289,632
Construction	237,590	–	–	237,590
Electricity, heat, gas and water production and supply	204,791	–	–	204,791
Transportation, storage and postal services	134,717	–	–	134,717
Wholesale and retail	201,504	–	–	201,504
Real Estate	243,092	–	–	243,092
Water conservancy, environment and public facilities management	105,256	–	–	105,256
Farming, forest, herd, fishery	58,401	–	–	58,401
Culture, sports and entertainments	168,356	–	–	168,356
Leasing and business services	66,010	–	–	66,010
Comprehensive	45,741	–	–	45,741
Scientific research and technical services	19,522	–	–	19,522
Accommodation and catering industry	3,875	–	–	3,875
Health and social work	15	–	–	15
– Debt securities				
Corporate bonds	19,871,678	7,203,120	–	27,074,798
Government bonds	3,637,796	–	–	3,637,796
Other bonds	22,023	1,473,151	–	1,495,174
– Funds	1,644,502	6,749,501	–	8,394,003
Subtotal	32,116,628	15,425,772	–	47,542,400
Derivative financial assets	–	47,647	–	47,647
Total	35,325,906	19,037,875	274,078	54,637,859
Held for trading financial liabilities	113,842	6,340,869	–	6,454,711
Derivative financial liabilities	–	51,801	–	51,801
Total	113,842	6,392,670	–	6,506,512

There were no transfers between instruments in Level 1 and Level 2 during the six months ended 30 June 2014 and year ended 31 December 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

49. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

The following table represents the changes in Level 3 available-for-sale investments for the six months ended 30 June 2014.

	Restricted Equity Securities				Total RMB'000
	Manufacturing industry RMB'000	Entertainment industry RMB'000	Farming industry RMB'000	Restricted fund RMB'000	
Unaudited					
As at 1 January 2014	112,131	75,241	76,215	10,491	274,078
Total gains or losses					
– in other comprehensive income	(29,598)	34,906	46	(836)	4,518
Purchase	719,653	–	–	–	719,653
Transfer out	(27,900)	–	–	(5,050)	(32,950)
As at 30 June 2014	774,286	110,147	76,261	4,605	965,299

The following table represents the changes in Level 3 available-for-sale investments for the the year ended 31 December 2013.

	Restricted Equity Securities						Total RMB'000
	Manufac- -turing RMB'000	Transpor- -tation RMB'000	Entertain- -ment RMB'000	Farm- -ing RMB'000	Restricted fund RMB'000	Trust RMB'000	
Audited							
As at 1 January 2013	860,684	113,800	–	–	9,010	250,000	1,233,494
Total gains or losses							
– in other comprehensive income	1,511	13,600	241	11,115	1,481	–	27,948
Purchase	49,691	–	75,000	65,100	–	–	189,791
Transfer out	(799,755)	(127,400)	–	–	–	(250,000)	(1,177,155)
As at 31 December 2013	112,131	–	75,241	76,215	10,491	–	274,078

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

50. ACQUISITION OF A SUBSIDIARY

In January 2014, the transaction that HTIH, a wholly-owned subsidiary of the Company, to acquire 100% shares of UT Capital Group from UT Capital Holdings, an independent third party, has been completed. UT Capital Group together with its three directly or indirectly wholly-owned subsidiaries, namely, UniTrust, UniFortune, and UniCircle, became the subsidiaries of the Group. UT Capital Group mainly engages in finance leasing business. The acquisition is intended to expand the business scope of the Group.

Consideration transferred

The consideration of the acquisition is cash, which is equivalent to RMB4,483 million. Some acquisition-related costs have been excluded from the cost of acquisition and are recognized directly as expenses when they are incurred.

Assets and liabilities recognised at the date of acquisition (Determined on a provisional basis)

Current assets

Bank balances and cash	719,700
Finance lease receivables	4,899,008
Account receivables	42,010
Financial assets held under resale agreement	50,000
Financial assets at fair value through profit or loss	7,436
Other receivables and prepayments	31,578

Total current assets	5,749,732
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Non-current assets

Finance lease receivables	7,529,089
Property and equipment	7,152
Other intangible assets	4,598
Deferred tax assets	76,745
Other receivables and prepayments	2,903

Total non-current assets	7,620,487
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Total assets	13,370,219
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The receivables acquired (which principally comprised finance lease receivables) with a fair value of RMB12,504,588,000 at the date of acquisition had gross contractual amount of RMB14,735,354,000, including unrecognized finance income RMB2,015,192,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB215,574,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

50. ACQUISITION OF A SUBSIDIARY (continued)

Assets and liabilities to be recognised at the date of acquisition (Determined on a provisional basis) (continued)

Current liabilities

Borrowings	4,726,775
Financial liabilities at fair value through profit or loss	1,514
Financial assets sold under resale agreements	401,550
Accounts payable	587,563
Tax liabilities	36,405
Other payable and accrues	159,263

Total current liabilities	5,913,070
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Non-current liabilities

Borrowings	3,598,771
Other payable and accruals	1,343,406

Total non-current liabilities	4,942,177
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Total liabilities	10,855,247
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Goodwill arising on acquisition(determined on a provisional basis)

Consideration transferred	4,483,832
Less: Net identifiable assets acquired	(2,514,972)

Goodwill arising on acquisition	1,968,860
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Goodwill, determined on a provisional basis, arose from control premium included in the consideration. The consideration also took into account the expected synergies, revenue increase, market expansion, and the assembled workforce of UT capital. These kind of interests does not satisfy the recognition standard of intangible assets, thus it will not be recognized separately from provisional goodwill.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

Consideration paid in cash	4,483,832
Less: cash and cash equivalent balances acquired	(699,794)

Net cash outflow arising on acquisition	3,784,038
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Impact of acquisition on the results of the Group

The business combination was completed at the beginning of the period. The revenue and profit of UT capital since the acquisition date included in the condensed consolidated statement of profit or loss for the reporting period is RMB689,144,000 and RMB182,059,000 respectively.

51. RECLASSIFICATION

Certain comparative figures have been reclassified or restated to conform to the current period presentation.