



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

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

Stock Code: 06881



Interim Report **2015**

CONTENTS

| | |
|---|----|
| Definitions | 2 |
| Company Information | 4 |
| Financial Highlights | 5 |
| Management Discussion and Analysis | 7 |
| Other Information | 22 |
| Report on Review of Condensed Consolidated Financial Statements | 29 |
| Condensed Consolidated Statement of Profit or Loss | 30 |
| Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income | 31 |
| Condensed Consolidated Statement of Financial Position | 32 |
| Condensed Consolidated Statement of Changes In Equity | 34 |
| Condensed Consolidated Statement of Cash Flows | 35 |
| Notes to the Condensed Consolidated Financial Statements | 37 |

DEFINITIONS

| | |
|---------------------------------|--|
| “A Share(s)” | the share(s) that is (are) traded on the SSE or the SZSE in Renminbi |
| “ABS” | Asset Backed Securitization |
| “Articles of Association” | the articles of association of the Company (as amended from time to time) |
| “Board” or “Board of Directors” | the board of Directors of the Company |
| “bp” | unit of measurement for the change in interest rate of bonds and notes, one bp equals to 1% of a percentage point |
| “China” or “PRC” | the Peoples’ Republic of China excluding, for the purpose of this interim report, Hong Kong, the Macau Special Administrative Region and Taiwan region |
| “Company” | China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司), a joint stock limited company incorporated in the PRC on 26 January 2007, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 06881) |
| “CSRC” | the China Securities Regulatory Commission (中國證券監督管理委員會) |
| “Director(s)” | director(s) of the Company |
| “Domestic Share(s)” | issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) subscribed for or credited as fully paid in RMB |
| “End of the Reporting Period” | 30 June 2015 |
| “ETF” | exchange-traded funds |
| “futures IB business” | the business activities in which securities firms, as commissioned by futures companies, introduce clients to futures companies to provide futures brokerage and other related services |
| “Galaxy Capital” | Galaxy Capital Management Company Limited (銀河創新資本管理有限公司), owned as to 100% by the Company and a wholly-owned subsidiary of the Company |
| “Galaxy Financial Holdings” | China Galaxy Financial Holdings Company Limited (中國銀河金融控股有限責任公司), which holds approximately 54.71% interests of the Company and is the controlling shareholder of the Company |
| “Galaxy Futures” | Galaxy Futures Company Limited (銀河期貨有限公司), owned as to approximately 83.32% by the Company and a non wholly-owned subsidiary of the Company |
| “Galaxy International Holdings” | China Galaxy International Financial Holdings Company Limited (中國銀河國際金融控股有限公司), owned as to 100% by the Company and a wholly-owned subsidiary of the Company |
| “Galaxy Jinhui” | Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金滙證券資產管理有限公司), owned as to 100% by the Company and a wholly-owned subsidiary of the Company |
| “Group” | the Company and its subsidiaries |
| “H Share(s)” | overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the Hong Kong Stock Exchange and subscribed for and traded in HK dollars |
| “HK\$” or “HK dollars” | Hong Kong dollars, the lawful currency of Hong Kong |

DEFINITIONS

| | |
|--|--|
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Huijin” | Central Huijin Investment Ltd. (中央匯金投資有限責任公司), which currently holds an equity interest of approximately 78.57% of Galaxy Financial Holdings |
| “IFRS” | the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board (IASB) and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC) |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “margin and securities refinancing business” | a business in which securities firms can act as intermediaries to borrow funds or securities from China Securities Finance Corporation Limited and lend such funds and securities to their clients |
| “MOF bonds” | debt instruments issued by the Ministry of Finance of the PRC on behalf of the PRC government |
| “New OTC Board” | National Equities Exchange and Quotations for medium and small-sized enterprises |
| “QFII” | Qualified Foreign Institutional Investor |
| “Reporting Period” | the six-month period ended 30 June 2015 |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of the PRC |
| “RQFII” | Renminbi Qualified Foreign Institutional Investor, a pilot program launched in the PRC which allows Hong Kong subsidiaries of PRC brokerage companies and fund houses to facilitate investments of offshore Renminbi into the PRC capital markets |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| “SSE” | the Shanghai Stock Exchange (上海證券交易所) |
| “SSE Composite Index” | Shanghai Stock Exchange Composite Index |
| “Supervisor(s)” | supervisor(s) of the Company |
| “Supervisory Committee” | the supervisory committee of the Company |
| “SZSE” | the Shenzhen Stock Exchange (深圳證券交易所) |
| “USD” | United States dollars, the lawful currency of the United States |
| “VaR” | value at risk |

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

COMPANY INFORMATION

NAME OF THE COMPANY

Registered Chinese Name: 中國銀河證券股份有限公司
Registered English Name: China Galaxy Securities
Co., Ltd.

LEGAL REPRESENTATIVE

Mr. Chen Youan

BOARD SECRETARY

Mr. Wu Chengming

JOINT COMPANY SECRETARIES

Mr. Wu Chengming, Ms. Yung Mei Yee

AUTHORIZED REPRESENTATIVES

Mr. Wu Chengming, Ms. Yung Mei Yee

HEADQUARTERS IN THE PRC

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

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

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

Email address: yhgf@chinastock.com.cn

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITORS

Domestic: Deloitte Touche Tohmatsu Certified Public
Accountants LLP
International: Deloitte Touche Tohmatsu

HONG KONG LEGAL ADVISOR

Latham & Watkins

STOCK CODE

Hong Kong Stock Exchange
H Share Stock Code: 06881

SHARE REGISTRARS

| | |
|---|---|
| Share Registrar for Domestic Shares: | China Securities Depository and Clearing Corporation Limited |
| Share Registrar for H Shares: | Computershare Hong Kong Investor Services Limited |

FINANCIAL HIGHLIGHTS

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

MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

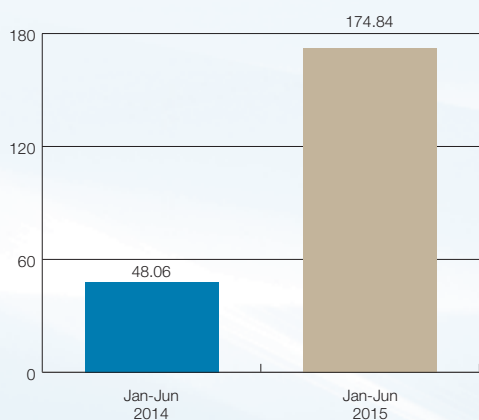
| Items | January - June 2015 | January - June 2014 | Increase |
|---|------------------------|------------------------|------------------------|
| Operating results (RMB'000) | | | |
| Revenue and other income | 17,484,336 | 4,805,919 | 263.81% |
| Profit before income tax | 7,496,497 | 1,769,924 | 323.55% |
| Profit for the period – attributable to owners of the Company | 5,642,806 | 1,346,567 | 319.05% |
| Net cash (used in)/from operating activities | (56,764,132) | 542,915 | NA |
| Earnings per share (RMB per share) | | | |
| Basic earnings per share | 0.69 | 0.18 | 283.33% |
| Profitability ratios | | | |
| Weighted average return on net assets | 14.71% | 5.20% | 9.51 percentage points |

| Items | As at 30 June 2015 | As at 31 December 2014 | Increase |
|---|-----------------------|---------------------------|-------------------------------|
| Scale indicator (RMB'000) | | | |
| Total assets | 406,839,649 | 180,025,707 | 125.99% |
| Total liabilities | 353,739,464 | 150,689,787 | 134.75% |
| Accounts payable to brokerage clients | 199,522,453 | 78,407,509 | 154.47% |
| Equity attributable to owners of the Company | 52,782,037 | 29,023,797 | 81.86% |
| Share capital (in thousand shares) | 9,537,259 | 7,537,259 | 26.53% |
| Net assets value per share attributable to owners of the Company (RMB per share) | | | |
| | 5.53 | 3.85 | 43.64% |
| Gearing ratio (%)¹ | 74.39 | 71.13 | 3.26 percentage points |

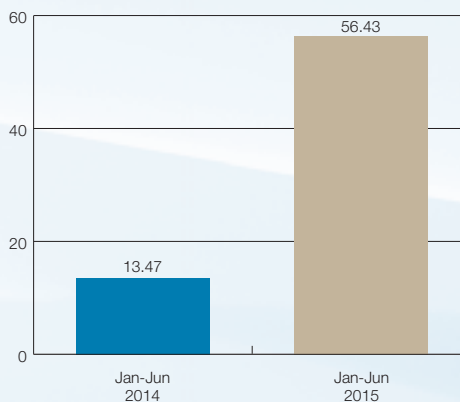
¹ Gearing ratio = (total liabilities—accounts payable to brokerage clients)/(total assets—accounts payable to brokerage clients)

FINANCIAL HIGHLIGHTS

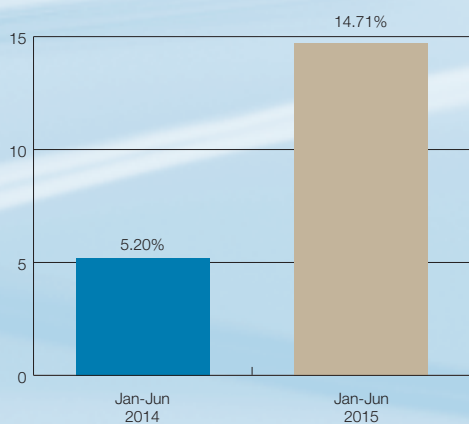
**Revenue and other income
(RMB100 million)**



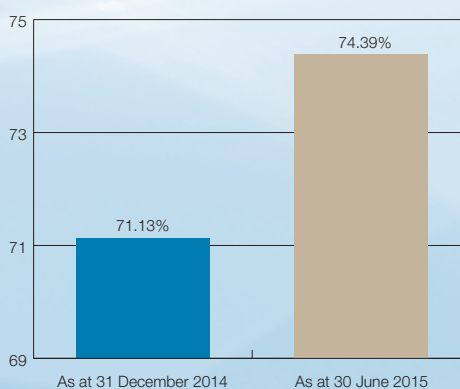
**Profit for the period –
attributable to owners of the Company
(RMB100 million)**



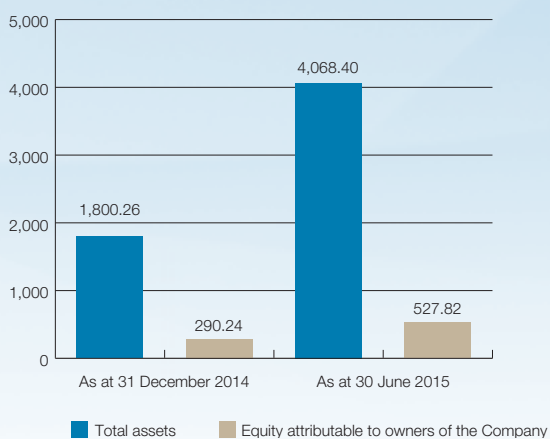
Weighted average return on net assets (%)



Gearing ratio (%)



Scale indicator (RMB100 million)



MANAGEMENT DISCUSSION AND ANALYSIS

I. ECONOMIC ENVIRONMENT AND MARKET CONDITIONS DURING THE REPORTING PERIOD

(I) Economic environment

During the Reporting Period, the global economy recovered in a slow pace. Among the developed countries, USA maintained a stronger recovery momentum. As for Euro zone, although it has come out from the trough, the basis of recovery was still weak. Japan will be at the risk of economic slowdown in the second half of the year due to insufficient domestic demand and the difficulty in resolving economic structural issue. As for emerging economies, they were generally under greater pressure. China economy maintained within a reasonable range, and the economic structural adjustment continued to progress, with sound and active monetary policy and sufficient liquidity in the banking system, while money lending and social financing grew steadily. Loan structure continued to improve and market interest rate decreased significantly. The flexibility of exchange rate increased markedly.

(II) Market conditions

During the Reporting Period, trading in domestic securities market was active. In terms of the stock market, despite a decline in June 2015, it still recorded a higher growth as compared with the beginning of the year. The SSE Composite Index closed at 4,277.22, rising 32.23%, while the index of growth enterprise market was 2,858.61, rising 94.23%. In terms of transaction volume, the turnover of stock market amounted to RMB138.59 trillion, representing a sharp increase of 543.25% as compared with the corresponding period of last year. In terms of margin financing and securities lending, as at the End of the Reporting Period, the balance of margin financing and securities lending amounted to RMB2,049.386 billion, jumping 404.27% as compared with the corresponding period of last year. In terms of the bond market, the yield of 10-year fixed rate MOF bond in the interbank market declined by 46.36bp to 3.5976%. In terms of equity financing, the actual amount of funds raised by listed companies was RMB661.696 billion, representing a 106.93% increase as compared with the corresponding period of last year. In terms of debt financing, the number of newly issued bonds was 5,633, with principal amounts totaling RMB8.81 trillion. As at the End of the Reporting Period, there were a total of 13,681 bonds in issue with balances of RMB40.04 trillion, representing an increase of 32.58% and 22.90% as compared with the corresponding period of last year, respectively.

II. OVERVIEW OF OPERATIONS

During the Reporting Period, the Group continued to promote the strategy of “One Core, Two Branches”, strived to maintain its traditional business position while transforming comprehensively, closely followed the trend of business innovation development, solidly performed all basic preparatory work for rapid development of overseas business, and strived to perform the heavy capital business well and grasped the innovation of internet finance business practically. As such, operating results were enhanced significantly with revenue and other income amounting to RMB17.484 billion, representing an increase of 263.81% as compared with the corresponding period of last year, which hit a record high in recent years.

MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF MAJOR BUSINESS

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

(i) Brokerage, sales and trading business

During the Reporting Period, the revenue and other income from the securities brokerage business of the Group amounted to RMB14.528 billion, representing an increase of RMB11.455 billion as compared with the corresponding period of last year.

1. Securities brokerage, sales and trading business

During the Reporting Period, the Company actively adopted a big transaction strategy for its securities brokerage business, carried out a differential competitive strategy to optimize the income structure, customer structure and transaction structure gradually, and actively promoted the development of account opening business, margin financing and securities lending business and financial products selling business so that good operating results were achieved. The Company identified customers by different means, further optimized the business flow, and by making use of the benefits of internet business and branch layout, became the first batch of securities brokers opening accounts on WeChat, and the first batch of pilot securities brokers that can achieve “one person with multi-accounts”. The Company worked hard to create a private equity integration service platform to provide all-round service including rapid transaction system, strategy platform, algorithmic trading, custody outsourcing, for quantitative private equity funds based on clients’ needs; introduced quantitative strategy evaluation system which is of foreign concept, but developed by our own, and selected and recommended quantitative investment advisory services for large-scale commercial banks and third party wealth management companies, the financial products introduced and agency sales ranked top among the industry. The Company further enriched the online wealth management product line, and functions of wealth management accounts gradually improved, functions such as fund deposit and withdrawal, wealth management and payment, consumption payment and fund transfer from different accounts were achieved, thereby optimizing customers’ experience.

The Company made efforts in its futures IB business to satisfy the demands of clients for investment in futures market, thus providing comprehensive and personalized futures investment services for clients. As at the End of the Reporting Period, the Company had a total of 116 securities branches with qualification to conduct futures IB business, and there were 21,900 existing clients of the futures IB business with interest of clients as at the End of the Period of RMB2.609 billion. The Company actively participated in the preparatory work for the stock options business, and received the “Notice on China Galaxy Securities Co., Ltd. Becoming a Participant of Option Transactions of the Shanghai Stock Exchange” on 16 January 2015 and was qualified to become a participant of stock option transactions, and was the first batch of securities brokers of stock option brokerage business. As at the End of the Reporting Period, there were 539 clients for stock option brokerage business, with interest of clients of RMB8.18982 billion.

The development of the margin financing and securities lending of the Company was stably advanced. During the Reporting Period, the margin financing and securities lending balances of the markets grew rapidly, the number of account opened increased significantly. However, along with the market’s accelerated growth, the scale of leverage funding in the market increased, the authorities increased the checking on the margin financing and securities lending, and the securities brokers tightened the leverage for the margin financing and securities lending as a counter-cyclical measure. The Company managed the funding effectively and seized market share. It also firmly grasped the opportunities brought by the securities lending business policy, and put more effort to develop the securities lending business. The Company actively managed, prevented and controlled the risks of margin financing and securities lending businesses in full to ensure the sustainable development of the business. The Company was awarded “The Best Financial Services Securities Broker in 2015”, an event organized by “Securities Times” for the election of “The Best Wealth Managers of China in 2015”. As at the End of the Reporting Period, the balance of the margin financing and securities lending of the Company amounted

MANAGEMENT DISCUSSION AND ANALYSIS

to RMB133.0 billion, representing an increase of 525.34% as compared with the corresponding period of last year with a market share of 6.48%; turnover from margin financing and securities lending amounted to RMB2.06 trillion, representing an increase of 1,052.55% as compared with the corresponding period of last year with a market share of 7.56%; there were totally 277,465 credit fund accounts, representing an increase of 86.84% as compared with the corresponding period of last year; outstanding balance of margin and securities refinancing business was RMB1.792 billion.

The institutional sales business of the Company developed quickly. During the Reporting Period, the Company actively gained understanding of the demands of clients and dealt with clients according to their levels, and cooperated with clients in comprehensive way, through the provision of services such as market research, product sale and product market-making. The Company had establish business cooperative relationship with 80 fund company clients, which covered most of the important fund companies in the market. It had 11 QFIs and RQFIs clients, with three new QFII and RQFII clients were added during the Reporting Period. The Company had 4 new insurance clients who had signed the lease agreements for trading units, the services provided by the Company covered 22 insurance asset management companies, asset management departments of 28 insurance companies and 4 group clients. Besides, the Company actively explored innovative business for the institutional sales business, and cooperated with various fund companies and insurance companies to carry out custody business; and provided personalized assets securitization products to clients in light of the demands of overseas institutional investors.

2. Futures brokerage

The futures industry has unfolded a new norm of innovation and development, the competition of traditional futures brokerage become keener, and the rate of handling fee continued to be lower, and futures companies started to look for innovative development, seeking differential competitive strength. Galaxy Futures continued to carry out the strategic transformation which had started since 2014, and guided the original operation institution to explore growth potential and the transformation was effective. During the Reporting Period, Galaxy Futures realized revenue and other income of RMB477 million, representing an increase of RMB182 million as compared with the corresponding period of last year; daily average interest of futures brokerage clients amounted to RMB15.553 billion, representing an increase of 86.06% as compared with the corresponding period of last year; the trading volume accumulated to 42 million board lots (one side of a trade only), representing an increase of 47.14% as compared with the corresponding period of last year; the trading turnover amounted to RMB9.12 trillion (one side of a trade only), representing an increase of 189.34% as compared with the corresponding period of last year. Also, Galaxy Futures paid great effort to develop innovative businesses such as over-the-counter derivative business and CTA (“Commodity Trading Advisors”) investment business; as at the End of the Reporting Period, the notional principal scale of institutional clients of over-the-counter derivative business amounted to RMB63.045 million, representing a 437- fold increase as compared with the end of 2014, and the notional principal scale of individual clients of over-the-counter derivative business amounted to RMB24.4798 million; successfully issued 3 CTA investment business sub-account products, with a scale of RMB13.20 million.

3. Proprietary trading and other securities trading services

During the Reporting Period, the revenue and other income of the Group from the proprietary trading and other securities trading services amounted to RMB1.304 billion, representing an increase of RMB628 million as compared with the corresponding period of last year.

The Company strictly implements relevant rules and regulations and operating procedures for the proprietary equity investment business, closely follows the market, finely selects the types of investment according to scientific decision-making approach, and invests through the participation in private placement and purchase in the secondary market. The Company insisted on strictly controlling risks even when the market was most exuberant, however, as there were drastic fluctuations in the market, the equity investment of the Company also fluctuated accordingly and the Company will adopt relevant measures to carry out subsequent operation reasonably in accordance with market changes.

MANAGEMENT DISCUSSION AND ANALYSIS

The bond proprietary investment business of the Company continued to focus on investing in medium to high rating credit bonds, conducting range trading of interest rate debt and adjusting the portfolio duration in a timely manner. At the beginning of the year, the Company emphasized on substantially increasing the type of bonds with short to medium term and medium to high ratings, which effectively grabbed the investment opportunity brought by the sharp drop of the short end of the yield curve. Approaching the End of the Reporting Period, in view of uncertainty about the future of the market and the low level of bond yields, the Company reduced its holding of short-term debt position. Meanwhile, the Company appropriately subscribed for hybrid open-end funds with the investment strategy of mainly subscribing in new shares.

The proprietary investment of derivatives of the Company developed steadily. As at the End of the Reporting Period, the amount of initial transaction of securities-based lending business (the product “Jin Shi Yu”) to be repurchased amounted to RMB277 million; the amount of initial investment of standardized dealer-quoted securities repurchase business (the product “Xin Xin Yu” and “Xin Yi Yu”) to be repurchased was RMB1,303 million. As the broad customer base of the Company provides a strong foundation for rapid business expansion and the product meets the market needs, “Xin Xin Yu” realized a record-breaking growth during the Reporting Period and the business scales during the period of new shares subscription increased from RMB1.13 billion to RMB7.54 billion; the financing scale of equity income swap business (the product “Jin Hu Huan”) trading financing business amounted to RMB123 million; the accumulative number of accounts opened of Daily Profit, the Company’s dealer-quoted bond repurchase product (the product “Jin Zi Lai”) in SZSE, amounted to 1,039, with existing business scale of RMB34.8824 million, while the existing income receipt business scale (Product “Galaxy Jin Shan”) of RMB20.33 billion. On 5 May 2015, the Company received the “Notice on the Commencement of Price Quotation Business for Debt Financing Instruments of Non-financial Companies” issued by the National Association of Financial Market Institutional Investors, which permitted the Company to conduct the business of inter-bank debt financing instruments price quotation for non-financial companies. Besides, the Company also actively prepared for the application of the qualifications of proprietary trading of gold and sale and purchase of foreign exchange, and began the design of over-the-counter option products etc.

(ii) Investment banking business

During the Reporting Period, revenue and other income of the Group from investment banking business amounted to RMB455 million, representing a decrease of RMB51 million as compared with the corresponding period of last year.

1. Equity financing

In the first half of 2015, the Company actively promoted and expanded equity financing business, and the merger and acquisition and restructuring business. The Company completed 1 IPO project, 5 non-public issuance projects, 2 preferred share projects and 3 M&A and restructuring and fund-raising projects with the amount underwritten as a lead underwriter of RMB27.117 billion, representing an increase of RMB17.798 million as compared with the corresponding period of last year and a growth of 190.99% as compared with the corresponding period of last year.

In terms of the asset securitization business, the Company realized full coverage of business through various means: (1) it successfully launched one corporate ABS project under the centralized management of CSRC named “Galaxy Ruiyang Heat Supply Assets Supporting Scheme (銀河瑞陽供熱資產支持專項計劃)” with a size of RMB900 million and was listed on the Shanghai Stock exchange; (2) it successfully launched one ABN (Asset-Backed Notes) project under the centralized management of the National Association of Financial Market Institutional Investors named “Luck Air Asset-Backed Note Project (祥鵬航空資產支持票據項目)” with a size of RMB2 billion; (3) it successfully launched the 2015 Tranche 2 Credit Loan Asset-Backed Securities of China Development Bank (國家開發銀行2015年第二期信貸資產支持證券) under the centralized management of China Banking Regulatory Commission with a size of RMB10.824 billion, which was exclusively underwritten by the Company. As at the End of the Reporting Period, in terms of the underwriting size of such projects, the Company ranked among top three in the industry. In addition, as at 24 March 2015, in the 2015 annual conference of China Securitization Forum, two corporate ABS projects, namely the “Right to Incomes from the Transportation Service Fee of Special Lines of Huaibei Mining Railway (淮北礦業鐵路專用綫運輸服務費收益權)” and the “Hanhua Small Loan Asset-Backed Special Project (瀚華小貸資產支持專項計劃)”, were both granted with the Ten Best Transaction Awards.

MANAGEMENT DISCUSSION AND ANALYSIS

Equity Securities Lead Underwriting Businesses

| Item | First half of 2015 | First half of 2014 | Increase/ Decrease (%) |
|--|-----------------------|-----------------------|---------------------------|
| Amount of equity securities underwritten by the Company as the lead underwriter (RMB100 million) | 271.17 | 93.19 | 190.99% |
| Number of equity securities underwritten by the Company as the lead underwriter | 8 | 5 | 60.00% |

2. Bond financing

In the first half of 2015, there were great changes in the regulatory policies for the bond markets. The National Development and Reform Commission made adjustments to the review policies for enterprise bonds, and CSRC made great reforms on the regulatory policies for the issuance of corporate bonds, making key adjustments to the issuing bodies and the ways of examination and approval. For the changes in the bond market, the Company made positive responses, and sought for transformation, appropriately reducing the number of corporate bonds underwritten by the Company as the underwriter and strengthening the efforts of underwriting corporate bonds, and the scale of underwriting corporate bonds by the Company increased 296.60% in the first half of 2015 as compared with the corresponding period in 2014. Meanwhile, the bond financing business of the Company showed a trend of diversification in bond varieties, further reducing the reliance on the underwriting business of enterprise bonds. In relation to the new policies, system establishment work related to issue, underwriting and risk control has been completed by the Company. The promotion of issue projects has been strengthened and a maximum bid volume has been striven. At the same time, project reserves of income bonds and corporate bonds have been actively promoted. During the Reporting Period, the Company undertook totally 20 projects concerning enterprise bonds, corporate bonds and subordinated bonds with the amount underwritten as a lead underwriter of RMB54.33 billion, representing an increase of 44.71% as compared with the same period of last year.

Corporate Bond Financing Business

| Name of Project | For the six months ended 30 June 2015 | | For the six months ended 30 June 2014 | |
|---|---|-----------------------|---|-----------------------|
| | Amount underwritten by the Company as the lead underwriter (RMB in 100 million) | Number of issuance | Amount underwritten by the Company as the lead underwriter (RMB in 100 million) | Number of issuance |
| Enterprise bonds | 48.5 | 6 | 289.33 | 22 |
| Corporate bonds | 198.3 | 6 | 50 | 2 |
| Short-term notes | 42 | 2 | 30 | 1 |
| Subordinated bonds (special financial bonds) | 251 | 5 | 5.1 | 1 |
| Medium term notes | 3.5 | 1 | 1 | 1 |
| Total | 543.3 | 20 | 375.43 | 27 |

MANAGEMENT DISCUSSION AND ANALYSIS

3. New OTC Board

In the first half of 2015, the market of the New OTC Board entered into a new phase of rapid development and various brokers all took it as an opportunity to increase their investment. In order to seize the market opportunity, the Company has established a comprehensive system of risk control for recommending business, establishing the fundamental operation mechanisms of the New OTC Board business of the entire Company and formulating work guideline of the listing projects of the New OTC Board. According to the overall principle of “coordination between headquarters and branches as well as coordination through collaboration”, the Company will enhance the cooperation mechanism between the headquarters and the branches, fully utilize our major advantages in branches and clients to enlarge and strengthen the business of New OTC Board rapidly. During the Reporting Period, the Company completed 13 projects for promotion of listing on New OTC Board, and 9 projects for share issuance on New OTC Board. As one of the first market makers for the National Equity Exchange and Quotation System, the Company accumulatively provided market making quotation services for 10 stocks.

New OTC Board Business

| Item | For the six months ended 30 June 2015 | For the six months ended 30 June 2014 | Increase/ Decrease (%) |
|--|--|--|---------------------------|
| Number of New OTC Board projects | 22 | 10 | 120% |
| Accumulative number of stocks for market making | 10 | – | – |
| Investment amount of stocks for market making (RMB million) | 102 | – | – |

(iii) Investment management business

1. Asset management

Along with the significant increase in demands for asset management, the trend for the rise of the asset management industry was formed. During the Reporting Period, the Company realized revenue and other income of RMB199 million from asset management business, representing an increase of RMB116 million as compared with the same period of last year. Since its establishment in May 2014, Galaxy Jinhui has taken up the asset management business of the Company, set up a complete product system and issued several products; the stock pledge project significantly increased with the management scale of RMB4.183 billion; the earning rates of some traditional net value based products under active management were far beyond the average market level. The assets under management amounted to RMB74.297 billion, representing an increase of 113.9% as compared with the same period of last year. Among them, the scale of collective asset management business amounted to RMB29.744 billion, representing an increase of 229% as compared with the same period of last year; the scale of targeted asset management business amounted to RMB41.203 billion, representing an increase of 60% as compared with the same period of last year; and the scale of special asset management business amounted to RMB3.350 billion. The Company had accumulatively 81 management products (25 collective asset management products, 53 targeted asset management products and 3 special asset management products). Galaxy Jinhui attached great importance to the development of asset securitization productions, and set up 3 ABS products, reaching the leading position in the industry in terms of number of ABS projects that received (or issued) record-filing confirmation from the Asset Management Association.

2. Private equity investment

The Company continued to promote the transformation and development of private equity investment business, paid close attention to the market hot spots and seized market opportunities, focused on promoting investment business concerning New OTC Board projects and New OTC Board fund business, and completed reserve of 28 projects; and meanwhile, the Company insisted on post-investment management of projects, promoted the exit of inventory projects through IPO, merger and acquisition with listed companies. During the Reporting Period, private equity investment business of the Company realized revenue and other income of RMB79 million, representing an increase of RMB47 million as compared with the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(iv) Overseas business

The Company emphasizes on promoting internationalization, studies and verifies the feasibility of establishing foreign institutions in developed and emerging markets according to the established 5-year strategic plan and is currently implementing it actively. During the Reporting Period, the revenue and other income from overseas business of the Company amounting to RMB233 million, representing an increase of RMB133 million as compared with the corresponding period of last year.

Along with the acceleration of business layout of domestic financial institutions in Hong Kong and the gradual increase in the capital scale of securities brokers with Chinese background as well as their rapid expansion by ways such as mergers and acquisitions, the competition in Hong Kong market constantly intensified and upgraded. Under such background, Galaxy International Holdings, according to the annual business plan, actively responded to changes in the market, explored diversified business income sources and consistently improved the quality of customer service, striving to create a one-stop integrated service platform with high quality and efficiency. During the Reporting Period, the brokerage business, investment banking business, financing business and asset management business of Galaxy International Holdings continued to maintain a relatively rapid growth as compared with the corresponding period of last year. Major measures adopted include: (1) improving the supermarket of financial products to develop the securities and futures business, margin financing and securities lending, wealth management and brokerage business, providing a one-stop or personalized investment service to customers; (2) adhering to the strategy of full licences to expand domestic and foreign customer base with the support of policies and in line with the trend of RMB internationalization while serving the existing customers so as to search for the opportunity of cross-selling; (3) relying on brand building, strengthening the capability of research and improving the quality of research report to provide support for the development of business of investment banks, securities and futures brokerage and sales to institutional customers; and (4) making use of the advantage of the Chinese background and strengthening its collaboration with the mainland institutions and peers in Hong Kong so as to adhere to the development strategy of differentiation in aspects such as business expansion, project contracting and reserve.

IV. OUTLOOK AND FUTURE PLANS

In the second half of 2015, various reforms of China will enter into a phase with an accelerated development and the capital market, after experiencing ups and downs in the first half of the year, will become stable gradually while securities brokers still face rare development opportunities and fierce competition and challenges. The Company will continue to pursue the established strategies to become a leading comprehensive financial service provider in the domestic securities industry, and deepen the implementation of the “One Core, Two Branches” strategy, striving to enhance the business performance.

In the second half of the year, we expect that despite the decrease in the stock trading volume and the balance of margin financing and securities lending as compared with the first half of the year, the increase as compared with the corresponding period of last year will still be desirable. The strategy of differentiation will be carried out in the brokerage business of the Company to maintain the leading position in the market and the operation efficiency of margin financing and securities lending business will be enhanced to further enhances the risk control capability. The stock financing volume of the market will decrease as affected by the suspension of IPOs, and the Company will commit to business such as refinancing, mergers and acquisitions, asset securitization and preferred stock to eliminate the effects from the suspension of IPOs. The scale of the bond financing business of the Company will be expanded and transformed to better meet the customers’ demand. The Company will promote the business of institutional sales trading in a prudent manner, adapting to the development trend of the market, expanding the service business for new institutional customers such as private equity funds and increasing the market share of QFII business. The Company will continue to closely follow the overall trend of industry innovative development and accelerate the development of innovative businesses such as FICC (Fixed Income, Currency and Commodities) and market-making, consolidating advantageous business, making up weak business, filling up the empty business and streamlining the collaborative business. The Company will effectively increase the scale and market share of proprietary business. The Company will also, through deepening the market-oriented reform of systems and mechanisms and the adjustment and optimization of the Company’s organizational structure, comprehensively improve the efficiency and quality for supporting our services and continue to promote the building of a comprehensive risk management system, consistently raising the standard of risk management and deepening risk management under the new market norms.

MANAGEMENT DISCUSSION AND ANALYSIS

V. LIQUIDITY, FINANCIAL RESOURCES AND SHARE CAPITAL STRUCTURE

During the Reporting Period, the Group continuously maintained its profit growth and realized capital preservation and appreciation. As at 30 June 2015, equity attributable to owners of the Company amounted to RMB52.782 billion, representing an increase of RMB23.758 billion or 81.86% as compared with RMB29.024 billion as at the beginning of the year, which was mainly due to the net proceeds from the issuance of H shares of RMB18.864 billion during the first half of the year and the realized earnings.

Asset structure, asset quality and liquidity remained satisfactory. As at 30 June 2015, total assets of the Group, excluding clients' funds, amounted to RMB207.317 billion, representing an increase of RMB105.699 billion, or 104.02%, as compared with the total assets of RMB101.618 billion as at the end of 2014 on a comparable basis. Cash and bank balances accounted for 15% of the total assets. Assets classified as investments, which mainly consisted of investments in high liquidity financial assets, accounted for 16% of the total assets. Margin financing and securities lending business grew rapidly, with advances to customers accounting for 65% of the total assets.

The gearing ratio of the Group increased. As at 30 June 2015, the own gearing ratio of the Group (note: gearing ratio = (total liabilities – amounts payable to customers' accounts of brokerage business) / (total assets – amounts payable to customers' accounts of brokerage business)) was 74.39%, representing an increase of 3.26 percentage points as compared with 71.13% as at the end of year 2014. Operating leverage (own assets/net assets) of the Group was 3.90 times, representing an increase of 11.43% as compared with 3.50 times as at the end of year 2014. The increase in leverage ratio was mainly attributable to the increase in liabilities through the issuance of subordinated bonds, short-term corporate bonds, income receipt and the significant growth in high leverage businesses such as margin financing and securities lending.

Currently, the Company mainly adopts measures such as issuing short-term corporate bonds, short-term subordinated bonds, transfer of income right of margin financing and securities lending business and income right certificate to raise short-term capital. Meanwhile, the Company can also raise long-term capital by various means such as additional issuance, placing, issuing long-term corporate bonds and long-term subordinated bonds according to the market conditions and its own needs. At present, the Company has obtained comprehensive credit lines in various commercial banks and the Company can use the above debt financing instruments to raise funds according to its business needs.

Excluding the effects of changes in customers' margins, as the cash inflow from the financing activities of the Group during this period was greater than the cash outflow resulted from investing activities and operating activities, the net increase in cash and cash equivalents from January to June 2015 was RMB20.452 billion. While that in the corresponding period in 2014 was RMB1.934 billion, representing an increase of RMB18.518 billion as compared with the corresponding period of last year. The net cash flow from the operating activities from January to June 2015 was RMB-56.764 billion while that in the corresponding period in 2014 was RMB543 million, representing a decrease of RMB57.307 billion as compared with the corresponding period of last year, which was mainly due to the increase in advance to customers in margin financing business of RMB73.416 billion; the net cash flow from the investing activities from January to June 2015 was RMB-2.167 billion while that in the corresponding period in 2014 was RMB518 million, representing a decrease of RMB2.685 billion as compared with the corresponding period of last year; the net cash flow from the financing activities from January to June 2015 was RMB79.384 billion while that in the corresponding period in 2014 was RMB873 million, representing an increase of RMB78.511 billion as compared with the corresponding period of last year, which was mainly due to the funds raised of RMB97.926 billion by the Company in the first half of the year through debt financing measures such as issuing short-term corporate bonds and long-term subordinate bonds as well as the raising of capital of RMB18.923 billion due to the additional issuance of H shares by the Company in early May.

VI. ESTABLISHMENT AND DISPOSAL OF SECURITIES BRANCHES AND BRANCH OFFICES

As at the End of the Reporting Period, the Company had 36 branch offices and 330 securities branches.

During the Reporting Period, the Company obtained the "Approval on the Establishment of 30 Branch Offices by China Galaxy Securities Co., Ltd." (Jing Zheng Jian Xu Ke [2015] No. 46) issued by CSRC Beijing Bureau, and was approved to establish 30 branch offices in Taizhou in Zhejiang and other places. The Company is actively preparing for such establishment.

MANAGEMENT DISCUSSION AND ANALYSIS

VII. FINANCING OF THE COMPANY

During the Reporting Period, the significant financing activities of the Company are as follows:

(i) Use of proceeds from previous period

1. Use of proceeds from the IPO of H Shares

On May 2013, the Company carried out public offering and was listed on the Hong Kong Stock Exchange. The Company received an aggregate of proceeds and interest income of HK\$8.148 billion, which was equivalent to RMB6.498 billion. The amount was equivalent to RMB214 million after deducting the issuance expenses and the actual net proceeds amounted to RMB6.284 billion.

The Company undertakes in the prospectus that the following amounts of net proceeds will be used for the following purposes: (i) around 60% will be used to develop the margin financing and securities lending business of the Company; (ii) around 25% will be used to develop the capital-based intermediary securities trading business, which mainly includes dealer-quoted bond repurchase transactions; and (iii) around 15% will be used to expand the capital investment business.

As at 30 June 2015, the Company has accumulatively utilized HK\$7.854 billion (equivalent to RMB6.192 billion) of the net proceeds (including interest of deposits), and the remaining unutilized proceeds (including part of the unpaid issuance expenses) was equivalent to RMB90 million. Details of the use of proceeds are as follows:

Unit: RMB

| Total amount of proceeds raised | | 6,498,257,233.72 | | Total amount of proceeds utilized accumulatively | | 6,191,557,787.80 | | | | | |
|---|--|--|--|---|--------------------------|--|---|--------------------------|---------------|------------------|--|
| Net amount of proceeds raised | | 6,284,158,234.51 | | | | | | | | | |
| Total amount of proceeds raised with changes of use | | - | | Utilization of proceeds raised in each year | | Utilization in 2013 | | | | | |
| Proportion of amount of proceeds raised with changes of use | | 0.00% | | | | 6,113,371,133.14 | | | | | |
| | | | | | | Utilization in 2014 | | | | | |
| | | | | | | 76,276,432.65 | | | | | |
| | | | | | | Utilization during Jan-Jun 2015 | | | | | |
| | | | | | | 1,910,222.01 | | | | | |
| Investment project | | | Total investment amount from proceeds raised | | | Total amount of investment from proceeds raised as at closing date | | | Exchange loss | Total | Date for projects to reach intended use (or the extent of completion as at closing date) |
| No. | Promised investment project | Actual investment project | Promised investment amount before raising proceeds | Promised investment amount after raising proceeds | Actual investment amount | Promised investment amount before raising proceeds | Promised investment amount after raising proceeds | Actual investment amount | | | |
| 1 | Margin financing and securities lending business | Margin financing and securities lending business | 3,770,494,940.70 | 3,770,494,940.70 | 3,688,810,379.64 | 3,770,494,940.70 | 3,770,494,940.70 | 3,688,810,379.64 | 43,432,260.56 | 3,732,242,640.20 | N/A |
| 2 | Capital-based intermediary business | Capital-based intermediary business | 1,571,039,558.63 | 1,571,039,558.63 | 1,570,084,963.84 | 1,571,039,558.63 | 1,571,039,558.63 | 1,570,084,963.84 | 18,096,775.24 | 1,588,181,739.08 | N/A |
| 3 | Capital investment business | Capital investment business | 942,623,735.18 | 942,623,735.18 | 932,662,444.32 | 942,623,735.18 | 942,623,735.18 | 932,662,444.32 | 10,858,065.14 | 943,520,509.46 | N/A |
| Total | | | 6,284,158,234.51 | 6,284,158,234.51 | 6,191,557,787.80 | 6,284,158,234.51 | 6,284,158,234.51 | 6,191,557,787.80 | 72,387,100.94 | 6,263,944,888.74 | |

2. Use of proceeds from the placing of H Shares

In May 2015, the Company completed the placing of 2 billion H Shares and received an aggregate of proceeds of HK\$23.98 billion and the actual proceeds credited to the account after deducting the transaction fees and levy by direct payment amounted to HK\$23.978 billion. The total amount of proceeds was equivalent to RMB18.923 billion, and the actual net proceeds received by the Company after deducting the issuance expenses (equivalent to RMB590 million) was equivalent to RMB18.864 billion.

The Company undertakes in the announcement in relation to the placing of H Shares that the following amounts of net proceeds will be used for the following purposes: (1) around 60% will be used in margin financing and securities lending business and share charge repurchase business; (2) around 15% will be used in other capital-based intermediary business; (3) around 15% will be used in investment and innovative business; and (4) around 10% will be used to replenish the working capital of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2015, the amount of proceeds utilized accumulatively by the Company amounted to HK\$23.905 billion, which was equivalent to RMB19.118 billion according to the actual settlement exchange rate, and the amount of unutilized proceeds remaining (including part of the unpaid issuance expenses) was equivalent to RMB52 million. Details of the use of proceeds are as follows:

Unit: RMB

| Investment project | | | Total investment amount from proceeds raised | | | Total amount of investment from proceeds raised as at closing date | | | Date for projects to reach intended use (or the extent of completion as at closing date) |
|---|--|--|--|---|---------------------------------|--|---|---------------------------------|--|
| No. | Promised investment project | Actual investment project | Promised investment amount before raising proceeds | Promised investment amount after raising proceeds | Actual investment amount (Note) | Promised investment amount before raising proceeds | Promised investment amount after raising proceeds | Actual investment amount (Note) | |
| Total amount of proceeds raised | | | 18,923,097,600.00 | | | Total amount of proceeds utilized accumulatively | | | 19,118,026,418.17 |
| Net amount of proceeds raised | | | 18,864,276,965.40 | | | | | | |
| Total amount of proceeds raised with changes of use | | | - | | | Utilization of proceeds raised in each year (Note) | | | Utilized in May-June 2015 |
| Proportion of amount of proceeds raised with changes of use | | | 0.00% | | | | | | 19,118,026,418.17 |
| 1 | Margin financing and securities lending business | Margin financing and securities lending business | | | 11,470,815,850.90 | | | 11,470,815,850.90 | N/A |
| 2 | Other capital-based | Intermediary business | | | 2,867,703,962.73 | | | 2,867,703,962.73 | N/A |
| 3 | Investment and innovative business | Investment and innovative business | | | 2,867,703,962.73 | | | 2,867,703,962.73 | N/A |
| 4 | Supplementary working capital | Replenish the working capital of the Company | 18,864,276,965.40 | 18,864,276,965.40 | 1,911,802,641.81 | 18,864,276,965.40 | 18,864,276,965.40 | 1,911,802,641.81 | N/A |
| Total | | | 18,864,276,965.40 | 18,864,276,965.40 | 19,118,026,418.17 | 18,864,276,965.40 | 18,864,276,965.40 | 19,118,026,418.17 | |

Note: Due to the difference between the actual HK\$ exchange rate and the exchange rate used for the calculation of proceeds raised, the Company generated an exchange gain of RMB253,749,452.77 and the actual proceeds available to the Company increased accordingly.

(ii) Significant Financing

1. Bond financing

(1) As of 30 June 2015, the Company issued 2015 tranche 1 to tranche 5 subordinated bonds during this period, totaling RMB25.1 billion, with details as follows:

| Name | Size of Issuance (RMB) | Use of Proceeds | Date of issue | Maturity Date | Term | Interest Rate |
|----------------------------------|------------------------|---|-----------------|-----------------|------------|---------------|
| 2015 Tranche 1 Subordinated Bond | 1.2 billion | To replenish working capital of the Company | 30 January 2015 | 30 January 2017 | 731 days | 5.80% |
| 2015 Tranche 2 Subordinated Bond | 2.8 billion | To replenish working capital of the Company | 30 January 2015 | 30 January 2017 | 731 days | 5.90% |
| 2015 Tranche 3 Subordinated Bond | 4.3 billion | To replenish working capital of the Company | 10 April 2015 | 10 April 2017 | 731 days | 5.80% |
| 2015 Tranche 4 Subordinated Bond | 5.8 billion | To replenish working capital of the Company | 24 April 2015 | 24 April 2018 | 1,096 days | 5.60% |
| 2015 Tranche 5 Subordinated Bond | 11 billion | To replenish working capital of the Company | 8 May 2015 | 8 May 2017 | 731 days | 5.70% |

MANAGEMENT DISCUSSION AND ANALYSIS

- (2) As of 30 June 2015, the Company issued 2014 Tranche 1 to 2 corporate bond during this period, totaling RMB2.5 billion, with details as follows:

| Name | Size of Issuance (RMB) | Use of Proceeds | Date of issue | Maturity Date | Term | Interest Rate |
|-------------------------------|------------------------|---|-----------------|-----------------|------------|---------------|
| 2014 Tranche 1 Corporate Bond | 1.5 billion | To replenish working capital of the Company | 4 February 2015 | 4 February 2018 | 1,096 days | 4.65% |
| 2014 Tranche 2 Corporate Bond | 1 billion | To replenish working capital of the Company | 4 February 2015 | 4 February 2020 | 1,826 days | 4.80% |

- (3) As of 30 June 2015, the Company issued short-term corporate bond of securities companies during this period, totaling RMB19.83 billion, with details as follows:

| Name | Size of Issuance (RMB) | Use of Proceeds | Date of issue | Maturity Date | Term | Interest Rate |
|--|------------------------|---|-----------------|---------------|----------|---------------|
| 2014 Tranche 2 Short-term Corporate Bond | 3.2 billion | To replenish working capital of the Company | 20 January 2015 | 22 July 2015 | 183 days | 5.00% |
| 2014 Tranche 3 Short-term Corporate Bond | 2.63 billion | To replenish working capital of the Company | 6 March 2015 | 6 March 2016 | 366 days | 5.02% |
| 2015 Tranche 1 Short-term Corporate Bond | 3 billion | To replenish working capital of the Company | 24 March 2015 | 24 March 2016 | 366 days | 5.40% |
| 2015 Tranche 2 Short-term Corporate Bond | 2 billion | To replenish working capital of the Company | 29 April 2015 | 29 April 2016 | 366 days | 5.20% |
| 2015 Tranche 3 Short-term Corporate Bond | 7 billion | To replenish working capital of the Company | 15 June 2015 | 10 May 2016 | 330 days | 4.65% |
| 2015 Tranche 4 Short-term Corporate Bond | 2 billion | To replenish working capital of the Company | 29 June 2015 | 29 June 2016 | 366 days | 5.30% |

2. Placing and financing of H shares

As set out in the announcement dated 5 May 2015, the Company successfully allotted and issued an aggregate of 2 billion H Shares to no less than six placees on 5 May 2015 at the placing price of HK\$11.99 per H Share. The proceeds from the placing amounted to approximately HK\$23.98 billion. After the completion of the placing, the total number of issued shares of the Company increased from 7,537 million shares to 9,537 million shares.

3. Update on the progress of A Share issuance and financing

On 25 April 2014, the Company held the first extraordinary general meeting and the Domestic Share and the H Share class meetings in 2014, at which the amendment to the plan of A Share offering and other relevant resolutions were considered and approved. Pursuant to the A Share offering plan, the number of A Shares that were approved to be issued on SSE by the Company will not be more than 1,693,510,473 shares (including any shares that may be issued under the over-allotment option) and will not exceed 18.35% of the total share capital of the Company immediately after the A Share offering. The total size of actual issue, over-allotment and proportion of allotment will be determined by the Board pursuant to the authorizations from the general meeting of the Company and based on the capital requirements of the Company, communication with the regulatory authorities and the prevailing market conditions at the time of the issuance. The proceeds raised from the A

MANAGEMENT DISCUSSION AND ANALYSIS

Share offering, after deduction of the issue expenses, will all be used for strengthening the capital base of the Company and replenishing the working capital of the Company. The A Share offering plan is valid for 12 months from the date of passing of such resolution at the general meeting and the class meetings. The Company has submitted application materials including the prospectus for A Shares to the CSRC, which have been accepted by the CSRC. The prospectus for A Shares was set out in the website of the CSRC as at 29 August 2014, and in the HKExnews website of the Hong Kong Stock Exchange at the same time.

As at 26 March 2015, the first Extraordinary General Meeting in 2015 and the Domestic Shares and H Shares class meetings considered and approved the resolution to extend the validity period of the A Share offering plan and relevant mandate for 12 months. The new validity period started from the next day upon the expiration of the original validity period. At present, the Company is actively preparing for the issuance of A Shares.

VIII. MATERIAL ASSET ACQUISITION, DISPOSAL, EXTERNAL GUARANTEE, MORTGAGE, PLEDGE AND CONTINGENT LIABILITIES OF THE COMPANY

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

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

IX. EMPLOYEE, REMUNERATION AND TRAINING PLAN

As at the End of the Reporting Period, the Group had 8,715 employees (including sales account managers), of which 7,916 were employees of the Company (including sales account managers) and 799 were employees of its subsidiaries.

The Company will set up a competitive remuneration distribution mechanism covering all employees. For the remuneration market benchmarking mechanism for all employees, especially for those in the highly competitive business field and key positions, competitive remuneration standards will be implemented. The remuneration of all employees of the Company can be high or low. The Company will constantly optimize the remuneration structure of the employees, increase the proportion of performance bonus in the total remuneration, gradually widen the gap among different positions and employees with different performance results and keep improving the remuneration distribution mechanism with no ceilings. In terms of trainings for employees, the Company insists on a management mode combining the project management and quota management, and the tiered regulation mechanism, and enhances the training on the condition of rationally distributing the training resources and improving the training effectiveness. Recently, the Company organized foreign language training and quality training for employees to realize the overall target of value addition of human resources.

X. RISK MANAGEMENT

Since its establishment, the Company has been committed to the philosophy that risk management creates value. It gradually promoted comprehensive risk management through identification, evaluation, monitoring, analysis and response of various kinds of risks, thus solidifying the foundation for the Company's sustainable, steady and healthy development.

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

1. Market risk

Market risk is originated from the fluctuation of the fair value or future cash flows in respect of financial instruments held or to be held by the Company resulting from the changes in securities price, interest rate and currency rate, including price risk, interest rate risk and currency rate risk.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the Reporting Period, affected by the market fluctuation, the price of securities held by the Company had large volatility. However, the Company effectively controlled the size of exposure of the proprietary business through risk hedging and quota management, and timely monitored the position risks of the securities held by the Company that the large volatility of the prices did not lead to the losses of the Company. As at the End of the Reporting Period, the VaR¹ of the Company's investment portfolio amounted to approximately RMB108 million, not over 0.2% of its net capital.

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

2. Credit risk

Credit risk refers to the potential possibility of incurring losses resulting from the failure of the borrower or counterparty to timely fulfill its contractual obligations, and it also includes the possibility of incurring losses due to changes in the market value of the debts of the borrower or counterparty resulting from the changes in the credit rating and performance capability of such borrower or counterparty. The Company managed credit risk mainly by evaluating credit risk in advance and following up and monitoring credit risk afterward, and gradually promoting the establishment and application of tools such as internal credit rating and risk management system for financing businesses. On one hand, the Company established the guidance for risk management of financing businesses to determine the standards for evaluating the admission of counterparty and business transaction factors to prepare for risk evaluation in advance; on the other hand, the Company closely monitored the risk movement of collateral, controlled concentration risk and conducted stress tests. In addition, the Company continuously traced its clients' financial conditions, operation standard and other significant events that would affect their credit within the duration of business, and identified, reported and dealt with credit risk in time.

As at the End of the Reporting Period, 69.31% of the bonds held by the Company had a credit rating of AAA, 30.12% had a credit rating of AA, AA+, AAA- with the remaining 0.56% rated AA or below. There was no default from counterparties. During the Reporting Period, affected by the market volatility in June, the size of margin financing and securities lending business decreased from the peak value of RMB155.2 billion to RMB133 billion while the Company incurred no actual losses. There was no credit default in securities-based lending transactions, dealer-quoted securities repurchase transactions and equity swap transactions. The overall credit risk of the Company was under control.

(1) 1 day VaR at 95% confidence level.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Operational risk

Operational risk refers to the risk of incurring losses resulting from the inadequacy or defect of internal operating procedures, personnel or systems, or from such external events. In order to manage operational risk effectively, the Company established a well-developed internal control system, regularly carried out effective assessment of internal control and compliance management throughout the Company. The operational risk management team specially set up by the Risk Management Department was in charge of designing, maintain and constantly developing the management structure of operational risk and monitoring and reporting the operational risks faced by the Company, and effectively identifying and managing the operational risks by operating the risk management tools, policy-making and construction of IT system, training and assessment to maintain the operational risks at a proper level so as to provide a healthy internal operational environment for business development.

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

4. Liquidity risk

Liquidity risk refers to the risk resulting from inability to timely obtain sufficient funds at rational costs to repay debts due, fulfill other payment obligations and satisfy the demands for capital in the ordinary course of business.

To cope with and manage liquidity risk effectively, the Company constructed the risk evaluation and measurement methods cored with the Guidance for Securities Companies on Liquidity Risk Management, strengthened the real-time monitoring and management of usage of large amounts of funds in order to achieve centralized fund allocation and coordinated liquidity risk management, adjusted and configured the scale and maturity structure of assets and liabilities to build up a multi-level liquidity reserve system, construct an integrated fund and liquidity risk management system and achieved the target of our liquidity portfolio through accessing the money market, capital market and bank credit.

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

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

When replenishing the capital and seizing the opportunities, the Company transformed the risk management concept, enhanced the cultivation of talent team, strengthened risk management method and tools, accelerated the establishment of the risk management system, carried out risk management throughout all the processes, fully cooperate in developing innovative business, enhanced supports for financing businesses and intensified liquidity risk management to support and ensure for the innovative transformation and strategy implementation of the Company.

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

Under the influences of regulatory requirements, industrial trend, business drives and our own effort, the Company's recognition of the importance of risk management has changed materially. With a "top-down approach", the Board and operation management attached high importance to risk management, actively promoted the establishment of a comprehensive risk management system, further defined the Company's risk management strategy and risk appetite and strengthened risk quota and authorisation management. The Company emphasized on the establishment of a risk management reporting system, the involvement of risk management in business decision-making and embedding risk management in business development process. As such, risk management has been playing an increasingly important role in the daily operation and management of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Strengthen the risk management method and instrument, speed up the construction of risk management system

By enhancing the risk management methods and tools, the Company fully identified the risks in a timely manner, prudentially evaluated all kinds of risks, constantly monitored risks, actively responded to all the risks, and timely and comprehensively reported risks. The Company continuously enhanced risk evaluation and measurement methods, developed and applied a series of risk management methods and tools, to evaluate and report risks in a quantitative method: enhancing such market risk evaluation techniques such as sensitivity analysis, scenario analysis, value at risk (VaR), and pressure tests, etc.; carrying out credit risk evaluation method including corporate rating; gradually establishing basic tools for operational risks such as loss database, key risk indicators, risk control and self-evaluation; adopting liquidity risk evaluation measures such as financing capability analysis, asset realization analysis, dynamic and static cash flow forecasts, and stress tests; and exploring and considering risk-correlated overall risk summary techniques.

Based on the principles of “fast effect in the short term and expandable in the long term”, the Company constructed the risk management system cluster with uniform structure, clear layers and well-developed functions to vigorously support the implementation of comprehensive risk management system. The ideal of “integrated design, use in advance in case of urgent demands, planning the implementation as a whole and crushing one by one” was adopted for the integrated construction, and the data integration and governance were based and the demands for risk management were oriented to design the overall structure of the risk management system and cooperate in synchronization in completing the transformation of relevant production system and supporting system. In addition, the Company actively set up projects for the operational risk management system and the financing-related risk monitoring system that the construction progress of the risk management system was significantly expedited.

3. To adopt a comprehensive risk management, cooperate fully with the innovative business development

While the Company actively carry out innovative business, and also focus on the risk management of the innovative business, which mainly included risk valuation for each innovative business, risk control procedure design, risk control indicator design and indicator setting, risk management supporting system design and related construction of risk control information system, and performed innovative risk management by way of assessment and review beforehand, assigned risk limits, concurrent risk measurement, independent monitoring and risk reporting, and risk assessment and participated in risk disposal afterwards etc.

4. Strengthen the support to financing business, strengthen the risk management of liquidity

Along with the effect brought by the market condition, the scale of the margin financing and securities lending business increased rapidly. On one hand, credit risk and market risk rapidly expanded, and on the other hand, difficulty in controlling risk management of liquidity increased. For this, the Company strengthened large amount credit of the financing business and kept tracking the market and gave warnings, and also implemented on-site supplemental due diligence for high risk projects to support the selection of counterparties cautiously and revealing the project risks in full. The Company continued to improve the internal risk control standard, optimized the approval procedures for products, and gradually constructed risk guidelines for financing business such as securities-based lending, stock pledge and return swaps. According to the market condition recently, the Company linked the business scale and net assets to perform dynamic management, actively adjusted the target securities range, discount rate and margin rates.

In addition, on the basis of balance of safety, liquidity and profitability of the Company, the Company supported the healthy and stable development of business through various active means such as asset and liability management, establishment of different levels of liquidity reserves system, replenish the capital etc.

OTHER INFORMATION

I. INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2015.

II. INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES IN THE COMPANY AND ITS ASSOCIATED CORPORATIONS HELD BY THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Based on the information available to the Company and so far as the Directors are aware, as at the End of the Reporting Period, none of the Directors, Supervisors and chief executive of the Company has interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) (i) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) which are required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or (iii) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 to the Listing Rules.

III. RIGHTS OF THE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

IV. INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES IN THE COMPANY HELD BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as Directors are aware after making all reasonable enquiries, as at the End of the Reporting Period, the following persons (other than the Directors, Supervisors or chief executive of the Company) held interests or short positions in shares or underlying shares which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or which are recorded in the register required to be kept pursuant to Section 336 of the SFO:

| Name of substantial shareholders | Class of shares | Nature of interest | Number of shares held (share) (Note 1) | Percentage of the total number of issued shares of the Company (%) | Percentage of the total number of issued Domestic Shares/H Shares of the Company (%) | Long positions/short positions/shares available for lending |
|---|-----------------|---|---|--|--|---|
| Huijin (Note 2) | Domestic Shares | Interests of controlled corporation | 5,217,743,240 | 54.71% | 89.25% | Long position |
| Galaxy Financial Holdings | Domestic Shares | Beneficial owner | 5,217,743,240 | 54.71% | 89.25% | Long position |
| Franklin Templeton Sealand Fund Management Co., Ltd | H Shares | Investment manager | 288,000,000 | 3.02% | 7.80% | Long position |
| UBS AG (Note 3) | H Shares | Beneficial owner/Security interest in shares/Interest of controlled corporation | 223,835,022 | 2.34% | 6.06% | Long position |
| | H Shares | Beneficial owner/Interest of controlled corporation | 14,221,097 | 0.14% | 0.39% | Short position |

OTHER INFORMATION

| Name of substantial shareholders | Class of shares | Nature of interest | Number of shares held (share) (Note 1) | Percentage of the total number of issued shares of the Company (%) | Percentage of the total number of issued Domestic Shares/H Shares of the Company (%) | Long positions/short positions/shares available for lending |
|--|-----------------|--|---|---|---|---|
| UBS Group AG (Note 4) | H Shares | Security interest in shares/Interest of controlled corporation | 223,835,022 | 2.34% | 6.06% | Long position |
| | H Shares | Interest of controlled corporation | 14,221,097 | 0.14% | 0.39% | Short position |
| BlackRock, Inc. (Note 5) | H Shares | Interest of controlled corporation | 222,664,941 | 2.33% | 6.03% | Long position |
| China Alpha Fund Management (HK) Limited | H Shares | Investment manager | 198,000,000 | 2.07% | 5.36% | Long position |
| China Alpha Fund Management Limited | H Shares | Investment manager | 198,000,000 | 2.07% | 5.36% | Long position |
| Jet Elite Investments Limited (Note 6) | H Shares | Interest of controlled corporation | 198,000,000 | 2.07% | 5.36% | Long position |
| Wang Junyan (Note 7) | H Shares | Interest of controlled corporation | 198,000,000 | 2.07% | 5.36% | Long position |
| China Minsheng Investment Corp., Ltd. (Note 8) | H Shares | Interest of controlled corporation | 198,000,000 | 2.07% | 5.36% | Long position |
| Wenze International Investment Limited | H Shares | Beneficial owner | 198,000,000 | 2.07% | 5.36% | Long position |
| Yan Yuqing (Note 9) | H Shares | Beneficial owner | 198,000,000 | 2.07% | 5.36% | Long position |
| Liao Shuang (Note 10) | H Shares | Beneficial owner | 198,000,000 | 2.07% | 5.36% | Long position |
| JPMorgan Chase & Co. (Note 11) | H Shares | Beneficial owner/ Investment manager | 185,607,385 | 1.94% | 5.02% | Long position |
| | H Shares | Beneficial owner | 32,959,145 | 0.34% | 0.89% | Short position |
| | H Shares | Custodian corporation/ approved lending agent | 85,440,775 | 0.89% | 2.31% | Shares available for lending |
| Morgan Stanley (Note 12) | H Shares | Interest of controlled corporation | 146,930,779 | 1.54% | 3.98% | Long position |
| | H Shares | Interest of controlled corporation | 67,123,004 | 0.70% | 1.81% | Short position |

Note 1: According to Section 336 of the SFO, shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the shareholders in the Company change, it is not necessary for the shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange.

Note 2: Huijin directly holds approximately 78.57% equity interest in Galaxy Financial Holdings and is therefore deemed to be interested in 5,217,743,240 Domestic Shares directly held by Galaxy Financial Holdings.

Note 3: Out of the 223,835,022 H Shares in long position held by UBS AG, 13,777,372 H Shares are held by UBS AG as the beneficial owner, 205,751,150 H Shares are held by UBS AG as the person having security interest in the shares, and 4,306,500 H Shares are held by UBS AG through various entities under its control. Out of the 14,221,097 H Shares in short position held by UBS AG, 13,591,097 H Shares are held by UBS AG as the beneficial owner, and 630,000 H Shares are held by UBS AG through various entities under its control. In addition, 6,325,621 H Shares in long position and 11,137,097 H Shares in short position involve derivatives, of which the categories are:

- 23,340 H Shares in long position: derivatives listed and traded on a stock exchange or traded on a futures exchange – physically settled;

OTHER INFORMATION

- 4,411,914 H Shares in short position: derivatives listed and traded on a stock exchange or traded on a futures exchange – cash settled;
- 4,484,417 H Shares in long position and 5,067,303 H Shares in short position: unlisted derivatives – physically settled;
- 1,817,864 H Shares in long position and 1,657,880 H Shares in short position: unlisted derivatives – cash settlement.

Note 4: Out of the 223,835,022 H Shares in long position held by UBS Group AG, 205,751,150 H Shares are held by UBS AG as the person having security interest in the shares, 18,083,872 H Shares are held by UBS AG through various entities under its control. The 14,221,097 H Shares in short position held by UBS Group AG are held by UBS Group AG through various entities under its control. In addition, 6,325,621 H Shares in long position and 11,137,097 H Shares in short position involve derivatives, of which the categories are:

- 23,340 H Shares in long position: derivatives listed and traded on a stock exchange or traded on a futures exchange – physically settled;
- 4,411,914 H Shares in short position: derivatives listed and traded on a stock exchange or traded on a futures exchange – cash settled;
- 4,484,417 H Shares in long position and 5,067,303 H Shares in short position: unlisted derivatives – physically settled;
- 1,817,864 H Shares in long position and 1,657,880 H Shares in short position: unlisted derivatives – cash settled.

Note 5: BlackRock, Inc. holds 222,664,941 H Shares in long position through various entities under its control. In addition, 327,000 H Shares in long position involve derivatives, of which the category is: unlisted derivatives – cash settled.

Note 6: Jet Elite Investments Limited is interested in 100% shares of China Alpha Fund Management (HK) Limited, and is hence deemed to be interested in the 198,000,000 H Shares held by China Alpha Fund Management (HK) Limited.

Note 7: Wang Junyan is indirectly interested in 80% shares of China Alpha Fund Management (HK) Limited, and is hence deemed to be interested in the 198,000,000 H Shares held by China Alpha Fund Management (HK) Limited.

Note 8: China Minsheng Investment Corp., Ltd. is indirectly interested in 100% shares of CMI Financial Holding Corporation, and is hence deemed to be interested in the 198,000,000 H Shares held by CMI Financial Holding Corporation.

Note 9: Yan Yuqing is interested in 50% shares of Wenze International Investment Limited and is hence deemed to be interested in the 198,000,000 H Shares held by Wenze International Investment Limited.

Note 10: Liao Shuang is interested in 50% shares of Wenze International Investment Limited, and is hence deemed to be interested in the 198,000,000 H Shares held by Wenze International Investment Limited.

Note 11: Out of the 185,607,385 H Shares in long position held by JPMorgan Chase & Co., 99,842,610 H Shares are held by JPMorgan Chase & Co. as the beneficial owner, 324,000 H Shares are held by JPMorgan Chase & Co. as the investment manager, 85,440,775 H Shares are held by JPMorgan Chase & Co. as the custodian – corporation/approved lending agent. In addition, 8,092,500 H Shares in long position and 9,322,145 H Shares in short position involve derivatives, of which the categories are:

- 8,092,500 H Shares in long position and 3,290,097 H Shares in short position: unlisted derivatives – physically settled;
- 4,343,500 H Shares in short position: derivatives listed and traded on a stock exchange or traded on a futures exchange – cash settled;
- 1,688,548 H Shares in short position: unlisted derivatives – cash settled.

Note 12: Morgan Stanley holds 146,930,779 H Shares in long position and 67,123,004 H Shares in short position through various entities under its control. In addition, 41,245,500 H Shares in long position and 15,131,676 H Shares in short position involve derivatives, of which the category is: unlisted derivatives – cash settled.

OTHER INFORMATION

Save as disclosed above, as at the End of the Reporting Period, the Company was not aware of any other person (other than Directors, Supervisors and chief executive of the Company) who held interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

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

Save as disclosed in the sub-section “VII. Financing of the Company” under the “Management Discussion and Analysis” section, the Company and its subsidiaries did not purchase, sell or redeem any of its listed securities during the Reporting Period.

VI. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

VII. COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules for securities transactions by Directors and Supervisors. The Company has made specific enquiries to all Directors and Supervisors with respect to their compliance with the Model Code, and all Directors and Supervisors confirmed that they have complied with all standards set out in the Model Code during the Reporting Period.

VIII. OPERATION OF THE BOARD AND ITS SPECIAL COMMITTEES

On 29 June 2015, the Company held the annual general meeting at which Chen Youan, Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu and Chi Fulin were elected as non-employee representative Directors of the third session of the Board of Directors. Li Chaoyang was elected as an employee representative Director at the 9th meeting of the 1st session of the employees’ representative meeting. The terms of Xu Guoping, Li Chenghui, Wang Shiding, Zhou Ruijin and Qi Xiaoli ended when the term of the 2nd session of the Board of Directors expired. They ceased to be Directors of the Company at the conclusion of the annual general meeting.

The Board currently comprises 11 Directors, including 3 executive Directors, 4 non-executive Directors and 4 independent non-executive Directors.

| Board | Chairman and executive Director | Vice chairman, executive Director and president | Executive Director, board secretary and joint company secretary | Non-executive Director | Independent non-executive Director |
|----------|---------------------------------|---|---|--|---------------------------------------|
| Director | Chen Youan | Gu Weiguo | Wu Chengming | Du Ping, Shi Xun, Zhang Jinghua, Li Chaoyang | Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin |

The Strategy and Development Committee, Risk Management Committee, Nomination and Remuneration Committee and Audit Committee have been established under the Board. The responsibilities of each committee are clearly divided and defined. The committees assist the Board in conducting work within the terms of reference as specified in the procedural rules of meetings, and are accountable to and report to the Board. The majority of the members of the Nomination and Remuneration Committee and the Audit Committee are independent non-executive Directors, and the chairman of each of the two committees is an independent non-executive Director.

OTHER INFORMATION

On 29 June 2015, at the 1st meeting (extraordinary) of the 3rd session of the Board of Directors, members of each special committee under the Board were re-elected. The members of each committee before and after the re-election are as follows:

Before re-election:

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

After re-election:

| Special committees | Chairman | Members |
|---------------------------------------|------------|--|
| Strategy and Development Committee | Chen Youan | Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin, Li Chaoyang |
| Risk Management Committee | Shi Xun | Gu Weiguo, Du Ping, Zhang Jinghua, Wu Chengming, Liu Feng, Li Chaoyang |
| Nomination and Remuneration Committee | Liu Feng | Luo Lin, Wu Yuwu, Chi Fulin, Shi Xun, Li Chaoyang |
| Audit Committee | Luo Lin | Liu Feng, Wu Yuwu, Chi Fulin, Shi Xun, Zhang Jinghua |

All Directors performed their duties honestly and diligently in accordance with the relevant requirements of the laws, regulations and the Articles of Association, so as to protect the interests of the Company and its shareholders. During the Reporting Period, all Directors faithfully and diligently performed their duties entitled by laws and regulations, and have protected the overall interests of the Company, especially the legitimate interests of small and medium shareholders.

During the Reporting Period, the Board convened 1 annual general meeting, 1 extraordinary general meeting, 1 Domestic Share class meeting and 1 H Share class meeting and submitted 30 proposals for shareholders' consideration. The Board actively organized, supervised and followed up the implementation of the resolutions passed at general meetings. The Board has convened 6 Board meetings to consider 36 proposals. The Strategy and Development Committee, the Risk Management Committee, the Nomination and Remuneration Committee and the Audit Committee convened 4 meetings, 3 meetings, 5 meetings and 4 meetings, respectively. The special committees gave full play to their own professional strengths, providing strong support for the decision-making of the Board and further enhancing the efficiency and level of decision-making of the Board.

The Audit Committee and the management have reviewed the accounting policies adopted by the Company, discussed matters including the internal control and financial statements of the Company, and reviewed the consolidated interim financial information of the Company for the six months ended 30 June 2015. The external auditor of the Company has reviewed the interim financial information in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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

IX. OPERATION OF THE SUPERVISORY COMMITTEE

The annual general meeting of the Company was held on 29 June 2015. Yu Wenxiu, Zhong Cheng and Feng Heping were elected as non-employee representative Supervisors of the 3rd session of the Supervisory Committee. At the 9th meeting of the 1st session of the employees' representative meeting, Liu Zhiyi and Chen Jijiang were elected as employee representative Supervisors. The terms of Wu Huanliang and Gu Shulin ended when the term of the 2nd session of the Supervisory Committee expired. They ceased to be Supervisors of the Company at the conclusion of the annual general meeting.

On 9 July 2015, at the 1st meeting in 2015 of the 3rd session of the Supervisory Committee, Mr. Yu Wenxiu was elected as the chairman of the Supervisory Committee.

The Supervisory Committee currently comprises 5 Supervisors, including 2 employee Supervisors.

| Supervisory Committee | Chairman | Supervisors |
|-----------------------|-----------|--|
| Supervisors | Yu Wenxiu | Zhong Cheng, Feng Heping, Liu Zhiyi (employee Supervisor), Chen Jijiang (employee Supervisor) |

The Performance Supervision and Inspection Committee and Financial Supervision and Inspection Committee have been established under the Supervisory Committee.

On 9 July 2015, members of each special committee under the Supervisory Committee were re-elected. The members of each committee before and after the re-election are as follows:

Before re-election:

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

After re-election:

| Special committees | Chairman | Members |
|--|-------------|---------------------------|
| Performance Supervision and Inspection Committee | Yu Wenxiu | Zhong Cheng, Chen Jijiang |
| Financial Supervision and Inspection Committee | Feng Heping | Zhong Cheng, Liu Zhiyi |

The Supervisors performed their duties diligently in accordance with relevant laws and regulations, including the Company Law and Securities Law of the PRC, and relevant requirements of the Articles of Association. The Supervisory Committee supervised the operation of the Company so as to protect the legitimate interests of the Company and its shareholders. During the Reporting Period, the Supervisory Committee convened 3 meetings to consider 5 proposals. The Performance Supervision and Inspection Committee convened 1 meeting.

OTHER INFORMATION

X. MATERIAL LITIGATIONS

Out of the three material litigations as disclosed in the 2014 annual report of the Company, final decision has been made for one, which has been disclosed in the 2014 annual report. For the remaining two material litigations, the update of their status is as follows:

(1) Contractual dispute arising from account statements falsified by Bai Weitong (a former employee of Xiaolan branch in Zhongshan)

On 6 July and 13 July 2015, the Securities Business Department of the Company's Xiaolan branch in Zhongshan received the relevant materials from the Guangdong High People's Court respectively that Cai Hualin and Cai Jinglin have submitted petition for retrial and their cases were accepted. Cai Hualin and Cai Jinglin appealed to the Guangdong High People's Court against the ruling of the Intermediate People's Court of Zhongshan in the second trial.

(2) Civil proceedings arising from Yu Xiaolei's illegal absorption of public's deposits

On 3 July 2015, the Company received First Trial Civil Judgment [(2013) Jian Shang Chu Zi No. 214] of People's Court of Jianye District, Nanjing. The court rejected the request of the plaintiff Tang Latou. On 16 July 2015, Tang Latou appealed to the Intermediate People's Court of Nanjing demanding for revocation of ruling of the first trial and support all his claims raised in the first trial. The case has now entered the second trial stage.

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

XI. ETF INVESTING IN BLUE CHIP STOCKS BY WAY OF RETURN SWAPS WITH CHINA SECURITIES FINANCE CORPORATION LIMITED

On 4 July 2015, 21 securities companies including the Company convened a meeting, at which they analyzed the current stock market situation and expressed their support for the steady development of the stock market. In this regard, the Securities Association of China released the *Joint Announcement of 21 Securities Companies*.

The Board held an ad hoc meeting on 6 July 2015. At such meeting, it was agreed that the Company will, within the authorization given by the shareholders' general meeting, invest an amount equal to 15% of its net assets as of the end of June 2015 mainly on exchange traded funds (ETF) investing in blue chip stocks, by way of return swaps with China Securities Finance Corporation Limited. In this connection, the Company has entered into the *Master Agreement for OTC Derivatives Trading in the China Securities Futures Market* and the *Confirmation Letter for Return Swaps Trading* with China Securities Finance Corporation Limited.

XII. EVALUATION RESULTS OF THE COMPANY BY SECURITIES REGULATORY AUTHORITY

In the evaluation of securities companies of 2015 carried out by the CSRC, the Company was again assigned an AA rating in A class. The Company has been assigned this rating for six consecutive years.

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

Details of Directors and Supervisors are disclosed in the Announcement on the Resolutions passed at the Annual General Meeting, Election of Members of the Third Session of the Board of Directors and the Supervisory Committee and Distribution of 2014 Final Dividend dated 29 June 2015.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Galaxy Securities Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 30 to 73, which comprise the condensed consolidated statement of financial position as at 30 June 2015 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

| | Notes | Six months ended 30 June | |
|---|-------|--------------------------|---------------------|
| | | 2015 (Unaudited) | 2014 (Unaudited) |
| Revenue | | | |
| Commission and fee income | 3 | 9,911,090 | 2,453,868 |
| Interest income | 4 | 6,010,681 | 1,695,740 |
| Net investment gains | 5 | 1,283,736 | 646,475 |
| | | 17,205,507 | 4,796,083 |
| Other income and gains | | 278,829 | 9,836 |
| Total revenue and other income | | 17,484,336 | 4,805,919 |
| Depreciation and amortization | 6 | (88,443) | (96,665) |
| Staff costs | 7 | (4,917,052) | (1,540,490) |
| Commission and fee expenses | 8 | (209,644) | (77,688) |
| Interest expenses | 9 | (3,094,265) | (459,872) |
| Other operating expenses | 10 | (1,664,879) | (843,536) |
| Impairment losses | 11 | (13,159) | (18,639) |
| Total expenses | | (9,987,442) | (3,036,890) |
| Share of result of an associate | | (397) | 895 |
| Profit before income tax | | 7,496,497 | 1,769,924 |
| Income tax expense | 12 | (1,830,252) | (417,391) |
| Profit for the period | | 5,666,245 | 1,352,533 |
| Attributable to: | | | |
| Owners of the Company | | 5,642,806 | 1,346,567 |
| Non-controlling interests | | 23,439 | 5,966 |
| | | 5,666,245 | 1,352,533 |
| Earnings per share attributable to owners of the Company (in RMB) | | | |
| – Basic | 13 | 0.69 | 0.18 |

The notes on pages 37 to 73 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

| | Six months ended 30 June | |
|---|---------------------------------|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) |
| Profit for the period | 5,666,245 | 1,352,533 |
| Other comprehensive income | | |
| <i>Items that may be subsequently reclassified to profit or loss:</i> | | |
| Available-for-sale financial assets | | |
| Net fair value changes during the period | 936,958 | 450,498 |
| Reclassification adjustment to profit or loss on disposal | (345,911) | (86,079) |
| Reclassification adjustment to profit or loss on impairment | – | 13,611 |
| Income tax impact | (147,762) | (94,508) |
| Subtotal | 443,285 | 283,522 |
| Share of other comprehensive income of an associate | – | (190) |
| Exchange differences arising on translation | (1,029) | 4,640 |
| | 442,256 | 287,972 |
| <i>Items that will not be reclassified to profit or loss:</i> | | |
| Remeasurement of defined benefit obligation | 4,383 | (47,865) |
| | 4,383 | (47,865) |
| Other comprehensive income for the period, net of income tax | 446,639 | 240,107 |
| Total comprehensive income for the period | 6,112,884 | 1,592,640 |
| Attributable to: | | |
| Owners of the Company | 6,089,445 | 1,586,674 |
| Non-controlling interests | 23,439 | 5,966 |
| | 6,112,884 | 1,592,640 |

The notes on pages 37 to 73 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

| | Notes | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|--|-------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 15 | 392,317 | 379,572 |
| Goodwill | | 223,278 | 223,278 |
| Other intangible assets | | 351,393 | 355,161 |
| Investment in an associate | | 19,614 | 20,011 |
| Advances to customers | 18 | 68,667 | – |
| Available-for-sale financial assets | 16 | 2,321,244 | 511,862 |
| Financial assets held under resale agreements | 21 | 452,231 | 89,652 |
| Investments classified as loan and receivables | | 742,750 | 250,000 |
| Deferred tax assets | 17 | 113,381 | 347,650 |
| Total non-current assets | | 4,684,875 | 2,177,186 |
| Current assets | | | |
| Advances to customers | 18 | 134,789,956 | 61,442,657 |
| Accounts receivable | 19 | 959,734 | 458,257 |
| Other receivables and prepayments | 20 | 1,826,472 | 1,116,671 |
| Investments classified as loan and receivables | | 250,000 | – |
| Available-for-sale financial assets | 16 | 12,247,698 | 11,071,673 |
| Financial assets held under resale agreements | 21 | 5,310,906 | 7,315,173 |
| Financial assets held for trading | 22 | 11,481,973 | 5,961,256 |
| Financial assets designated at fair value through profit or loss | 23 | 4,445,010 | 1,360,847 |
| Derivative financial assets | 24 | 5,717 | – |
| Deposits with exchanges and a non-bank financial institution | 25 | 6,154,097 | 6,050,015 |
| Clearing settlement funds | 26 | 34,244,701 | 31,260,370 |
| Bank balances | 27 | 190,438,510 | 51,811,602 |
| Total current assets | | 402,154,774 | 177,848,521 |
| Total assets | | 406,839,649 | 180,025,707 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 29 | 9,537,259 | 7,537,259 |
| Reserves | | 30,564,607 | 13,232,153 |
| Retained profits | | 12,680,171 | 8,254,385 |
| Equity attributable to owners of the Company | | 52,782,037 | 29,023,797 |
| Non-controlling interests | | 318,148 | 312,123 |
| Total equity | | 53,100,185 | 29,335,920 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

| | Notes | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|---|-------|---|---|
| Liabilities | | | |
| Non-current liabilities | | | |
| Bonds payable | 30 | 33,765,075 | 6,200,000 |
| Financing instrument payables | 32 | 3,651,770 | – |
| Other payables and accruals | 35 | – | 200,000 |
| Financial assets sold under repurchase agreements | 36 | 14,800,000 | 2,575,000 |
| Total non-current liabilities | | 52,216,845 | 8,975,000 |
| Current liabilities | | | |
| Bonds payable | 30 | 38,230,000 | 20,700,000 |
| Due to banks and non-bank financial institutions | 31 | 2,560,994 | 1,812,123 |
| Financing instrument payables | 32 | 16,674,270 | 5,417,910 |
| Accounts payable to brokerage clients | 33 | 199,522,453 | 78,407,509 |
| Accrued staff costs | 34 | 5,105,115 | 2,932,674 |
| Other payables and accruals | 35 | 6,097,099 | 1,901,186 |
| Current tax liabilities | | 767,941 | 354,376 |
| Financial liabilities designated at fair value through profit or loss | | 9,633 | – |
| Derivative financial liabilities | 24 | 131,589 | 24,084 |
| Financial assets sold under repurchase agreements | 36 | 32,423,525 | 30,164,925 |
| Total current liabilities | | 301,522,619 | 141,714,787 |
| Total Liabilities | | 353,739,464 | 150,689,787 |
| Total equity and liabilities | | 406,839,649 | 180,025,707 |
| Net current assets | | 100,632,155 | 36,133,734 |
| Total assets less current liabilities | | 105,317,030 | 38,310,920 |

The condensed consolidated financial statements on pages 30 to 73 were approved and authorized for issue by the Board of Directors on 28 August 2015 and are signed on its behalf by:

Chen Youan

DIRECTOR

Gu Weiguo

DIRECTOR

The notes on pages 37 to 73 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

| | Equity attributable to owners of the Company | | | | | | | | | |
|--|--|-----------------|--------------------------------|---------------------|------------------|----------------|------------------|-------------|---------------------------|--------------|
| | Share capital | Reserves | | | | | Retained profits | Subtotal | Non-controlling interests | Total equity |
| | | Capital reserve | Investment revaluation reserve | Translation reserve | General reserves | Other reserves | | | | |
| Six months ended 30 June 2015 (Unaudited) | | | | | | | | | | |
| At 1 January 2015 | 7,537,259 | 4,798,418 | 258,537 | (18,060) | 8,219,866 | (26,608) | 8,254,385 | 29,023,797 | 312,123 | 29,335,920 |
| Profit for the period | - | - | - | - | - | - | 5,642,806 | 5,642,806 | 23,439 | 5,666,245 |
| Other comprehensive income/(expense) for the period | - | - | 443,285 | (1,029) | - | 4,383 | - | 446,639 | - | 446,639 |
| Total comprehensive income/(expense) for the period | - | - | 443,285 | (1,029) | - | 4,383 | 5,642,806 | 6,089,445 | 23,439 | 6,112,884 |
| Placing of new H shares | 2,000,000 | 16,923,098 | - | - | - | - | - | 18,923,098 | - | 18,923,098 |
| Costs of placing of new H shares | - | (58,821) | - | - | - | - | - | (58,821) | - | (58,821) |
| Dividend distributed to non-controlling interests | - | - | - | - | - | - | - | - | (17,414) | (17,414) |
| Appropriation to general reserves | - | - | - | - | 11,059 | - | (11,059) | - | - | - |
| Cash dividend recognized as distribution (note 14) | - | - | - | - | - | - | (1,205,961) | (1,205,961) | - | (1,205,961) |
| At 30 June 2015 | 9,537,259 | 21,662,695 | 701,822 | (19,089) | 8,230,925 | (22,225) | 12,680,171 | 52,771,558 | 318,148 | 53,089,706 |
| Six months ended 30 June 2014 (Unaudited) | | | | | | | | | | |
| At 1 January 2014 | 7,537,259 | 4,798,418 | (334,940) | (17,034) | 7,075,584 | 20,292 | 6,095,249 | 25,174,828 | 246,838 | 25,421,666 |
| Profit for the period | - | - | - | - | - | - | 1,346,567 | 1,346,567 | 5,966 | 1,352,533 |
| Other comprehensive income/(expense) for the period | - | - | 283,332 | 4,640 | - | (47,865) | - | 240,107 | - | 240,107 |
| Total comprehensive income/(expense) for the period | - | - | 283,332 | 4,640 | - | (47,865) | 1,346,567 | 1,586,674 | 5,966 | 1,592,640 |
| Capital contribution from non-controlling interests | - | - | - | - | - | - | - | - | 60,000 | 60,000 |
| Dividend distributed to non-controlling interests | - | - | - | - | - | - | - | - | (14,371) | (14,371) |
| Cash dividend recognized as distribution (note 14) | - | - | - | - | - | - | (467,310) | (467,310) | - | (467,310) |
| At 30 June 2014 | 7,537,259 | 4,798,418 | (51,608) | (12,394) | 7,075,584 | (27,573) | 6,974,506 | 26,294,192 | 298,433 | 26,592,625 |

The notes on pages 37 to 73 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

| | Six months ended 30 June | |
|---|-----------------------------------|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) |
| OPERATING ACTIVITIES | | |
| Operating cash flows before movements in working capital | 9,785,588 | 1,985,790 |
| Increase in advances to customers | (73,415,967) | (4,164,476) |
| Decrease in financial assets held under resale agreements | 1,641,688 | 465,806 |
| Increase in clearing settlement funds-clients | (2,032,072) | (1,252,178) |
| Increase in cash held on behalf of customers | (119,566,691) | (4,488,058) |
| Increase in placements from banks and non-bank financial institutions | – | 70,000 |
| Increase in accounts payable to brokerage clients, accrued staff costs and other payables and accruals | 123,956,637 | 6,817,245 |
| Increase in financial assets sold under repurchase agreements | 14,483,600 | 2,269,461 |
| Other working capital items | (8,987,517) | (360,220) |
| Cash (used in)/from operations | (54,134,734) | 1,343,370 |
| Income taxes paid | (1,328,609) | (500,259) |
| Interest paid | (1,300,789) | (300,196) |
| NET CASH (USED IN)/FROM OPERATING ACTIVITIES | (56,764,132) | 542,915 |
| INVESTING ACTIVITIES | | |
| Dividends and interest received from investments | 281,533 | 237,420 |
| Purchases of property and equipment and other intangible assets | (98,649) | (68,220) |
| Proceeds from disposal of property and equipment and other intangible assets | 1,309 | 6,990 |
| Purchase of available-for-sale financial assets | (6,098,646) | (3,339,436) |
| Proceeds from disposal of available-for-sale financial assets | 4,050,197 | 3,585,686 |
| Increase in investments classified as loans and receivables | (742,750) | – |
| Cash injected to consolidated structured entities, net | – | (43,712) |
| Placement of bank deposits with original maturity of more than three months | (380,541) | (870,764) |
| Maturity of bank deposits with original maturity of more than three months | 820,568 | 1,010,485 |
| NET CASH (USED IN)/FROM INVESTING ACTIVITIES | (2,166,979) | 518,449 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

| | Note | Six months ended 30 June | |
|--|------|--------------------------|---------------------|
| | | 2015 (Unaudited) | 2014 (Unaudited) |
| FINANCING ACTIVITIES | | | |
| Proceeds from placing of new H shares | | 18,923,098 | – |
| Special dividend paid | | – | (424,444) |
| Dividend paid to a non-controlling shareholder | | – | (26,098) |
| Capital injected into a subsidiary from a non-controlling shareholder | | – | 60,000 |
| Proceeds from borrowing and financing instrument payables | | 50,495,654 | 1,060,453 |
| Proceeds from bonds | | 47,430,000 | 510,000 |
| Repayment of borrowing and financing instrument payables | | (34,838,653) | (306,987) |
| Repayment of bonds | | (2,334,925) | – |
| Interest paid in respect of bonds, borrowing and financial instrument payables | | (287,027) | – |
| Costs paid on placing of new H shares | | (4,385) | – |
| NET CASH FROM FINANCING ACTIVITIES | | 79,383,762 | 872,924 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 20,452,651 | 1,934,288 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | | 7,503,887 | 2,194,510 |
| Effect of foreign exchange rate changes | | (148) | 3,749 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 28 | 27,956,390 | 4,132,547 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE: | | | |
| Interest received | | 5,449,150 | 1,697,781 |
| Total interest paid | | (1,587,816) | (304,496) |

The notes on pages 37 to 73 form an integral part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION OF THE GROUP

Pursuant to the approval from the China Securities Regulatory Commission (the “CSRC”), China Galaxy Securities Co., Ltd. (the “Company”) was established in Beijing, the People’s Republic of China (the “PRC”) on 26 January 2007 with a registered capital of RMB6 billion. In May 2013, the Company issued overseas listed foreign shares (“H shares”) which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and the issued capital of the Company was increased to RMB7,537 million on completion of the H share offering. On 5 May 2015, the Company completed its placing of 2,000,000,000 H shares on the Main Board of the Hong Kong Stock Exchange and the issued capital of the Company was increased to RMB9,537 million.

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

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

The Company’s immediate holding company is China Galaxy Financial Holdings Company Limited (中國銀河金融控股有限責任公司) (“Galaxy Financial Holdings”).

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company, and all values are rounded to the nearest thousand unless otherwise stated.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2014.

(b) Principal accounting policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014, except for the adoption of the amendments to standards effective on 1 January 2015, as follows:

| | |
|----------------------|---|
| Amendments to IAS 19 | Defined Benefit Plans: Employee Contributions |
| Amendments to IFRSs | Annual Improvements to IFRSs 2010-2012 Cycle |
| Amendments to IFRSs | Annual Improvements to IFRSs 2011-2013 Cycle |

The adoption of the above amendments to standards did not have a significant impact on the financial position or performance of the Group for the six months ended 30 June 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

3. COMMISSION AND FEE INCOME

| | Six months ended 30 June | |
|--|--------------------------|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) |
| Commission on securities dealing and broking and handling fee income | 9,105,178 | 1,699,239 |
| Underwriting and sponsors fees | 316,074 | 498,009 |
| Commission on futures and options contracts dealing and broking and handling fee income | 208,731 | 135,730 |
| Consultancy and financial advisory fee income | 56,853 | 34,389 |
| Asset management fee income | 202,712 | 80,984 |
| Others | 21,542 | 5,517 |
| | 9,911,090 | 2,453,868 |

4. INTEREST INCOME

The following is the analysis excluding interest income from investments:

| | Six months ended 30 June | |
|---|--------------------------|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) |
| Deposits with exchanges and a non-bank financial institution and bank balances | 1,509,510 | 745,428 |
| Advances to customers and securities lending | 4,354,484 | 916,584 |
| Financial assets held under resale agreements | 146,687 | 33,728 |
| | 6,010,681 | 1,695,740 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

5. NET INVESTMENT GAINS

| | Six months ended 30 June | |
|---|--------------------------|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) |
| Investment gains from available-for-sale financial assets | 345,911 | 86,079 |
| Dividend income and interest income from available-for-sale financial assets | 291,820 | 260,030 |
| Investment gains/(losses) from financial assets held for trading | 621,553 | (5,060) |
| Dividend income and interest income from financial assets held for trading | 322,041 | 245,071 |
| Investment (losses)/gains from financial assets designated at fair value through profit or loss | (245,334) | 25,299 |
| Dividend income and interest income from financial assets designated at fair value through profit or loss | 17,122 | 7,369 |
| Interest income from investments classified as loans and receivables | 14,153 | 8,753 |
| Investment (losses)/ gains from derivatives | (83,670) | 18,934 |
| Investment gains from financial liabilities designated at fair value through profit or loss | 140 | - |
| | 1,283,736 | 646,475 |

6. DEPRECIATION AND AMORTIZATION

| | Six months ended 30 June | |
|---|--------------------------|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) |
| Depreciation for property and equipment | 74,528 | 80,166 |
| Amortization of other intangible assets | 13,915 | 16,499 |
| | 88,443 | 96,665 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

7. STAFF COSTS

| | Six months ended 30 June | |
|-----------------------------------|--------------------------|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) |
| Salaries, bonus and allowances | 4,416,860 | 1,225,246 |
| Social welfare | 213,879 | 179,322 |
| Contributions to annuity schemes | 79,632 | 40,676 |
| Supplementary retirement benefits | 3,980 | 4,073 |
| Early retirement benefits | 2,262 | 3,570 |
| Others | 200,439 | 87,603 |
| | 4,917,052 | 1,540,490 |

8. COMMISSION AND FEE EXPENSES

| | Six months ended 30 June | |
|---|--------------------------|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) |
| Securities and futures dealing and broking expenses | 199,785 | 66,744 |
| Underwriting and sponsors fee expenses | 821 | 6,605 |
| Other service expenses | 9,038 | 4,339 |
| | 209,644 | 77,688 |

9. INTEREST EXPENSES

| | Six months ended 30 June | |
|--|--------------------------|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) |
| Interest on liabilities that are wholly repayable within five years: | | |
| – Accounts payable to brokerage clients | 205,611 | 62,921 |
| – Due to banks and non-bank financial institutions | 77,874 | 21,793 |
| – Financial assets sold under repurchase agreements | 1,176,991 | 238,995 |
| – Bonds payable | 1,301,651 | 136,163 |
| – financing instrument payables | 332,138 | – |
| | 3,094,265 | 459,872 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

10. OTHER OPERATING EXPENSES

| | Six months ended 30 June | |
|---|--------------------------|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) |
| General and administrative expenses | 252,672 | 193,168 |
| Business tax and other taxes | 869,129 | 214,164 |
| Operating lease rentals in respect of rented premises | 230,041 | 213,561 |
| Data transmission expenses | 110,020 | 94,143 |
| Securities investor protection funds | 78,066 | 23,659 |
| Business travel expenses | 40,149 | 36,699 |
| Utilities expenses | 22,150 | 20,625 |
| Sundry expenses | 62,652 | 47,517 |
| | 1,664,879 | 843,536 |

11. IMPAIRMENT LOSSES

| | Six months ended 30 June | |
|---|--------------------------|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) |
| Impairment loss in respect of accounts receivable | 10,104 | 1,625 |
| Impairment loss in respect of other receivables | 3,055 | 3,403 |
| Impairment loss in respect of available-for-sale financial assets | - | 13,611 |
| | 13,159 | 18,639 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

12. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---------------------|--------------------------|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) |
| Current income tax | 1,743,745 | 432,755 |
| Deferred income tax | 86,507 | (15,364) |
| | 1,830,252 | 417,391 |

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share for the six months ended 30 June 2015 and the six months ended 30 June 2014 is based on the profit attributable to owners of the Company and the number of ordinary shares in issue during the periods.

| | Six months ended 30 June | |
|---|--------------------------|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) |
| Profit attributable to owners of the Company | 5,642,806 | 1,346,567 |
| Weighted average number of shares in issue (2014: weighted average number of shares in issue) (thousand) | 8,170,592 | 7,537,259 |
| Basic earnings per share (in RMB) | 0.69 | 0.18 |

No diluted earnings per share has been presented for the six months ended 30 June 2015 and 2014 as the Group had no potential ordinary shares in issue during the periods.

14. DIVIDEND

No interim dividend was proposed by the Board of Directors in respect of the interim period for the six months ended 30 June 2015.

A dividend in respect of 2014 of RMB1.26 per 10 shares (inclusive of tax), or a total of RMB1,205.96 million, based on a total of 9,537,258,757 shares in issue, was approved at the Annual General Meeting on 29 June 2015.

A dividend in respect of 2013 of RMB0.62 per 10 shares (inclusive of tax), or a total of RMB467.31 million, based on a total of 7,537,258,757 shares in issue, was approved at the Annual General Meeting on 12 June 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

15. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired assets with a cost of RMB88.48 million (six months ended 30 June 2014: RMB45.66 million).

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|--|---|---|
| Non-current | | |
| Measured at fair value: | | |
| Other investments ⁽¹⁾ | 1,978,757 | 233,724 |
| Measured at cost: | | |
| Equity securities ⁽²⁾ | | |
| – issued by corporate entities | 342,487 | 278,138 |
| | 2,321,244 | 511,862 |
| Analyzed as: | | |
| Unlisted | 2,321,244 | 511,862 |
| Current | | |
| Measured at fair value: | | |
| Debt securities | 9,089,453 | 9,008,310 |
| – government bonds | 121,537 | 303,324 |
| – corporate bonds | 8,867,916 | 8,704,986 |
| – financial bonds | 100,000 | – |
| Equity securities | 1,015,327 | 424,261 |
| – issued by corporate entities | 998,656 | 376,747 |
| – issued by banks and other financial institutions | 15,083 | 46,434 |
| – issued by public utility entities | 1,394 | 926 |
| – issued by others | 194 | 154 |
| Funds | 1,249,943 | 11,588 |
| Other investments ⁽¹⁾ | 892,975 | 1,627,514 |
| | 12,247,698 | 11,071,673 |
| Analyzed as: | | |
| Listed in mainland, PRC ⁽³⁾ | 10,334,875 | 9,081,371 |
| Unlisted | 1,912,823 | 1,990,302 |
| Total | 12,247,698 | 11,071,673 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

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

- (1) Other investments represent investments in collective asset management plans issued and managed by the Group, wealth management products issued by banks and targeted asset management plans managed by non-bank financial institutions, which mainly invest in debt securities and publicly traded equity securities listed in the PRC. The Group has committed to hold its undated collective asset management plans and other investments with investment period ranging from one year to seven years till the end of the investment period.
- (2) During the six months ended 30 June 2015, no impairment loss was provided (31 December 2014: an impairment loss of RMB10.00 million) by the Group in respect of private equity investments measured at cost less impairment.

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

- (3) Included in the Group's listed equity securities of approximately RMB948.27 million as at 30 June 2015 (31 December 2014: RMB151.53 million) were restricted shares listed in the PRC with a legally enforceable restriction that prevents the Group to dispose of within the specified period.

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

As at 30 June 2015, the Group entered into securities lending arrangement with clients that resulted in the transfer of certain equity securities and exchange-traded funds ("ETF") to clients with a fair value of RMB49.58 million (31 December 2014: RMB38.40 million). These equity securities and ETF continued to be recognized as financial assets of the Group at the end of the reporting periods.

17. DEFERRED TAXATION

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

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|---|---|---|
| Net deferred income tax assets, at beginning of period/year | 347,650 | 308,204 |
| Recognized in profit or loss | (86,507) | 237,335 |
| Recognized in other comprehensive income | (147,762) | (197,889) |
| Net deferred income tax assets, at end of period/year | 113,381 | 347,650 |

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

18. ADVANCES TO CUSTOMERS

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|--------------------------|---|---|
| Current | | |
| Loans to margin clients | 134,789,956 | 60,960,411 |
| Other loans and advances | – | 482,246 |
| | 134,789,956 | 61,442,657 |
| Non-current | | |
| Other loans and advances | 68,667 | – |

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

Based on the agreement terms with margin clients in Hong Kong, the Group is able to repledge clients' securities for margin financing arrangements with qualified financial institutions. The fair values of these listed securities at 30 June 2015 was RMB15,957.36 million (31 December 2014: RMB11,936.98 million).

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

The Group evaluates the collectability of loans based on management's judgement regarding the change in credit quality, collateral value and the past collection history of each client. Management considered that there were no impaired debts as at 30 June 2015 and 31 December 2014.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

19. ACCOUNTS RECEIVABLE

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|---|---|---|
| Accounts receivable from/related to: | | |
| Cash clients | 282,334 | 139,501 |
| Brokers, dealers and clearing houses | 84,895 | 70,701 |
| Underwriting and sponsors fee | 293,106 | 87,822 |
| Trading seats commission | 199,300 | 105,083 |
| Asset and fund management fee | 109,910 | 57,866 |
| Others | 10,397 | 7,388 |
| Subtotal | 979,942 | 468,361 |
| Less: Impairment on accounts receivable | (20,208) | (10,104) |
| Total | 959,734 | 458,257 |

Aging analysis of accounts receivable is as follows:

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|-----------------------|---|---|
| Within 1 year | 890,665 | 457,032 |
| Between 1 and 2 years | 69,053 | 1,209 |
| Between 2 and 3 years | 16 | 16 |
| | 959,734 | 458,257 |

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

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|---------------------------------|---|---|
| At beginning of the period/year | 10,104 | 8,857 |
| Impairment losses recognized | 10,104 | 1,247 |
| At end of the period/year | 20,208 | 10,104 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

20. OTHER RECEIVABLES AND PREPAYMENTS

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|---------------------------------------|---|---|
| Prepaid taxes | 4,666 | 1,572 |
| Interest receivable | 1,634,322 | 889,990 |
| Prepaid expenses | 131,599 | 168,268 |
| Fund redemption receivable | 12,711 | 3,762 |
| Others | 53,640 | 65,276 |
| Subtotal | 1,836,938 | 1,128,868 |
| Less: Impairment on other receivables | (10,466) | (12,197) |
| Total | 1,826,472 | 1,116,671 |

The movements in the allowance for impairment on other receivables are set out below:

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|---------------------------------|---|---|
| At beginning of the period/year | 12,197 | 9,150 |
| Impairment losses recognized | 3,055 | 15,134 |
| Amounts written off | (4,786) | (12,087) |
| At end of the period/year | 10,466 | 12,197 |

21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|-----------------------------------|---|---|
| Non-current | | |
| Analyzed by collateral type: | | |
| Stocks | 452,231 | 89,652 |
| Analyzed by market of collateral: | | |
| Stock exchanges | 452,231 | 89,652 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|-----------------------------------|---|---|
| Current | | |
| Analyzed by collateral type: | | |
| Stocks | 2,136,019 | 313,573 |
| Bonds | 3,008,400 | 7,001,600 |
| Funds | 166,487 | – |
| | 5,310,906 | 7,315,173 |
| Analyzed by market of collateral: | | |
| Stock exchanges | 5,310,906 | 7,315,173 |

22. FINANCIAL ASSETS HELD FOR TRADING

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|--|---|---|
| Debt securities | | |
| – government bonds | 1,071,863 | 758,785 |
| – financial bonds | 302,855 | 464,167 |
| – corporate bonds | 3,990,229 | 2,627,887 |
| Subtotal | 5,364,947 | 3,850,839 |
| Equity securities | | |
| – issued by banks and other financial institutions | 274,227 | 198,880 |
| – issued by corporate entities | 549,340 | 445,701 |
| – issued by public utility entities | 21,024 | 17,485 |
| – issued by others | 830 | 711 |
| Subtotal | 845,421 | 662,777 |
| Funds | 5,271,605 | 1,447,640 |
| Total | 11,481,973 | 5,961,256 |
| Analyzed as: | | |
| Listed in mainland, PRC | 3,369,943 | 2,502,524 |
| Unlisted | 8,112,030 | 3,458,732 |
| Total | 11,481,973 | 5,961,256 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

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

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|--|---|---|
| Convertible bonds ⁽¹⁾ | | |
| – financial bonds | – | 226,308 |
| – corporate bonds | – | 431,066 |
| Subtotal | – | 657,374 |
| Equity securities ⁽²⁾ | | |
| – issued by banks and other financial institutions | 842,029 | 172,867 |
| – issued by corporate entities | 3,042,661 | 247,023 |
| – issued by public utility entities | 86,924 | 10,406 |
| – issued by others | 7,786 | 1,503 |
| Subtotal | 3,979,400 | 431,799 |
| Funds ⁽²⁾ | 386,310 | 201,674 |
| Other investments | 79,300 | 70,000 |
| Total | 4,445,010 | 1,360,847 |
| Analyzed as: | | |
| Listed in mainland, PRC | 4,445,010 | 1,360,847 |

(1) The convertible bonds held by the Group in 2014 were hybrid instruments, which were designated as financial assets at fair value through profit or loss. All convertible bonds were disposed of during the six months ended 30 June 2015.

(2) These equity securities are used for securities lending business which are designated as financial assets at fair value through profit or loss. As at 30 June 2015, the Group entered into securities lending arrangement with clients that resulted in the transfer of certain equity securities with a fair value of RMB334.47million (31 December 2014: RMB353.29 million) to clients. These equity securities continued to be recognized as financial assets of the Group at the end of the reporting periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

24. DERIVATIVE FINANCIAL INSTRUMENTS

| | As at 30 June 2015 | | As at 31 December 2014 | |
|--------------------------------------|----------------------|--------------------------|------------------------|------------------------|
| | Asset (Unaudited) | Liability (Unaudited) | Asset (Audited) | Liability (Audited) |
| Swap ⁽¹⁾ | 5,717 | 131,301 | – | 24,081 |
| Stock index futures ⁽²⁾ | 337,734 | – | – | 37,197 |
| Less: settlement | (337,734) | – | – | (37,197) |
| Treasury bond futures ⁽²⁾ | – | 45 | – | 1,624 |
| Less: settlement | – | (45) | – | (1,624) |
| Options | – | 288 | – | 3 |
| Total | 5,717 | 131,589 | – | 24,084 |

(1) The equity return swaps are carried at fair values and the notional principal amounts of swaps as at 30 June 2015 were RMB244.07million (31 December 2014: RMB54.56 million).

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

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

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|---|---|---|
| Deposits with stock exchanges | | |
| – Shanghai Stock Exchange | 316,495 | 87,216 |
| – Shenzhen Stock Exchange | 174,284 | 75,356 |
| – Hong Kong Stock Exchange | 67,293 | 19,456 |
| Deposits with futures and commodity exchanges | | |
| – China Financial Futures Exchange | 2,537,121 | 2,084,664 |
| – Shanghai Futures Exchange | 1,235,412 | 1,214,332 |
| – Hong Kong Futures Exchange | 61,632 | 50,678 |
| – Dalian Commodity Exchange | 790,111 | 795,588 |
| – Zhengzhou Commodity Exchange | 242,685 | 502,629 |
| – Shanghai Gold Exchange | 2,830 | 2,820 |
| China Securities Finance Corporation Limited | 719,525 | 1,210,567 |
| Others | 6,709 | 6,709 |
| | 6,154,097 | 6,050,015 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

26. CLEARING SETTLEMENT FUNDS

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|--|---|---|
| Clearing settlement funds held with clearing houses for: | | |
| – House accounts | 2,002,648 | 1,050,389 |
| – Clients | 32,242,053 | 30,209,981 |
| | 34,244,701 | 31,260,370 |

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

27. BANK BALANCES

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|---|---|---|
| House accounts | 26,714,310 | 7,654,093 |
| Cash held on behalf of customers ⁽¹⁾ | 163,724,200 | 44,157,509 |
| | 190,438,510 | 51,811,602 |

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|--|---|---|
| Bank balances-house accounts | 25,953,742 | 6,453,498 |
| Clearing settlement funds-house accounts | 2,002,648 | 1,050,389 |
| | 27,956,390 | 7,503,887 |

Cash and cash equivalents do not include bank deposits with original maturity of more than three months held by the Group and restricted bank deposits. As at 30 June 2015, bank deposits with original maturity of more than three months held by the Group were RMB760.57 million (2014: RMB1,200.60 million).

29. SHARE CAPITAL

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

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|---|---|---|
| Issued and fully paid ordinary shares of RMB1 each (in thousands) | | |
| Domestic shares | 5,846,274 | 5,846,274 |
| H shares | 3,690,985 | 1,690,985 |
| | 9,537,259 | 7,537,259 |
| Share capital (in RMB'000) | | |
| Domestic shares | 5,846,274 | 5,846,274 |
| H shares | 3,690,985 | 1,690,985 |
| | 9,537,259 | 7,537,259 |

On 5 May 2015, the Company completed its placing of 2,000,000,000 H shares at a price of HK\$11.99 per H share on the Main Board of the Hong Kong Stock Exchange.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

30. BONDS PAYABLE

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

| Issue date | Maturity date | Coupon rate | As at 30 June 2015 Par value (Unaudited) | As at 31 December 2014 Par value (Audited) |
|--------------------|-------------------|-------------|--|--|
| Current | | | | |
| 30 October 2014 | 30 October 2017 | 5.30% | 4,000,000 | 4,000,000 |
| 15 December 2014 | 15 December 2017 | 6.00% | 2,600,000 | 2,600,000 |
| 26 November 2014 | 26 November 2017 | 5.10% | 1,500,000 | 1,500,000 |
| 5 December 2014 | 5 December 2017 | 5.10% | 1,500,000 | 1,500,000 |
| 2 September 2014 | 2 September 2015 | 5.60% | 1,100,000 | 1,100,000 |
| 2 September 2014 | 4 March 2015 | 5.45% | – | 1,300,000 |
| 17 September 2014 | 19 June 2015 | 5.55% | – | 1,000,000 |
| 23 September 2014 | 23 September 2015 | 5.80% | 1,700,000 | 1,700,000 |
| 26 December 2014 | 26 December 2015 | 6.50% | 6,000,000 | 6,000,000 |
| 20 January 2015 | 22 July 2015 | 5.00% | 3,200,000 | – |
| 6 March 2015 | 6 March 2016 | 5.02% | 2,630,000 | – |
| 24 March 2015 | 24 March 2016 | 5.40% | 3,000,000 | – |
| 29 April 2015 | 29 April 2016 | 5.20% | 2,000,000 | – |
| 15 June 2015 | 10 May 2016 | 4.65% | 7,000,000 | – |
| 29 June 2015 | 29 June 2016 | 5.30% | 2,000,000 | – |
| | | | 38,230,000 | 20,700,000 |
| Non-Current | | | | |
| 26 November 2014 | 26 November 2016 | 5.20% | 1,500,000 | 1,500,000 |
| 5 December 2014 | 5 December 2016 | 5.30% | 1,500,000 | 1,500,000 |
| 15 December 2014 | 15 December 2016 | 6.30% | 3,200,000 | 3,200,000 |
| 30 January 2015 | 30 January 2017 | 5.80% | 1,198,200 | – |
| 30 January 2015 | 30 January 2017 | 5.90% | 2,800,000 | – |
| 10 April 2015 | 10 April 2017 | 5.80% | 4,300,000 | – |
| 24 April 2015 | 24 April 2018 | 5.60% | 5,800,000 | – |
| 8 May 2015 | 8 May 2017 | 5.70% | 11,000,000 | – |
| 4 February 2015 | 4 February 2018 | 4.65% | 1,466,875 | – |
| 4 February 2015 | 4 February 2020 | 4.80% | 1,000,000 | – |
| | | | 33,765,075 | 6,200,000 |

Bonds maturing within one year and have early redemption options exercisable by the bond holders within one year are classified as current bonds payable.

As at 30 June 2015, bonds payable comprised of subordinated bonds and corporate bonds.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

31. DUE TO BANKS AND NON-BANK FINANCIAL INSTITUTIONS

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|---|---|---|
| Secured short-term bank loans ⁽¹⁾ | 515,744 | 306,882 |
| Unsecured short-term bank loans ⁽²⁾ | 1,045,250 | 505,241 |
| Placements from a non-bank financial institution ⁽³⁾ | 1,000,000 | 1,000,000 |
| | 2,560,994 | 1,812,123 |

(1) The short-term bank loans borrowed by the Group are secured by the listed shares in Hong Kong pledged to the Group as a security for advances to customers (with customers' consent) with a fair value of approximately RMB1,754.23 million (31 December 2014: RMB1,222.96 million). The short-term bank loans bear interest at 1.37%-2.14% per annum (31 December 2014: 1.49%-1.74% per annum) and are repayable within 3 months.

(2) As at 30 June 2015, the unsecured short-term bank loans bear interest at 1.74%-2.33% per annum (31 December 2014: 1.69%-2.89% per annum) and are repayable within 3 months.

(3) As at 30 June 2015, the placements obtained from China Securities Finance Corporation Limited bear interest at 6.3% per annum (31 December 2014: 5.8% per annum) and due within 182 days.

32. FINANCING INSTRUMENT PAYABLES

As at 30 June 2015, financing instrument payables are all beneficiary certificates issued by the Company in which current financing instrument payables bear interest at 4.90%-6.00% per annum (31 December 2014: 4.75%-7.00% per annum) and are repayable within one year, and non-current financial instrument payables bear interest at 5.40%-6.00% per annum (31 December 2014: nil) and are repayable within 18 months.

33. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

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

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

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

As at 30 June 2015, included in the Group's accounts payable to brokerage clients were approximately RMB22,677.48 million (31 December 2014: RMB6,005.51 million) of cash collateral received from clients for margin financing and securities lending arrangement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

34. ACCRUED STAFF COSTS

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|-----------------------------------|---|---|
| Salaries, bonus and allowances | 4,786,765 | 2,622,697 |
| Social welfare | 11,674 | 5,242 |
| Contributions to annuity schemes | 15,508 | 8,700 |
| Supplementary retirement benefits | 196,933 | 203,301 |
| Early retirement benefits | 30,325 | 36,070 |
| Others | 63,910 | 56,664 |
| | 5,105,115 | 2,932,674 |

35. OTHER PAYABLES AND ACCRUALS

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|---|---|---|
| Current | | |
| Third-party interests in consolidated structured entities | 1,071,358 | 313,929 |
| Dividends payable | 1,223,375 | – |
| Business taxes and other taxes | 296,890 | 223,114 |
| IPO expenses payable | 53,894 | 56,522 |
| Customer deposits held for swap transactions | 46,081 | 10,938 |
| Accrued expenses | 191,400 | 68,784 |
| Payables to margin client | 643,788 | 380,997 |
| Payables to clearing house | 144,725 | 63,233 |
| Sundry payables | 47,166 | 54,649 |
| Payable for the securities investor protection fund | 79,886 | 41,508 |
| Interest payable | 1,882,945 | 376,496 |
| Others | 415,591 | 311,016 |
| | 6,097,099 | 1,901,186 |
| Non-current | | |
| Third-party interests in consolidated structured entities | – | 200,000 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

36. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|--------------------------------------|---|---|
| Current | | |
| Analyzed by collateral type: | | |
| Bonds | 9,463,656 | 10,057,505 |
| Rights and interests in margin loans | 22,925,000 | 20,107,420 |
| Others | 34,869 | – |
| | 32,423,525 | 30,164,925 |
| Analyzed by market of collateral: | | |
| Stock exchanges | 7,689,125 | 9,143,310 |
| Interbank bond market | 1,809,400 | 914,195 |
| Others | 22,925,000 | 20,107,420 |
| | 32,423,525 | 30,164,925 |
| Non-current | | |
| Analyzed by collateral type: | | |
| Rights and interests in margin loans | 14,800,000 | 2,575,000 |
| Analyzed by market of collateral: | | |
| Others | 14,800,000 | 2,575,000 |

37. CHANGE IN CONSOLIDATED STRUCTURED ENTITIES

During the six months ended 30 June 2015, three new structured entities were consolidated by the Group.

The Group provides credit enhancement for these structured entities by committing to compensate certain losses of the other investors and up to the amount of its share of the net book value of the asset management plan.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

37. CHANGE IN CONSOLIDATED STRUCTURED ENTITIES (Continued)

As at 30 June 2015, total assets of consolidated structured entities which were added to the consolidation in the current period and the Group's initial investments on the date of issuance of these plans are as follows:

| | As at 30 June 2015 (Unaudited) | |
|---|--------------------------------|---------------------------------|
| | Total assets | The Group's initial investments |
| Galaxy Wenying No.8 collective asset management plan | 225,007 | 75,000 |
| Galaxy Wenying No.9 collective asset management plan | 300,010 | 100,000 |
| Galaxy Wenying No.10 collective asset management plan | 300,010 | 100,000 |
| | 825,027 | 275,000 |

As at 31 December 2014, total assets of a consolidated structured entity which were added to the consolidation in 2014 and the Group's initial investment on the date of issuance of the plan are as follows:

| | As at 31 December 2014 (Audited) | |
|--|----------------------------------|--------------------------------|
| | Total assets | The Group's initial investment |
| China Fortune International Trust – Yinhua No.1 collective trust plan | 250,000 | 50,000 |

38. OPERATING LEASE COMMITMENTS

Leases for the properties are negotiated with agreed rental charges. Lease terms for the properties range from 1 to 15 years.

At 30 June 2015 and 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

The Group as lessee

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|--|---|---|
| Within 1 year | 380,598 | 376,506 |
| Beyond 1 year and not more than 2 years | 299,799 | 328,354 |
| Beyond 2 years and not more than 3 years | 182,850 | 188,412 |
| Beyond 3 years and not more than 5 years | 213,322 | 220,668 |
| More than 5 years | 237,895 | 232,077 |
| | 1,314,464 | 1,346,017 |

The Group as lessor

At 30 June 2015 and 31 December 2014, the Group did not have material lease commitments as lessor.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

39. CAPITAL COMMITMENTS

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|-----------------------------------|---|---|
| Contracted but not provided for | | |
| – Leasehold improvements | 23,710 | 16,032 |
| Authorized but not contracted for | | |
| – Investments | – | 20,000 |

40. RELATED PARTY TRANSACTIONS

(1) Immediate holding company

Galaxy Financial Holdings is a financial holding company approved by the State Council of the PRC and was established in Beijing on 8 August 2005. Galaxy Financial Holdings owned 5,217,743,240 shares (31 December 2014: 5,217,743,240 shares), representing 54.71% of the entire equity interest of the Company as at 30 June 2015 (31 December 2014: 69.23%). Galaxy Financial Holdings' shareholders are Central Huijin Investment Ltd. ("Central Huijin") with 78.57% equity interest and the Ministry of Finance ("the MOF") with 21.43% equity interest.

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

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

During the six months ended 30 June 2015 and 30 June 2014, the Group provided securities brokerage service to Galaxy Financial Holdings and details of the significant transactions and balances are set out below.

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|---------------------------------------|---|---|
| Accounts payable to brokerage clients | 348,850 | 2,759 |
| Dividends payable | 659,768 | – |
| | 1,008,618 | 2,759 |

In addition to the above related party transactions, the Group also provided asset management services to Galaxy Financial Holdings. As at 30 June 2015, the Group did not manage any investments for Galaxy Financial Holdings as Galaxy Financial Holdings redeemed all its investments during the period (31 December 2014: RMB50.30 million). For the six months ended 30 June 2015 and 2014, no asset management fee was received by the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

40. RELATED PARTY TRANSACTIONS (Continued)

(2) Central Huijin

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

The Group's transactions with Central Huijin Group

| | Six months ended 30 June | |
|---|--------------------------|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) |
| Commission and fee income | 29,205 | 4,432 |
| Interest income from banks and non-bank financial institutions within the Central Huijin Group | 753,403 | 290,776 |
| Investment gains/(losses) of equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group | 5,080 | (3,049) |
| Interest expenses to brokerage clients within the Central Huijin Group | 208,064 | 5,643 |
| Other operating expenses | 746 | – |

The Group's balances with Central Huijin Group

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|---|--|---|
| | Equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group classified as | |
| – financial assets held for trading | 100,281 | 488,374 |
| – financial assets designated at fair value through profit or loss | 194,384 | 14,615 |
| Bank balances deposited with banks within the Central Huijin Group | 125,185,652 | 30,617,616 |
| Accounts receivable within the Central Huijin Group | 10,283 | – |
| Accounts payable to brokerage clients within the Central Huijin Group | 9,697,659 | 8,195 |
| Financial assets sold under repurchase agreements | 5,300,000 | 480,000 |

As at 30 June 2015, a non-bank financial institution within the Central Huijin Group invested in collective asset management plans issued by the Group with a fair value of RMB54.24 million (31 December 2014: RMB53.24 million).

As at 30 June 2015, a bank within the Central Huijin Group invested in targeted asset management plans issued by the Group with a fair value of RMB1,100.00 million (31 December 2014: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

40. RELATED PARTY TRANSACTIONS (Continued)

(3) Transactions with other government-related entities in the PRC

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

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

(4) Other related parties

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

| Name | Relationship |
|---|-------------------|
| 銀河基金管理有限公司 Galaxy Fund Management Company Limited ("Galaxy Fund Management")* | fellow subsidiary |
| 中國銀河投資管理有限公司 China Galaxy Investment Management Company Limited ("Galaxy Investment")* | Note |
| 銀河資本資產管理有限公司 Galaxy Capital Asset Management Limited ("Galaxy Asset Management")* | fellow subsidiary |

Note: Galaxy Investment ceased to be a related party of the Group on 29 June 2015 when Mr. Xu Guoping, the chairman of Galaxy Investment, retired as director of the Company on the date. Galaxy Investment's controlling shareholder is the MOF.

* These entities do not have official English names.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

40. RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

The Group's transactions with other related parties

| | Six months ended 30 June | |
|----------------------------------|--------------------------|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) |
| <i>Commission and fee income</i> | | |
| Galaxy Fund Management | 21,248 | 1,950 |
| Galaxy Asset Management | 60,377 | – |
| <i>Interest expenses</i> | | |
| Galaxy Asset Management | 2,715 | – |
| <i>Other income</i> | | |
| Galaxy Investment | 846 | – |
| <i>Other operating expenses</i> | | |
| Galaxy Investment | 47,956 | 45,515 |

For the six months ended 30 June 2015 and 2014, other operating expenses between the Group and Galaxy Investment solely related to the leasing of premises owned by Galaxy Investment.

The Group's balances with other related parties

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|-------------------|--|---|
| | <i>Accounts payable to brokerage clients</i> | |
| Galaxy Investment | 9,248 | 1,705 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

40. RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

The Group's lease commitments with Galaxy Investment

| | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) |
|---|---|---|
| The Group as lessee | | |
| Within 1 year | 90,176 | 90,035 |
| Beyond 1 year and not more than 2 years | 1,560 | 1,940 |
| | 91,736 | 91,975 |

(5) Key management personnel

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

| | Six months ended 30 June | |
|---|---------------------------------|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) |
| Salaries, allowances, bonuses, social welfare and annuity scheme contribution | 26,476 | 25,838 |

Note: According to the regulations of the PRC relevant authorities, the key management personnel's final emoluments for the six months ended 30 June 2015 have not been finalized. Management of the Group believes the difference in emoluments will not have significant impact on the condensed consolidated financial statements as at 30 June 2015. The amount of actual remuneration will be disclosed when determined.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

41. SEGMENT REPORTING

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

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

- (a) Securities brokerage: This segment engages in the provision of securities dealing and broking, margin financing to margin clients and securities lending;
- (b) Futures brokerage: This segment engages in futures dealing and broking, futures information consulting and training;
- (c) Proprietary trading and other securities trading services: This segment engages in trading of equities, bonds, funds, derivatives and other financial products for the Group;
- (d) Investment banking: This segment engages in the provision of corporate finance services including underwriting of equity and debt securities and financial advisory services to institutional clients;
- (e) Asset management: This segment engages in the provision of portfolio management and maintenance, investment advisory and transaction execution services;
- (f) Private equity investment: This segment makes direct equity investments in private companies and realizes capital gains by exiting from these private equity investments through initial public offerings or share sales, or receives dividends from these portfolio companies;
- (g) Overseas business: This segment mainly represents the business operations in securities brokerage, futures brokerage, securities research, investment banking, margin financing, money lending, asset management and insurance brokerage business that are carried out in Hong Kong; and

Others mainly represent head office operations, investment holding as well as interest income and interest expense arising from general working capital.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

41. SEGMENT REPORTING (Continued)

The Group operates in two principal geographical areas in the People's Republic of China, Mainland China and Hong Kong, representing the location of both income from external customers and assets of the Group. Segment revenue and all assets of the Group in respect of overseas business segment are attributable to operations in Hong Kong. Segment revenue and all assets of the Group except for the overseas business segment are attributable to operations in Mainland China. No single customer contributes more than 10% of the Group's income for the six months ended 30 June 2015 and 2014.

The operating and reportable segment information provided to the CODM for the six months ended 30 June 2015 and 2014 is as follows:

| | Securities brokerage | Futures brokerage | Proprietary trading and other securities services | Investment banking | Asset management | Private equity investment | Overseas business | Segment total | Others | Eliminations | Consolidated total |
|---|-------------------------|----------------------|---|-----------------------|---------------------|---------------------------------|----------------------|------------------|-------------|--------------|-----------------------|
| For the six months ended 30 June 2015 (Unaudited) | | | | | | | | | | | |
| Segment revenue and results | | | | | | | | | | | |
| Revenue | | | | | | | | | | | |
| – External | 14,376,429 | 473,925 | 1,304,001 | 454,953 | 198,957 | 78,842 | 220,370 | 17,107,477 | 98,030 | – | 17,205,507 |
| – Inter-segment | 131,764 | 484 | – | – | 434 | – | 10,480 | 143,162 | 88,780 | (231,942) | – |
| Other income and gains | 19,865 | 2,242 | – | – | – | 2 | 1,947 | 24,056 | 254,773 | – | 278,829 |
| Segment revenue and other income | 14,528,058 | 476,651 | 1,304,001 | 454,953 | 199,391 | 78,844 | 232,797 | 17,274,695 | 441,583 | (231,942) | 17,484,336 |
| Segment expenses | (7,405,030) | (317,659) | (552,952) | (328,490) | (172,490) | (26,208) | (129,801) | (8,932,630) | (1,186,138) | 131,326 | (9,987,442) |
| Segment result | 7,123,028 | 158,992 | 751,049 | 126,463 | 26,901 | 52,636 | 102,996 | 8,342,065 | (744,555) | (100,616) | 7,496,894 |
| Share of result of an associate | – | – | – | – | – | – | – | – | (397) | – | (397) |
| Profit/(loss) before income tax | 7,123,028 | 158,992 | 751,049 | 126,463 | 26,901 | 52,636 | 102,996 | 8,342,065 | (744,952) | (100,616) | 7,496,497 |
| For the six months ended 30 June 2014 (Unaudited) | | | | | | | | | | | |
| Segment revenue and results | | | | | | | | | | | |
| Revenue | | | | | | | | | | | |
| – External | 3,047,607 | 294,877 | 675,840 | 505,884 | 90,502 | 31,816 | 100,075 | 4,746,601 | 49,482 | – | 4,796,083 |
| – Inter-segment | 17,552 | – | – | – | (6,661) | – | 258 | 11,149 | 103,638 | (114,787) | – |
| Other income and gains | 7,778 | 502 | – | 480 | – | – | 70 | 8,830 | 1,006 | – | 9,836 |
| Segment revenue and other income | 3,072,937 | 295,379 | 675,840 | 506,364 | 83,841 | 31,816 | 100,403 | 4,766,580 | 154,126 | (114,787) | 4,805,919 |
| Segment expenses | (1,427,184) | (213,633) | (284,814) | (228,750) | (42,664) | (15,012) | (91,053) | (2,303,110) | (744,929) | 11,149 | (3,036,890) |
| Segment result | 1,645,753 | 81,746 | 391,026 | 277,614 | 41,177 | 16,804 | 9,350 | 2,463,470 | (590,803) | (103,638) | 1,769,029 |
| Share of result of an associate | – | – | – | – | – | – | – | – | 895 | – | 895 |
| Profit/(loss) before income tax | 1,645,753 | 81,746 | 391,026 | 277,614 | 41,177 | 16,804 | 9,350 | 2,463,470 | (589,908) | (103,638) | 1,769,924 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

41. SEGMENT REPORTING (Continued)

The segment assets and liabilities as at 30 June 2015 and 31 December 2014 are as follow:

| | Securities brokerage | Futures brokerage | Proprietary trading and other securities trading services | Investment banking | Asset management | Private equity investment | Overseas business | Segment total | Others | Eliminations | Consolidated total |
|---------------------------------------|-------------------------|----------------------|--|-----------------------|---------------------|---------------------------------|----------------------|------------------|-------------|---------------|-----------------------|
| As at 30 June 2015 (Unaudited) | | | | | | | | | | | |
| Segment assets and liabilities | | | | | | | | | | | |
| Segment assets | 337,247,434 | 22,467,106 | 30,375,392 | 530,192 | 1,857,121 | 1,464,800 | 4,802,177 | 398,744,222 | 173,224,728 | (165,242,682) | 406,726,268 |
| Deferred tax assets | | | | | | | | | | | 113,381 |
| Total assets | | | | | | | | | | | 406,839,649 |
| Segment liabilities | 326,635,906 | 20,960,617 | 30,486,687 | 121,115 | 1,203,777 | 548,963 | 3,878,335 | 383,835,400 | 135,147,260 | (165,243,196) | 353,739,464 |
| As at 31 December 2014 (Audited) | | | | | | | | | | | |
| Segment assets and liabilities | | | | | | | | | | | |
| Segment assets | 136,927,113 | 14,003,815 | 24,430,553 | 988,030 | 868,611 | 1,414,873 | 2,817,295 | 181,450,290 | 74,771,047 | (76,543,280) | 179,678,057 |
| Deferred tax assets | | | | | | | | | | | 347,650 |
| Total assets | | | | | | | | | | | 180,025,707 |
| Segment liabilities | 131,058,089 | 12,519,060 | 24,314,342 | 197,807 | 248,739 | 534,513 | 1,979,785 | 170,852,335 | 56,380,732 | (76,543,280) | 150,689,787 |

42. FINANCIAL RISK MANAGEMENT

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

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

There have been no significant changes in the Group's risk management processes since 31 December 2014 or in any risk management policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

43. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The carrying amounts of the Group's financial assets and liabilities not measured at fair value approximate their fair values as at 30 June 2015 and 31 December 2014 except for the following financial liabilities, for which their carrying amounts including interests payable and fair value are disclosed below:

| | As at 30 June 2015 (Unaudited) | | As at 31 December 2014 (Audited) | |
|-------------------------------|-----------------------------------|------------|-------------------------------------|------------|
| | Carrying amounts | Fair value | Carrying amounts | Fair value |
| Non-current | | | | |
| Bonds payable | 34,318,907 | 35,402,333 | 6,221,766 | 6,220,662 |
| Financing instrument payables | 3,678,242 | 3,691,071 | – | – |

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

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

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

| Financial assets/ financial liabilities | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) | Fair value hierarchy | Valuation technique(s) and key input(s) |
|--|---|---|-------------------------|---|
| Financial assets held-for-trading | | | | |
| – Debt securities traded on stock exchanges | 2,596,979 | 1,526,611 | Level 1 | Quoted bid prices in an active market. |
| – Debt securities traded on interbank market | 2,767,968 | 2,324,228 | Level 2 | Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty. |
| – Equity securities and funds traded on stock exchanges and unlisted funds (open-ended mutual funds) | 6,102,235 | 2,047,509 | Level 1 | Quoted bid prices in an active market. |
| – Equity securities listed on National Equities Exchange and Quotations | 14,791 | 62,908 | Level 2 | Recent transaction prices. |
| Financial assets designated at fair value through profit or loss: | | | | |
| – Debt securities traded on stock exchanges | – | 657,374 | Level 1 | Quoted bid prices in an active market. |
| – Equity securities and funds traded on stock exchanges | 4,202,725 | 633,473 | Level 1 | Quoted bid prices in an active market. |
| – Equity securities listed on National Equities Exchange and Quotations | 162,985 | – | Level 2 | Recent transaction prices. |
| – Other investments | 79,300 | 70,000 | Level 2 | Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio. |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

| Financial assets/ financial liabilities | As at 30 June 2015 (Unaudited) | As at 31 December 2014 (Audited) | Fair value hierarchy | Valuation technique(s) and key input(s) |
|---|---|---|-------------------------|--|
| Available-for-sale financial assets: | | | | |
| – Debt securities traded on stock exchanges | 8,018,211 | 8,645,522 | Level 1 | Quoted bid prices in an active market. |
| – Debt securities traded on interbank market | 1,071,242 | 362,788 | Level 2 | Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty. |
| – Equity securities and funds traded on stock exchanges | 1,316,999 | 263,778 | Level 1 | Quoted bid prices in an active market. |
| – Equity securities listed on National Equities Exchange and Quotations | – | 20,539 | Level 2 | Recent transaction prices. |
| – Equity securities traded on stock exchanges with lock-up periods (Note 1) | 948,271 | 151,532 | Level 3 | The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. |
| – Other investments | 1,323,276 | 1,165,027 | Level 2 | Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio. |
| – Other investments (Note 1) | 1,548,456 | 696,211 | Level 3 | Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. |
| Financial liabilities designated at fair value through profit or loss: | | | | |
| – Gold lending | (9,633) | – | Level 2 | Determined with reference to the fair value of the underlying gold. |
| Derivative financial instruments: | | | | |
| – Equity return swaps-assets | 5,717 | – | Level 2 | Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty. |
| – Equity return swaps-liabilities | (131,301) | (24,081) | Level 2 | Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty. |
| – Stock index futures (Note 2) | 337,734 | (37,197) | Level 1 | Quoted bid prices in an active market. |
| – Treasury bond futures (Note 2) | (45) | (1,624) | Level 1 | Quoted bid prices in an active market. |
| – Options (Note 3) | (288) | (3) | Level 3 | Calculated based on Black-Scholes option pricing model. |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Notes:

1. The unobservable inputs to fair value is the discount rate for lack of marketability, determined by reference to the share price of listed entities in similar industries, ranging from 8.39% to 43.74% (31 December 2014: ranging from 5.76% to 53.14%). The higher the discount rate, the lower the fair value.
2. Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures and treasury bond futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 30 June 2015 and 31 December 2014. Accordingly, the net position of the stock index futures and treasury bond futures contracts was nil at the end of the reporting periods. The above analysis only presents the fair value of derivative financial instruments.
3. The unobservable input to fair value is price volatility in relation to the judgement of future price. The higher the price volatility, the higher the fair value.

As at 30 June 2015 (Unaudited)

| | Level 1 | Level 2 | Level 3 | Total |
|---|-----------|-----------|-----------|------------|
| Available-for-sale financial assets | | | | |
| – Equity securities | 67,056 | – | 948,271 | 1,015,327 |
| – Debt securities | 8,018,211 | 1,071,242 | – | 9,089,453 |
| – Funds | 1,249,943 | – | – | 1,249,943 |
| – Other investments | – | 1,323,276 | 1,548,456 | 2,871,732 |
| | 9,335,210 | 2,394,518 | 2,496,727 | 14,226,455 |
| Financial assets held for trading | | | | |
| – Equity securities | 830,630 | 14,791 | – | 845,421 |
| – Debt securities | 2,596,979 | 2,767,968 | – | 5,364,947 |
| – Funds | 5,271,605 | – | – | 5,271,605 |
| | 8,699,214 | 2,782,759 | – | 11,481,973 |
| Financial assets designated at fair value through profit or loss | | | | |
| – Equity securities | 3,816,415 | 162,985 | – | 3,979,400 |
| – Funds | 386,310 | – | – | 386,310 |
| – Other investments | – | 79,300 | – | 79,300 |
| | 4,202,725 | 242,285 | – | 4,445,010 |
| Financial liabilities designated at fair value through profit or loss | – | (9,633) | – | (9,633) |
| Derivative financial instruments | 337,689 | (125,584) | (288) | 211,817 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

As at 31 December 2014 (Audited)

| | Level 1 | Level 2 | Level 3 | Total |
|--|-----------|-----------|---------|------------|
| Available-for-sale financial assets | | | | |
| – Equity securities | 252,190 | 20,539 | 151,532 | 424,261 |
| – Debt securities | 8,645,522 | 362,788 | – | 9,008,310 |
| – Funds | 11,588 | – | – | 11,588 |
| – Other investments | – | 1,165,027 | 696,211 | 1,861,238 |
| | 8,909,300 | 1,548,354 | 847,743 | 11,305,397 |
| Financial assets held for trading | | | | |
| – Equity securities | 599,869 | 62,908 | – | 662,777 |
| – Debt securities | 1,526,611 | 2,324,228 | – | 3,850,839 |
| – Funds | 1,447,640 | – | – | 1,447,640 |
| | 3,574,120 | 2,387,136 | – | 5,961,256 |
| Financial assets designated at fair value through profit or loss | | | | |
| – Equity securities | 431,799 | – | – | 431,799 |
| – Debt securities | 657,374 | – | – | 657,374 |
| – Funds | 201,674 | – | – | 201,674 |
| – Other investments | – | 70,000 | – | 70,000 |
| | 1,290,847 | 70,000 | – | 1,360,847 |
| Derivative financial instruments | (38,821) | (24,081) | (3) | (62,905) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

43.3 Reconciliation of Level 3 fair value measurements

| | Available-for-sale financial assets |
|---|--|
| Six months ended 30 June 2015 (Unaudited) | |
| At 1 January 2015 | 847,743 |
| Unrealized gains recognized in other comprehensive income | 603,002 |
| Purchases | 1,222,796 |
| Transfer out (note) | (176,814) |
| As at 30 June 2015 | 2,496,727 |
| Year ended 31 December 2014 (Audited) | |
| At 1 January 2014 | 526,489 |
| Unrealized gains recognized in other comprehensive income | 267,184 |
| Purchases | 651,114 |
| Transfer out (note) | (597,044) |
| As at 31 December 2014 | 847,743 |

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

The Group has a team headed by the financial controller performing valuations for the financial instruments, including available-for-sale equity securities with lock-up periods which are categorized into Level 3.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

44. MATURITY PROFILE OF ASSETS AND LIABILITIES

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

| As at 30 June 2015 (Unaudited) | Repayable on demand | Less than 1 year | More than 1 year but less than 5 years | More than 5 years | Undated | Total |
|---|------------------------|---------------------|--|----------------------|-------------------|--------------------|
| Assets | | | | | | |
| Advances to customers | - | 134,789,956 | - | 68,667 | - | 134,858,623 |
| Investments classified as loans and receivables | - | 250,000 | 742,750 | - | - | 992,750 |
| Financial assets held under resale agreements | - | 5,310,906 | 452,231 | - | - | 5,763,137 |
| Available-for-sale financial assets | - | 422,182 | 4,480,057 | 4,187,214 | 5,479,489 | 14,568,942 |
| Financial assets held for trading | - | 455,057 | 3,380,105 | 1,529,785 | 6,117,026 | 11,481,973 |
| Financial assets designated at fair value through profit or loss | - | - | - | - | 4,445,010 | 4,445,010 |
| Deposits with exchanges and a non-bank financial institution | - | - | - | - | 6,154,097 | 6,154,097 |
| Clearing settlement funds | 34,244,701 | - | - | - | - | 34,244,701 |
| Bank balances | 190,308,978 | 129,532 | - | - | - | 190,438,510 |
| | 224,553,679 | 141,357,633 | 9,055,143 | 5,785,666 | 22,195,622 | 402,947,743 |
| Liabilities | | | | | | |
| Bonds payable | - | 38,230,000 | 33,765,075 | - | - | 71,995,075 |
| Due to banks and non-bank financial institutions | - | 2,560,994 | - | - | - | 2,560,994 |
| Financing instrument payables | - | 16,674,270 | 3,651,770 | - | - | 20,326,040 |
| Accounts payable to brokerage clients | 199,522,453 | - | - | - | - | 199,522,453 |
| Financial assets sold under repurchase agreements | - | 32,423,525 | 14,800,000 | - | - | 47,223,525 |
| | 199,522,453 | 89,888,789 | 52,216,845 | - | - | 341,628,087 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

44. MATURITY PROFILE OF ASSETS AND LIABILITIES (Continued)

| As at 31 December 2014 (Audited) | Repayable on demand | Less than 1 year | More than 1 year but less than 5 years | More than 5 years | Undated | Total |
|---|------------------------|---------------------|--|----------------------|------------|-------------|
| Assets | | | | | | |
| Advances to customers | - | 61,442,657 | - | - | - | 61,442,657 |
| Investments classified as loans and receivables | - | - | 250,000 | - | - | 250,000 |
| Financial assets held under resale agreements | - | 7,315,173 | 89,652 | - | - | 7,404,825 |
| Available-for-sale financial assets | - | 150,638 | 3,886,387 | 4,971,285 | 2,575,225 | 11,583,535 |
| Financial assets held for trading | - | 1,060,040 | 1,447,347 | 1,343,452 | 2,110,417 | 5,961,256 |
| Financial assets designated at fair value through profit or loss | - | - | 454,035 | 203,339 | 703,473 | 1,360,847 |
| Deposits with exchanges and a non-bank financial institution | - | 1,000,000 | - | - | 5,050,015 | 6,050,015 |
| Clearing settlement funds | 31,260,370 | - | - | - | - | 31,260,370 |
| Bank balances | 50,934,621 | 876,981 | - | - | - | 51,811,602 |
| | 82,194,991 | 71,845,489 | 6,127,421 | 6,518,076 | 10,439,130 | 177,125,107 |
| Liabilities | | | | | | |
| Bonds payable | - | 20,700,000 | 6,200,000 | - | - | 26,900,000 |
| Due to banks and non-bank financial institutions | - | 1,812,123 | - | - | - | 1,812,123 |
| Financing instrument payables | - | 5,417,910 | - | - | - | 5,417,910 |
| Accounts payable to brokerage clients | 78,407,509 | - | - | - | - | 78,407,509 |
| Financial assets sold under repurchase agreements | - | 30,164,925 | 2,575,000 | - | - | 32,739,925 |
| | 78,407,509 | 58,094,958 | 8,775,000 | - | - | 145,277,467 |

45. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 4 July 2015, the Company, together with the other 21 securities companies, convened a meeting and issued a joint announcement to collectively invest in blue chip ETFs by each contributing an amount equivalent to 15% of its net asset position as at 30 June 2015. Following the meeting, the Company entered into the Master Agreement for OTC Derivatives Trading in the China Securities and Futures Market (《中國證券期貨市場場外衍生品交易主協議》) and the Confirmation of Return Swaps Trading (《收益互換交易確認書》) (together referring as the "Agreements") with China Securities Finance Corporation Limited ("CSFCL") and completed the transfer of an amount equivalent to 15% of the Company's net asset position as at 30 June 2015 to CSFCL on 6 July 2015. Based on the terms in the Agreements, a special account has been established by CSFCL to manage the fund contributed by the Company and other securities companies centrally. The Company will be entitled to the profit or loss derived from the special account in proportion to the fund portion contributed.

