



HTSC

(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name 华泰证券股份有限公司 and carrying on business in Hong Kong as HTSC)

Stock code : 6886



2015
Interim Report

IMPORTANT NOTICE

The Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management of the Company undertake that the information in this interim report is true, accurate and complete and contains no false record, misleading statement or material omission, and assume individual and joint liabilities to the truthfulness, accuracy and completeness of the information in this report.

Save for Mr. Bai Wei and Ms. Zhang Jie, the Company's independent non-executive Directors, who were not able to attend the Board meeting due to work engagements, all other Directors had attended the meeting. Mr. Bai Wei appointed Mr. Liu Hongzong, another independent non-executive Director, to attend the meeting on his behalf and Ms. Zhang Jie appointed Mr. Shen Kunrong, another independent non-executive Director, to attend the meeting on her behalf.

The interim financial report for 2015 of the Company has been prepared in accordance with the International Financial Report Standards and reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements.

Wu Wanshan, chairman and officer in charge of accounting of the Company, and Shu Ben'e, officer in charge of the accounting office of the Company (head of accounting department), hereby warrant and guarantee that the financial report contained in the interim report is true, accurate and complete.

The Board of the Company did not propose any profit distribution plan or any conversion plan of capital reserves to share capital for the first half of 2015.

Any forward-looking statements such as future plans and development strategies contained in this interim report do not constitute any substantive commitments by the Company to investors. Investors should pay attention to investment risks.

There is no non-operating misappropriation of funds of the Company by any controlling shareholders and their related/connected parties.

The Company has not provided any guarantees in favor of others in violation of the decision-making procedures.

The interim report of the Company is prepared in both Chinese and English. In the event of any inconsistency, the Chinese version should prevail.



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Definitions

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

DEFINITIONS OF CAPITALIZED TERMS AND EXPRESSIONS

“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“NSSF”	the National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
“Jiangsu SASAC”	State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government (江蘇省人民政府國有資產監督管理委員會)
“Jiangsu Guoxin”	Jiangsu Guoxin Investment Group Limited (江蘇省國信資產管理集團有限公司)
“our Company”, “Company”, or “Parent Company”	a joint stock company incorporated in the PRC with limited liability under the corporate name 华泰证券股份有限公司 (Huatai Securities Co., Ltd.), converted from our predecessor 华泰证券有限责任公司 (Huatai Securities Limited Liability Company) on December 7, 2007, carrying on business in Hong Kong as “HTSC”, and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance under the Chinese corporate name approved pursuant to section 782 of the Companies Ordinance as “華泰六八八六股份有限公司” (as a result of being served a notice by the Registrar of Companies pursuant to section 780 under the Companies Ordinance) and English corporate name of “Huatai Securities Co., Ltd.”; the A Shares of which has been listed on the Shanghai Stock Exchange since February 26, 2010 (Stock Code: 601688), and except where the context otherwise requires includes its predecessors
“Huatai United Securities”	Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司), a subsidiary of the Company
“Huatai Futures”	Huatai Futures Co., Ltd. (華泰期貨有限公司), a subsidiary of the Company

“Huatai Zijin Investment”	Huatai Zijin Investment Co., Ltd. (華泰紫金投資有限責任公司), a wholly-owned subsidiary of the Company
“Huatai Asset Management”	Huatai Securities (Shanghai) Asset Management Co., Ltd. (華泰證券(上海)資產管理有限公司), a wholly-owned subsidiary of the Company
“Huatai Financial Holdings (Hong Kong)”	Huatai Financial Holdings (Hong Kong) Limited (華泰金融控股(香港)有限公司), a wholly-owned subsidiary of the Company
“Jiangsu Equity Exchange”	Jiangsu Equity Exchange Co., Ltd. (江蘇股權交易中心有限責任公司), a subsidiary of the Company
“China Southern Asset Management”	China Southern Asset Management Co., Ltd. (南方基金管理有限公司)
“Huatai-PineBridge”	Huatai-PineBridge Fund Management Co., Ltd. (華泰柏瑞基金管理有限公司)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“Reporting Period”	the period from January 1, 2015 to June 30, 2015
“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (上海證券交易所股票上市規則)
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Director(s)”	director(s) of the Company
“Board” or “Board of Directors”	the Board of Directors of the Company
“Supervisor(s)”	supervisor(s) of the Company
“Board of Supervisors”	the Board of Supervisors of the Company
“A Share(s)”	shares subscribed for in Renminbi on the Shanghai Stock Exchange
“A Shareholder(s)”	holder(s) of A Shares

Definitions

“H Share(s)”	overseas listed foreign shares in the share capital of the Company with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
“H Shareholder(s)”	holder(s) of H Shares
“Articles of Association” or “Articles”	the articles of association of the Company, as amended
“corporate communication”	any document(s) to be issued by the Company for the information or action of the shareholders of the Company, including but not limited to: (a) annual reports; (b) interim reports and summary financial reports (where applicable); (c) notice of meetings; (d) listing documents; (e) circulars; (f) forms of proxy; and (g) reply forms
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
“Company Law” or “PRC Company Law”	Company Law of the People’s Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People’s Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on December 28, 2013 and became effective on March 1, 2014
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“related party transaction(s)”	has the meaning ascribed to the existing terms of “related party transaction(s)” in the SSE Listing Rules, as amended from time to time
“connected transaction(s)”	has the meaning ascribed to the existing terms of “connected transaction(s)” in the Hong Kong Listing Rules, as amended from time to time
“Group”, “our Group”, “we” or “us”	the Company and its subsidiaries, and their respective predecessors

In the 2015 Interim Report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding.

Corporate Information

COMPANY INFORMATION

Chinese name of the Company	华泰证券股份有限公司 (incorporated in the People's Republic of China)
English name of the Company	HUATAI SECURITIES CO., LTD.
Abbreviation of the Company	HTSC
Legal representative of the Company	Wu Wanshan
President of the Company	Zhou Yi
Authorized representatives of the Company	Wu Wanshan, Jiang Jian

Registered Capital and Net Capital

	As at the end of the Reporting Period	As at the end of the previous year
Registered capital	RMB7,162,768,800	RMB5,600,000,000
Net capital	RMB52,136,620,483.14	RMB19,727,808,969.73

Qualifications of each of the business lines of the Company

Business scope of the Company: securities brokerage; proprietary trading of securities; securities underwriting (underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only); securities investment consulting; intermediary introduction business for futures company; margin financing and securities lending business; agency sale of financial products; agency sale of securities investment fund; custodian for securities investment fund; agency services for gold and other precious metal spot contracts and proprietary business for spot gold contracts; stock options market making business; other business activities approved by CSRC.

Corporate Information

The newly added business qualifications of the Company during the reporting period include the followings:

1. According to the Notice on Huatai Securities Co., Ltd. of Becoming a Stock Option Trading Participant on Shanghai Stock Exchange (Shang Zheng Han [2015] No.73) dated January 16, 2015 from Shanghai Stock Exchange, the Company was approved to become a stock option trading participant on Shanghai Stock Exchange and engage in stock option brokerage and proprietary businesses.
2. According to the Reply for Verifying the Qualification of the Stock Options Market Making Business of Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No.162) dated January 29, 2015 from CSRC, the Company obtained the license for stock options market making business.
3. According to the Notice on Commencement of Shanghai Stock Exchange 50 ETF Option Market Making Business by Huatai Securities Co., Ltd. (Shang Zheng Han [2015] No.213) dated January 30, 2015 from Shanghai Stock Exchange, the Company was approved to become a major market maker for Shanghai Stock Exchange 50 ETF option contracts since February 9, 2015.
4. According to the Filing Certificate of Private Equity Outsourcing Institutions (《私募基金業務外包服務機構備案證明》) (Filing Ref No. A00004) dated April 21, 2015 from Asset Management Association of China, we became one of the first enterprises on the filing list of private equity outsourcing services to provide outsourced valuation and auditing and unit registration services for private funds.
5. According to the Letter of No Objection to the Innovative Proposal of Huatai Securities on One-way Video Account Opening (《關於华泰證券單向視頻開戶創新方案的無異議函》) (CSDC Ban Zi [2015] No.460) dated June 1, 2015 from China Securities Depository and Clearing Corporation Limited, CSDC has no objection towards the application of our Company for the innovative one-way video verification of investors' identities under the online account opening proposal and approved the Company to commence pilot operation.

LIST OF MEMBERS OF THE BOARD OF DIRECTORS AND SPECIAL COMMITTEES

Members of the Board of Directors

Executive Directors

Mr. WU Wanshan (chairman)

Mr. ZHOU Yi (president)

Non-executive Directors

Mr. SUN Lu

Mr. WANG Shuhua

Ms. PU Baoying

Mr. SUN Hongning

Mr. ZHOU Yong

Mr. CAI Biao

Mr. YING Wenlu

Independent Non-executive Directors

Mr. BAI Wei

Mr. SHEN Kunrong

Mr. LIU Hongzhong

Ms. ZHANG Jie

Mr. LEE Chi Ming

Members of Special Committees

Development Strategy Committee

Mr. WU Wanshan (chairman)

Mr. ZHOU Yi

Mr. WANG Shuhua

Mr. SHEN Kunrong

Compliance and Risk Management Committee

Mr. SUN Lu (chairman)

Mr. CAI Biao

Mr. ZHOU Yong

Mr. YING Wenlu

Audit Committee

Mr. LEE Chi Ming (chairman)

Ms. PU Baoying

Mr. LIU Hongzhong

Nomination Committee

Mr. BAI Wei (chairman)

Mr. SUN Hongning

Ms. ZHANG Jie

Remuneration and Appraisal Committee

Mr. BAI Wei (chairman)

Mr. SUN Hongning

Ms. ZHANG Jie

Corporate Information

CONTACT

Secretary of the Board

Name Jiang Jian
Address No. 228 Middle Jiangdong Road,
Nanjing, Jiangsu Province
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Email jiangjian@htsc.com

Securities affairs representative

Zhao Yuankuan
No. 228 Middle Jiangdong Road,
Nanjing, Jiangsu Province
(025) 83387788
(025) 83387784
zhaoyuankuan@htsc.com

Joint company secretaries

Name Jiang Jian
Address No. 228 Middle Jiangdong Road,
Nanjing, Jiangsu Province

Kwong Yin Ping Yvonne
18/F, Tesbury Centre,
28 Queen's Road East,
Wan Chai, Hong Kong

CHANGE IN BASIC INFORMATION

Registered address of the Company	No. 90 East Zhongshan Road, Nanjing
Postal codes of registered address of the Company	210002
Office address of the Company	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province
Postal codes of office address of the Company	210019
Place of business in Hong Kong	4201, 42/F, The Center, 99 Queen's Road Central, Hong Kong
Company website	http://www.htsc.com.cn
Email	boardoffice@htsc.com
Main exchange	025-83389999
Customer service hotline	95597 or 4008895597
Update on the Reporting Period	Disclosed in China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of Shanghai Stock Exchange (www.sse.com.cn) on January 29, 2015

Note: After the Reporting Period, the Registered Office of the Company changed to No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province.

INFORMATION DISCLOSURE AND UPDATE ON LOCATION FOR INSPECTION OF DOCUMENTS

Name of newspapers selected by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by the CSRC for publication of interim report	http://www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publication of interim report	http://www.hkexnews.hk
Location for inspection of interim report of the Company	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province
Update on the Reporting Period	Disclosed in China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of Shanghai Stock Exchange (www.sse.com.cn) on January 29, 2015

LANGUAGE AND MEANS OF RECEIPT OF CORPORATE COMMUNICATION

The Company provides corporate communication to H Shareholders based on their respective elected language version and means of receipt. H Shareholders have the following options:

- to read and/or download the corporate communication published on the Company's website at www.htsc.com.cn and receive written notice for the publication of the corporate communication; or
- to receive printed English version of all corporate communications only; or
- to receive printed Chinese version of all corporate communications only; or
- to receive both printed English and Chinese versions of all corporate communications.

H Shareholders may choose and/or change the version of language of our corporate communication and/or the way to receive our corporate communication at any time. H Shareholders may notify our Company their option by the following ways:

- by mail: 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong
- by email: huatai.ecom@computershare.com.hk

For enquiry on the arrangement of election of language and means of receipt of corporate communications, H Shareholders may contact our hotline at +852 2862 8688 at any time.

SHARES OF THE COMPANY

Type of share	Stock exchange for listing	Stock name	Stock code	Stock name before change
A Share	Shanghai Stock Exchange	华泰证券	601688	Nil
H Share	Hong Kong Stock Exchange	HTSC	06886	Nil

CHANGE OF REGISTRATION DURING THE REPORTING PERIOD

Date of registration	May 12, 2015
Place of registration	No. 90 East Zhongshan Road, Nanjing
Business license number	320000000000192
Tax registration number	Su Guo Shui 320005134754246, Su Di Shui 320006704041011
Organization code	70404101-1
Update on registration in the Reporting Period	Disclosed in China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of Shanghai Stock Exchange (www.sse.com.cn) on February 4 and July 14, 2015
Change of scope of business	Extension of scope of business to “stock options market making business” was registered

OTHER INFORMATION

(1) Legal Advisers

Legal advisers in Hong Kong: Clifford Chance (27/F, Jardine House, One Connaught Place, Central, Hong Kong)

(2) Accountants

Domestic accountants: KPMG Huazhen LLP

Office Address: 8/F, Tower E2, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, PRC

International accountants: KPMG

Office address: 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong

(3) Share registrars

Share registrar for A Share: China Securities Depository and Clearing Corporation Limited, Shanghai Branch

Office address: 36/F, China Insurance Building, No. 166 Lujiazui Dong Road, Pudong New Area, Shanghai, PRC

Share registrar for H Share: Computershare Hong Kong Investor Services Limited

Office address: 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

Summary of Financial Data and Indicators

KEY FINANCIAL DATA AND INDICATORS OF THE COMPANY

(the financial data and indicators set out in this report have been prepared in accordance with the International Financial Reporting Standards)

(I) Key Financial Data

Unit and Currency: RMB'000

Key financial data	Reporting Period (January to June)	Corresponding period in the previous year	Change (%)
Total revenue and other income	21,288,583	5,683,110	274.59
Net profit attributable to shareholders of the parent company	6,674,823	1,517,633	339.82
Net profit attributable to shareholders of the parent company, net of non-recurring profit or loss	6,653,313	1,502,508	342.81
Net cash generated from operating activities	1,784,259	2,807,806	(36.45)
Other comprehensive income	1,684,553	(11,865)	N/A

	As at the end of the Reporting Period	As at the end of the previous year	Change (%)
Total assets	580,161,265	272,226,036	113.12
Total liabilities	502,410,640	230,281,628	118.17
Equity attributable to shareholders of the parent company	77,053,767	41,298,556	86.58
Total equity	77,750,625	41,944,408	85.37

Summary of Financial Data and Indicators

(II) Key Financial Indicators

Key financial indicators	Reporting Period (January to June)	Corresponding period of the previous year	Change (%)
Basic earnings per share (in RMB per share)	1.1450	0.2710	322.51
Diluted earnings per share (in RMB per share)	1.1450	0.2710	322.51
Basic earnings per share, net of non-recurring gains or losses (in RMB per share)	1.1413	0.2683	325.38
Weighted average return on net assets (%)	15.33	4.11	11.22
Weighted average return on net assets, net of non-recurring gains or losses (%)	15.28	4.07	11.21

(III) Net Capital and Risk Control Indicators of the Parent Company

Unit and Currency: RMB'000

Items	As at the end of the Reporting Period	As at the end of the previous year
Net capital	52,136,620	19,727,809
Net assets	71,341,330	37,085,785
Net capital/the sum of various risk provisions (%)	1,033.13	463.56
Net capital/net assets (%)	73.08	53.20
Net capital/liabilities (%)	27.92	19.67
Net assets/liabilities (%)	38.21	36.98
Value of proprietary equity securities and security derivatives/net capital (%)	39.87	69.18
Value of proprietary fixed income securities/net capital (%)	35.47	81.46

DIFFERENCES IN FINANCIAL DATA PREPARED IN ACCORDANCE WITH DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

There was no difference between the net profit for January to June 2015 and January to June 2014 and net asset as of June 30, 2015 and December 31, 2014 set out in both consolidated financial statements as prepared under China Accounting Standards for Business Enterprises and consolidated financial statements as prepared under the International Financial Reporting Standards.

Management Discussion and Analysis

DISCUSSION AND ANALYSIS OF THE BOARD ON OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

(I) Change of External Environment of the Company and Industrial Development during the reporting period

During the first half of 2015, domestic and international economic environment was still tense and complex. Internationally, global economy was in an extensive adjustment period. When major economy focused on structural adjustment and emerging economy generally experienced slowdown in growth, the overall global economic recovery remained weak. Domestically, Chinese economy was overall steady. Structural adjustment has been accelerated, economic operation maintained at a rational range, and major economic indexes remained stable and favorable. However, macro economy still faced greater downward pressure.

During the first half of 2015, stock market was strong and presented a trend of significant increase in both trading volume and price. In Shanghai and Shenzhen markets, indexes continuously raised and trading volume was extremely active. Meanwhile, A-share IPO progress was obviously accelerated. At the end of the reporting period, SSE Composite Index closed at 4,277.22 points, representing a substantial growth of 32.23% in the reporting period, and SZSE Component Index closed at 14,337.96 points, representing a substantial growth of 30.17% in the reporting period. According to the issuance and trading statistics of stock market in the first half of 2015 from WIND Information, in the first half of 2015, Shanghai and Shenzhen A-share market recorded an accumulative stock volume of RMB138,394,543 million, and a daily volume of RMB1,162,979 million, representing a significant growth of 543.39% as compared to the corresponding period of 2014. During the reporting period, actual fund raised include initial offering, additional offering and share allotment, amounted to RMB662,480 million, representing a significant growth of 105.99% as compared to the corresponding period of 2014. In which, fund raised by initial offering increased significantly; actual fund raised experienced a significant growth of 440.97% as compared to the corresponding period of 2014. Refinancing market was constantly active, and the total fund raised by additional offering and share allotment sharply raised by 77.32% as compared to the corresponding period of 2014.

Management Discussion and Analysis

During the first half of 2015, bonds market was volatile. Affected by comprehensive factors including increasingly ease monetary policy and accelerated pace of local bonds issuance and marginal stabilization of macro-economic data, the capital interest rate as a whole presented a downward pattern. In bonds market, long-term yield was volatile and short-term yield was dropped significantly; the spread of the long-term and short-term interest margin has been extended. At the end of the reporting period, CSI Aggregate Bond Index closed at 163.34 points, representing a growth of 3.17% during the reporting period. During the reporting period, issuance amount in bonds market continued to increase stably and market-oriented debt products were further enriched. According to the bonds issuance statistics in the first half of 2015 from WIND Information, during the reporting period, bonds issuance amount was RMB8,847,781 million, representing a substantial growth of 57.47% as compared to the corresponding period of 2014, of which, local governmental bonds issuance amount was RMB868,265 million, representing a year-on-year growth of 534.70%, NCD issuance amount was RMB1,668,100 million, representing a year-on-year growth of 1,118.75%, financial bonds issuance amount was RMB2,589,537 million, representing a year-on-year growth of 45.79%, while enterprise bonds issuance amount experienced a year-on-year decline, and the issuance amount of corporate bonds, medium-term notes, short-term financing securities and asset-backed securities recorded a steady year-on-year growth.

During the first half of 2015, in current round of surging bull market, while traditional business in domestic securities sector went through a rapid transformation, the scale of the innovative business continued to be promoted and developed. Each main business realized a comprehensive income growth. While net profit grew geometrically, the rapid expansion of business also caused the number of large-scale entities in domestic securities sector to obtain a substantial increase. In accordance with unaudited operating data of securities companies in the first half of 2015 announced by the Securities Association of China, domestic securities industry achieved an operation revenue of RMB330,508 million in the first half of 2015, representing a significant year-on-year growth of 255.27%; agent trading securities business recorded a net income of RMB158,435 million, representing a significant year-on-year growth of 393.52%; securities underwriting and sponsorship business recorded a net income of RMB16,051 million, representing a year-on-year growth of 46.62%; financial advisory business recorded a net income of RMB4,354 million, representing a year-on-year growth of 97.01%; investment advisory business recorded a net income of RMB1,925 million, representing a significant year-on-year growth of 134.76%; asset management business for trustees recorded a net income of RMB12,214 million, representing a significant year-on-year growth of 159.71%; securities investment revenue including fair value change amounted to RMB92,063 million, representing a significant year-on-year growth of 241.11%; net interest income topped to RMB36,640 million, representing a year-on-year growth of 124.32%. In the first half of 2015, the securities sector realized a total net profit of RMB153,196 million, representing a significant year-on-year growth of 373.57%; total assets of RMB8.27 trillion, representing a significant year-on-year growth of 237.55%; a net asset of RMB1.30 trillion, representing a year-on-year growth of 60.49%, and a net capital of RMB1.14 trillion, representing a significant year-on-year growth of 100%.

(II) Main Businesses Analysis

1 Analysis on Items in Financial Statement

Unit and Currency: RMB'000

Items	Current Period	Corresponding Period of last year	Change Percentage (%)
Total revenue and other income	21,288,583	5,683,110	274.59
Total expense	(12,652,214)	(3,767,655)	235.81
Net cash flow from operating activities	1,784,259	2,807,806	(36.45)
Net cash flow from investing activities	1,538,183	3,341,612	(53.97)
Net cash flow from financing activities	76,004,432	2,353,448	3129.49
Net increase in cash and cash equivalent	79,326,874	8,502,866	832.94

2 Total Revenue and Other Income

In the first half of 2015, total revenue and other income of the Group was RMB21,289 million, representing a year-on-year growth of RMB15,605 million or 274.59%, mainly due to the Company seized market opportunity to energetically promote internet finance and expand capital-based intermediary business. Stock and mutual fund trading volume as well as securities margin balance were both top ranked in the market, which brought a significant increase of income in commission, handling fee and interest. At the same time, favorable performance achieved in seeking financial innovative business, strive to diminishing orientation and net proceeds from investment. In which,

- Fee and commission income recorded a year-on-year increase of 319.18% to RMB11,097 million, representing 52.13% of total income, mainly due to the prosperous stock market in the first half of 2015, which caused a year-on-year growth in terms of stock and fund trade volume, the increase in market share of stocks and funds transaction and the year-on-year growth in brokerage handling fee;
- Interest income recorded a year-on-year increase of 241.82% to RMB6,453 million, representing 30.31% of total income, mainly due to the significantly improved market. Investors had a strong will in investing through securities margin business and stock pledged repurchase financing business. Therefore, the scale of relevant businesses of the Company expanded rapidly and the interest income increased significantly;
- Net investment gains recorded a year-on-year increase of 206.32% to RMB3,334 million, representing 15.66% of total income, mainly due to favorable income from quantization equity investment and fixed revenue investment under good market condition.

Management Discussion and Analysis

Composition of total revenue and other income of the Group during the reporting period are as follows:

Unit and Currency: RMB'000

Items	Jan-Jun, 2015		Jan-Jun, 2014		Increase or decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Fee and commission income	11,096,770	52.13%	2,647,247	46.58%	8,449,523	319.18%
Interest income	6,452,646	30.31%	1,887,753	33.22%	4,564,893	241.82%
Net investment gains	3,333,709	15.66%	1,088,322	19.15%	2,245,387	206.32%
Other income and revenue	405,458	1.90%	59,788	1.05%	345,670	578.16%
Total revenue and other income	21,288,583		5,683,110		15,605,473	274.59%

3 Total expense

In the first half of 2015, the Group's total expense was RMB12,652 million, representing a year-on-year growth of 235.81%, mainly due to the rapid improvement in the business of the Group, which made the income and other revenue to grow, thus expenses and costs increased compared to the corresponding period of last year. In which,

- Commission and fee expenses amounted to RMB3,127 million, representing a year-on-year growth of 521.42%. The increase was mainly due to the rapid development of brokerage business of the Group;
- Interest expense was RMB3,683 million, representing a year-on-year increase of 308.50%, mainly due to the year-on-year increase in debt financing;
- Staff cost was RMB4,091 million, representing a year-on-year increase of 173.40%, since the Company focused on transformation, innovation and development needs and made strategic and proactive investment in aspects including team building, introduction of high-quality talents, information and technology and internet securities. At the same time, significant income growth led to corresponding increase in performance fees;
- Other expense mainly included depreciation and amortization expenses, business tax and additional tax and assets impairment loss (written back)/provision and other business expense. Other expense during the reporting period was RMB678 million, representing a year-on-year increase of 45.30%, mainly due to the rapid expansion of brokerage and wealth management business, investment and trade business. Operation expense, insuring fund, business tax and additional tax generated from the increase of income and other revenue all experienced a year-on-year increase compared to the corresponding period of last year.

Management Discussion and Analysis

Composition of total expense of the Group during the reporting period is as follows:

Unit and Currency: RMB'000

Total expense	Jan-Jun, 2015		Jan-Jun, 2014		Increase or decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Commission and fee expenses	(3,126,773)	24.71%	(503,166)	13.35%	(2,623,607)	521.42%
Interest expense	(3,683,315)	29.11%	(901,660)	23.93%	(2,781,655)	308.50%
Staff cost	(4,091,491)	32.34%	(1,496,544)	39.72%	(2,594,947)	173.40%
Depreciation and amortization expense	(153,379)	1.21%	(160,921)	4.27%	7,542	(4.69%)
Business tax and additional tax	(921,431)	7.28%	(238,957)	6.34%	(682,474)	285.61%
Other business expense	(678,187)	5.37%	(466,752)	12.40%	(211,435)	45.30%
Impairment loss written back	2,362	(0.02%)	345	(0.01%)	2,017	584.64%
Total	(12,652,214)	100%	(3,767,655)	100%	(8,884,559)	235.81%

4 Cash Flow

During the period from January to June of 2015, the net increase amount of cash and cash equivalent of the Group was RMB79,327 million. In which,

- (1) Net cash flow from operating activities amounted to RMB1,784 million, representing a decrease of 36.45% as compared with the same period of the previous year. The decrease was mainly due to the profit before tax adjusted for non-cash and non-operating items, such as depreciation and amortization and reversal of impairment loss, amounting to RMB12,436 million, the increase in the account payables to customers of brokerage business resulted from active brokerage business, the increase in other payables and accruals mainly resulted from the increase in payables to other equity holders of the consolidated structured entities managed by us, and the increase in financial assets sold under repurchase agreements as a result of our growing margin financing business, which was significantly offset by the increase in margin accounts receivables and financial instruments at fair value through profit or loss and the outflow of cash held on behalf of brokerage clients.

Management Discussion and Analysis

- (2) Net cash flow from investing activities amounted to RMB1,538 million, representing a decrease of 53.97% as compared with the corresponding period of the previous year. The decrease was mainly due to the inflow of cash received from the disposal of available-for-sale financial assets and investment received from other partners of partnerships under Huitai Zijin Investment were offset by the cash outflow resulted from the purchase of property and equipment, other intangible assets and other non-current assets and the purchase of associates and other investment.
- (3) Net cash flow from financing activities amounted to RMB76,004 million, representing an increase of 3,129.49% as compared with the corresponding period of the previous year. The increase was mainly due to the fund raising through issuance of H Share of the Company, corporate bonds, subordinated bonds and short-term financing securities.

5 Research and Development Expense

In order to support and promote business innovation, the Company always persists in focusing on research and development. In order to improve the operation and management efficiency in long-term, the Company injected RMB53.688 million in total in research and development and hardware by independent development, joint development and entrusting development.

6 Others

(1) *Details of Substantial Change of Profit Composition and Resource of the Company*

During the reporting period, the operation income and other revenue, operation profit and the profit for the period of the Company recorded a significant growth as compared to the corresponding period of last year, mainly due to significant improvement on the equity fund trade volume and the scale of capital brokerage business as compared to the corresponding period of last year. Meanwhile, the substantial growth of share index caused a substantial year-on-year increase of revenue from investment and trade business as well as assets management business. During the reporting period, equity fund trade volume in two markets amounted to RMB292.92 trillion, representing a growth of 545.91% as compared to RMB45.35 trillion in the corresponding period of last year. Equity fund trade volume of the Company shared 8.32% of the entire market, representing a growth of 20.41% as compared to 6.91% in the corresponding period of last year. Securities margin business of parent company was RMB114,511 million, representing a growth of 440.22% as compared to RMB21,197 million in the corresponding period of last year, which substantially exceeded the average level in the industry. Year-on-year change and major factors of operation income and other revenue, operation profit and the profit for the period of the Company were detailed as following table.

Management Discussion and Analysis

Unit and Currency: RMB'000

Items	Current period	Corresponding period of last year (total assets and total liabilities are the data as of December 31, 2014)	Year-on-year change (%)	Major factors
Income and other revenue	21,288,583	5,683,110	274.59%	Growth of equity fund trade volume, rapid development of capital brokerage business and substantial increase of investment revenue
Total expenses	(12,652,214)	(3,767,655)	235.81%	Growth of equity fund trade volume, increase of interest-bearing liabilities and increase of tax and business management fee
Operation profit	8,636,369	1,915,455	350.88%	Increase of income and other revenue
Profit before tax	8,833,873	2,034,900	334.12%	Increase of income and other revenue
Profit for the period	6,718,572	1,533,057	338.25%	Increase of income and other revenue
In which: net profit attributable to the ordinary shareholders of the Company	6,674,823	1,517,633	339.82%	Increase of income and other revenue
Total assets	580,161,265	272,226,036	113.12%	Increase of monetary capital, financial assets and fund-providing
Total liabilities	(502,410,640)	(230,281,628)	118.17%	Increase of liabilities bearing interest caused by business development and inflow of customers' capital
Total equity of shareholders	77,750,625	41,944,408	85.37%	Increase of operating profit and issuance of H share

Management Discussion and Analysis

(2) Analysis of progress related to financing and substantial assets reorganization matters of the Company in the early stage

On 18 February 2014, the Company held the 3rd meeting of the 3rd session of the Board, in which the directors considered and passed the Motion on Issuance of Short-term Financing Securities by the Company. On 7 March 2014, the Company held the first EGM in 2014 and considered and passed such motion. On 15 April 2014, the People's Bank of China approved that the maximum balance of the Company for repaying short-term financing securities was RMB12.10 billion by the Notice on Issuance of Short-term Financing Securities by Huatai Securities Company Limited (Yin Fa [2014] No.112) whereby the Company could independently issue short-term financing securities with one year of effective period. During the reporting period, the Company completed four phases of short-term financing securities issuance work with total amount of RMB11 billion.

On 25 November 2014, the Company held the 13th meeting of the 3rd session of the Board, in which the directors considered and passed the Motion on Issuance of Subordinated Bonds by the Company. On 11 December 2014, the Company held the fourth EGM in 2014 and considered and passed such motion. On 23 January 2015, the Company completed the first phase of subordinated bonds issuance work in 2015 with amount of RMB6 billion. On 20 April 2015, the Company completed the second phase of subordinated bonds issuance work in 2015 with amount of RMB12 billion. On 26 June 2015, the Company completed the third phase of subordinated bonds issuance work in 2015 with amount of RMB18 billion.

On 6 March 2015, the Company held the 16th meeting of the 3rd session of the Board, in which the directors considered and passed the Motion on Public Issuance of Company Bonds by the Company. On 30 March 2015, the Company held the AGM in 2014 and considered and passed such motion. On 19 June 2015, the CSRC approved the public issuance of corporate bonds with total nominal value not more than RMB6.60 billion to qualified investors by the Company by the Approval on Public Issuance of Company Bonds to Qualified Investors by Huatai Securities Company Limited (Zheng Jian Xu Ke [2015] No.1326). After the reporting period, the Company completed the corporate bonds (first phase) issuance work of 2015 in 1 July 2015 with amount of RMB6.60 billion, three years of period and 4.20% of nominal interest rate.

On 25 November 2014, the Company held the 13th meeting of the 3rd session of the Board, in which the directors considered and passed several motions including the Motion on Issuance of H Share and listing in Hong Kong by the Company. On 11 December 2014, the Company held the fourth EGM in 2014 and considered and passed such motions. On 21 April 2015, the CSRC approved the issuance of overseas listed foreign shares of not more than 1,610,000,000 shares by the Company by the Approval on Issuance of Overseas Listed Foreign Shares by Huatai Securities Company Limited (Zheng Jian Xu Ke [2015] No.685). On 7 May 2015, the Listing Commission of Stock Exchange of Hong Kong Limited held listing hearing to consider the application of the Company on issuance of overseas listed foreign shares of not more than 1,610,000,000 shares and listing on the Main Board of SEHK. On 1 June 2015, 1,540,000,000 shares of overseas listed foreign share (H Share) of the Company were listed and traded on the Main Board of SEHK, including 1,400,000,000 shares of H Share of IPO and 140,000,000 shares of H Share transformed from

state-owned shares which were held by relevant state-owned shareholders of the Company and transferred to the Social Security Fund by them because of reduction of holding. On 24 June 2015, because of partial exercise of over-allotment option, 179,045,680 shares of H Share of the Company were listed and traded on the Main Board of SEHK, including 162,768,800 shares of H Share additionally issued by partial exercise of over-allotment option and 16,276,880 shares of H Share transformed from state-owned shares which were held by relevant state-owned shareholders of the Company and transferred to the Social Security Fund by them because of reduction of holding.

During the reporting period, the Company did not have any substantial assets reorganization matter.

(3) Development Strategy and Progress of Operating Plan

During the reporting period, facing a historical opportunity of the development in security sector, the Company implemented the whole business chain strategy, actively seized the market opportunity and put more efforts on promoting strategy, transformation of traditional business and development of innovational business in large-scale, thus achieved the operating objective formulated at the beginning of the year. Each businesses recorded favorable performance and operating results tended to grow significantly. In securities brokerage business, the Company further refined the customer classification and grading service system, constantly enhanced the synergy effect of product innovation and business, vigorously expanded financial product selling business, continuously improved the transformation ability of customer value and accelerated the transformation and development of wealth management business. In securities margin business, the Company constantly enriched the fund and security raising channels, effectively implemented conversion period adjustment mechanism to control risk, thus the securities margin balance grew rapidly. In investment banking business, the Company seized the industry transformation opportunity and focused on emerging sectors, efficiently played the role of merger and acquisition business brand effect, continuously promoted the balanced and rapid development of businesses related to IPO, refinancing, bonds and capital involvement, so as to continuously improve the integrated services for customers. In equity investment business, the Company stably raised the percentage of non-directive investment projects. While in fixed revenue investment business, the Company put more effort in promoting the arbitrage of “IRS + Bond” portfolio. Meanwhile, the Company actively carried out quantization hedging investment business, vigorously accelerated the innovation of OTC derivatives business, which caused the yield in investment and trade business to grow significantly. In assets management business, the Company continuously optimized the business mechanism and research injection system, strengthened the risk management capability, actively created all-round product innovation ability and continuously improved initiative investment management ability, which led to steady growth in the scale of the assets management business. At the same time, shareholding of the Company in Huatai United Securities further increased, former Huatai Great Wall Futures completed the industry and commerce change registration procedures to change its name as Huatai Futures Co., Ltd., Huatai Zijin Investment completed further capital increasing registration, Huatai Financial Holdings (Hong Kong) incorporated 11 subsidiaries including HTSC LIMITED and Lead Talent Enterprises Limited, while Huatai Innovation Investment Co., Ltd completed the capital injection to its wholly-owned subsidiary, Huatai Rising (Shanghai) Investment Co., Ltd.

Management Discussion and Analysis

As of 30 June 2015, on consolidated basis, the Company recorded total asset of RMB580,161 million, representing an increase of RMB307,935 million as compared to the beginning of this year. During the reporting period, the income and other revenue of the Company amounted to RMB21,288.583 million, representing an increase of RMB15,605.473 million as compared with the corresponding period of the year. The profit for the period amounted to RMB6,718.572 million, representing an increase of RMB5,185.515 million as compared with the corresponding period of last year. The net profit attributable to the ordinary shareholders of the Company amounted to RMB6,674.823 million, representing an increase of RMB5,157.19 million as compared with the corresponding period of last year.

(4) *Bankruptcy Reorganization, Merge or Division, Disposal, Acquisition, Replacement and Exfoliation of Substantial Assets, Reorganization of Other Companies*

During the reporting period, the Company did not subject to bankruptcy reorganization, merge or division, and there is no disposal, acquisition, replacement and exfoliation of substantial assets, and there is also no reorganization of other companies.

(III) Analysis on Major Business

1. Overview

The major business of the Company consists of brokerage and wealth management, investment banking, asset management, investment and trading as well as overseas business. The brokerage and wealth management business mainly includes securities and futures brokerage, sale of financial products, institutional sales and research as well as capital-based intermediary business. The investment banking business mainly includes share underwriting, debenture underwriting, financial advisory and over-the-counter business. The asset management business mainly includes securities companies asset management, private equity fund management, fund asset management business. The investment and trading business mainly includes investment and trading of equity securities, investment and trading of fixed income, OTC financial product and trading business. The overseas business mainly includes investment banking, sale and trading and asset management business.

Management Discussion and Analysis

During the Reporting Period, in the major businesses of the Company, except the profit margin of overseas business and others were negative, other major businesses all recorded a gross margin of more than 30%. Operation of major businesses of the Company in terms of sectors and products was as follows:

Unit and Currency: RMB'000

Segments	Segment revenue and other income	Segment expense	Segment results	Segment margin (%)	Changes		
					in segment revenue and other income as compared with the corresponding period of last year (%)	Changes in segment expense as compared with the corresponding period of last year (%)	Changes in segment margin as compared with the corresponding period of last year (%)
Brokerage and wealth management	15,654,799	(8,657,598)	6,997,201	44.70	357.69	381.37	(2.72)
Investment banking	745,203	(459,200)	286,003	38.38	36.64	0.58	22.09
Asset management	956,634	(254,891)	698,245 ⁽¹⁾	72.99	90.58	244.84	(12.86)
Investment and trading	2,965,566	(1,024,211)	1,941,355	65.46	183.52	157.03	3.56
Overseas business and others	966,748	(2,256,681)	(1,088,931) ⁽¹⁾	(112.64)	440.69	116.84	304.22
Inter-segment eliminations	(367)	367	—	—	—	—	—
Segment total	21,288,583	(12,652,214)	8,833,873 ⁽¹⁾	41.50	274.59	236.60	5.69

(1) Including share of profit of associates.

Management Discussion and Analysis

2. Analysis on business segments

(1) Brokerage and wealth management

① Securities and futures brokerage business

During the reporting period, the stock market was in a bull momentum with active trading and significant trading amount, and the volume of stock trading increased several times. Pursuant to the statistics from financial terminal of WIND Information, trading volume of stock-based fund of both markets amounted to RMB292.92 trillion, representing an increase of 545.91% as compared to the corresponding period of last year. During the reporting period, with the effect of factors such as continuous promotion of internet securities and the open up of “multiple accounts per capital” policy, we can see rapid increase in numbers of new accounts in the market. The average commission rate of the industry therefore further dropped, while securities brokerage business operated in an environment with increasing competition and the process of marketization accelerated observably.

During the reporting period, the corporate securities brokerage business was centered on profits. We insisted on innovative development and compliance risk control, based on the principal of business emphasis and business mainline and continued to promote the development of the four operations that are trading, investment, financing and consulting. We accelerated the transition of securities brokerage business to wealth management business by continuous enhancement of operation efficiency, improving the level of delicacy management and with the orientation of client demand. We established multilayer analysis and evaluation system for customers, continued to optimize the service system of Zijin Wealth Management, constantly enriched service contents, perfected service channel, optimized delivery ways and tried to create hierarchical customer service system so as to satisfy the diversified financial service demand from customers. We adjusted strategies of sales and marketing and proactively lowered the commission rate level of basic channel. Besides, with the help of network strategies which refer to network, the standardization of products and service and the intensive operating of operation spots, we further expanded market shares and customer base to practically achieve the optimization and adjustment of customer structure, business structure and income structure.

During the reporting period, the Company made great efforts to the innovation of internet securities business, continued to perfect and optimize the business function and user experience of the mobile internet platform and made break through gradually from “customer service” to “user service”. During the reporting period, the mobile terminal “ZhangLe Fortune Path” was downloaded for 5,367,000 times with an average daily active customers of 942,000. Since the online operation of “ZhangLe Fortune Path”, the accumulative downloads amounted to 7,657,000. During the reporting period, the customer accounts of mobile terminal “ZhangLe Fortune Path” was 1,658,000, accounting for 89.1% of the total accounts of the Company. 59.5% of the Company’s customers deal with transactions through “ZhangLe Fortune Path”.

Management Discussion and Analysis

Data of agent transaction amount and market shares

Categories of securities	Jan-Jun, 2015		Categories of securities	Jan-Jun, 2014	
	Amount of agent transaction (in RMB100 million)	Market shares (%)		Amount of agent transaction (in RMB100 million)	Market shares (%)
Shares	198,974.04	7.18	Shares	27,823.39	6.45
Fund	44,684.90	28.62	Fund	3,494.19	15.82
Debenture	41,529.58	3.11	Debenture	30,542.55	4.03
Total	285,188.52	6.68	Total	61,860.13	5.10

Note: The data of agent transaction amount and market shares is source from financial terminal of WIND Information.

Pursuant to the statistics from WIND Information about trading volume by traders in the first half of 2015, the Company's share trading volume was RMB19.90 trillion during the reporting period, the fund trading volume was RMB4.47 trillion, the total volume of equity fund trading was RMB24.37 trillion and the market share was 8.32%, ranking the first in the industry.

In the field of futures brokerage business, the Company developed futures brokerage business through its subsidiary, Huatai Futures. As of the end of the reporting period, there were 31 futures business departments throughout 18 domestic provinces. During the reporting period, the trading volume of Huatai Futures was 95,810,000, trading amount was RMB24,298.3 billion and the market shares was 2.83% and 3.44%, respectively, representing a year-on-year increase of 8.43% and 2.08%, respectively. During the reporting period, the futures IB business kept the growth momentum with the IB business equity and IB operation income both increased significantly. As of the end of the reporting period, there were 173 security exchange departments and regional headquarters of the Company that have obtained approval to engage in futures IB business.

Management Discussion and Analysis

② Sales of financial products

Pursuant to relevant laws and regulations of the *Management Regulations on Agency Sales of Financial Products by Securities Companies* issued by CSRC in November 2012, the Company acted as an agent for sale of a variety of financial products provided by the third-party financial institutions like fund management company, trust company and commercial bank, etc. During the reporting period, the Company took the advantage of source and network layout, through the Company's extensive securities sales department network and internet platform to carry on agency sales of financial products with an aim to further improve the business capacity of the Company about the agency sales of financial products. During the reporting period, the total amounts of sales and total income from agency sales of financial products are set forth as below:

Unit and Currency: RMB

Agency sales business of financial products	Current period		The corresponding period of last year	
	Total sales amounts	Total sales income	Total sales amounts	Total sales income
Fund	19,152,573,983.45	181,178,479.11	5,337,405,709.42	19,004,280.41
Financial products of securities company	2,080,345,400,187.95	1,333,129.17	389,680,824,098.25	433,315.19
Trust	2,183,010,000.00	1,731,048.27	1,383,520,000.00	1,006,367.12
Total	2,101,680,984,171.40	184,242,656.55	396,401,749,807.67	20,443,962.72

③ Institutional sales and research business

During the reporting period, the Company marketed and sold various kinds of stock exchange service and financial products, including stocks, debentures and fund to institutional clients. The institutional clients of the Company mainly include mutual funds management companies, private funds management companies, QFII, National Social Security Fund, insurance companies, trust companies, asset management companies, RQFII, finance companies and commercial banks. The Company made great efforts in developing prime brokerage business, including fund trust service, liquidation, valuation, financing, securities lending, product sale and other value-added services. During the reporting period, the Company finished the registration as an institution undertaking private fund outsource business from Asset Management Association on 21 April 2015, and became the first batch of institutions finished the registration. As of the end of the reporting period, the fund custody business of the Company launched 121 products for operation with a scale of RMB10.315 billion, while the private fund outsource business launched 96 products for operation with a scale of RMB6.715 billion.

Management Discussion and Analysis

During the reporting period, with the continuous promotion of policy measures such as the transformation and upgrading of the economic structure and the pattern of economic development coupled with the reform and innovation of capital market, the research business of securities traders was confronted with new opportunities and challenges. During the reporting period, the Company increased the introduction of leaders in research business and principal researcher in influential key sectors of the industry and persisted in advancing the construction of the research team. As a result, the number and quality of research service increased significantly, the research strength and market impact constantly improved, the operation income increased significantly and the trading volume and market share of sub-positions of mutual funds under management increased stably. Meanwhile, the Company constantly perfected the service system of research business, strengthened customer service and development efforts, continually optimized internal organizational structure and intensified the intermediary and backstage service support, thus the research service efficiency greatly increased. As of the end of the reporting period, the trading volume of sub-positions of the Company's mutual funds under management was RMB439.597 billion, the market shares of the sub-positions trading volume of mutual funds under management was 5%, representing an increase of 59.24% as compared to 2014.

④ Capital-based intermediary business

The capital-based intermediary business mainly includes providing securities margin trading, stock pledged repurchase and agreed repurchase business to clients. During the reporting period, benefited from the recovery of the stock market and the great increase of trading volume as well as the improvement of clients' willingness to conduct leveraging trading and driven by factors like the re-expansion of the scope of refinance subject securities, the market securities margin business increased rapidly and the balance of the market securities margin business increased significantly. As of the end of the reporting period, the balance of market securities margin business was RMB2,049.386 billion. During the reporting period, by grasping the good opportunity arising from the positive market, the Company constantly broaden business scale, conducted overall and structural adjustment timely and completed risk control to effectively ensure the safety of the Company's creditor rights. At the end of the reporting period, the balances of the securities margin business of the parent company was RMB114.511 billion with a market share of 5.59%, and the guarantee ratio remained at 296.45%. During the reporting period, the Company's agreed repurchase business run smoothly; however, as affected by the alternativality of stock-pledge repurchase business, the scale of the business was in a downward trend. As of the end of the reporting period, the pending repurchase balance of the business was RMB57 million and the fulfillment guarantee ratio was 349.57%. During the reporting period, the Company actively promoted the stock pledged repurchase business, which was increasing in scale. As of the end of the reporting period, the total pending repurchase balance of the business was RMB34.89 billion and the fulfillment guarantee ratio was 439.34%.

In the first half of 2015, the profit before tax of brokerage and wealth management business amounted to RMB6,997 million and accounted for 79.21% of total profit before tax.

Management Discussion and Analysis

(2) *Investment banking business*

① Stock underwriting, debenture underwriting and financial advisory

During the reporting period, the domestic entity economy was continuously lingering at a lower position, while the macro economy was in the key stage of structural adjustment and pattern transformation. The supervisory policy of securities tended to be more market-oriented, as influenced by which and other factors, the underwriting scale of traders increased steadily. The stock market accelerated its step of reform, while the IPO issue and refinancing increased rapidly. On the other hand, the supporting system of debenture was under continuous improvement, the trading system was under continuous optimization and the market scale was under continuous expansion. With the issue of amendments to policy of merger and reorganization, the market-based mechanism of merger and reorganization was continuously perfected and performed in an active way.

During the reporting period, the Company intensified the development and transformation of the industry, constantly optimized the pattern of “professional specialization plus systematic collaboration” and further completed the organization scheme, business model, management mechanism and operating process so as to form an all-dimensional business line integrated with emerging industry, consolidated service, business with advantages and customer service and finally achieved a sustained results growth. The business layout of investment banking was further optimized, the IPO and refinancing continued to keep their market position and the equity financing went up while maintaining stable. We consistently promoted the innovation of fixed revenue business which generated a stable year-on-year increase. Besides, the merger and reorganization business continued to be in a leading position with increasing market impact. The Company made active layout innovative business including capital-based intermediary business by increasing capital, through which we achieved a significant increase in innovative business, significant expansion of business categories and covering scope and effectively expanded the new growth point of business and thus increased customer loyalty.

Management Discussion and Analysis

Consolidated information

Underwriting manners	Issuance category	Times of underwriting (times)		Underwriting amount (in RMB10 thousand)		Underwriting income (in RMB10 thousand)	
		Current period	Accumulated by years	Current period	Accumulated by years	Current period	Accumulated by years
Lead underwriting	Issue of new shares	8	134	754,290.02	8,103,200.33	33,977.12	353,633.80
	Additional issue of new shares	13	64	821,585.67	8,148,587.86	6,853.33	86,185.52
	Allotment of shares	0	30	0	1,002,136.78	0	19,236.96
	Convertible bonds	0	10	0	487,530.00	0	14,520.00
	Issue of bonds	19	229	3,026,460.00	18,705,065.10	3,406.71	110,664.30
	Sub-total	40	467	4,602,335.69	36,446,520.07	44,237.16	584,240.58
Co-lead underwriting	Issue of new shares	0	27	0	242,956.30	0	1,059.01
	Additional issue of new shares	1	4	0	55,903.50	300	469
	Allotment of shares	0	12	0	244,241.00	0	1,811.00
	Convertible bonds	0	3	0	13,284.00	0	12
	Issue of bonds	3	85	0	691,575.00	2	1634.62
	Sub-total	4	131	0	1,247,959.80	302	4,985.63
Sub-underwriting	Issue of new shares	0	161	0	1,876,238.51	0	1,284.42
	Additional issue of new shares	0	28	0	382,226.97	0	701
	Allotment of shares	0	31	0	136,077.30	0	429.94
	Convertible bonds	0	9	0	164,536.00	0	217.74
	Issue of bonds	226	1,961	1,846,000.00	31,855,569.68	3,673.93	35,477.37
	Sub-total	226	2,190	1,846,000.00	34,414,648.46	3,673.93	38,110.47

Management Discussion and Analysis

Information of merger, acquisition, reorganization and financial advisory (combined information) during the reporting period

	Revenue	Numbers	
	(in RMB10 thousand)	Current period	Accumulated by years
Merger, acquisition, reorganization and financial advisory	13,976.16	29	760

Stock underwriting business primarily includes subsequent refinancing such as initial public offering and directional issuing, public placing, allotment and issue of convertible bonds. Bonds underwriting business primarily includes debts underwriting such as enterprises bonds, corporate bonds, SME private bonds, debts financing instruments of non-financial enterprises, other financial bonds and assets securitizations. During the reporting period, the Company combined lead underwriting for 40 times, with a combined lead underwriting amount of RMB46,023 million, combined lead underwriting income of RMB442 million; combined equity lead underwriting of 21 times, combined equity lead underwriting of RMB15,758.7569 million, combined equity lead underwriting income of RMB408.3045 million; combined debts lead underwriting of 19 times, combined debts lead underwriting of RMB30,264.6000 million, combined debts lead underwriting income of RMB34.0671 million. In respect of merger, acquisition and reorganization, the Company generated net income of RMB139.7616 million from the business of merged, reorganization and financial consultancy during the reporting period. The number of merger, acquisition and reorganization project of listed companies led by the Company continued to rank first among the securities traders in the PRC.

② OTC business

During the reporting period, New OTC Board Businesses increased rapidly. The number of enterprises listed on the New OTC Board increased. With the improvement of market fundamental systems such as market transfer, market segmentation, auction session, investors' proper management and transfer system and the expand of the main market making business, the liquidity and efficiency of market will be constantly improved. The New OTC Board market contains huge potentiality. The Company captured the market opportunities, proactively promoting the undertaking of projects, constantly improving the property reserve level and comprehensively boosting various businesses. During the reporting period, the Company recommended 9 projects for listing, with 7 projects obtained approval for listing and 14 projects under approval and completed 5 share offering businesses for 4 listed enterprises. As of the end of the reporting period, Jiangsu Equity Exchange Center, the holding subsidiary of the Company, had a total of 194 listed enterprises, of which 141 will be developed

into membership units. The Company proactively explored businesses such as filing and issuance of private bonds, equity finance and equity pledge. As of the end of the reporting period, amounts for private bonds filing accumulated to RMB14,805 million, with RMB5,396 million being actually issued. With the continuous expanding of internet sales channel, the creation and implementation of various rights of profit, the change and improvement of equity trading system and the development of traditional equity business, the business revenue of Jiangsu Equity Exchange Center will be further improved.

In the first half of 2015, the profit before tax of investment banking business amounted to RMB286 million, accounting for 3.24% of the total profit before tax.

(3) Assets management business

① Assets management business of securities companies

During the reporting period, under the macro environment of eased regulatory restriction, the access threshold of assets management industry lowered gradually and the extension for assets management business expanded significantly, with the trend of competition among mixed businesses being further obvious and the industry market competition being much fiercer. Looking forward, with the constantly improvement of the innovative effort in the assets management products by the securities traders, securities traders' assets management business types and products categories will be further enriched, which will meet the multi-level demand of investors. As of the end of the reporting period, the assets size managed by the securities traders' assets management industry amounted to RMB10.25 trillion in aggregate, which made a new record in the history.

In respect of assets management business of securities companies, Huatai Asset Management captured the important opportunities for industry development. As directed by the whole business chain concept, based on the high covering brokerage channels and the leading investment banking resources of the parent company, Huatai Asset Management established a goal of creating an all-round and comprehensive assets management institution. Huatai Asset Management proactively deployed the institutional investment and financing business for connecting the external resources. With the institutional customers as its objects, Huatai Asset Management established a service team with wide coverage, rapid response mechanism and products capability, providing comprehensive value-added services which can improve the capital market value. Huatai Asset Management proactively deployed the platform business for connecting the internal group, integrating the Group's internal and external resources, enriching and improving the assets management business form and operation methods, so as to promptly fulfill the requirements of various businesses and consolidate and enhance the overall business chain system function. Huatai Asset Management also proactively deployed investment and research business, paying every effort in establishing a scientific, systematic and sustainable investment and research platform, so as to improve the active investment and management capability and consistently enhance the core competitiveness for asset management business.

Management Discussion and Analysis

As of the end of the reporting period, the collective asset management scheme managed by Huatai Asset Management amounted to 44 in total and the asset scale managed by Huatai Asset Management was in an aggregate of RMB108,011 million; the target asset management scheme managed by Huatai Asset Management amounted to 372 in total and the asset scale managed by Huatai Asset Management was in an aggregate of RMB422,122 million; the special asset management scheme managed by Huatai Asset Management amounted to 3 in total and the asset scale managed by Huatai Asset Management was in an aggregate of RMB4,060 million. According to the statistics of institutional securities and futures asset management business issued by the Asset Management Association of China, as of the end of the reporting period, Huatai Asset Management actively managed a business scale of RMB139.4 billion, ranking fifth in the industry, with the aggregate assets managed by it ranking third in the industry.

During the reporting period, the scale and revenue of assets management business were set out in the following table:

Items	Jan–Jun, 2015	Jan–Jun, 2014
	Entrusted scale (in RMB100 million)	
Collective asset management business	1,080.11	263.53
Targeted asset management business	4,221.22	2,508.87
Special asset management business	40.60	0.54

② Private equity fund management business

During the reporting period, the Company conducted direct investment business, including the investment and management of private equity fund, through its wholly-owned subsidiary, Huatai Zijin Investment. During the reporting period, with influence of the clear supervisory concept of direct investment business of the equity investment institution and securities traders, the constant strong momentum in merger and acquisition market, risk asset being permitted to invest in capital venture fund and the expectable promotion of registration system, new business opportunities in the private equity investment market gradually emerged while more opportunities and challenges paralleled in the market. As at the end of the reporting period, Huatai Zijin Investment carried out 2 equity investment projects, with a total investment amount of RMB40 million; Huatai Ruitong Investment Management Co., Ltd, the holding subsidiary of Huatai Zijin Investment, initiated the establishment of Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership) and carried out 12 investment projects, with a total investment amount of RMB465.9294 million, including 11 equity investment projects, with an investment amount of RMB460.9294 million, and 1 debt investment project, with

an investment amount of RMB5 million; Beijing Huatai Ruilian Merger and Acquisition Fund Centre (Limited Partnership), established by Huatai Ruilian Funds Management Co., Ltd., the subsidiary of Huatai Zijin Investment has invested in 8 projects, with a total investment amount of RMB973.891 million, including 7 equity investment projects, with an investment amount of RMB871.7030 million, and 1 debt investment, with an investment amount of RMB102.188 million; Shenzhen Huatai Ruilin Equity Investment Fund Partnership (Limited Partnership), established by Shenzhen Huatai Ruilin Fund Investment Management Partnership (Limited Partnership), a holding subsidiary of Huatai Zijin Investment has invested in 3 projects, with a total investment amount of RMB170.8833 million; Jiangsu Emerging Industries Investment Fund (Limited Partnership), for which Jiangsu Emerging Industries Investment Management Company Limited, a holding company of Huatai Zijin Investment, as its fund manager has invested in one project, with a total investment amount of RMB396.8793 million. At the same time, Beijing Huatai Tongxin Investment Fund Management Limited, a holding subsidiary of Huatai Zijin Investment initiated the establishment of Beijing Huatai Ruihe Investment Fund Management Partnership (a limited company) during the reporting period.

③ Asset management business of fund companies

During the reporting period, the Company mainly conducted asset management business of fund companies through China Southern Fund and Huatai-PineBridge, which are associate companies. For the asset management business managed by China Southern Fund, as of the end of the reporting period, China Southern Fund managed a total of 73 funds in its mutual funds business, of which the total size amounted to RMB230,386 million, increased by 17.89% from RMB195,430 million as compared to corresponding period of 2014; the net asset value of private funds business amounted to RMB120,536 million in total, increased by 49.14% from RMB80,821 million as compared to corresponding period of 2014. During the reporting period, China Southern Fund was awarded the “Golden Bull Fund” by the China Securities Journal, the “Star Fund in China’s Fund Industry in 2014” by the Securities Times, and the “12th Golden Fund in China” by Shanghai Securities News. For the asset management business managed by Huatai-PineBridge, as of the end of the reporting period, Huatai-PineBridge managed a total of 32 funds in its mutual funds business, of which the total size amounted to RMB76,662 million, increased by 88.92% from RMB40,579 million as compared to corresponding period of 2014; the net asset value of private funds business amounted to RMB1,413 million in total, increased by 17.26% from RMB1,205 million as compared to corresponding period of 2014. During the reporting period, Huatai-PineBridge was awarded “2014 Golden Bull Fund Company” by the China Securities Journal and “Golden Fund TOP Fund Manager” by Shanghai Securities News.

Management Discussion and Analysis

④ Other major businesses

In the field of futures asset management business, Huatai Futures, the holding subsidiary of the Company, obtained the qualification of futures asset management business on 19 November 2012. During the reporting period, Huatai Futures continued advancing the business innovation while actively conducting the traditional asset management businesses. As of the end of the reporting period, Huatai Futures managed a total of 78 funds in its futures asset management business, of which the scale of total assets entrusted amounted to RMB4,012 million, and the futures rights and interests amounted to RMB839 million.

During the first half of 2015, the profit before tax of asset management business amounted to RMB698 million, accounting for 7.90% of the total profit before tax.

(4) Investment and trading business

① Equity security investment and trading business

During the reporting period, amid various favorable factors such as the further easing monetary policies, and driven by leverage funds and expectation on further reform, the stock market maintained its upward trend. Indices of Shanghai and Shenzhen stock markets continued to rise, with the Shanghai and Shenzhen 300 Index rising by 26.58%.

During the reporting period, the Company set the investment goal of “achieving reasonable returns while controlling risks”. With the focus on safety margin, the Company increased the proportion of non-directional investment projects, and took an active approach to active risk management techniques, including hedging, quantified, arbitrage, high-frequency trading, with a view to achieving low-risk and stable returns. As a result of these strategies, investment return of the Company’s equity securities investments outperformed the Shanghai and Shenzhen 300 Index by a large margin in terms of growth. Meanwhile, our exchange traded quantified hedging investment business achieved outstanding investment performance through our continued focusing on quantified analysis and systematic support, as well as our efforts in taking advantage of forward and spot spread arbitrage opportunities while maintaining alpha hedging investment strategies and development of other traditional business which had a competitive advantage.

② Fixed income investment and trading business

During the reporting period, affected by various factors, such as weak macro-economic fundamentals, easing monetary policies and ample liquidity, the bond market in the PRC was in a general bullish trend despite some twists and turns. Overall, bond yields followed a downward path, while the short end of the yield outperforming the long end. During the reporting period, the China Bond Composite Full-price Index and CSI Aggregate Bond Index rose by 1.21% and 3.17%, respectively.

Management Discussion and Analysis

During the reporting period, the Company actively carried out and promoted the transformation of traditional business lines, as well as the deployment of new business segments under the guidance of development strategies for FICC business. The Company also made active adjustments to investment strategies for bonds, while fully leveraging on the opportunities from primary and secondary markets by increasing range trading and adjusting securities in the portfolio to avoid credit risks. In the meantime, the Company also increased IRS hedging to lockup capital costs, reduced market risk and achieved stable return. During the reporting period, the fixed-income investment and trading business of the Company relied on in-depth research, accurate market judgment and timely adjustments to strategies, reaping a favourable revenue in fixed income investment and trading business.

③ OTC financial products and trading business

During the reporting period, the Company made great efforts in strengthening the OTC market trading platform, enhancing business procedures and systems, launching various business lines such as custody plan, income certificate, return swaps, structural products, restricted equity financing, asset-backed securities, while focusing on promoting the development of private equity products, OTC derivatives and innovative financing solutions. Currently, the Company's OTC market business was licensed with the full spectrum of authorities, including investment, agency trading, creation, referral and display. During the reporting period, the Company issued a total of 67 income certificates, with a total financing amount of RMB24,031 million. The stock amount as at the end of the reporting period amounted to RMB17,275 million. During the reporting period, the Company issued a total of 35 equity return swaps trading transactions, with a total issuance amount of RMB9,046 million. As at the end of the reporting period, business stock was 29 and the stock amount was RMB8,085 million.

The Company also took an active approach to the market-making activities in the National Equities Exchange and Quotations System for small and medium-sized enterprises nationwide. As of the end of the reporting period, the Company had provided market-making service for 17 listed companies, which involved a total market value of RMB237.5414 million.

Management Discussion and Analysis

Consolidated data

Unit and Currency: RMB'000

Items	Jan–Jun, 2015	Jan–Jun, 2014
Net realized gains/(losses) from disposal of available-for-sale financial assets	241,160	(104,331)
Dividend income and interest income from available-for-sale financial assets	150,956	57,847
Net realized gains/(losses) from disposal of financial instruments at fair value through profit or loss	5,244,097	(200,044)
Dividend income and interest income from financial instruments at fair value through profit or loss	700,582	548,481
Net realized (losses)/gains from disposal of derivative financial instruments	(3,354,672)	316,761
Interest income from held-to-maturity investments	114	114
Unrealized fair value changes of financial instruments at fair value through profit or loss	127,362	481,861
Unrealized fair value changes of derivative financial instruments	224,110	(18,286)
Others	—	5,919
Total	3,333,709	1,088,322

During the first half of 2015, the profit before tax of the investment and trading business of the Company amounted to RMB1,941 million, representing 21.98% of the total profit before tax.

(5) *Overseas business and others*

In November 2006, for the purpose of expanding its overseas presence, the Company incorporated its wholly-owned subsidiary, Huatai Financial Holdings (Hong Kong) Limited, which commenced operation in 2007 in Hong Kong. Huatai Financial Holdings (Hong Kong) is dedicated to enhancing and expanding its platform of overseas business. As at the end of the reporting period, Huatai Financial Holdings (Hong Kong) was licensed by the Securities and Futures Commission of Hong Kong to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities, and had established comprehensive lines of operation. At present, Huatai Financial Holdings (Hong Kong) is mainly engaged in investment banking (equity underwriting, bond underwriting, private placements, financial advisory services, mergers and acquisitions, structured finance and investment), sales and trading business (provision of trading and market-making services for securities and futures products such as equities, fixed income products, credit, futures contracts and structured products; development of financial products and market access solutions to meet the needs of clients; provision of financing services for securities under the agency business) as well as asset management business.

Management Discussion and Analysis

During the reporting period, agent trading volume and agency futures contract trading volume of Huatai Financial Holdings (Hong Kong) reached HK\$19.441 billion and 54,600 respectively. It also participated in 3 allotment projects, 7 bond issue projects and 6 financial advisory projects. The total amount of underwriting reached HK\$4.406 billion, while total assets under management reaching HK\$3.419 billion. Meanwhile, Huatai Financial Holdings (Hong Kong) also incorporated 11 subsidiaries, including HTSC LIMITED and Lead Talent Enterprises Limited.

Save as disclosed above, due to the interest income and interest expenses generated from general operation capital of other businesses of the head office, increasing interest expenses caused by additional issuance of bonds during the reporting period and operation and management expenses of the head office, the profit before tax of other business and others amounted to -RMB1,089 million, representing -12.33% of the total profit before tax during the first half of 2015.

(6) Business innovation and its effects on the Company's operating performance and future development, and how to control relevant risks

① Main business innovation and its effects on the Company's operating performance and future development

In terms of the credit business, during the reporting period, the Company carried out option exercise financing and restricted stock financing business actively to satisfy the financing needs of incentive scheme participants of listed companies to purchase listed shares and subscribe for restricted shares. As of the end of the reporting period, the outstanding financing amounts of the option exercise financing business and the restricted stock financing business amounted to RMB2.247 million and RMB364 million respectively. These two business lines were designed to supplement the existing product lines and business scope of the Company. In addition to interest income generation, they are also beneficial to improving the client structure and business operating model, enhancing the profitability and further increasing the brand influence of the Company.

In terms of the option brokerage and exchange traded option business, during the reporting period, as approved by the Shanghai Stock Exchange through the Notice on Huatai Securities Co., Ltd. of Becoming a Stock Option Trading Participant in Shanghai Stock Exchange, the Company has become a stock option trading participant in Shanghai Stock Exchange and was licensed to engage in stock option brokerage and proprietary businesses. During the reporting period, the stock option brokerage business of the Company was operated in a smooth and orderly manner, with a total volume of 377,700, accounting for 7.48% of the market share. The option brokerage business is conducive to further expand the scope of the brokerage business and the brokerage income channels. In addition,

Management Discussion and Analysis

as approved through the Reply for Verifying the Qualification of the Stock Options Market Making Business of Huatai Securities Co., Ltd. from the China Securities Regulatory Commission (CSRC) and the Notice on Commencement of Shanghai Stock Exchange 50 ETF Option Market Making Business by Huatai Securities Co., Ltd. from Shanghai Stock Exchange, the Company has become a major market maker for Shanghai Stock Exchange 50 ETF option contracts on 9 February 2015. The commencement of exchange traded option business has diversified the quantified investment strategies and provided a variety of investment and risk management tools.

In terms of OTC derivatives business, during the reporting period, this business segment has maintained the rapid development momentum since last year. The Company actively captured opportunities of income receipt business, continued to drive the fast growth of equity return swap business, and continued development of the business platform so as to build up a healthy back-office management system for OTC derivatives. As the stabilizer for investment business, the OTC derivatives business will provide vast innovation room for investment business, diversify the product mix in capital market and satisfy various requirements by clients, thereby further increasing the income resources of brokers.

In terms of OTC business, on 14 October 2014, the Company was permitted by the Securities Association of China to carry out OTC market pilot business. During the reporting period, the Company actively explored the normalized product issuance mechanism, continued to expand the scope and means of product sales, with the aim of addressing the needs of investors for diversified needs for products configuration and comprehensive financial needs. The development of OTC market business will facilitate the reform and integration of the basic functions of brokers, while effectively releasing the business space of brokers, and expanding their client base and enriching their service delivery.

In terms of funds custody outsourcing business, on 29 September 2014, the Company was permitted to carry out security investment funds custody business under the approval of the CSRC. The Company also completed the filing procedures for private funds business outsourcing service providers with the Asset Management Association of China (AMAC) on 21 April 2015. During the reporting period, the Company actively conducted funds custody outsourcing business in accordance with relevant requirements and the requirements set out in the approval documents. Such funds custody outsourcing activities are expected to promote the integration of various financial products of brokers, thus satisfying different needs of clients and providing comprehensive financial services.

② Risk control for business innovation

During the reporting period, the Company continued to promote business innovation, drove innovation in respect of new business lines, new products, services and management models, with a view to enhancing the innovation capability of the Company. In the course of operating its innovative business segments, the Company adhered to the basic principle of “satisfying market needs, pursuing legally viable approach, enhancing risk control and ensuring efficiency”. Based on the characteristics of risk profile of innovative business, risk control measures in relation to organization mechanisms, decision-making and delegation of authority and systems and procedures were further consolidated. These initiatives were designed to mitigate risks arising from insufficient awareness on the risks of innovative business, unreasonable business design, and incomplete control mechanism, thus ensuring the sustainable and healthy development of each innovative business on the premise of building the capability to monitor, control and bear risks.

With regard to credit innovative business, during the reporting period, the Company launched a number of brand-new business lines, including “restricted equity financing” and “financing by exercising of options under the incentive schemes of listed companies”. On the basis of the original risk management of credit business and taking into consideration the characteristics of innovative business, the Company further enhanced its systems covering all parts of business, such as credit investigation and extension in respect of clients, management of credit account, management of security, management of daily mark to market and mandatory liquidation, follow-up management after granting of loans, feedback from clients, receipt and handling of client’s complaints. In order to avoid and control business risks, the risk management function of the Company has established and improved the management system for credit risks. Dedicated personnel were deployed by business units to carry out real-time monitoring of various risk indicators. In addition, timely assessment and reporting on risks were conducted after the close of trading. Such comprehensive risk management systems and procedures are essential to meet the Company’s requirements on business risk levels.

In terms of exchange traded option business, the Company has incorporated the option business into the risk control indicators system focusing on net capital, and continued to consolidate the adjustment mechanism for business scale which is in line with the level of net capital. The Company’s Equity Investment Committee determines the upper limit on overall investment scale of stock option business within the scope of authorization delegated by the Board. During the course of business, on the basis of first-line risk control, the risk management function monitored and assessed the risks arising in the operation of the option business, and developed risk limit, establishes risk hedging mechanism and conducting daily mark to market, including but not limited to: capital size of option business, exposure and the issue of Greek alphabet, profit and loss rate of investment projects, utilization of the margin and so on. Among these indicators, the utilization of the margin includes day real-time margin percentage and day-end margin maintenance percentage, as well as establishing the early warning mechanism to ensure control of business risks.

Management Discussion and Analysis

In terms of option brokerage business, the Company has established standardized systems, procedures and functions. Through the comprehensive risk monitoring on information system, the Company has developed a number of indicators for risk monitoring, including the performance security rate, liquidating security rate, leapfrog transaction of investors, quota of subscription, limit on position, the gap of fund when settling warrants and the gap of securities when settling warrants. Clients facing high risks will receive warning, margin call and mandatory liquidating notice through SMS messages, telephone or email from our company. Daily monitoring and corresponding measures were also carried out for companies engaging in option brokerage business in respect of overall business activities, appropriateness requirement on clients, risk profile and unusual transaction of clients.

In terms of OTC derivatives business such as equity return swaps, the Company has established the risk control measures and systems covering various nodes on business procedures. These measures and systems were designed to address different issues, including assessment of counterparts, selection of subject securities, setting of transaction limits, risk hedging management, daily mark to market and risk control. In carrying out specific business, first-line staff from specific business unit is responsible for daily mark to market and monitoring, while the risk management function is responsible for second-tier monitoring, and developing detailed assessment on credit risk, market risk and liquidity risk on the basis of the original risk management measures, so as to ensure the risk levels recorded in the course of business meet the requirement in relation to each predetermined limit.

In terms of OTC market business, during the reporting period, the Company has completed the construction of the OTC transaction monitoring module, and the development of transaction monitoring indicators and threshold value setting, including account monitoring, appropriateness management of clients, unusual transactions, transaction integrity, market-making business, special business monitoring, segregation wall management, as well as product and client information inquiries.

In terms of funds custody outsourcing, during the reporting period, the Company further revised and improved the management system for fund trustee and outsourcing, while optimizing business procedures and clarifying the business auditing responsibilities assumed by relevant departments. Meanwhile, for the purpose of satisfying the needs of disclosure of net value of funds by private funds managers and enquiry on number of units held by investors, as part of our commitment to providing value-added services, the Company developed various functions for information disclosure of products under custody, disclosure of net value of outsourced products, and enquiry on number of units held by investors on our website. Under the outsourcing service agreement on funds business and entrusted by private funds managers, the Company may disclose the net value of outsourced fund products and provide services in respect of enquiry on number of units held by investors on behalf of the clients.

Management Discussion and Analysis

(IV) Analysis on Principal Components of Consolidated Statement of Financial Position

1. Consolidated Financial Position

(1) Overview of Consolidated Statement of Financial Position

Unit and Currency: RMB'000

Item	As of June 30, 2015		As of December 31, 2014		Increase/Decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Non-current assets						
Property and equipment	3,689,750	0.64%	3,303,686	1.21%	386,064	11.69%
Investment properties	734,566	0.13%	673,981	0.25%	60,585	8.99%
Goodwill	51,342	0.01%	51,342	0.02%	0	0.00%
Other intangible assets	394,741	0.07%	401,211	0.15%	(6,470)	(1.61%)
Interest in associates	2,173,181	0.37%	1,874,488	0.69%	298,693	15.93%
Held-to-maturity investments	5,000	0.00%	5,000	0.00%	0	0.00%
Available-for-sale financial assets	7,763,819	1.34%	4,969,114	1.82%	2,794,705	56.24%
Financial assets held under resale agreements	3,201,958	0.55%	2,400,120	0.88%	801,838	33.41%
Financial assets at fair value through profit or loss	1,061,111	0.18%	—	—	—	—
Refundable deposits	6,636,418	1.14%	4,482,845	1.65%	2,153,573	48.04%
Deferred profit tax assets	191,758	0.03%	178,878	0.07%	12,880	7.20%
Other non-current assets	90,801	0.02%	108,854	0.04%	(18,053)	(16.58%)
Total non-current assets	25,994,445	4.48%	18,449,519	6.78%	7,544,926	40.89%
Current assets						
Account receivables	1,677,815	0.29%	362,653	0.13%	1,315,162	362.65%
Other receivables and prepayments	3,601,006	0.62%	2,057,220	0.76%	1,543,786	75.04%
Margin accounts receivable	114,677,991	19.77%	64,636,739	23.74%	50,041,252	77.42%
Available-for-sale financial assets	3,581,736	0.62%	4,307,034	1.58%	(725,298)	(16.84%)
Financial assets held under resale agreements	21,501,159	3.71%	18,309,906	6.73%	3,191,253	17.43%
Financial assets at fair value through profit or loss	83,836,081	14.45%	55,999,958	20.57%	27,836,123	49.71%
Derivative financial assets	317,807	0.05%	20,815	0.01%	296,992	1426.82%
Clearing settlement funds	1,973,018	0.34%	544,255	0.20%	1,428,763	262.52%
Cash held on behalf of brokerage clients	208,227,865	35.89%	71,536,310	26.28%	136,691,555	191.08%
Cash and bank balances	114,772,342	19.78%	36,001,627	13.22%	78,770,715	218.80%
Total current assets	554,166,820	95.52%	253,776,517	93.22%	300,390,303	118.37%
Total assets	580,161,265	100.00%	272,226,036	100.00%	307,935,229	113.12%

Management Discussion and Analysis

Item	As of June 30, 2015		As of December 31, 2014		Increase/Decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Current liabilities						
Short-term debt						
instruments issued	24,369,824	4.85%	24,787,070	10.76%	(417,246)	(1.68%)
Placements from other						
financial institutions	3,400,000	0.68%	1,500,000	0.65%	1,900,000	126.67%
Accounts payable to						
brokerage clients	205,139,276	40.83%	70,228,405	30.50%	134,910,871	192.10%
Employee benefits payable	3,759,075	0.75%	1,740,597	0.76%	2,018,478	115.96%
Other payables and accruals	108,036,430	21.50%	56,802,319	24.67%	51,234,111	90.20%
Current tax liabilities	1,579,551	0.31%	358,645	0.16%	1,220,906	340.42%
Financial assets sold under						
repurchase agreements	50,155,007	9.98%	44,668,228	19.40%	5,486,779	12.28%
Derivative financial liabilities	1,842,475	0.37%	730,743	0.32%	1,111,732	152.14%
Financial liabilities at fair value						
through profit or loss	15,588,541	3.10%	9,245	0.00%	15,579,296	168515.91%
Total current liabilities	413,870,179	82.37%	200,825,252	87.21%	213,044,927	106.08%
Net current assets	140,296,641		52,951,265		87,345,376	164.95%
Total assets less current liabilities	166,291,086		71,400,784		94,890,302	132.90%
Non-current liabilities						
Long-term bonds	70,928,066	14.12%	21,345,324	9.27%	49,582,742	232.29%
Long-term bank loans	367,095	0.07%	138,658	0.06%	228,437	164.75%
Non-current employee						
benefits payable	298,042	0.06%	705,434	0.31%	(407,392)	(57.75%)
Deferred profit tax liabilities	1,037,375	0.21%	601,174	0.26%	436,201	72.56%
Financial assets sold under						
repurchase agreements	12,800,000	2.55%	5,000,000	2.17%	7,800,000	156.00%
Other non-current liabilities	3,109,883	0.62%	1,665,786	0.72%	1,444,097	86.69%
Total non-current liabilities	88,540,461	17.63%	29,456,376	12.79%	59,084,085	200.58%
Net assets	77,750,625		41,944,408		35,806,217	85.37%

Management Discussion and Analysis

Item	As of June 30, 2015		As of December 31, 2014		Increase/Decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Equity of shareholders						
Share capital	7,162,769	9.21%	5,600,000	13.35%	1,562,769	27.91%
Reserves	55,696,988	71.64%	25,379,369	60.51%	30,317,619	119.46%
Undistributed profits	14,194,010	18.26%	10,319,187	24.60%	3,874,823	37.55%
Total equity attributable to shareholders of the Company	77,053,767	99.10%	41,298,556	98.46%	35,755,211	86.58%
Non-controlling interests	696,858	0.90%	645,852	1.54%	51,006	7.90%
Total equity of shareholders	77,750,625	100.00%	41,944,408	100.00%	35,806,217	85.37%

As of June 30, 2015, the total non-current assets of the Group amounted to RMB25,994 million, representing an increase of RMB7,545 million as compared to the beginning of the year. The increase was mainly due to the increase in refundable deposits, available-for-sale financial assets and financial assets held under resale agreements. As of June 30, 2015, the total non-current liabilities of the Group amounted to RMB88,540 million, representing an increase of RMB59,084 million as compared with the beginning of the year. The increase was mainly due to the increase in long-term bonds, financial assets sold under repurchase agreements and other non-current liabilities.

As of June 30, 2015, the total current assets of the Group amounted to RMB554,167 million, representing an increase of RMB300,390 million as compared with the beginning of the year. The increase was mainly due to the increase in cash and bank balances, cash held on behalf of brokerage clients margin accounts receivable and financial assets at fair value through profit or loss. The total current liabilities of the Group amounted to RMB413,870 million, representing an increase of RMB213,045 million as compared with the beginning of the year. The increase was mainly due to the increase in financial liabilities at fair value through profit or loss, accounts payable to brokerage clients and other payables and accruals. As of June 30, 2015, the net current assets of the Group amounted to RMB140,297 million, representing an increase of RMB87,345 million as compared to the beginning of the year.

Management Discussion and Analysis

(2) *Liquidity and Capital Resources*

The major sources of money-markets and capital market financing of the Group primarily include:

- Interbank lending: we obtain short-term liquidity from PRC interbank lending market, and as of June 30, 2015, the balance of our interbank lending was RMB1,900.0 million;
- Placements from China Securities Finance: we obtain financing from China Securities Finance from margin refinancing and, as of June 30, 2015, the balance of our placements from China Securities Finance amounted to RMB1,500.0 million;
- Repurchase transactions: we contract to sell our financial assets (such as bonds, notes and margin loans receivables) to a counterparty (such as banks and other financial institutions) for a short-term financing and agree to repurchase such assets at a certain amount. As of June 30, 2015, the balance of our financial assets sold under repurchase agreements was RMB62,955.0 million;
- Short-term debt instruments: we manage our short-term liquidity by issuing commercial papers, corporate bonds, subordinated bonds and structured notes with a term not exceeding one year. As of June 30, 2015, the aggregate balance of our short-term debt instruments was RMB24,369.8 million; and
- Long-term bonds: we finance our long-term business expansion by issuing corporate bonds, subordinated bonds and offshore bonds with a term exceeding one year. As of June 30, 2015, the aggregate balance of our long-term bonds was RMB70,928.1 million.

As of December 31, 2014, we had cash and bank balances (excluding cash and bank balances managed by us under consolidated structured entities) of RMB18,180.7 million.

As of June 30, 2015, the total borrowings and bond financing of the Group amounted to RMB99,065 million. The table set out below is the breakdown of borrowings and bond financing of the Group as of the end of June 2014:

	Unit and Currency: RMB'000	
	June 30, 2015	December 31, 2014
Short-term debt instruments issued	24,369,824	24,787,070
Placements from other financial institutions	3,400,000	1,500,000
Long-term bonds	70,928,066	21,345,324
Long-term bank loans	367,095	138,658
Total	99,064,985	47,771,052

For details of interest rates and maturities of borrowings and bond financing, please refer to notes set out in the financial statements.

Save for the liabilities disclosed herein, as of June 30, 2015, the Group had no outstanding mortgage, charges, bonds, other debt capital, liabilities under acceptance or other similar indebtedness, lease purchase and finance lease commitment, guarantee or other material contingent liabilities.

(3) *Asset structure and asset quality*

As at June 2015, total asset and total liabilities of the Group were RMB580,161 million and RMB502,411 million respectively, representing an increase of 113.12% and 118.17% as compared with the beginning of the year. Among the assets of the Group, cash and bank balances and clearing settlement funds accounted for 20.12% of total assets. Financial assets at fair value through profit or loss, available-for-sale financial assets, account receivable, other receivables and prepayments accounted for 17.50% of total assets. Margin accounts receivables, cash held on behalf of brokerage clients, financial assets held under resale agreements and property and equipment accounted for 19.77%, 35.89%, 4.26%, 0.64% of total assets respectively. As at June 30, 2015, gearing ratio was 166%, representing an increase of 26% as compared with December 31, 2014 due to higher asset liquidity after deducting cash held on behalf of brokerage clients and accounts payable to brokerage clients. Please see “Chapter 3 — Summary of Accounting Data and Financial Indicators” for details of net capital and different risk control indicators of the Company.

2. Analysis on the Profitability of the Company during the Reporting Period

During the reporting period, the operating income and other income, operating profit and profit for the period of the Company recorded a significant increase as compared with the corresponding period of the previous year. It was primarily due to the obvious improvement of the overall operation of the industry as compared with the corresponding period of the previous year resulting from the significant improvement of market environment, increase in trading volume and the balance of margin financing and securities lending and continuous launching of IPOs. Since the Company exerted efforts in implementing strategies of entire business chain and accelerating the innovation and expansion of its businesses, the brokerage and wealth management business, investment banking, asset management and investment and trading business recorded satisfactory results. In terms of brokerage trading volume of stocks and funds, the market share of the Company increased by 20.41% and the balance of margin financing and margin lending of the parent company increased by 440.22%, significantly outpacing the average level of its peers. With the successful listing of H shares of the Company, the continuing business reformation, the implementation of entire business chain and strengthened internal management, the market competitiveness of businesses of the Company was further enhanced by leveraging on its great efforts in innovation. The sustainability and stability of the profitability of the Company were further consolidated and strengthened.

Management Discussion and Analysis

3. Explanations on change in the scope of consolidation of the statements

(1) Change in the scope of consolidation of the statements as a result of establishment of new subsidiaries

As of June 30, 2015, new subsidiaries established by the Company during the reporting period were consolidated into the statements of the Company. The Company is of opinion that it has the de facto control over such new subsidiaries. Therefore, the Company adopted long-term equity investment cost approach in respect of such subsidiaries. The details of newly established subsidiaries are as follows:

Unit and Currency: RMB NIL

Name of subsidiary	Principal place of business	Place of registration	Business nature	Currency	Shareholding (or similar equity interest) percentage (%)			Acquisition method
					Registered capital	Direct	Indirect	
Shenzhen Qianhai Ruilian No. 1 Investment Centre (Limited Partnership) (深圳前海瑞聯一號投資中心(有限合夥))	Shenzhen	Shenzhen	Equity investment	RMB	200,000,000.00	—	100.00	Establishment
Shenzhen Qianhai Ruilian No. 2 Investment Centre (Limited Partnership) (深圳前海瑞聯二號投資中心(有限合夥))	Shenzhen	Shenzhen	Equity investment	RMB	200,000,000.00	—	100.00	Establishment
Shenzhen Qianhai Ruilian No. 3 Investment Centre (Limited Partnership) (深圳前海瑞聯三號投資中心(有限合夥))	Shenzhen	Shenzhen	Equity investment	RMB	200,000,000.00	—	100.00	Establishment
Shenzhen Qianhai Ruilian No. 4 Investment Centre (Limited Partnership) (深圳前海瑞聯四號投資中心(有限合夥))	Shenzhen	Shenzhen	Equity investment	RMB	200,000,000.00	—	100.00	Establishment
Shenzhen Qianhai Ruilian No. 6 Investment Centre (Limited Partnership) (深圳前海瑞聯六號投資中心(有限合夥))	Shenzhen	Shenzhen	Equity investment	RMB	200,000,000.00	—	100.00	Establishment

Management Discussion and Analysis

Name of subsidiary	Principal place of business	Place of registration	Business nature	Currency	Shareholding (or similar equity interest) percentage (%)			Acquisition method
					Registered capital	Direct	Indirect	
Shanghai Jingrui Investment Centre (Limited Partnership) (上海京瑞投資中心(有限合夥))	Shanghai	Shanghai	Investment management	RMB	200,000,000.00	—	100.00	Establishment
Shanghai Ruilian Jingshen Investment Centre (Limited Partnership) (北京瑞聯京深投資中心(有限合夥))	Beijing	Beijing	Investment management	RMB	200,000,000.00	—	100.00	Establishment
Beijing Huatai Ruihe Healthcare Industry Investment Centre (Limited Partnership) (北京華泰瑞合醫療產業投資中心(有限合夥))	Beijing	Beijing	Equity investment	RMB	1,000,000,000.00	—	45.00	Establishment
Shenzhen Huatai Ruilin No. 1 Equity Investment Fund Partnership Enterprise (Limited Partnership) (深圳市華泰瑞麟一號股權投資基金合夥企業(有限合夥))	Shenzhen	Shenzhen	Equity investment	RMB	220,010,000.00	—	25.00	Establishment
Huatai Rising (Shanghai) Investment Co., Ltd. (華泰瑞新(上海)投資有限公司)	Shanghai	Shanghai	Investment management	RMB	100,000,000.00	—	100.00	Establishment
HTSC LIMITED	Hong Kong	Hong Kong	Investment holding	HKD	1.00	—	100.00	Establishment
Principle Solution Group Limited	Hong Kong	British Virgin Islands	Investment holding	USD	1.00	—	100.00	Establishment
Lucid Elegant Limited	Hong Kong	British Virgin Islands	Investment holding	USD	1.00	—	100.00	Establishment
Pioneer Reward Limited	Hong Kong	British Virgin Islands	Investment holding	USD	1.00	—	100.00	Establishment
Pioneer Reward Investment Limited	Hong Kong	British Virgin Islands	Investment holding	USD	1.00	—	100.00	Establishment
Pioneer Return Limited	Hong Kong	British Virgin Islands	Investment holding	USD	1.00	—	100.00	Establishment
Pioneer Return Holdings Limited	Hong Kong	British Virgin Islands	Investment holding	USD	1.00	—	100.00	Establishment
Pioneer Festive Limited	Hong Kong	British Virgin Islands	Investment holding	USD	1.00	—	100.00	Establishment

Management Discussion and Analysis

Name of subsidiary	Principal place of business	Place of registration	Business nature	Currency	Shareholding (or similar equity interest) percentage (%)			Acquisition method
					Registered capital	Direct	Indirect	
Huatai Principal Investment I limited	Hong Kong	British Virgin Islands	Investment holding	USD	1.00	—	100.00	Establishment
Lead Talent Enterprises Limited	Hong Kong	British Virgin Islands	Investment holding	USD	1.00	—	100.00	Establishment
Huatai Principle Investment Group Limited	Hong Kong	British Virgin Islands	Investment holding	USD	1.00	—	100.00	Establishment
Beijing Huatai Tongxin Investment Fund Management Co., Ltd. (北京華泰同信投資基金管理 有限公司)	Beijing	Beijing	Investment management	RMB	3,000,000.00	—	51.00	Establishment
Beijing Huatai Ruihe Investment Fund Management Partnership Enterprise (Limited Partnership) (北京華泰瑞合投資基金管理 合夥企業(有限合夥))	Beijing	Beijing	Investment management	RMB	30,000,000.00	—	52.00	Establishment

(2) Others

Pursuant to IFRS No. 10, as the manager or investment advisor and investor, and taking account of the returns of the investments held by the Group and the remuneration received by the Group as a manager of structured entities, structured entities that may materially affected by the variable returns of the Group were consolidated into the Group (primarily including asset management schemes).

4. Analysis on the financing channels and financing capability of the Company

① The major financing channels of the Company

The short-term financing channels of the Company mainly include: bond repurchase, interbank lending, margin and securities refinancing services, gold leasing, issuance of short-term commercial papers, issuance of short-term subordinated bonds, issuance of short-term corporate bonds, issuance of structured notes and margin financing and securities lending income rights financing. The medium and long-term financing channels of the Company mainly include: project-financing loans, issuance of corporate loans, issuance of long-term subordinated bonds and equity follow-on offering.

② ***Liquidity management policy and related measures of the Company***

Adhering to centralized management and separate risk prevention, the Company conducted liquidity risk management in a comprehensive, prudent and foreseeable manner. Based on comprehensive risk management structure, the Company established a sound liquidity management system matching with the corporate strategy. The Company adopted a prudent liquidity risk management policy to prevent any liquidity risk which may significantly affect the sustainable operation of the Company to ensure the stable, safe and smooth operation of all businesses of the Company.

In order to ensure the sufficiency of its liquidity, the Company has adopted various key measures, including: 1) refining the capital plan to strengthen the management of capital position and cash flow control in order to ensure the sufficiency of daily liquidity; 2) strengthening in management of matching the duration of assets and liabilities to establish quality current asset reserves in order to enhance the diversity and stability of financing; 3) setting up of liquidity management platform to effectively identify, measure, monitor and control the liquidity risk through information system in order to ensure the liquidity risks are measurable, controllable and tolerable; and 4) analysing cash flow and capital exposure under certain stress scenarios to evaluate the tolerance level of the Company to liquidity risks and formulate necessary liquidity risk contingency plan according to the stress test results.

③ ***Analysis of financing capability and financing strategy of the Company***

The Company operated properly within the authorized scope with high reputation. With the strong capital strength, profitability and repayment capability and good cooperation relationship with various major commercial banks, the financing capability of the Company is relatively strong and the Company is able to raise funds for its operation by ways of financing approved by regulatory authorities. During the reporting period, the main financing channels of the Company included issuance of H shares, margin financing and securities lending income rights financing, subordinated bonds, gold leasing, corporate bonds, short-term commercial papers, structured notes, interbank lending, bond repurchase, margin and securities refinancing and project financing. Looking forward, the Company will adopt other financing channels approved by regulatory authorities based on the business development. The financing cost of such financing channels is subject to the fluctuation of market interest rate. The Company will enhance the monitoring and analysis of the market interest rate and select appropriate financing channels and timing to meet the needs of business development and reduce the financing cost.

Management Discussion and Analysis

④ ***Impact of changes in exchange rate and interest rate on financial position of the Company***

In order to maintain the liquidity and profitability, the Company has maintained certain amount of bank deposits and fixed return products. Changes in interest rates will directly affect the interest income of the cash and market price and investment return of bond investments held by the Company. In addition, the equity investments of the Company will also be indirectly affected by changes of interest rate. During the reporting period, H shares of the Company was successfully listed and traded on Hong Kong Stock Exchange with subscription proceeds of HK\$38.748 billion in aggregate. In avoidance of currency fluctuation risks, the Company entered into forward exchange agreements with BOC and ICBC in respect of HKD-denominated subscription proceeds. As the Company has overseas-registered subsidiaries, of which the capital is contributed in foreign currency, the Company possesses capital and assets denominated in foreign currency. Fluctuation of exchange rates will have certain extent of impacts on the financial position of the Company.

⑤ ***Contingencies and its impact on the financial position of the Company***

As of the end of the reporting period, contingencies of the Company mainly included contingent liabilities resulting from pending legal proceedings or arbitrations and provision of guarantees for debts of other parties. The above matters have minimal impact on the financial position of the Company.

(V) **Analysis of core competitiveness**

The Company is an integrated securities company approved by the CSRC and a pilot securities company approved by SAC. Over the years, the Company adheres to the core values of “high efficiency, integrity, stability and innovation”. By committing to the operation philosophy of “providing client-oriented services to meet clients’ needs and achieve clients’ satisfaction”, the Company has gradually established its core competitiveness and developed a high reputation and influence in the market. During the reporting period, the Company continued to promote business transformation and innovation development for continual consolidation of the Company’s core competitiveness.

During the reporting period, the Company has completed the first equity financing upon its listing. H shares of the Company were listed and traded on Hong Kong Stock Exchange and at the same time, the Company completed the issuance of corporate bonds of RMB6.6 billion, three tranches of subordinate bonds with an aggregate amount of RMB36 billion and four tranches of short-term commercial papers with an aggregate amount of RMB11 billion, which greatly enlarged the scale of net capital and net assets and further improved the capital structure. The capital strength of the Company has entered a new phase, forming a solid capital foundation for business transformation and accelerating business innovation of the Company.

Management Discussion and Analysis

During the reporting period, the Company was qualified to include stock options market making business in its scope of operations and was approved to act as the stock options trading participant by Shanghai Stock Exchange. With continual increase in business qualification and further improvement in business system and structure, the integrated financial service capability of the Company has been further enhanced. Meanwhile, the Company gradually established an integrated financial holding group comprising securities, funds, futures and overseas businesses, with a strong economies of scale and cross-selling potential which will further optimise the overall business advantages of the Company.

During the reporting period, the innovation business of the Company has rapidly developed, while its traditional business has shown a growing trend, showcasing the synergy between innovation and traditional businesses. As of the end of the reporting period, our brokerage trading volume of stocks and funds, as well as the number of our M&A items, ranked No. 1 among all PRC securities firms. While strengthening the competitiveness of our traditional business, we also steadily promoted innovation business, continued to improve income structure and increase the proportion of income from innovation business, so as to build a solid foundation for the next stage of our development.

As of the end of the reporting period, the Company had 29 branches and 245 securities branches in 30 provinces and autonomous regions and provided services to over 8 million clients with a comprehensive business network across the country. The Company proactively explored internet financial business model and formulated a plan for the development of internet securities business. The Company also exerted great efforts in developing internet securities business with an aim further expand its client base. In addition to developing internet business, the Company has promoted the reformation and upgrading of its businesses.

During the reporting period, the Company further strengthened the middle- and back-offices collaboration in corporate governance, compliance management, risk management system, internal control system, information technology and talent pool development, in order to enhance our core competitiveness. During the reporting period, the Company completed the issuance of A+H shares. The successful listing in Hong Kong was an important milestone in our business development by further capitalizing capital market to create an international financial platform which marked a substantial step in our internationalization strategy. During the reporting period, our core competitiveness has not been adversely affected by facilities or technology upgrade and the loss of concession. We will cautiously analyze and investigate the opportunities and challenges brought by the changes in economic environment, market and business. Under multi-business operation, the Company strives to enhance its integrated competitive strength.

Management Discussion and Analysis

(VI) Analysis of investments

1 Analysis of total external equity investments

As of the end of the reporting period, the accumulated total external equity investments amounted to RMB2,173 million, representing an increase of RMB299 million, or 15.93%, as compared to RMB1,874 million at the beginning of the period.

Unit and Currency: RMB

Investee	Investment at the beginning of the period	Changes for the year	Investment at the end of the period	Shareholding percentage (%)	Principal businesses
China Southern Asset Management Co., Ltd.	1,359,324,049.23	54,988,499.20	1,414,312,548.43	45.00	Fund management
Huatai-PineBridge Fund Management Co., Ltd.	243,389,084.64	54,203,404.80	297,592,489.44	49.00	Fund management
Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	256,523,312.65	189,501,523.51	446,024,836.16	48.25	Equity investment
Jiangsu Small and Micro-Enterprise Financing Products Trading Center Co., Ltd. (江蘇小微企業融資產品交易中心有限責任公司)	15,251,156.95	—	15,251,156.95	49.00	Financial services
Total	1,874,487,603.47	298,693,427.51	2,173,181,030.98	/	/

Management Discussion and Analysis

(1) Equity investments

Unit and Currency: RMB

No.	Type of security	Stock code	Abbreviated name of securities	Initial investment	Number of shares held (share)	Carrying value as of the end of the period	Percentage of total securities investment as of the end of the period (%)	Profit or loss during the reporting period
1	Stock	601318	PING AN OF CHINA	1,304,931,350.46	16,008,092.00	1,311,703,058.48	6.21	(246,094,365.69)
2	Stock	600016	CMBC	1,309,065,177.26	128,001,504.00	1,272,334,949.76	6.03	(123,829,882.29)
3	Stock	600000	SPD BANK	645,586,536.67	37,939,349.00	643,451,359.04	3.05	(16,319,864.10)
4	Stock	002471	ZHONG CHAO CABLE	191,340,000.00	18,000,000.00	485,820,000.00	2.30	288,000,000.00
5	Stock	600030	CITIC Securities Co., Ltd.	479,089,201.68	15,885,678.00	427,483,594.98	2.02	(190,887,069.45)
6	Stock	601009	NJCB	284,509,925.06	18,181,180.00	414,530,904.00	1.96	126,820,071.03
7	Stock	000858	WULIANGYE	337,667,417.52	12,953,166.00	410,615,362.20	1.94	71,383,896.56
8	Stock	600518	KMYI	412,253,632.74	22,000,396.00	390,067,021.08	1.85	(20,800,707.80)
9	Stock	601166	INDUSTRIAL BANK	354,484,377.82	20,174,841.00	348,016,007.25	1.65	(53,390,537.67)
10	Stock	600519	KWEICHOW MOUTAI	312,286,294.43	1,256,923.00	323,846,210.95	1.53	7,868,714.52
Other securities investment held as of the end of the period				14,460,268,538.68	/	15,083,938,178.17	71.46	8,233,500.46
Profit or loss for securities investment sold during the reporting period				/	/	/	/	4,905,656,118.41
Total				20,091,482,452.32	/	21,111,806,645.91	100	4,756,639,873.98

Notes to Securities investment

- The sequence of this table is based on the percentage of the carrying value as of the end of the period to the total securities investment of the Company as of the end of the period, and this table only shows the top ten securities held by the Company as of the end of the period.
- The securities investment of this table refers to investments including stocks, options, convertible bonds, etc. Investment in stocks only shows the investment accounted as financial assets held for trading of the Company.
- Other securities investment refers to investment in other securities, other than the top ten securities.
- Profit or loss during the reporting period includes the Company's investment gains and gains from the change of fair value of such securities.

Management Discussion and Analysis

(2) Shareholding in other listed companies

Unit and Currency: RMB

Stock code	Abbreviated name of securities	Initial investment cost	Percentage as of the beginning of the period (%)	Percentage as of the end of the period (%)	Carrying value as of the end of the period	Profit or loss during the reporting period	Changes in interests of owners during the reporting period	Accounting items	Source of shares
002581	WANCHANG TECH	105,573,468.01	4.8308	4.8308	897,668,000.00	0.00	665,108,000.00	Available-for-sale financial assets	Acquisition
000008	CHSR	189,384,297.88	2.4703	3.8762	836,492,979.44	0.00	550,817,981.56	Available-for-sale financial assets	Acquisition
002517	TAYA	63,412,680.00	—	2.2624	169,920,000.00	0.00	106,507,320.00	Available-for-sale financial assets	Acquisition
002707	ZHONG XIN LU YOU (眾信旅遊)	39,999,960.16	—	0.7048	138,656,065.92	98,087.20	98,656,105.76	Available-for-sale financial assets	Acquisition
000601	ZHAONENG	44,472,226.75	—	0.4651	46,986,555.00	28,432,420.72	2,514,328.25	Available-for-sale financial assets	Acquisition
600282	Nisco	42,950,045.24	—	0.1806	44,030,000.00	(1,364,064.84)	1,079,954.76	Available-for-sale financial assets	Acquisition
002701	ORG PACKAGING	28,168,647.54	—	0.1294	33,058,100.00	11,737,094.43	4,889,452.46	Available-for-sale financial assets	Acquisition
000826	SOUND ENVIRONMENTAL	24,136,754.04	0.0047	0.0782	25,737,518.67	(8,720,902.59)	1,649,497.16	Available-for-sale financial assets	Acquisition
601328	BANKCOMM	15,350,141.60	0.0027	0.0027	16,480,000.00	940,264.13	882,302.63	Available-for-sale financial assets	Acquisition
600030	CITIC Securities Co., Ltd.	15,454,884.70	—	0.0050	16,146,000.00	(437,007.16)	691,115.30	Available-for-sale financial assets	Acquisition
	Others	152,615,751.57	/	/	182,454,202.61	142,311,806.39	21,175,216.76	Available-for-sale financial assets	Acquisition
Total		721,518,857.49	/	/	2,407,629,421.64	172,997,698.28	1,453,971,274.64	/	/

Notes to shareholding in other listed companies

1. This table only shows the Company's shareholdings in other listed companies accounted as available-for-sale financial assets.
2. Profit or loss during the reporting period refers to the impact of this investment on consolidated net profit of the Company during the reporting period.

Management Discussion and Analysis

(3) Equity interests in unlisted financial companies

Unit and Currency: RMB

Name	Initial investment	Percentage as of the beginning of the period (%)	Percentage as of the end of the period (%)	Carrying value as of the end of the period	Profit or loss during the reporting period	Changes in interests of owners during the reporting period	Accounting items	Source of shares
Huatai United Securities Co., Ltd.	1,224,096,481.63	98.58	99.10	1,235,995,139.63	274,772,291.27	(15,209,837.65)	Long-term equity investment	Acquisition
Huatai Futures Co., Ltd.	491,998,085.65	60.00	60.00	491,998,085.65	51,454,227.11	2,182,308.79	Long-term equity investment	Acquisition
China Southern Asset Management Co., Ltd.	253,800,000.00	45.00	45.00	1,414,312,548.43	155,569,517.24	34,418,981.96	Long-term equity investment	Acquisition
Huatai-PineBridge Fund Management Co., Ltd.	101,200,000.00	49.00	49.00	297,592,489.44	45,432,903.21	8,770,501.59	Long-term equity investment	Acquisition
Bank of Jiangsu Co., Ltd.	1,300,000,000.00	6.16	6.16	4,282,922,777.00	51,200,000.00	816,851,385.00	Available-for-sale financial assets	Acquisition
Huatai Financial Holdings (Hong Kong) Limited	827,472,700.00	100.00	100.00	827,472,700.00	155,579,994.45	3,217,193.59	Long-term equity investment	Establishment
Huatai Zijin Investment Co., Ltd.	600,000,000.00	100.00	100.00	2,350,000,000.00	8,237,250.93	441,159,783.61	Long-term equity investment	Establishment
GP Capital Co., Ltd.	12,000,000.00	10.00	10.00	12,000,000.00	3,000,000.00	–	Available-for-sale financial assets	Acquisition
Huatai Asset Management Co., Ltd.	300,000,000.00	100.00	100.00	300,000,000.00	347,483,058.42	1,565,499.85	Long-term equity investment	Establishment
Total	5,110,567,267.28	/	/	11,212,293,740.15	1,092,729,242.63	1,292,955,816.74	/	/

Notes to equity interests in unlisted financial companies

1. Financial companies include securities companies, commercial banks, insurance companies, future brokerage companies and trust companies.
2. Carrying value as of the end of the period excludes provisions for impairment loss.
3. Profit or loss during the reporting period refers to the impact of this investment on consolidated net profit of the Company during the reporting period.

Management Discussion and Analysis

(4) Purchase and sale of shares of other listed companies

Unit and Currency: RMB

Stock name	Shares held as	Shares purchased	Fund utilized	Shares sold	Amount received from the disposal of shares	Shares	Investment gains generated from disposal
	of the beginning of the period (share)	during the reporting period (share)		during the reporting period (share)		held as of the end of the period (share)	
AVIC Joy Holdings HK Ltd	0.00	300,000,000.00	47,316,600.00	101,000,000.00	47,366,754.87	199,000,000.00	31,436,832.87
Minsheng Bank	35,218,281.00	200,912,028.00	2,069,426,341.36	108,128,805.00	1,104,569,465.61	128,001,504.00	28,949,855.06
Agricultural Bank of China	16,533,614.00	138,554,108.00	512,277,622.69	121,658,538.00	460,305,980.60	33,429,184.00	7,551,583.12
Bank of Communications	12,448,548.00	97,561,851.00	692,745,325.24	81,815,823.00	592,758,769.66	28,194,576.00	26,320,115.59
China Everbright Bank	12,509,247.00	94,388,829.00	482,116,800.46	79,804,571.00	417,983,527.77	27,093,505.00	17,890,912.99

The total investment gains generated from disposal of new shares acquired from application for subscription during the reporting period amounted to RMB100,500,882.32.

2 Entrusted wealth management and entrusted loans

During the reporting period, the Company has no entrusted wealth management and entrusted loans.

3 Use of proceeds

(1) Overview of use of proceeds

① Overview of use of proceeds from issuance of A Shares

As approved by the China Securities Regulatory Commission (“CSRC”) pursuant to the Approval for the Initial Public Offering by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2010] No.138), the Company publicly issued 784,561,275 ordinary shares of RMB1.00 each at an offering price of RMB20.00 per share on February 9, 2010. Total amount of proceeds raised was RMB15,691,225,500.00. After deducting the underwriting and sponsorship fee of RMB130,000,000.00, the proceeds was RMB15,561,225,500.00. The Company received all proceeds as of February 12, 2010 and have been verified by Jiangsu Talent Certified Public Accountants with the capital verification report (Tian Heng Yan Zi [2010] No.009). As of December 31, 2012, all proceeds raised from the initial public offering had been used. The aggregate amount of proceeds used was RMB15.681 billion (including interests of proceeds raised of RMB119.8082 million). All of accounts designated for the use of proceeds had been cancelled with settlement of interests.

Management Discussion and Analysis

② Overview of use of proceeds from issuance of H Shares

As approved by the CSRC, the Company completed the issuance of H Shares in 2015. Proceeds from the issuance of H Shares have been verified by KPMG Huazhen LLP and KPMG Huazhen Yanzi No. 1501031 verification report (畢馬威華振驗字第1501031號驗資報告) has been issued.

According to the verification report issued by KPMG Huazhen LLP, net proceeds from the initial public offering of H Shares of the Company in 2015 amounted to RMB30,015,054,696.76 (after deducting related expenses of the issuance).

As of June 30, 2015, the Company used total proceeds of RMB13,331,187,815.20, of which, RMB9,079,682,345.52 was used for capital-based intermediary services including margin financing and securities lending and securities-backed lending; RMB3,001,505,469.68 was used for programmed investment trading business such as arbitrage trading; and RMB1,250,000,000.00 was used for an increase in its investments in Huatai Zijin Investment. Proceeds of RMB16,683,866,881.56 remained unused.

The intended use of proceeds raised from the issue of H Shares of the Company remains unchanged and same as those disclosed in the Prospectus. During the reporting period, the net proceeds raised from the issue of H Shares has been settled and will be used gradually in accordance with the Company's strategies, market conditions and the plan on the use of proceeds raised from the issue of H Shares.

Unit and Currency: RMB ten thousand

Year	Approach	Total amount		Total amount of proceeds used	Remaining proceeds	Intended use of remaining proceeds
		Total proceeds raised	of proceeds used during the reporting period			
2015	Initial public offering (H shares)	3,001,505.47	1,333,118.78	1,333,118.78	1,668,386.69	Expanding capital-based intermediary services including margin financing and securities lending/Increasing investments in Huatai Zijin and Huatai Asset Management/Expanding overseas business/Using for working capital and other general corporate usages
2010	Initial public offering (A shares)	1,556,122.55	—	1,568,103.37	—	—
Total	/	4,557,628.02	1,333,118.78	2,901,222.15	1,668,386.69	/
Notes to general use of proceeds raised			—			

Note: For the general use of proceeds from issuance of A Shares, the surplus of RMB11,980,820,000 of the total amount of proceeds exceeding the initial proceeds raised was interest income generated from the designated account for the proceeds raised.

Management Discussion and Analysis

(2) Committed uses of proceeds

Unit and Currency: RMB ten thousand

Name of committed project	Changes	Target proceeds	Proceeds committed during the reporting period	Accumulated proceeds committed	Whether it is on schedule	Progress
Project for developing capital intermediary businesses including margin financing and securities lending business	No	1,800,903.27	907,968.23	907,968.23	Yes	50.42%
Project for expansion of investment and trading business	No	300,150.55	300,150.55	300,150.55	Yes	100%
Project for capital injection in Huatai Zijin and Huatai Asset Management	No	300,150.55	125,000.00	125,000.00	Yes	41.65%
Project for overseas business expansion	No	300,150.55	—	—		—
Project for raising operation capital and other general corporate purposes	No	300,150.55	—	—		—
Total	/	3,001,505.47	1,333,118.78	1,333,118.78	/	/
Notes to uses of proceeds from committed projects			—			

(3) Changes of uses of proceeds

During the reporting period, the Company has no changes of uses of proceeds.

4 Analysis of key subsidiaries and associated cooperation

- (1) Huatai United Securities Co., Ltd. with registered capital of RMB997,480.0 thousand owned as to 99.10% (the shareholdings changed from 99.10% to 99.72% on July 22, 2015) by Huatai Securities. As of June 30, 2015, the total assets and net assets of Huatai United Securities were RMB6,191,153.2 thousand and RMB5,431,065.3 thousand, respectively. In the first half of 2015, operating income, total profit and net profit were RMB788,173.4 thousand, RMB364,784.8 thousand and RMB278,090.0 thousand, respectively.

Principal business: securities underwriting and sponsorship (excluding treasury bonds, non-financial enterprises debt financing instruments and financial bond underwriting business); financial advisory to securities investment and trading related activities; other businesses approved by CSRC.

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- (2) Huatai Futures Co., Ltd. with registered capital of RMB809,000.0 thousand owned as to 60.00% by Huatai Securities. As of June 30, 2015, the total assets and net assets of Huatai Futures were RMB15,491,190.3 thousand and RMB1,157,191.0 thousand, respectively. In the first half of 2015, operating income, total profit and net profit were RMB1,391,804.2 thousand, RMB111,675.2 thousand and RMB85,757.0 thousand, respectively.

Principal business: commodities futures brokerage, financial futures brokerage, futures investment consultancy and asset management.

- (3) Huatai Financial Holdings (Hong Kong) Limited with paid up capital of HK\$1,000,000.0 thousand owned as to 100.00% by Huatai Securities. As of June 30, 2015, the total assets and net assets of Huatai Financial Holdings (Hong Kong) were RMB4,751,822.5 thousand and RMB908,289.0 thousand, respectively. In the first half of 2015, operating income, total profit and net profit were RMB285,719.6 thousand, RMB155,580.0 thousand and RMB155,580.0 thousand, respectively.

Principal business: investment banking (equity underwriting, bond underwriting, private placement, financial consulting, merger and acquisition, structured financing and investment), sales and trading (provision of trading and market making services for various securities and futures products including shares, fixed-income products, credits, futures contracts and structured contracts; provision of customized financial products and market access proposals; provision of financing services for securities under agency business); and asset management.

- (4) Huatai Zijin Investment Co., Ltd. with registered capital of RMB2,350,000.0 thousand owned as to 100.00% by Huatai Securities. As of June 30, 2015, the total assets and net assets of Huatai Zijin were RMB5,802,749.2 thousand and RMB3,092,136.4 thousand, respectively. In the first half of 2015, operating income, total profit and net profit were RMB39,936.4 thousand, RMB16,263.2 thousand and RMB12,444.9 thousand, respectively.

Principal business: equity investment (for its own funds or clients' funds), debt investment, other fund investment associated with equity investment and debt investment; investment consulting for equity investment and debt investment, investment management and financial consulting.

- (5) Jiangsu Equity Exchange Co., Ltd. with registered capital of RMB200,000.0 thousand owned as to 52.00% by Huatai Securities. As of June 30, 2015, the total assets and net assets of Jiangsu Equity Exchange were RMB220,578.9 thousand and RMB207,231.6 thousand, respectively. In the first half of 2015, operating income, total profit and net profit were RMB12,670.2 thousand, RMB5,296.2 thousand and RMB4,003.9 thousand, respectively.

Principal business: provision of premises, facilities and services for approved listing, registration, trust, trading, financing, settlement, transfer, bonus distribution and pledge of equity interests, bonds, assets and related financial products and derivatives of unlisted companies, organization and monitoring of trading activities, issue of market information, trading of listed products as an agent, and provision of consultation services for market participants.

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- (6) Huatai Innovation Investment Co., Ltd. with registered capital of RMB500,000.0 thousand owned as to 100.00% by Huatai Securities. As of June 30, 2015, the total assets and net assets of Huatai Innovation Investment Co., Ltd. were RMB621,491.5 thousand and RMB570,461.5 thousand, respectively. In the first half of 2015, operating income, total profit and net profit were RMB55,363.4 thousand, RMB24,640.5 thousand and RMB15,916.2 thousand, respectively.

Principal business: project investment, investment management, asset management, investment consulting, corporate management consulting, financial consulting, hotel management, goods import and export, technology import and export, sale of non-ferrous metals, precious metals and related products, metallic materials, metallic ores, non-metallic ores, construction materials, fuels, chemical products, rubber products, coals, glass, asphalt, agricultural and poultry products, fodder, edible oil, jewellery and handicrafts; purchase of gold products; purchase of silver products.

- (7) Huatai Securities (Shanghai) Asset Management Co., Ltd. with registered capital of RMB300,000.0 thousand owned as to 100.00% by Huatai Securities. As of June 30, 2015, the total assets and net assets of Huatai Asset Management were RMB782,700.9 thousand and RMB649,114.1 thousand, respectively. In the first half of 2015, operating income, total profit and net profit were RMB576,926.0 thousand, RMB463,310.7 thousand and RMB347,483.1 thousand, respectively.

Principal business: securities asset management (business operation shall be subject to approvals of relevant authorities).

- (8) China Southern Asset Management Co., Ltd. with registered capital of RMB300,000.0 thousand owned as to 45.00% Huatai Securities. As of June 30, 2015, the total assets and net assets of China Southern Asset Management were RMB5,005,736.1 thousand and RMB3,341,023.2 thousand, respectively. In the first half of 2015, operating income, total profit and net profit were RMB1,440,799.7 thousand, RMB539,420.9 thousand and RMB394,665.3 thousand, respectively.

Principal business: fund-raising, fund trading, asset management and other businesses approved by CSRC.

- (9) Huatai-PineBridge Fund Management Co., Ltd. with registered capital of RMB200,000.0 thousand owned as to 49.00% by Huatai Securities. As of June 30, 2015, the total assets and net assets of Huatai-PineBridge were RMB720,285.9 thousand and RMB607,331.6 thousand, respectively. In the first half of 2015, operating income, total profit and net profit were RMB285,169.5 thousand, RMB121,384.5 thousand and RMB92,720.2 thousand, respectively.

Principal business: fund management, promotion and establishment of funds, other businesses approved by CSRC (subject to approvals or permits).

(VII) Potential Risks and Risk Prevention Measures

Based on its own characteristics and principles of relation/connection and significance, major risk factors which may have adverse effect on the Company's future development strategies, operation goals and business operation include market risk, credit risk, liquidity risk, operational risk, compliance risk and information technology risk. The specific analysis is as follows:

(1) Market Risk

During the reporting period, the Company was primarily confronted with market risk in two aspects. Firstly, market changes may lead to potential losses to the Company's daily operation in terms of trading volume, brokerage market share, commission rate and scale of asset management which may affect the profitability of the Company. Secondly, market prices such as share prices, interest rates and exchange rates may result in potential losses to the Company's assets, proprietary trading positions or asset management products and portfolios which were primarily reflected in the proprietary and asset management business as well as other investment related business of securities companies.

The Company has adopted various measures to prevent market risk during the reporting period. For investments in equity securities, the Company has further stepped up studies on macro economies, prudently participated in market investments, allocated its assets in a reasonable manner, flexibly managed the proportion of its investment portfolios, actively employed risk hedging instruments and diversified its investments so as to minimize the risk. For investments in fixed-income securities, the Company has kept abreast of national monetary policy, closely monitored the trend of market interest rates and strictly controlled duration and leverage of bond investments. For quantitative investments, the Company has actively reinforced studies on innovative business and flexibly used quantitative models and financial derivatives to hedge against systematic market risks.

(2) Credit Risk

During the reporting period, we were exposed to four types of credit risks: (i) default risk of the issuer or counterparty in debt securities trading; (ii) risk of losses to commercial papers and interest fees arising from default of clients in credit business such as margin financing and securities lending, securities-backed lending and stock repurchases; (iii) risk of losses to our funds or the funds of our clients arising from default of the financing party in innovative credit business; and (iv) default risk of fixed income financial assets except for debt securities and derivative financial assets, which refers to risks of assets losses caused by counterparty defaults.

For credit risk in debt securities trading, we strengthened the researches of issuers and bonds, improved credit rating system, conducted researches on key debt securities held and strictly controlled the quality of debt securities invested during the reporting period. We also assessed the credibility of counterparties and improved the counterparty pool to prevent default risks of counterparties. In respect of margin financing and securities lending, securities-backed lending and stock repurchases business, we focused on improving our client suitability management by thoroughly identifying the clients' credit level and risk tolerance through credit rating system and determining the credit ratings and credit limits of our clients. Penalties for defaults were specified in business contracts and risk disclosure statements. The Company further enhanced the monitoring and control of collateral

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coverage ratios for lending securities and promptly contacted clients for any irregular trading activities in order to avoid any losses resulting from default by our clients. In respect of innovative credit business, preliminary due diligence was performed with a comprehensive project feasibility report and a due diligence report submitted for approval before a project can be launched. Our monetary capital (other than cash) is mainly deposited in reputable financial institutions and it is expected that no losses would arise from their defaults. Counterparties related to derivatives trading of the Company are all domestic financial institutions with sound reputation and are subject to credit limits.

(3) Liquidity risk

Liquidity risks of the Company mainly include two aspects: firstly, the liquidity risk of assets, which refers to the risk of losses in proprietary investment and clients' assets due to the failure of timely assets realization or high realization cost, which is mainly reflected in the proprietary investment business and investment in asset management products. Secondly, the liquidity risk of liabilities, which refers to the risk of default in timely settlement of liabilities or normal operating expenses due to insufficient cash or failure of coping with clients' large-scale redemptions due to insufficient liquidity.

In respect of the proprietary business, the Company closely monitored changes of the market, flexibly adjusted its asset allocation and controlled its investments in various securities within a reasonable scale, so as to avoid excessive concentration of its investments and ensure the liquidity of its investment portfolios. In respect of asset management business, the Company strengthened analysis of clients' redemption of funds and rationalized the liquidity of each asset management plan by retaining certain percentage of cash assets, large redemption warning and other measures. In respect of its own funds, the Company focused on the reasonable allocation and liability management so as to protect the stable ordinary operation of the Company.

(4) Operational risk

Operational risks of the Company mainly include the risks of financial or other losses resulting from inadequate or defective internal control procedures, human- or system-related factors or external events. Losses which may be arisen primarily include losses of assets, compensation to third parties, depreciation of book values, regulatory punishment and legal costs.

During the reporting period, the Company prevented or lowered the operational risk through various measures. Firstly, the risk management department actively participated in the formulation of operation risk evaluation and system procedures of innovative business and traditional business, and formulated control measures to the corresponding operational risks and standardized them by implementing related systems and procedures. Secondly, the Company effectively combined self-evaluation on operational risk with control and self-evaluation on internal control, which enhanced the scope and effectiveness of identification of operational risk. Thirdly, the Company introduced risk management system to carry out self-evaluation of risks and controls and rectification of deficits, reported and collected losses arising from operational risks, and reported and monitored key risk indicators.

(5) Compliance risk

Compliance risk refers to the risk of legal sanction, being subjected to supervisory measure, self-discipline penalty, loss of property or reputation on companies arises from violation of laws, regulations or rules due to the business activities of the Company and the behaviour of the employees.

During the reporting period, the Company further adjusted and improved its compliance management structure and system based on its management needs. In particular, it centralized the compliance risk control of 23 branches, which effectively enhanced the business compliance risk management and control capabilities. It improved compliance inspection by combining regular inspection and targeted inspection to cover a wide range of key areas and providing rectification suggestions and proposals in accordance with the inspection results as well as procuring the rectification of relevant departments and branches in a timely manner. The Company established a multi-layered and diversified compliance training system to increase the frequency and broaden the coverage of compliance training, so as to raise the awareness of regulatory requirements and compliance of its staff of all classes and promote the stable development of all businesses under compliance. It also enhanced compliance accountability system by imposing serious punishment on laws and regulations violation behaviours and further improving the authority and validity of compliance risk management to secure the effectiveness of its compliance management system. The Company continued to strictly carry out compliance management system including compliance consultation, compliance review and compliance supervision and emphasized on information segregation and anti-money laundering under principle of effective management of interest conflicts and prevention of money laundering to promote the orderly compliance development of all businesses.

(6) Information technology risks

The management of each business segment and middle and back offices of the Company are highly dependent on the support of information technology systems, which has become a critical component of the Company's business operation. Information technology risk mainly refer to the loss on the securities companies resulting from the failure of stable, efficient and secure transactions and business management in respect of business achievement, response time, handling capability, data encryption and other aspects due to various types of technical failure or data leak.

During the reporting period, the Company continued to increase its investments in information technology and gradually established a professional information technology management system for each business line, which further improved the information system construction and safety management standards, ensured the security, reliability and stability of supporting information systems for the operation management of the Company and effectively prevented the information technology risks.

PROPOSAL OF PROFIT DISTRIBUTION OR CAPITAL CONVERSION FROM CAPITAL RESERVE

(I) Implementation or adjustment of profit distribution proposal during the reporting period

Article 255 of the Articles of Association specifies the decision-making procedures of the Company's profit distribution policy and proposal and their adjustment. According to the policy of the Company's profit distribution, the Company emphasizes on a reasonable investment return to the investors and implements a continual and steady policy of profit distribution. The Company's profit distribution may not exceed its accumulated distributable profits nor impair the Company's sustainable operation. The Company may distribute dividends in form of cash, shares or a combination of cash and shares. Except for the special circumstance under which the Company fails to comply with the regulatory requirements regarding net capital due to the Company's plan to make material investment or significant cash expenses within the next twelve months, the Company shall distribute its dividends in form of cash if the Company's profits for the current year and the accumulated non-distributed profits are positive. The Company's accumulated profits distributed in form of cash for the last three years shall not be less than 30% of the annual average distributable profit for the last three years. Upon proposed by the Board of Directors and approved by the shareholders' meeting, an interim dividend distribution shall be made in the form of cash. The Company may distribute dividends in the form of shares based on the annual profits and cash flow and subject to the satisfaction of the minimum ratio for cash dividend and the reasonableness of the Company's capital.

During the reporting period, the Company had not implemented or adjusted any proposal regarding the capital conversion from capital reserve. During the reporting period, the details of implementation of the profit distribution proposal of the Company were as follows:

Implementation of the profit distribution proposal for 2014: Upon consideration and approval at the 2014 annual general meeting of the Company, on the basis of the total share capital of 5,600,000,000 shares as of December 31, 2014, the Company proposed the distribution of cash dividend of RMB5.00 (including tax) for every ten shares to all shareholders. The total amount of cash dividend was RMB2,800,000,000.00.

The formulation and implementation of the profit distribution policies, in particular the cash dividend policy, were in compliance with relevant provisions of the securities industry, the requirements of the Articles of Association and the resolutions of shareholders' general meetings. Criteria and proportion of dividend distribution were clear and definite, and relevant decision-making procedures and mechanism were sound and complete. The independent non-executive Directors conducted due diligence and played their due roles, and channels were provided for minority shareholders to fully express their opinions and requests which fully protected their legal rights and interests. The adjustment or changes of conditions and procedures of the Company's profit distribution were legal and legitimate and transparent.

(II) Profit distribution proposal and proposal of capital conversion from capital reserve for the first half of the year

The Board had not formulated the profit distribution proposal and proposal of capital conversion from capital reserve during the review of the interim report.

OTHER DISCLOSURES

During the reporting period, the Company had no other undisclosed matters which shall be discloseable.

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MATERIAL LITIGATION, ARBITRATION AND MEDIA ENQUIRY

During the reporting period, the material litigation, arbitration and media enquiry of the Company were as follows:

(a) Litigation, arbitration and media enquiry disclosed in ad hoc announcements without subsequent development

1. There were three debt disputes due to the illegal appropriation of funds of Huatai United Securities by Stone Group Financial Company (四通集團財務公司), a subsidiary of Stone Group Corporation (四通集團公司) which is a former shareholder of Huatai United Securities. Two of the disputes had been ruled by the intermediate people's court in Shenzhen vide a civil order (2001) SZFJ First Instance No.315 and a civil mediation notice (2002) SZFJ First Instance No.430. According to the civil order and civil mediation notice, the Stone Group is demanded to pay Huatai United Securities RMB73.45 million with interests and RMB99.400 million with interests. The civil order and civil mediation notice are effective and in force. The other dispute was filed by Huatai United Securities to the high people's court in Beijing in June 2008 to demand payment of RMB260 million, including a debt of RMB237.7536 million and interest of RMB21.8722 million, due from Stone Group Corporation. In the first half of 2015, the Company had no additional assets or cash recovery. As of June 30, 2015, amount due from the Stone Group was RMB154.428 million which was fully provided for impairment.
2. Debt dispute between Huatai United Securities and Beijing Hauzi Syndicate Group (北京華資銀團集團). As Beijing Hauzi Syndicate Group failed to repay its debt to Huatai United Securities, Huatai United Securities file a law suit to the peoples' court in Futian District of Shenzhen in January 2011 against Beijing Hauzi Syndicate Group to demand payment of the amount due and interest thereon of RMB34.5789 million in aggregate. After the first trail in February 2011, the court ordered the payment to Huatai United Securities of RMB24.30 million plus interest calculated at the interest rate of bank deposit during the same period by Beijing Hauzi Syndicate Group. Beijing Hauzi Syndicate Group filed an appeal to the intermediate people's court in Shenzhen in June 2011. The appeal was denied and the order of the court of first instance sustained. The order is in force.
3. Debt disputes among Huatai United Securities, China Huacheng Group Financial Co., Ltd. (中國華誠集團財務有限責任公司) and Huacheng Investment Management Co., Ltd. (華誠投資管理有限公司). China Huacheng Group Financial Co., Ltd. misappropriated the funds of Huatai United Securities of approximately RMB37.2 million. Cash of RMB17.38 million in aggregate was confiscated from three outlets and the head office of Huatai United Securities by various local courts due to debt disputes between China Huacheng Group Financial Co., Ltd. and its creditors. However, China Huacheng Group Financial Co., Ltd. refused to pay the debts. In December 2003, Huatai United Securities submit a lawsuit to the intermediate people's court in Shenzhen to demand Huacheng Investment Management Co., Ltd. and China Huacheng Group Financial Co., Ltd. to severally and jointly settle the debts. After filing of the lawsuit, all local courts were instructed by the highest people's court that no litigation involving Huacheng Investment Management Co., Ltd. or China Huacheng Group Financial Co., Ltd. shall be accepted, heard or executed. The lawsuit has been adjourned since then. In May 2009, Huacheng Investment Management Co., Ltd. was declared bankrupt and was put under liquidation. In August 2009, Huatai

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United Securities file a claim of RMB125.98 million together with interest thereon to the liquidation committee. However, the debts had not been verified by the court. In March 2010, the intermediate people's court in Shenzhen resume the hearing of the case and approved the claim of Huatai United Securities after the first trial. Huacheng Investment Management Co., Ltd. and China Huacheng Group Financial Co., Ltd. were demanded to pay RMB54.584 million and litigation fee of RMB282,000. Huatai United Securities has filed its claim of the debts and litigation fee to the liquidation committee of Huacheng Investment Management Co., Ltd.. On December 21, 2012, Huatai United Securities was issued a civil award from No.2 intermediate people's court in Beijing stating that the liquidation of Huacheng Investment Management Co., Ltd. was completed. During the liquidation of Huacheng Investment Management Co., Ltd., Huatai United Securities was distributed 2,764,400 shares in Huafang and cash of RMB1,823,979. In July 2012, China Huacheng Group Financial Co., Ltd. was declared bankrupt and was put under liquidation. In June 2013, the liquidator issued a "List of debts for verification" for the confirmation of Huatai Securities. On March 21, 2014, No. 2 intermediate people's court in Beijing convened a meeting of creditors of China Huacheng Group Financial Co., Ltd.. At the meeting, the liquidator stated that "as Huatai United Securities Co., Ltd. denied the capacity of Huacheng Investment Management Co., Ltd. as its shareholders, it is not creditor to the debts owed by China Huacheng Group Financial Co., Ltd.". Accordingly, Huatai United Securities submitted a law suit regarding the debts to No. 2 intermediate people's court in Beijing. On November 18, 2014, No. 2 intermediate people's court in Beijing announced its judgment of (2014) Er Zhong Min Chui Zi No. 6794. Pursuant to which, Huatai United Securities should be a creditor to the debts of China Huacheng Group Financial Co., Ltd. in the amount of RMB39,387,194.72. As another party did not make any appeal subsequently, the judgment became effective. The bankruptcy distribution is still underway. The capital of 2,520,000 shares of Huatai United Securities previously registered under the name of China Huacheng Group Financial Co., Ltd. was invalid. After the reduction of capital and approval of Shenzhen branch of the CSRC, the formalities of the changes of business registration were completed. China Huacheng Group Financial Co., Ltd. raised objection to this regard and submitted a lawsuit regarding the dispute of equity transfer to No. 2 intermediate people's court in Beijing. The case is still pending.

(b) Matters not disclosed in ad hoc announcements or matters with subsequent development queried by the media in general

During the reporting period, matters not disclosed in ad hoc announcements or matters with subsequent development queried by the media in general were as follows:

1. A material margin calls occurred in the account of Zhang Xiaodong (張曉東), a customer of Huatai Futures on April 16, 2013, and the amount of margin calls was RMB22,639,786.41. As Zhang Xiaodong was unable to repay the margin calls amount advanced by Huatai Futures, Huatai Futures submitted a civil lawsuit to No. 1 intermediate people's court in Shanghai against Zhang Xiaodong on December 27, 2013 and requested Zhang Xiaodong to compensate the amount of margin calls advanced by Huatai Futures and bear the full costs of litigation. The case came on for trial in No. 1 intermediate people's court in Shanghai on May 29, 2014 and No. 1 intermediate people's court in Shanghai made judgment of (2014) Hu Yi Zhong Min Liu (Shang) Chu Zi No.1 on June 25, 2014. Pursuant to which, Zhang Xiaodong (as the defendant) shall repay RMB22,639,786.41 to Huatai Futures (as the plaintiff) within 10 days after the judgment and the court supported the request of Huatai

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Futures that Zhang Xiaodong shall bear the costs of litigation. Huatai Futures submitted an application to No. 1 intermediate people's court in Shanghai for the execution of repayment of margin calls amount due from Zhang Xiaodong on November 11, 2014. The case is undergoing enforcement. For the progress of execution of property, Huatai Futures received written ruling of execution on the end of June 2015 from intermediate people's court in Sanmenxia, Henan. Pursuant to which, the case has not been effectively executed as the debtor was unable to settle his liabilities, and the court terminated the execution. Huatai Futures may apply for execution to the court if it finds out the debtor has executable properties. According to applicable financial standards, the margin calls amount was accounted for "risk loss receivables" in 2013. As Huatai Futures made provisions for futures risks in accordance with financial management requirements of futures industry, no provision for bad debt was made for this margin calls amount.

2. Dispute occurred between China Nuclear Energy Industry Corp and Huatai United Securities for the equity interest of 2,000,000 shares held by China Nuclear Energy Industry Corp in Huatai United Securities. The amount involved in the litigation was RMB9.5 million. People's court in Xicheng, Beijing accepted the case regarding contract dispute between Huatai United Securities and China Nuclear Energy Industry Corp. The case is still pending.

(c) Punishment and reprimand of the Company during the reporting period

- i. During the reporting period, the Company received the "Notice of Decision on the Order of Remedial Actions by Huatai Securities Co., Ltd. in a Given Period of Time" dated April 3, 2015 from the CSRC ([2015] No.38). The major contents of the notice is "after investigation, during the operation of the margin finance and securities lending business of your company, margin finance and securities lending were provided to customers who had securities trading through your company or securities companies under the control of your company for a continuous period of less than half of a year; margin finance and securities were provided to customers of inadequate risk tolerance; and failed to create trust accounts of margin finance and securities lending for certain customers as required. Your company was in violation of section 11 and 14 of the Regulations on the Margin Finance and Securities Lending Business of Securities Companies and section 29 and 30 of the Regulations of Securities Company. It is concluded that the internal control of your company is inadequate. In accordance with section 70 of the Regulations of Securities Company, your company is required to take necessary remedial actions in a given period of time. Your company shall further improve the business operation and promote the compliance of your staff. Effective remedial actions shall be taken within one month from the date of this notice."
- ii. During the reporting period, the Company received the "Notice of Decision on the Issuance of Caution Letter to Huatai Securities Co., Ltd. (Securities Department at East Changjiang Avenue Branch in Hefei of Anhui Province)" dated April 24, 2015 from Anhui Securities Bureau of the CSRC ([2015] No.1). The major contents of the notice is

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“after investigation, we found that you had opened a margin financing and securities lending account for a client who had securities trading through your company for less than half of a year; and entered into an undertaking with the client to allow such client to use a trust account of a third person (the account had not been used by such client). Your company was in violation of section 28 of the Regulations of Securities Company and section 11 of the Regulations on Margin Finance and Securities Lending Business of Securities Companies. It is concluded that the internal control of your Securities Department is inadequate. In accordance with section 70 of the Regulations of Securities Company, we decided to take disciplinary action by issuing a caution letter to your Securities Department. Your securities department shall strengthen the compliance management and internal control of business operation in accordance with applicable law and regulations. A comprehensive internal inspection shall be conducted in respect of client accounts management and financing business in order to regulate business activities and ensure the safety of client accounts”.

For further details, please refer to the section headed “— Non-compliance incidents that led to or will likely lead to deduction of regulatory points” on page 221 of the prospectus of the Company dated May 19, 2015.

(d) Others

Save as disclosed above, the Group was not involved in any material litigation, arbitration or media enquiry in general as of June 30, 2015. So far as the Directors are aware, no litigation or claim of material importance is pending or threatened against our Group.

INTERIM DIVIDENDS

The Board does not propose to pay any interim dividend for the six months ended June 30, 2015.

BANKRUPTCY AND RESTRUCTURING

The Company was not involved in any bankruptcy or restructuring during the reporting period.

ASSET TRANSACTIONS AND BUSINESS COMBINATIONS

The Company was not involved in any asset transactions or business combinations during the reporting period.

SHARE INCENTIVE SCHEME AND ITS IMPLICATION

The Company had not implemented any share incentive scheme during the reporting period.

MATERIAL RELATED PARTY TRANSACTIONS

During the reporting period, the Company entered into the following material related party transactions:

(1) Related party transactions in daily operation

- i. Related party transactions disclosed in ad hoc announcements with subsequent development or changes
 (1) *Commission income*

Unit and Currency: RMB

Related party	Related party transactions	January to June 2015 Amount (RMB)	January to June 2014 Amount (RMB)
China Southern Asset	Fund sub-positions and trailing commissions and sales fees	24,077,646.66	7,113,959.58
Huatai-PineBridge	Fund sub-positions and trailing commissions and sales fees	30,402,845.86	2,725,634.05
Jiangsu Guoxin	Securities trading commission	1,831,539.02	21,502.38
Jiangsu Communications Holding Company Limited	Securities trading commission	18,179.70	—
Jiangsu SOHO Holdings Group Co., Ltd.	Securities trading commission	120,044.12	226,133.04
Govtor Capital Group Co., Ltd.	Securities trading commission	32,392.03	4,768.38
China Southern Asset	Securities trading commission	4,000.00	18,783.92
Huatai-PineBridge	Securities trading commission		288.18

(2) *lease transactions between related parties*

Unit and Currency: RMB

Name of lessor	Name of lessee	Type of asset leased	January to June 2015 Rentals attributed to the period	January to June 2014 Rentals attributed to the period
Jiangsu Guoxin	Huatai Securities Youth Road securities business department	Building	—	1,137,713.52

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Unit and Currency: RMB

Name of lessee	Name of lessor	Type of asset leased	January to June 2015 Rentals attributed to the period	January to June 2014 Rentals attributed to the period
China Southern Asset	Huatai Securities	Building	552,194.28	552,194.28
Huatai-PineBridge	Huatai Securities	Equipment	50,000.00	—

(3) Gains on investments from related parties transactions

Unit and Currency: RMB

Related party	Content of the related party transaction	January to June 2015	January to June 2014
China Southern Asset	Bonus of China Southern Cash Gain Fund Class B	2,357,728.60	1,482,859.45
	Bonus of China Southern Pay Treasure Money Market Funds	53,029.06	—
	Bonus of China Southern Cash Currency Market Fund Class A	—	197,203.36
	Bonus of Financial Type Gold Trading Money Market Funds Class H	1,030,294.64	—
Huatai-PineBridge	Bonus of China Lixin Hybrid	1,000.00	—
	Dividends	—	19,600,000.00
	Bonus of Huatai-Pinebridge Money Market Fund Class B	3,777,108.68	—
Huatai-PineBridge	Bonus of Huatai-Pinebridge Quantitative Driven Equity Fund	1,000.00	—
	Investment gains on equity swap	—	(123,410.60)
Jiangsu Securities Investment and Development Co., Ltd			

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(4) Subscription of funds managed by related parties

Related party	Name of subscribed funds	June 2015				Balance at the end of the period (in RMB10,000)	
		Units held in the beginning of the year (in 10,000)	Increase in the period (in 10,000)	Decrease in the period (in 10,000)	Shares at the end of the period (in 10,000)		
China Southern Asset	China Southern SZ Exch Component ETF	99.00	—	66.00	33.00	49.20	
	China Dream	999.90	—	999.90	—	—	
	China Southern CSI 500 Index ETF	2,817.95	—	2,800.00	17.95	36.92	
	China Southern Hang Seng ETF	500.00	—	500.00	—	—	
	China Southern Cash Gain Fund Class B	110,000.00	—	107,990.15	2,009.85	2,009.85	
	China Southern Pay Treasure Money Market Funds	3,061.81	—	3,061.81	—	—	
	China Lixin Hybrid	—	17,946.06	—	17,946.06	18,125.52	
	Financial Type Gold Trading Money Market Funds Class H	—	52.87	—	52.87	5,286.82	
	Southern Multi-Gain Enhanced A	—	885.10	—	885.10	995.21	
	Huatai-PineBridge	Huatai-Pinebridge Added-Gain Bond Fund	3,000.13	—	3,000.13	—	—
		Huatai-Pinebridge CSI 300 Index ETF	26,947.58	—	25,274.42	1,673.16	7,502.45
		Huatai-Pinebridge DividendETF of the Shanghai Stock Exchange	154.52	—	126.00	28.52	101.13
Huatai-Pinebridge Quantitative Driven Equity Fund		—	2,155.10	—	2,155.10	4,202.45	
Huatai-Pinebridge Money Market Fund Class B		25,594.98	—	9,621.01	15,973.97	15,973.97	

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2. Transactions not disclosed in ad hoc announcements

Related Party	Relationship	Content of the related party transaction	January to June 2015	January to June 2014
Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	Associate	Collection of fund management fee	20,000,000.00	20,000,000.00
		Long-term equity investment	193,000,000.00	—
		Collective asset management investment scheme	301,643,360.00	—

(2) Debts between the Company and Related Parties

- i. Related party transactions disclosed in ad hoc announcements with subsequent development or changes
 (1) Amount due from related parties

Unit and Currency: RMB

Name of Project	Related party	Balance at the end of June		Balance at the beginning of 2015	
		Carry amount	Provisions for bad debt	Carry amount	Provisions for bad debt
Fund sub positions commission	Huatai-Pinebridge	22,452,894.93	112,264.47	5,218,983.99	15,656.95
Fund sub positions commission	China Southern Asset	14,771,566.57	73,857.83	8,957,462.22	26,872.39
Bonus of fund products	Huatai-Pinebridge	412,329.65	—	—	—
Dividends	China Southern Asset	135,000,000.00	—	—	—

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(2) Amount due to related parties

Unit and Currency: RMB

Name of project	Related party	Balance	Balance
		at the end of June	at the beginning of 2015
Other payables	Jiangsu Guoxin	3,211,190.78	3,211,190.78
Client securities brokerage services	Jiangsu Guoxin	171,268.61	171,046.15
Client securities brokerage services	Jiangsu Communications Holding Company Limited	674,453.13	3,093.74
Client securities brokerage services	China Southern Asset	20,938.22	11,332.59
Client securities brokerage services	Huatai-Pinebridge	725.81	3,204.81
Client securities brokerage services	Govtor Capital Group Co., Ltd.	2,641.69	—
Client securities brokerage services	Jiangsu SOHO Holdings Group Co., Ltd.	24,000,100.15	100.00

ii. Related party transactions not yet disclosed in ad hoc announcements

Unit and Currency: RMB

Related party	Relationship	Amount provided to related party		Amount provided to listed company from related party	
		Balance at the beginning of the period	Balance at the end of the period	Balance at the beginning of the period	Balance at the end of the period
Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	Associate	—	—	—	303,743,444.31
Total		—	—	—	303,743,444.31
Amount provided to the controlling shareholder and its subsidiary by the Company during the reporting period (RMB)		—	—	—	0
Balance of amount provided to the controlling shareholder and its subsidiary by the Company (RMB)		—	—	—	0
Reason for the constitution of liabilities between the Company and related party				Other financial liabilities arising from consolidation of structured entities	

MATERIAL CONTRACTS AND PERFORMANCE OF OBLIGATIONS THEREOF

(a) Custody, contract and lease

During the reporting period, the Company did not have any custody, contract or lease arrangements.

(b) Guarantees

During the reporting period, the Company did not have any guarantee.

PERFORMANCE OF UNDERTAKINGS

(1) Undertakings of the listed company, shareholders holding not less than 5% of shares, controlling shareholders and de facto controllers made and/or remain effective during the reporting period

In order to cope with competition with other financial institutions, on June 27, 2014, Jiangsu Guoxin made a long-term undertaking, pursuant to which, Jiangsu Guoxin and its subsidiaries and associated companies shall not involve or conduct an business (except Jintai Futures Co., Ltd.) which competes with the major business of Huatai Securities at any time and in any form (including but not limited to self-owned, joint venture or co-operation). Any opportunities to conduct, involve or invest in any business (except Jintai Futures Co., Ltd.) which may compete with the business of Huatai Securities available to Jiangsu Guoxin and its subsidiaries and associated companies, Jiangsu Guoxin shall be referred to Huatai Securities. This undertaking does not have any expiry date.

As at the date of this report, Jiangsu Guoxin strictly complied with the above undertaking.

APPOINTMENT AND REMOVAL OF ACCOUNTING FIRM

Explanation of appointment and removal of accounting firm

Pursuant to the approval of shareholders at 2014 AGM, the Company renew the appointment of KPMG Huazhen LLP as the auditors of the Company to audit the 2015 financial statements and internal control of the Company and its subsidiaries for audit fee of not more than RMB2 million.

PUNISHMENT ON THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING OVER 5% OF EQUITY INTEREST, DE FACTO CONTROLLER AND PURCHASER AND RECTIFICATIONS

(i) Punishment on the Company by CSRC and its local offices and rectifications during the reporting period

1. During the reporting period, the Company received the “Notice of Decision on the Order of Remedial Actions by Huatai Securities Co., Ltd. in a Given Period of Time” dated April 3, 2015 from the CSRC ([2015] No.38). The major contents of the notice is “after investigation, during the operation of the margin finance and securities lending business of your company, margin finance and securities lending were provided to customers who had business relationship with your company or other securities companies under the control of your company for a continuous period of less than half of a year; margin finance and securities were provided to customers of inadequate risk tolerance; and failed to create trust accounts of margin finance and securities lending for certain customers as required. Your company was in violation of section 11 and 14 of the Regulations on the Margin Finance and Securities Lending Business of Securities Companies and section 29 and 30 of the Regulations of Securities Company. It is concluded that the internal control of your company is inadequate. In accordance with section 70 of the Regulations of Securities Company, your company is required to take necessary remedial actions in a given period of time. Your company shall further improve the business operation and promote the compliance of your staff. Effective remedial actions shall be taken within one month from the date of this notice.”.

According to the decision of the regulatory authority, the Company has adapted the following remedial measures:

- (1) The Company has identified customers who have opened account with the Company for more than half a year but have trading history of less than six months. For existing customers, we adapted measures to set credit limit to zero and restrict them from entering into margin loan within a prescribed time. For new customers, we implemented a double control system, “upfront assessment and subsequent examination” to ensure that customers applying for margin financing and securities lending meet the requirement of a six-months continuous securities trading history.
- (2) With effect from January 19, 2015, the Company has tightened the requirement for opening margin financing and securities lending account and require a minimum deposit of RMB0.5 million. New customers will be initially assessed by our risk control system to ensure that they meet the requirement. For existing customers who had opened credit accounts and conducted transaction before the adoption of new account opening requirement imposed by the CSRC, we strengthened the risk assessment for better risk alert and customer services.
- (3) On January 23, 2015, the Company suspended online account opening for margin financing and securities lending in accordance with the regulatory requirement. The relevant marketing and promotion activities were also suspended. Thereafter, the Company carries out margin financing and securities lending business

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strictly in accordance with the relevant laws, regulations and rules and enhanced compliance training on business in relation to margin financing and securities lending. The Company also studies, organises training and strictly implements the relevant policies and regulations. Advice will be promptly sought from the regulatory authorities for any ambiguity in the relevant policies and regulations.

Please refer to the announcement dated April 7, 2015 published on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of the Shanghai Stock Exchange (www.sse.com.cn) and was disclosed in the section headed “— Regulatory Non-compliances” in the prospectus of the Company.

2. During the reporting period, the Company received the “Decision on the Issuance of Caution Letter to Huatai Securities Co., Ltd. (Securities Department at East Changjiang Avenue Branch in Hefei)” dated April 24, 2015 from Anhui Securities Bureau of the CSRC ([2015] No.1). The major contents of the notice is “after investigation, we found that you had opened a margin financing and securities lending account for a client who had securities trading through your company for less than half of a year; and entered into an undertaking with the client to allow such client to use a trust account of a third person (the account had not been used by such client). Your company was in violation of section 28 of the Regulations of Securities Company and section 11 of the Regulations on Margin Finance and Securities Lending Business of Securities Companies. It is concluded that the internal control of your company is inadequate. In accordance with section 70 of the Regulations of Securities Company, we decided to take disciplinary action by issuing a caution letter to your company. Your business department shall strengthen the compliance management and internal control of business operation according to relevant laws and regulations. A comprehensive internal inspection shall be conducted in respect of client accounts management and financing business in order to regulate business activities and ensure the safety of client accounts”.

Upon receipt of the letter, the Company immediately ordered relevant business department to take rectification measures. The department established a special rectification team to conduct internal compliance review on all client accounts in respect of margin financing and securities lending business. It also reorganized and optimized its seal management process. Daily business management was reinforced and compliance awareness of our staff was strengthened in order to prevent the re-occurrence of similar incidents.

The matters have been disclosed in the section headed “— Regulatory Non-compliances” in the prospectus of the Company.

- (ii) During the year, none of our Directors, Supervisors, senior management or Shareholders holding 5% or more shares of the Company was subject to investigation, administrative penalty and public reprimand by CSRC or public denunciation by any stock exchange.
- (iii) During the reporting period, none of our Directors, Supervisors, senior management or Shareholders holding 5% or more shares of the Company violated applicable regulations regarding the trading of the shares of the Company, and there was no alleged non-compliance trading in shares of the Company in respect of which the gains from such alleged non-compliance trading has been disclosed by the Company.

CONVERTIBLE CORPORATE BONDS

The Company did not issue any convertible corporate bonds during the reporting period.

CORPORATE GOVERNANCE

The Company has strived to refine the structure and system of its corporate governance. During the reporting period, the Company was in strict compliance with the requirements of the Company Law, the Securities Law, the Regulations on Supervision and Administration of Securities Companies, the Rules for Governance of Securities Companies, the Code of Corporate for Listed Companies, the Corporate Governance Code set out in Appendix 14 to the Listing Rules, the Corporate Governance Report, relevant laws and regulations as well as the Articles of the Company. In order to establish a modern corporate system, the Company has strengthened and refined its corporate governance structure, compliance and risk control system and internal control management system. A corporate governance structure with checks and balances has been formed which features the separation among Shareholders' General Meeting, the Board, the supervisory committee and operation management. Under such structure, they perform their respective functions at various levels and are held accountable within respective responsibilities and authorization, ensuring the prudent and standardized operation of the Company.

Compliance with the provisions under the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules

During the reporting period, the Company orderly conducted its operations and management in strict compliance with laws, regulations and requirements of relevant regulatory documents. Various rules and regulations have been formulated and continuously refined for standardization of its operation. During the same period, the Company proposed to issue overseas-listed foreign shares (H shares) and list the shares on the Main Board of the Stock Exchange of Hong Kong Limited. For purpose of satisfying relevant regulatory requirements, the Company further revised and refined a set of rules and policies, including Connected Transaction Decision Policy (關連交易決策制度), External Guarantee Decision Policy (對外擔保決策制度), Terms of Reference of the Committees of the Board of Directors (董事會專門委員會工作細則), Working Rules of the President (總裁工作細則), Working Rules of the Secretary to the Board (董事會秘書工作細則), Administrative Measures Regarding Information Disclosure (信息披露管理辦法), Administrative System Regarding Investor Relationship (投資者關係管理制度), Administrative System Regarding the Shares of the Company Held by Directors, Supervisors and Senior Management (董事、監事及高級管理人員所持本公司股份管理制度), System Regarding Insider Registration and Confidentiality (內幕信息知情人登記管理及保密制度), Accounting System (會計制度) and Compliance Management System (合規管理制度). At the same time, the Company revised and refined the Articles which has been considered and approved at the Shareholders' General Meeting of the Company or by the Board of Directors. During the reporting period, the Company convened one Shareholders' General Meeting, eight Board meetings, two meetings of the supervisory committee and eight meetings of Committees under the Board. The convening and voting procedure of the Shareholders' General Meeting, Board meetings and the meetings of the supervisory committee were legally valid. During the reporting period, by continuously enhancing investor relationship management and information disclosure, the Company possessed a standardized and professional investor relationship management, disclosed truthful and accurate information in a complete, timely and fair manner and continuously improved its transparency.

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Through the establishment, continuous improvement and effective implementation of the above-mentioned systems, the Company has strengthened its corporate governance with gradual standardization of corporate governance structure. There is no deviation of the actual performance of its corporate governance from the Company Law and relevant requirements of the CSRC. From the date of listing to the end of reporting period, the Company was in full compliance with all the codes and provisions of the Corporate Governance Code. It also complies with substantially all of recommended best practices set out in the Corporate Governance Code.

Diversity Policy of Members of the Board

The Company believes that a diverse Board is essential to achieve its strategic objectives and maintain its sustainable development. Therefore, the Company formulated Diversity Policy of Members of the Board (董事會成員多元化政策), pursuant to which, in the determination of the composition of the Board, the Company shall consider board diversity in terms of, among other things, gender, age, cultural and educational background, expertise, skills and know-how and office term. The appointment of directors will be finally based on the value of candidates and their contribution to the Board. All nomination of candidates will be based on their talents, objective conditions and benefit of diversity on the Board. The Nomination Committee will disclose the diversity composition of the Board annually in the annual report and monitor the implementation of the Diversity Policy of Members of the Board. The Nomination Committee will review the policy, as appropriate, to ensure its effectiveness. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Independent Non-executive Directors

The Company has appointed sufficient number of independent non-executive directors with appropriate professional qualifications or accounting or related financial management expertise in accordance with the Listing Rules. The Company has appointed five independent non-executive directors, including Mr. Bai Wei, Mr. Shen Kunrong, Mr. Liu Hongzhong, Ms. Zhang Jie and Mr. Lee Chi Ming.

Securities Transaction by Directors, Supervisors and Employees

From the listing date to the end of the reporting period, the Company has adopted the Model Code as the code of conduct for securities transactions of the Company by all directors and supervisors. On March 6, 2015, the 16th meeting of the third session of the Board of the Company considered and passed Administrative System Regarding the Shares of the Company Held by Directors, Supervisors and Senior Management (董事、監事及高級管理人員所持本公司股份管理制度) (the “Administrative System”), which is on no less stringent than the Model Code, in order to enhance the management of shareholdings and their changes of directors, supervisors and senior management of the Company. The mandatory provisions set out in the Administrative System are stricter than those under the Model Code. Having made all enquiries, all directors, supervisors and senior management of the Company confirmed that they had strictly complied with the relevant requirements under the Administrative System and Model Code during the reporting period.

AUDIT COMMITTEE AND AUDITING

The Audit Committee was established under the Board in accordance with the requirements of CSRC, the SSE and the Listing Rules.

On April 30, 2015, Mr. Wang Quanzhou, our independent non-executive director, tendered a written resignation from his office of the independent non-executive director of the third session of the Board and the member and the Chairman (convener) of the Audit Committee of the Board to the Board due to personal reason. In addition, Mr. Lee Chi Ming, our newly appointed independent non-executive director, was qualified to serve as independent non-executive director of a security firm upon the approval of Jiangsu Securities Bureau during the reporting period. After considering and approving by the 19th meeting of the third session of Board, Mr. Lee Chi Ming was appointed as the chairman (convener) of the third session of Audit Committee of the Board.

As at the end of the reporting period, the Audit Committee of the Company consisted of three members and the majority of whom are independent non-executive directors. Members of the Audit Committee were Lee Chi Ming, Pu Baoying and Liu Hongzhong. Lee Chi Ming served as the chairman (convener) of the Audit Committee. The Audit Committee is mainly responsible for the communication, supervision and reviewing of internal and external auditors of the Company, and providing professional advices to the Board.

During the reporting period, the Audit Committee convened four meetings, and the details of which were as follows: (1) the first meeting of the third session of Audit Committee of the Board was convened in the way of teleconference on January 27, 2015, at which the Proposal on Audit Plan of the Company for 2014 (關於公司2014年度審計計劃的議案) was considered and passed; (2) the second meeting of the third session of Audit Committee of the Board was convened in the way of video conference on February 17, 2015, at which the draft of audit report for 2014 of the Company was reviewed, KPMG Huazhen LLP reported their audit work for 2014 and their personnel discussed and communicated with the Audit Committee; (3) the third meeting of the third session of Audit Committee of the Board was convened in Nanjing on March 5, 2015, at which the Proposal on the Financial Statements of the Company for 2014 (關於公司2014年度財務報表的議案), the Plan on Expected Ordinary Connected Transactions of the Company for 2015 (關於預計公司2015年日常關聯交易的預案), the Proposal on the Evaluation Report of Internal Control of the Company for 2014 (關於公司2014年度內部控制評價報告的議案), the Work Report of the Audit Committee of the Board of Directors of the Company for 2014 (關於公司董事會審計委員會2014年年度履職情況的報告), the Plan on the Re-appointment of the Accountant of the Company (關於公司續聘會計師事務所的預案), the Plan of Amendments on the Accounting Policies of the Company (關於修訂公司<會計制度>的預案) and the Work Plan of the Audit Committee of the Company for 2015 (公司2015年內部審計工作計劃) were considered and passed and the Audit Committee received the internal audit report of the Company for 2014; (4) the fourth meeting of the third session of the Audit Committee of the Board was convened in the way of teleconference on April 21, 2015, at which the Proposal on the First Quarterly Financial Statements for 2015 of the Company (關於公司2015年第一季度財務報表的議案) was considered and passed.

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The interim financial report for 2015 of the Company as prepared by the International Financial Report Standards has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements.

On August 20, 2015, the Audit Committee has reviewed and confirmed the interim result announcement for the six months ended June 30, 2015, the interim report for 2015 and unaudited interim financial statements for the six months ended June 30, 2015 prepared according to IAS 34 – Interim Financial Reporting.

OTHER MAJOR EVENTS

1. Establishment, Relocation or Cancellation of Securities Branches and Branches during the Reporting Period

(1) During the reporting period, the Company did not establish any branch.

(2) Establishment of securities branches of the Company during the reporting period was as follows:

No.	Securities branch	Address	Approval number	Date of Approval	Issue date of license
1	Securities Branch of Huatai Securities in Huandong Road, Huashi Town, Jiangyin	No. 680, Huandong Road, Huashi Town, Jiangyin	Su Zheng Jian Ji Gou Zi [2014] No.369	August 13, 2014	February 11, 2015
2	Securities Branch of Huatai Securities in Shenpu Road, Lingang New Town, Jiangyin	No. 108, Shenpu Road, Shengang Street, Jiangyin	Su Zheng Jian Ji Gou Zi [2014] No.369	August 13, 2014	February 11, 2015
3	Securities Branch of Huatai Securities in Xida Street, Zhouzhuang Town, Jiangyin	No. 174, Xida Street, Zhouzhuang Town, Jiangyin	Su Zheng Jian Ji Gou Zi [2014] No.369	August 13, 2014	February 11, 2015
4	Securities Branch of Huatai Securities in Yingxiu Road, Qingyang Town, Jiangyin	No. 111, Yingxiu Road, Qingyang Town, Jiangyin	Su Zheng Jian Ji Gou Zi [2014] No.369	August 13, 2014	February 11, 2015
5	Securities Branch of Huatai Securities in Hongqiao North Road, Changjing Town, Jiangyin	No. 10, Hongqiao North Road, Changjing Town, Jiangyin	Su Zheng Jian Ji Gou Zi [2014] No.369	August 13, 2014	February 11, 2015
6	Securities Branch of Huatai Securities in Huai River Avenue, Tongling	Flat 1602, 1603, 16/F, Huijin Building, Tongling Commercial Town, Huai River Avenue, Tongling, Anhui Province	Su Zheng Jian Ji Gou Zi [2014] No.369	August 13, 2014	February 11, 2015

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According to “Approval for the Establishment of 11 Securities Branches of Huatai Securities Co., Ltd. in Shanghai and other Regions (關於核准华泰證券股份有限公司在上海等地設立11家證券營業部的批覆)” (Su Zheng Jian Ji Gou Zi [2014] No.369) issued by Jiangsu Securities Regulatory Bureau, the Company was approved to establish one securities branch in Shanghai, Shenzhen, Tongling in Anhui Province, Chuzhou in Anhui Province, Daqing in Heilongjiang Province, Jilin in Jilin Province respectively and establish five securities branches in Jiangyin in Jiangsu Province. At present, all of such 11 securities branches have obtained business licenses to carry out securities business and have commenced their operation. The securities branch in Tongling, Anhui Province and five securities branches in Jiangyin in Jaingsu Province have also obtained business licenses to carry out securities business on February 11, 2015.

(3) Relocation of securities branches of the Company during the reporting period was as follows:

No.	Securities branch	Address	Approval number	Issue date of license
1	Securities Branch in Qianfoshan Road, Jinan	2/F, Block 2, No.7 Qianfoshan Road, Lixia District, Jinan	Filed	January 20, 2015
2	Securities Branch in Zhujiang Road, Shantou	Room 09, 11 and 13, Flat 1001, Block A, Xingyuan Mansion, Zhujiang Road South, Longhu District, Shantou, Guangdong Province	Filed	January 16, 2015
3	Securities Branch in Donghuan Road, Panyu, Guangzhou	Shop 205, 206, 210 and 211, No. 449-451 Donghuan Road, Shiqiao Street, Panyu District, Guangzhou	Filed	March 9, 2015
4	Securities Branch in Tonghua Road, Liuhe, Nanjing	Room 18-4, Block 18, No. 9 Tonghua Road, Xiongzhou Street, Liuhe District, Nanjing, Jiangsu Province	Filed	March 20, 2015
5	Securities Branch in Longcheng Road, Jiangdu, Yangzhou	Room 22, Block 6, Longcheng Court, Yin Jiang Community, Xiannu Town, Jiangdu District, Yangzhou, Jiangsu Province	Filed	March 20, 2015

Notes:

- As approved by Shandong Securities Regulatory Bureau, Securities Branch of Huatai Securities in Shanda South Road, Jinan was relocated to another site in the same city and was renamed as “Securities Branch of Huatai Securities Co., Ltd. in Qianfoshan Road, Jinan” and its address was changed to 2/F, Block 2, No.7 Qianfoshan Road, Lixia District, Jinan.
- As approved by Guangdong Securities Regulatory Bureau, Securities Branch of Huatai Securities in Changping East Road, Shantou was relocated to another site in the same city and was renamed as “Securities Branch of Huatai Securities Co., Ltd. in Zhujiang Road, Shantou” and its address was changed to Room 09, 11 and 13, Flat 1001, Block A, Xingyuan Mansion, Zhujiang Road South, Longhu District, Shantou, Guangdong Province.

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3. As approved by Guangdong Securities Regulatory Bureau, Securities Branch of Huatai Securities in Fanhua Road, Panyu, Guangzhou was relocated to another site in the same city and was renamed as "Securities Branch of Huatai Securities Co., Ltd. in Donghuan Road, Panyu, Guangzhou" and its address was changed to Shop 205, 206, 210 and 211, No. 449-4541 Donghuan Road, Shiqiao Street, Panyu District, Guangzhou.
4. As approved by Jiangsu Securities Regulatory Bureau, Securities Branch of Huatai Securities in Banmenkou, Liuhe, Nanjing was relocated to another site in the same city and was renamed as "Securities Branch of Huatai Securities Co., Ltd. in Tonghua Road, Liuhe, Nanjing" and its address was changed to Room 18-4, Block 18, No. 9 Tonghua Road, Xiongzhou Street, Liuhe District, Nanjing, Jiangsu Province.
5. As approved by Jiangsu Securities Regulatory Bureau, Securities Branch of Huatai Securities in Dongfanghong East Road, Jiangdu, Yangzhou was relocated to another site in the same city and was renamed as "Securities Branch of Huatai Securities Co., Ltd. in Longcheng Road, Jiangdu, Yangzhou" and its address was changed to Room. 22, Block 6, Longcheng Court, Yin Jiang Community, Xiannu Town, Jiangdu District, Yangzhou, Jiangsu Province.

(4) Cancellation of branches and securities branches was as follows:

No.	Securities branch	Approval number	Issue date of approval	Issue date of Verification Letter	Verification Letter
1	Securities Branch in Dongma Road, Tianjin	Jin Zheng Jian Xu Ke Zi [2014] No.53	August 27, 2014	February 3, 2015	Jin Zheng Jian Xu Ke Zi [2015] No.6

Note: The cancellation of the above securities branch was completed.

2. Changes in business registration, establishment of subsidiaries and investments of Huatai Zijin Investment and its subsidiaries

- (1) In June 2015, Huatai Securities determined to increase the registered capital of Huatai Zijin Investment from RMB110 million to RMB6,000 million. The capital will be injected gradually based on the business needs of Huatai Zijin. First batch of RMB125 million was injected in June 2015 and the formalities of the change in business registration are in progress.
- (2) Beijing Huatai Tongxin Investment Fund Management Co., Ltd., Beijing Huatai Ruihe Investment Fund Management Partnership (Limited Partnership) (北京華泰瑞合投資基金管理合夥企業(有限合夥)) and Beijing Huatai Ruihe Healthcare Industry Investment Center (Limited Partnership) (北京華泰瑞合醫療產業投資中心(有限合夥)).

Beijing Huatai Tongxin Investment Fund Management Co., Ltd. was established on December 29, 2014 with registered capital of RMB3 million and RMB1.53 million of which was contributed by Huatai Zijin Investment, representing 51% of the total capital. Beijing Huatai Ruihe Investment Fund Management Partnership (Limited Partnership) was established by Beijing Huatai Tongxin Investment Fund Management Co., Ltd. on January 15, 2015 with total capital of RMB30 million. RMB15.3 million of the total capital was contributed by Huatai Zijin Investment as a limited partner, representing 51% of the total capital. Beijing Huatai Ruihe Healthcare Industry Investment Center (Limited Partnership) was established by Beijing Huatai Ruihe Investment Fund Management Partnership (Limited Partnership) on June 1, 2015. Beijing Huatai Ruihe Investment Fund Management Partnership (Limited Partnership) contributed RMB10 million as a general partner while Huatai Zijin Investment contributed RMB440 million as a limited partner, representing 44% of the total capital.

3. Equity Transfer and Changes in Registered Capital of Huatai United Securities

(1) Invalid capital contribution of Huacheng Investment Management Co., Ltd. (華誠投資管理有限公司)

On May 30, 2014, Huatai United Securities convened the first extraordinary general meeting for 2014 due to the invalid capital contribution of Huacheng Investment Management Co., Ltd. At the extraordinary general meeting, Resolution on the Capital Reduction of Huatai United Securities Co., Ltd. due to the Invalid Capital Contribution of Huacheng Investment Management Co., Ltd. (華泰聯合證券有限責任公司關於通過減資處理華誠投資無效出資的議案) was considered and approved. According to the approval on the change in registered capital of Huatai United Securities by Shenzhen Securities Regulatory Bureau on November 14, 2014 (Shen Zheng Ju Xu Ke Zi [2014] No. 174), Huatai United Securities was approved to reduce its registered capital from RMB1,000 million to RMB997.48 million. The formalities of changes in business registration were completed on May 18, 2015. Since then, the registered capital of Huatai United Securities was changed from RMB1,000 million to RMB997.48 million and the number of shareholders decreased from six to five and the shareholding of each shareholder was changed correspondingly.

(2) Equity Transfer from China Great Wall Computer Group Company Limited (長城計算機集團公司)

On July 14, 2014, Huatai Securities acquired equity interest of RMB2.7 million (representing 0.27% of the total registered capital) in Huatai United Securities held by China Great Wall Computer Group Company Limited through auction sales on the online auction platform of Shenzhen United Assets and Equity Exchange. The formalities of the change in business registration were completed on May 28, 2015. Since then, the number of shareholders of Huatai United Securities decreased from five to four and the capital contribution of Huatai Securities increased to RMB988.46 million, representing 99.10% of the total capital.

Major Events and Corporate Governance

(3) Equity Transfer from Xiamen Jiangchang Property Development Co., Ltd. (廈門建昌房地產開發有限公司)

On December 25, 2014, Xiamen Jiangchang Property Development Co., Ltd. issued a letter to Huatai United Securities to declare its intention to transfer its equity interest in Huatai United Securities of RMB6.21 million (representing 0.62% of total capital contribution). On January 19, 2015, the first extraordinary general meeting of Huatai United Securities for 2015 considered and approved the relevant resolution. On January 30, 2015, an equity transfer agreement was executed. The formalities of the change in business registration were completed on July 22, 2015. Since then, the number of shareholders of Huatai United Securities was changed to three and 99.72% of equity interest was held by Huatai Securities.

- During the reporting period, Huatai Financial Holdings (Hong Kong) Limited incorporated 11 subsidiaries, including HTSC LIMITED, Principle Solution Group Limited, Lucid Elegant Limited, Pioneer Reward Limited, Pioneer Reward Investment Limited, Pioneer Return Limited, Pioneer Return Holdings Limited, Pioneer Festive Limited, Huatai Principal Investment I limited, Lead Talent Enterprises Limited and Huatai Principal Investment Group Limited.
- During the reporting period, Huatai Innovative Investment Co., Ltd. injected RMB70 million in the registered capital of Huatai Rising (Shanghai) Investment Co., Ltd., its wholly owned subsidiary in Shanghai Free Trade Zone. Huatai Innovative Investment Co., Ltd. carries out commodity business through this subsidiary.

6. Details of Corporate Bonds and Subordinated Bonds

(1) Details of corporate bonds

Abbreviation of bond	Principal (Unit and Currency: RMB)	Coupon rate (%)	Value date	Due date
13 Huatai 01 (13華泰01)	4,000,000,000.00	4.68	June 5, 2013	June 5, 2018
13 Huatai 02 (13華泰02)	6,000,000,000.00	5.10	June 5, 2013	June 5, 2023
15 Huatai Bond 01 (15華泰債01)	6,600,000,000.00	4.20	June 29, 2015	June 29, 2018
Total	16,600,000,000.00			

Major Events and Corporate Governance

During the reporting period, the Company settled the interest of 2013 corporate bonds issued in 2013 for the period from June 5, 2014 to June 4, 2015. The abbreviation and code of such bonds are 13 Huatai 01 (122261) (13華泰01(122261)) and 13 Huatai 02 (122262) (13華泰02(122262)). The total amount of such interest payment was RMB493.20 million (tax inclusive). The Company published “Announcement on Payment of Interest of 2013 Corporate Bonds of Huatai Securities Co., Ltd. in 2015 (华泰证券股份有限公司2013年公司債券2015年付息公告)” in China Securities Journal, the Shanghai Securities News, Securities Times and Securities Daily and on the website of the SSE (www.sse.com.cn) on May 28, 2015.

The Company published “Announcement on Tracking Rating of 2013 Corporate Bonds of Huatai Securities Co., Ltd. (华泰证券股份有限公司關於2013年公司債券跟蹤評級結果的公告)” in China Securities Journal, the Shanghai Securities News, Securities Times and Securities Daily and on the website of the SSE (www.sse.com.cn) on April 7, 2015.

During the reporting period, the Company issued a tranche of corporate bonds of RMB6,600 million with a maturity of three years. The Company published “Announcement on Results of Issuance of 2015 Corporate Bonds (First Tranche) of Huatai Securities (华泰证券2015年公司債(第一期)發行結果)” in China Securities Journal, the Shanghai Securities News, Securities Times and Securities Daily and on the websites of the SSE (www.sse.com.cn), the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.htsc.com.cn) on July 2, 2015.

During the reporting period, the Company did not involved and might not involved in any material litigation that may materially affect our ability to settle our bonds in due course.

During the reporting period, there was no any event that may materially affect the rating of credit of our bonds and our ability to settle our bonds in due course. There was no such rumor in the market.

Major Events and Corporate Governance

(2) Details of subordinated bonds

Abbreviation of bond	Principal (Unit and Currency: RMB)	Coupon rate (%)	Value date	Due date
14 Huatai 02 (14華泰02)	3,000,000,000.00	6.15	2014.4.21	2016.4.21
14 Huatai 03 (14華泰03)	2,000,000,000.00	5.70	2014.9.29	2017.9.29
14 Huatai 04 (14華泰04)	4,000,000,000.00	5.90	2014.9.29	2018.9.29
14 Huatai 05 (14華泰05)	4,000,000,000.00	5.10	2014.11.21	2015.11.21
15 Huatai 01 (15華泰01)	6,000,000,000.00	5.90	2015.1.23	2017.1.23
15 Huatai 02 (15華泰02)	7,000,000,000.00	5.60	2015.4.21	2017.4.21
15 Huatai 03 (15華泰03)	5,000,000,000.00	5.80	2015.4.21	2020.4.21
15 Huatai 04 (15華泰04)	18,000,000,000.00	5.50	2015.6.26	2017.6.26
Total	49,000,000,000.00			

During the reporting period, the Company issued subordinated bonds of RMB36,000 million in total and RMB31,000 million of which were long-term subordinated bonds with a maturity of two years and RMB5,000 million of which were long-term subordinated bonds with a maturity of five years. The proceeds from the issuance of above subordinated bonds were fully used in replenishing the working capital of the Company and expanding the business of margin financing and securities lending, stock repurchase and securities-backed lending. The use of proceeds was in compliance with the prospectus.

During the reporting period, the Company settled the principal and interest of 14 Huatai 01 (123380), the first tranche of subordinated bonds privately placed by the Company on April 21, 2014. The total amount of such payment was RMB3,178,500,000.00 (tax inclusive). The Company also settled the interest of 14 Huatai 02 (123381), the first tranche of subordinated bonds privately placed by the Company, for the period from April 21, 2014 to April 20, 2015. The total amount of such interest payment was RMB184,500,000.00 (tax inclusive). The Company published "Announcement on Settlement of Principal and Interest of First Tranche of Subordinated Bonds Privately Placed in 2014 by Huatai Securities Co., Ltd. in 2015 (华泰证券股份有限公司非公开发行2014年第一期次级债券2015年兑付、兑息公告)" in China Securities Journal, the Shanghai Securities News, Securities Times and Securities Daily and on the website of the SSE (www.sse.com.cn) on April 14, 2015.

Major Events and Corporate Governance

During the reporting period, there was no major investment and related/connected transaction that involve and may involve the repayment of principal and interest of our subordinated bonds.

During the reporting period, there was no other information that may materially affect the holders of bonds of the Company.

7. Details of short-term financial bills

Abbreviation of bond	Principal amount (Unit and Currency: RMB)	Coupon rate (%)	Value date	Due date
14 HTSC CP011 (14华泰证券CP011)	3,000,000,000.00	4.34	2014.10.17	2015.1.14
14 HTSC CP012 (14华泰证券CP012)	3,000,000,000.00	4.15	2014.11.18	2015.2.11
14 HTSC CP013 (14华泰证券CP013)	2,500,000,000.00	5.20	2014.12.12	2015.3.12
15 HTSC CP001 (15华泰证券CP001)	3,000,000,000.00	4.77	2015.1.16	2015.4.16
15 HTSC CP002 (15华泰证券CP002)	3,000,000,000.00	4.90	2015.2.10	2015.5.8
15 HTSC CP003 (15华泰证券CP003)	2,000,000,000.00	4.99	2015.3.11	2015.6.9
15 HTSC CP004 (15华泰证券CP004)	3,000,000,000.00	4.80	2015.4.10	2015.7.9
Total	19,500,000,000.00			

During the reporting period, the Company issued four tranches of short-term financial bills with an aggregate amount of RMB11,000 million and settled six tranches of short-term financial bills with an aggregate amount of RMB16,500 million.

Changes in Share Capital and Shareholders

CHANGES IN SHARE CAPITAL

(I) Changes in shares

1. Changes in shares

Unit: Shares

	Before the change		Increase/decrease from the change (+, -)					After the change	
	Number of shares	Percentage (%)	Issue of new shares	Bonus shares	Shares converted from surplus reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Shares subject to restriction on sales	0	0	—	—	—	—	—	0	0
1. State-owned shares	—	—	—	—	—	—	—	—	—
2. State-owned legal person shares	—	—	—	—	—	—	—	—	—
3. Other domestic shares	—	—	—	—	—	—	—	—	—
Of which: Held by domestic non-state-owned legal person	—	—	—	—	—	—	—	—	—
Held by domestic natural person	—	—	—	—	—	—	—	—	—
4. Foreign invested shares	—	—	—	—	—	—	—	—	—
Of which: Held by overseas legal person	—	—	—	—	—	—	—	—	—
Held by overseas natural person	—	—	—	—	—	—	—	—	—
II. Outstanding shares not subject to restriction on sales	5,600,000,000	100	1,562,768,800	—	—	—	1,562,768,800	7,162,768,800	100
1. RMB ordinary shares	5,600,000,000	100	—	—	—	(156,276,880)	(156,276,880)	5,443,723,120	76
2. Domestic listed foreign invested shares	—	—	—	—	—	—	—	—	—
3. Overseas listed foreign invested shares	0	0	1,562,768,800	—	—	156,276,880	1,719,045,680	1,719,045,680	24
4. Others	—	—	—	—	—	—	—	—	—
III. Total number of shares	5,600,000,000	100	1,562,768,800	—	—	0	1,562,768,800	7,162,768,800	100

Changes in Share Capital and Shareholders

2. Details of changes in shares

According to the Approval for the Issuance of Overseas Listed Foreign Shares by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No.685) (《關於核准華泰證券股份有限公司發行境外上市外資股的批覆》(證監許可[2015] 685號)) by the CSRC and as approved by the Hong Kong Stock Exchange, 1,400,000,000 overseas listed foreign invested shares (H Shares) issued by the Company were listed and commenced trading on the Main Board of the Hong Kong Stock Exchange on June 1, 2015. The joint global coordinators had partially exercised the over-allotment option and requested the Company to issue 162,768,800 additional H shares which were listed for trading on the Main Board of the Hong Kong Stock Exchange on June 24, 2015.

In accordance with the Provisional Measures on Reducing State-owned Shares to Raise Social Security Fund (Guo Fa [2001] No.22) (《減持國有股籌集社會保障資金管理暫行辦法》(國發[2001] 22號)) issued by the State Council, 21 state-owned shareholders of the Company, including Jiangsu Guoxin, shall reduce their state-owned shares, by converting their 156,276,880 domestic shares of the Company (A Shares) in aggregate, representing 10% of H Shares of the issuance (including additional H Shares issued pursuant to the partial exercise of the over-allotment option), into H Shares to be held by the Social Security Fund.

As at the end of the Reporting Period, the Company had a total share capital of 7,162,768,800 Shares, including 5,443,723,120 A Shares (representing 76% of the total share capital) and 1,719,045,680 H Shares (representing 24% of the total share capital).

(II) Changes in shares subject to selling restrictions

During the reporting period, there was no change in A shares subject to selling restrictions of the Company.

Changes in Share Capital and Shareholders

INFORMATION OF SHAREHOLDERS

(I) Total number of shareholders:

Total number of shareholders as at the end of the Reporting Period	227,409
Total number of shareholders of preferred shares whose voting rights have been restored as at the end of the Reporting Period	0
Total number of A Shareholders as at the end of the Reporting Period	215,873
Total number of registered H Shareholders as at the end of the Reporting Period	11,536

(II) Shareholding of top ten shareholders and top ten holders of tradable shares (or holders of shares not subject to selling restrictions) as at the end of the Reporting Period

Unit: Shares

Name of shareholder (in full name)	Increase/ decrease during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Shareholding of top ten shareholders Pledged or frozen shares			
				Number of shares held subject to selling restrictions	Status of shares	Number of shares	Class of shareholder
HKSCC Nominees Limited	1,715,002,280	1,715,002,280	23.94	0	Nil		Foreign legal person
Jiangsu Guoxin Investment Group Limited	(86,759,006)	1,250,928,425	17.46	0	Nil		State-owned legal person
Jiangsu Communications Holding Company Limited	7,799,348	399,138,718	5.57	0	Nil		State-owned legal person
Govtor Capital Group Co., Ltd.	(17,971,994)	342,028,006	4.78	0	Nil		State-owned legal person
Jiangsu SOHO Holdings Group Co., Ltd.	(24,087,387)	268,097,477	3.74	0	Nil		State-owned legal person
Jiangsu High Hope International Group Co., Ltd.	(26,864,286)	246,847,296	3.45	0	Nil		State-owned legal person
Jiangsu Hiteker Co., Ltd.	(5,780,000)	137,403,149	1.92	0	Unknown	136,169,146	Domestic non-state-owned legal person
ICBC – SWS MU SYWG Securities Industry Index Classification Securities Investment Fund	38,441,259	103,063,930	1.44	0	Nil		Others
Jiangsu SOHO International Group Corporation	(9,337,683)	97,582,317	1.36	0	Nil		State-owned legal person
Jincheng Corporation	(4,426,090)	85,353,007	1.19	0	Nil		State-owned legal person

Changes in Share Capital and Shareholders

Unit: Shares

Shareholding of top ten holders of shares not subject to selling restrictions			
Name of shareholder	Number of tradable shares not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC Nominees Limited	1,715,002,280	Overseas listed foreign shares	1,715,002,280
Jiangsu Guoxin Investment Group Limited	1,250,928,425	Ordinary shares in RMB	1,250,928,425
Jiangsu Communications Holding Company Limited	399,138,718	Ordinary shares in RMB	399,138,718
Govtor Capital Group Co., Ltd.	342,028,006	Ordinary shares in RMB	342,028,006
Jiangsu SOHO Holdings Group Co., Ltd.	268,097,477	Ordinary shares in RMB	268,097,477
Jiangsu High Hope International Group Co., Ltd.	246,847,296	Ordinary shares in RMB	246,847,296
Jiangsu Hiteker Co., Ltd.	137,403,149	Ordinary shares in RMB	137,403,149
ICBC – SWS MU SYWG Securities Industry Index Classification Securities Investment Fund	103,063,930	Ordinary shares in RMB	103,063,930
Jiangsu SOHO International Group Corporation	97,582,317	Ordinary shares in RMB	97,582,317
Jincheng Corporation	85,353,007	Ordinary shares in RMB	85,353,007
Description of the related/connected relationships or action in concert between the above shareholders	Jiangsu Guoxin, Jiangsu Communications Holding Company Limited, Govtor Capital Group Co., Ltd., Jiangsu High Hope International Group Co., Ltd. and Jiangsu SOHO Holdings Group Co., Ltd. are wholly-owned by Jiangsu SASAC. Jiangsu SOHO Holdings Group Co., Ltd. is a controlling shareholder of Jiangsu SOHO International Group Corporation and holds 252,534,200 state-owned legal person shares, representing 71.58% of the total share capital of Jiangsu SOHO International Group Corporation and constituting parent-subsidary relationship. Apart from the above, the Company is not aware of any relationship between the other shareholders of the Company or whether such shareholders are parties acting in concert specified in the Regulations on the Takeover of Listed Companies.		
Explanation of holders of preference shares with restored voting rights and number of shares held	Nil		

Notes: 1. Among holders of overseas listed foreign shares (H Shares), shares of non-registered shareholders are held by HKSCC Nominees Limited.

2. The class of shareholders of ordinary shares in RMB (A Shares) represents the class of account held by shareholders with Shanghai branch of China Securities Depository and Clearing Corporation Limited.

Changes in Share Capital and Shareholders

(III) Strategic investors or common legal persons who became one of the top ten shareholders as a result of subscription of new shares allotted to them

During the Reporting Period, the Company did not have any strategic investors or common legal persons who became one of the top ten shareholders as a result of subscription of new shares allotted to them.

CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLERS

During the Reporting Period, there is no change in controlling shareholders or de facto controllers of the Company.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2015, as far as the Directors of the Company are aware after having made all reasonable enquiries, 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 shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Future Ordinance (the "SFO") and were recorded in the register required to be kept by the Company under Section 336 of the SFO.

No.	Name of substantial shareholder	Class of share	Nature of interest	Number of shares held (share)	Percentage of the total issued shares of the Company (%)	Percentage of the total issued A Shares/H Shares of the Company (%)	Long position (Note 2)/ short position (Note 3)/ shares available for lending
1	Jiangsu Guoxin Investment Group Limited	A Shares	Beneficial owner (Note 1)	1,250,928,425	17.46	22.98	Long position
2	Jiangsu Communications Holding Company Limited	A Shares	Beneficial owner (Note 1)	399,138,718	5.57	7.33	Long position
3	Govtor Capital Group Co., Ltd.	A Shares	Beneficial owner (Note 1)	342,028,006	4.78	6.28	Long position
4	Jiangsu SOHO Holdings Group Co., Ltd.	A Shares	Beneficial owner (Note 1)	268,097,477	3.74	4.92	Long position
		A Shares	Interest held by a controlled corporation (Note 4)	97,582,317	1.36	1.79	Long position
5	NSSF	H Shares	Beneficial owner (Note 1)	142,346,200	1.99	8.28	Long position

Changes in Share Capital and Shareholders

Note 1: According to the information disclosed on the websites of the Hong Kong Stock Exchange (www.hkex.com.hk) and China Securities Depository and Clearing Co., Ltd (www.chinaclear.cn/), as at June 30, 2015, Jiangsu Guoxin held 1,250,928,425 A Shares, Jiangsu Communications Holding Company Limited held 399,138,718 A Shares, Govtor Capital Group Co., Ltd. held 342,028,006 A Shares, Jiangsu SOHO Holdings Group Co., Ltd. held 268,097,477 A Shares and NSSF held 142,346,200 H Shares. Under Section 336 of the SFO, forms disclosing of interests shall be submitted by shareholders of the Company upon satisfaction of certain conditions. Changes of shareholders' shareholdings in the Company are not required to inform the Company and the Hong Kong Stock Exchange, except for the satisfaction of certain conditions. Therefore, there could be difference between substantial shareholders' latest shareholdings in the Company and the shareholding information as reported to Stock Exchange;

Note 2: A shareholder has a "long position" if such shareholder has an interest in shares, including interests through holding, writing or issuing financial instruments (including derivatives) under which: (i) such shareholder has a right to take the underlying shares; (ii) such shareholder is under an obligation to take the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares increases; or (iv) such shareholder has a right to avoid or reduce a loss if the price of the underlying shares increases;

Note 3: A shareholder has a "short position" if such shareholder borrows shares under a securities borrowing and lending agreement, or holds, writes or issues financial instruments (including derivatives) under which: (i) such shareholder has a right to require another person to take the underlying shares; (ii) such shareholder is under an obligation to deliver the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares declines; or (iv) such shareholder has a right to avoid or reduce a loss if the price of the underlying shares declines; and

Note 4: Jiangsu SOHO Holdings Group Co., Ltd. holds 71.58% of the equity interest of Jiangsu SOHO International Group Corporation, and therefore is deemed to be interested in 97,582,317 shares in which Jiangsu SOHO International Group Corporation is interested.

Save as disclosed above, the Company is not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company as at June 30, 2015 required to be recorded in the register pursuant to Section 336 of the SFO.

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

As at June 30, 2015, according to the information obtained by the Company and so far as the Directors are aware, none of the Directors, Supervisors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of the SFO), which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which is taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

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

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

Preferential Shares

During the reporting period, the Company did not have any matter relating to preferential shares.

Directors, Supervisors and Senior Management

CHANGES IN SHAREHOLDING STRUCTURE

(1) Changes in Shareholding Structure of Current or Retired Directors, Supervisors and Senior Management during the Reporting Period

There have been no changes in the shareholding of Directors, Supervisors and senior management during the Reporting Period. On July 12, 2015, through participating in a qualified domestic institution investor (QDII) collective investment scheme, certain Directors, Supervisors and Senior Management of the Company purchased H Shares of the Company in accordance with applicable laws and regulations, respectively. Details are set forth below:

Name	Nature of interest	Number of shares held (share)	Percentage of the total issued shares of the Company (%)	Percentage of the total issued H Shares of the Company (%)
Executive Director				
Wu Wanshan	Beneficiary	353,261	0.00	0.02
Zhou Yi	Beneficiary	353,261	0.00	0.02
Supervisor				
Peng Min	Beneficiary	105,978	0.00	0.01
Zhou Xiang	Beneficiary	105,978	0.00	0.01
Zhang Hui	Beneficiary	141,304	0.00	0.01
Senior Management				
Zhang Haibo	Beneficiary	211,957	0.00	0.01
Ma Zhaoming	Beneficiary	211,957	0.00	0.01
Qi Liang	Beneficiary	211,957	0.00	0.01
Sun Hanlin	Beneficiary	211,957	0.00	0.01
Wu Zufang	Beneficiary	211,957	0.00	0.01
Zhang Tao	Beneficiary	211,957	0.00	0.01
Jiang Jian	Beneficiary	211,957	0.00	0.01
Shu Ben'e	Beneficiary	141,304	0.00	0.01
Li Yun	Beneficiary	211,957	0.00	0.01

The shares held by the Directors, Supervisors and Senior Management stated above represent long positions. Shareholders have long positions if they have an interest in shares which includes interests through holding, selling or issuing financial instruments (including derivatives) under which: (i) they have a right to take the underlying shares; (ii) they are under an obligation to take the underlying shares; (iii) they have a right to receive an amount if the price of the underlying shares increases; and (iv) they have a right to avoid or minimize loss if the price of the underlying shares increases.

Directors, Supervisors and Senior Management

(2) Share Incentives granted to Directors, Supervisors and Senior Management during the Reporting Period

During the Reporting Period, the Company did not implement any share incentives granted to Directors, Supervisors and senior management.

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The changes in Directors, Supervisors and Senior Management during the reporting period were as follows:

Name	Position	Nature of the change	Reason of the change
Wang Huijuan	Director	departure	Ceased to be Director and a member of Development Strategy Committee under the Board due to work needs
Wang Quanzhou	independent non-executive Director	departure	Resigned as independent non-executive Director of the third session of the Board and ceased to be a member and chairman (convenor) of Audit Committee under the Board due to personal reasons
Xue Binghai	Director	departure	Ceased to be Director and a member of Compliance and Risk Management Committee under the Board due to work arrangement
Zhou Yong	Director	appointment	
Lee Chi Ming	independent non-executive Director	appointment	

OTHER INFORMATION

(1) Securities Transactions of Directors, Supervisors and Relevant Employees

The Company has adopted the standards set out in the Model Code as codes of conduct for securities transactions by Directors, Supervisors and relevant employees of the Company. The Company has made enquires to all Directors and Supervisors, who confirmed that they had complied with the Model Code from the listing date of the Company to the reporting period. During the Reporting Period, current and retired Directors, Supervisors and senior management did not hold any shares or options of the Company and have not been granted any restricted shares.

(2) Material Changes in the Relevant Information of Directors and Supervisors

Material changes in relevant information of Directors and Supervisors during the reporting period were as follows:

1. With effect from March 25, 2015, Mr. Wang Shuhua, the Director of the Company, acted as deputy general manager of Jiangsu Guoxin after the consideration and of State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government and the approval of Jiangsu Provincial Committee of the Communist Party of China.
2. With effect from March 25, 2015, Ms Pu Baoying, the Director of the Company, acted as chief accountant of Jiangsu Guoxin.
3. With effect from March 2015, Mr. Cai Biao, the Director of the Company, acted as the director of High Hope Int'l Group Jiangsu Native Produce Imp & Exp Corp. Ltd.

(3) Service Contract of Directors and Supervisors

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of (among other things) compliance of relevant laws and regulations and observance of the Articles of Association and provisions on arbitration. Save as disclosed above, none of the Directors or Supervisors has entered into or is proposed to enter into any service contracts with the Company in their respective capacities as Directors/Supervisors (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

Directors, Supervisors and Senior Management

(4) Employees and Remuneration Policy

1. As at the end of the reporting period, the Group has 6,496 employees, among which 5,140 are employed by parent company and 1,356 by its subsidiaries. In compliance with relevant laws and regulations in China, we have signed a labor contract and established employment relationship with each employee. The labor contract includes clauses such as terms of contract, working hours, leave, remuneration, insurance welfares, labor protection and work conditions, alteration and discharge of contract.
2. Focusing on business innovation, new employee orientation and management skills, the Company carries out its training programs through combination of internal and external training, on-site and online training. The annual training scheme has been orderly implemented with 11 internal trainings and 26 external trainings completed in the first half of year. Approximate 470 employees attended on-site trainings and more than 500 employees participated trainings by means of remote video or internet. We plan to organized 12 internal trainings in the second half of the year, including new employee orientation, internal trainer training, overseas training and wealth management training, in order to cultivate talents for the innovative development of the Company.
3. The Company attaches great importance to the cultivation and incentive of talents and insists market-linked remunerations. Based on the performance and capabilities of respective employees, we offer competitive remunerations. We are devoted to establish a remuneration incentive mechanism which is based on market condition, the remuneration positioning of the Company and employee capabilities, as well as the performance of the Company and its various departments and employee contributions. The remuneration packages of our employees primarily consist of salaries, discretionary bonuses and social welfare.
4. In compliance with relevant laws and regulations, the Company pays various social insurances (including pension insurance, medical insurance, unemployment insurance, workplace injury insurance and maternity insurance) and housing provident funds in full for our employees. Apart from mandatory welfares, we also provide our employees with comprehensive incentive welfares, such as accident insurance, medical insurance, critical illness insurance and health check, etc.

Report on Review of Interim Financial Information



To the board of directors of Huatai Securities Co., Ltd.

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

INTRODUCTION

We have reviewed the accompanying interim financial information set out on page 101 to 192, which comprises the consolidated statements of financial position of Huatai Securities Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") as at 30 June 2015 and the related consolidated income statements, consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and consolidated cash flow statements for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of interim financial information in accordance with IAS 34, issued by the International Accounting Standards Board. Our responsibility is to form a conclusion, based on our review, on the interim financial information 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 Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of the interim financial information 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 Hong Kong 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.

Report on Review of Interim Financial Information

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34.

KPMG

Certified Public Accountants

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

Date: 21 August 2015

Unaudited Consolidated Income Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2015	2014
Revenue			
Fee and commission income	5	11,096,770	2,647,247
Interest income	6	6,452,646	1,887,753
Net investment gains	7	3,333,709	1,088,322
Total revenue		20,883,125	5,623,322
Other income and gains	8	405,458	59,788
Total revenue and other income		21,288,583	5,683,110
Expenses			
Fee and commission expenses	9	(3,126,773)	(503,166)
Interest expenses	10	(3,683,315)	(901,660)
Staff costs	11	(4,091,491)	(1,496,544)
Depreciation and amortisation expenses	12	(153,379)	(160,921)
Business tax and surcharges		(921,431)	(238,957)
Other operating expenses	13	(678,187)	(466,752)
Reversal of impairment losses	14	2,362	345
Total expenses		(12,652,214)	(3,767,655)
Operating profit		8,636,369	1,915,455
Share of profit of associates		197,504	119,445
Profit before income tax		8,833,873	2,034,900
Income tax expense	15	(2,115,301)	(501,843)
Profit for the period		6,718,572	1,533,057
Attributable to:			
Shareholders of the Company		6,674,823	1,517,633
Non-controlling interests		43,749	15,424
		6,718,572	1,533,057
Basic and diluted earnings per share (in Renminbi per share)	16	1.14	0.27

The notes on pages 110 to 192 form part of these financial statements.

Unaudited Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June 2015	2014
Profit for the period		6,718,572	1,533,057
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
— Net changes in fair value		2,058,358	(12,322)
— Reclassified to profit or loss		(22,357)	(10,346)
Share of other comprehensive income of associates		43,189	(166)
Exchange differences on translation of financial statements in foreign currencies		3,217	5,302
Income tax impact	22(c)	(397,854)	5,667
Total other comprehensive income for the period, net of tax		1,684,553	(11,865)
Total comprehensive income for the period		8,403,125	1,521,192
Attributable to:			
Shareholders of the Company		8,357,738	1,505,827
Non-controlling interests		45,387	15,365
Total		8,403,125	1,521,192

The notes on pages 110 to 192 form part of these financial statements.

Unaudited Consolidated Statements of Financial Position

As at 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2015	As at 31 December 2014
Non-current assets			
Property and equipment	17	3,689,750	3,303,686
Investment properties		734,566	673,981
Goodwill		51,342	51,342
Other intangible assets	18	394,741	401,211
Interest in associates	19	2,173,181	1,874,488
Held-to-maturity investments		5,000	5,000
Available-for-sale financial assets	20	7,763,819	4,969,114
Financial assets held under resale agreements		3,201,958	2,400,120
Financial assets at fair value through profit or loss	21	1,061,111	—
Refundable deposits		6,636,418	4,482,845
Deferred tax assets	22	191,758	178,878
Other non-current assets	23	90,801	108,854
Total non-current assets		25,994,445	18,449,519
Current assets			
Accounts receivable	24	1,677,815	362,653
Other receivables and prepayments	25	3,601,006	2,057,220
Margin accounts receivable	26	114,677,991	64,636,739
Available-for-sale financial assets	20	3,581,736	4,307,034
Financial assets held under resale agreements		21,501,159	18,309,906
Financial assets at fair value through profit or loss	21	83,836,081	55,999,958
Derivative financial assets	27	317,807	20,815
Clearing settlement funds	28	1,973,018	544,255
Cash held on behalf of brokerage clients	29	208,227,865	71,536,310
Cash and bank balances	30	114,772,342	36,001,627
Total current assets		554,166,820	253,776,517
Total assets		580,161,265	272,226,036

The notes on pages 110 to 192 form part of these financial statements.

Unaudited Consolidated Statements of Financial Position

As at 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2015	As at 31 December 2014
Current liabilities			
Short-term debt instruments issued	32	24,369,824	24,787,070
Placements from other financial institutions	33	3,400,000	1,500,000
Accounts payable to brokerage clients	34	205,139,276	70,228,405
Employee benefits payable		3,759,075	1,740,597
Other payables and accruals	35	108,036,430	56,802,319
Current tax liabilities		1,579,551	358,645
Financial assets sold under repurchase agreements		50,155,007	44,668,228
Derivative financial liabilities	27	1,842,475	730,743
Financial liabilities at fair value through profit or loss	36	15,588,541	9,245
Total current liabilities		413,870,179	200,825,252
Net current assets		140,296,641	52,951,265
Total assets less current liabilities		166,291,086	71,400,784
Non-current liabilities			
Long-term bonds	37	70,928,066	21,345,324
Long-term bank loans	38	367,095	138,658
Non-current employee benefits payable		298,042	705,434
Deferred tax liabilities	22	1,037,375	601,174
Financial assets sold under repurchase agreements		12,800,000	5,000,000
Other non-current liabilities	39	3,109,883	1,665,786
Total non-current liabilities		88,540,461	29,456,376
Net assets		77,750,625	41,944,408

The notes on pages 110 to 192 form part of these financial statements.

Unaudited Consolidated Statements of Financial Position

As at 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2015	As at 31 December 2014
Equity			
Share capital	40	7,162,769	5,600,000
Reserves	41	55,696,988	25,379,369
Retained profits	42	14,194,010	10,319,187
<hr/>			
Total equity attributable to shareholders of the Company		77,053,767	41,298,556
Non-controlling interests		696,858	645,852
<hr/>			
Total equity		77,750,625	41,944,408

Approved and authorised for issue by the board of directors on 21 August 2015.

Wu Wanshan
Chairman of Board

Zhou Yi
Executive Director and President

The notes on pages 110 to 192 form part of these financial statements.

Unaudited Consolidated Statements of Changes in Equity

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company									
	Reserves							Total	Non-controlling interests	Total equity
	Share capital (Note 40)	Capital reserve (Note 41)	Surplus reserve (Note 41)	General reserve (Note 41)	Fair value reserve (Note 41)	Translation reserve (Note 41)	Retained profits (Note 42)			
As at 1 January 2015	5,600,000	17,221,261	1,692,854	4,611,610	1,889,206	(35,562)	10,319,187	41,298,556	645,852	41,944,408
Change in equity for the period										
Profit for the period	—	—	—	—	—	—	6,674,823	6,674,823	43,749	6,718,572
Other comprehensive income	—	—	—	—	1,679,655	3,260	—	1,682,915	1,638	1,684,553
Total comprehensive income	—	—	—	—	1,679,655	3,260	6,674,823	8,357,738	45,387	8,403,125
Issuance of H shares	1,562,769	28,603,742	—	—	—	—	—	30,166,511	—	30,166,511
Capital transaction with non-controlling shareholders of subsidiaries	—	30,962	—	—	—	—	—	30,962	5,619	36,581
Dividend declared for the period	—	—	—	—	—	—	(2,800,000)	(2,800,000)	—	(2,800,000)
As at 30 June 2015	7,162,769	45,855,965	1,692,854	4,611,610	3,568,861	(32,302)	14,194,010	77,053,767	696,858	77,750,625
As at 1 January 2014	5,600,000	17,218,020	1,302,767	3,741,574	414,718	(35,809)	7,933,034	36,174,304	626,673	36,800,977
Change in equity for the period										
Profit for the period	—	—	—	—	—	—	1,517,633	1,517,633	15,424	1,533,057
Other comprehensive income	—	—	—	—	(17,108)	5,302	—	(11,806)	(59)	(11,865)
Total comprehensive income	—	—	—	—	(17,108)	5,302	1,517,633	1,505,827	15,365	1,521,192
Capital transaction with non-controlling shareholders of a subsidiary	—	2,632	—	—	—	—	—	2,632	(24,587)	(21,955)
Dividend declared for the period	—	—	—	—	—	—	(840,000)	(840,000)	(9,974)	(849,974)
As at 30 June 2014	5,600,000	17,220,652	1,302,767	3,741,574	397,610	(30,507)	8,610,667	36,842,763	607,477	37,450,240

Unaudited Consolidated Statements of Changes in Equity

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company									Non-controlling interests	Total equity
	Reserves							Total			
	Share capital (Note 40)	Capital reserve (Note 41)	Surplus reserve (Note 41)	General reserve (Note 41)	Fair value reserve (Note 41)	Translation reserve (Note 41)	Retained profits (Note 42)				
As at 1 January 2014	5,600,000	17,218,020	1,302,767	3,741,574	414,718	(35,809)	7,933,034	36,174,304	626,673	36,800,977	
Change in equity for the year											
Profit for the year	—	—	—	—	—	—	4,486,276	4,486,276	53,511	4,539,787	
Other comprehensive income	—	—	—	—	1,474,488	247	—	1,474,735	204	1,474,939	
Total comprehensive income	—	—	—	—	1,474,488	247	4,486,276	5,961,011	53,715	6,014,726	
Capital injection by non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	25	25	
Capital transaction with non-controlling shareholders of a subsidiary	—	1,352	—	—	—	—	—	1,352	(24,587)	(23,235)	
Appropriation to surplus reserve	—	—	390,087	—	—	—	(390,087)	—	—	—	
Appropriation to general reserve	—	—	—	870,036	—	—	(870,036)	—	—	—	
Dividend declared for the year	—	—	—	—	—	—	(840,000)	(840,000)	(9,974)	(849,974)	
Others	—	1,889	—	—	—	—	—	1,889	—	1,889	
As at 31 December 2014	5,600,000	17,221,261	1,692,854	4,611,610	1,889,206	(35,562)	10,319,187	41,298,556	645,852	41,944,408	

The notes on pages 110 to 192 form part of these financial statements.

Unaudited Consolidated Cash Flow Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June		
	Note	2015	2014
Cash flows from operating activities:			
Profit before income tax		8,833,873	2,034,900
Adjustments for:			
Interest expenses		3,683,315	901,660
Share of profit of associates		(197,504)	(119,445)
Depreciation and amortisation expenses		153,379	160,921
Reversal of impairment losses		(2,362)	(345)
Losses on disposal of property and equipment		1,495	(697)
Foreign exchange gains		(331,388)	(1,253)
Net realised (gains)/losses from available-for-sale financial assets and other investments		(241,160)	98,412
Dividend income and interest income from available-for-sale financial assets and held-to-maturity investments		(151,070)	(57,961)
Unrealised fair value changes in financial instruments through profit or loss		(127,362)	(481,861)
Unrealised fair value changes in derivatives		814,740	(7,950)
Operating cash flows before movements in working capital		12,435,956	2,526,381
Increase in refundable deposits		(2,153,573)	(46,080)
Increase in margin accounts receivable		(50,041,252)	(1,521,975)
Increase in accounts receivable, other receivables and prepayments		(2,721,586)	(901,017)
Increase in financial assets held under resale agreements		(2,815,568)	(3,519,673)
Increase in financial instruments at fair value through profit or loss		(13,190,577)	(4,319,275)
(Increase)/decrease in restricted bank deposits		(1,715,521)	2,252,108
Increase in cash held on behalf of brokerage clients		(136,691,555)	(5,131,270)
Increase in other payables and accruals		49,830,050	5,224,084
Increase in accounts payable to brokerage clients		134,910,871	4,940,049
Increase in employee benefits payable and other non-current liabilities		1,305,407	213,064
Increase in financial assets sold under repurchase agreements		13,286,779	695,245
Increase in placements from other financial institutions		1,900,000	3,195,000
Cash generated from operations		4,339,431	3,606,641
Income taxes paid		(868,928)	(543,442)
Interest paid		(1,686,244)	(255,393)
Net cash generated from operating activities		1,784,259	2,807,806

The notes on pages 110 to 192 form part of these financial statements.

Unaudited Consolidated Cash Flow Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June 2015	2014
Cash flows from investing activities:			
Proceeds on disposal of property and equipment		798	44
Dividends received from associates		—	19,600
Dividends and interest received from available-for-sale financial assets and other investments		151,070	57,960
Proceeds from other limited partners' interest in private equity		718,000	—
Proceeds on disposal of available-for-sale financial assets		1,239,528	3,630,053
Purchases of property and equipment, other intangible assets and other non-current assets		(378,213)	(335,309)
Purchases of associates and other investments		(193,000)	(30,736)
Net cash generated from investing activities		1,538,183	3,341,612
Cash flows from financing activities:			
Proceeds from non-controlling interests		36,581	—
Proceeds from issuance of short-term debt instruments		35,030,580	18,300,000
Proceeds from issuance of long-term bonds		42,661,136	6,000,000
Net proceeds from issuance of H shares		30,587,690	—
Proceeds from long-term bank loans		228,437	—
Debts repaid		(28,543,063)	(20,300,000)
Short-term debt instruments interest paid		(519,334)	(310,085)
Long-term bonds interest paid		(655,977)	(459,101)
Dividends paid		(2,800,000)	(849,973)
Payment for other financing activities		(21,618)	(27,393)
Net cash generated from financing activities		76,004,432	2,353,448
Net increase in cash and cash equivalents		79,326,874	8,502,866
Cash and cash equivalents at the beginning of the period		31,883,884	14,273,117
Effect of foreign exchange rate changes		334,605	6,555
Cash and cash equivalents at the end of the period	31	111,545,363	22,782,538

The notes on pages 110 to 192 form part of these financial statements.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

1 GENERAL INFORMATION

Huatai Securities Co., Ltd. (the “Company”), formerly known as Jiangsu Securities Co., was approved by the People’s Bank of China (“PBOC”), and registered with the Administration for Industry and Commerce of Jiangsu Province on 9 April 1991, with a registered capital of RMB10 million. The Company was renamed as Huatai Securities Limited Liability Company on 21 December 1999 and then renamed as Huatai Securities Co., Ltd. on 7 December 2007 as a result of the conversion into a joint stock limited liability company.

As approved by the China Securities Regulatory Commission (“CSRC”) pursuant to the Approval for the Initial Public Offering by Huatai Securities Co., Ltd. (Zheng Jian Fa Xing Zi [2010] No.138), the Company publicly issued RMB784,561 thousand A shares on 9 February 2010, and was listed on the Shanghai Stock Exchange on 26 February 2010. In June 2015, the Company issued RMB1,562,769 thousand H shares (including over-allotment of 162,769 thousand H shares) which were listed on the main board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). As at 30 June 2015, the Company’s paid-in capital was RMB7,162,769 thousand.

The Company and its subsidiaries (the “Group”) principally engaged in securities and futures brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment advisory, asset management, margin financing and securities lending, agency sale of financial products, intermediary introduction business for the futures companies, agency sale and custody of securities investment funds, brokerage of spot contracts for precious metals such as gold, proprietary trading of spot contract for gold, direct investment business, alternative investment business, stock options market making and other business activities approved by CSRC.

2 BASIS OF PREPARATION

The consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

The consolidated interim financial statements do not include all the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2014.

The interim financial statements is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is issued on 21 August 2015.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION (continued)

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as being previously reported information does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 19 May 2015.

3 USE OF JUDGEMENTS AND ESTIMATES

The preparation of the consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those reported as a result of the use of estimates and assumptions about future conditions.

The significant judgements made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2014.

(a) Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level III fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustment. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level I: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

3 USE OF JUDGEMENTS AND ESTIMATES (continued)

(a) Measurement of fair values (continued)

- Level II: inputs other than quoted prices included in Level I that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level III: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumption made in measuring fair values is included in Note 49 — fair value information.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements prepared in accordance with IFRSs (including IASs) for the year ended 31 December 2014.

5 FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2015	2014
Income from securities brokerage and advisory business	10,162,021	1,964,076
Income from futures brokerage business	135,712	95,827
Income from underwriting and sponsorship business	494,168	297,607
Income from financial advisory business	139,762	167,936
Income from asset management business	165,107	121,801
Total	11,096,770	2,647,247

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

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6 INTEREST INCOME

	Six months ended 30 June	
	2015	2014
Interest income from margin financing and securities lending	4,042,995	897,242
Interest income from financial institutions	1,607,264	650,024
Interest income from securities-backed lending and stock repurchases	521,948	175,075
Interest income from other financial assets held under resale agreements	17,750	36,347
Others	262,689	129,065
Total	6,452,646	1,887,753

7 NET INVESTMENT GAINS

	Six months ended 30 June	
	2015	2014
Net realised gains/(losses) from disposal of available-for-sale financial assets	241,160	(104,331)
Dividend income and interest income from available-for-sale financial assets	150,956	57,847
Net realised gains/(losses) from disposal of financial instruments		
at fair value through profit or loss	5,244,097	(200,044)
Dividend income and interest income from financial instruments		
at fair value through profit or loss	700,582	548,481
Net realised (losses)/gains from disposal of derivative financial instruments	(3,354,672)	316,761
Interest income from held-to-maturity investments	114	114
Unrealised fair value changes of financial instruments		
at fair value through profit or loss	127,362	481,861
Unrealised fair value changes of derivative financial instruments	224,110	(18,286)
Others	—	5,919
Total	3,333,709	1,088,322

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8 OTHER INCOME AND GAINS

	Six months ended 30 June	
	2015	2014
Foreign exchange gains	331,388	1,253
Rental income	20,108	17,908
Government grants	3,241	2,232
Gains on disposal of property and equipment and investment property	181	1,328
Others	50,540	37,067
Total	405,458	59,788

The government grants were received unconditionally by the Group from the local government where it resides.

9 FEE AND COMMISSION EXPENSES

	Six months ended 30 June	
	2015	2014
Expenses for securities brokerage and advisory business	3,090,800	453,073
Expenses for futures brokerage business	11,579	21,403
Expenses for underwriting and sponsorship business	20,080	21,675
Expenses for financial advisory business	1,100	6,040
Expenses for asset management business	3,214	975
Total	3,126,773	503,166

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(Expressed in thousands of Renminbi, unless otherwise stated)

10 INTEREST EXPENSES

	Six months ended 30 June	
	2015	2014
Interest expenses on financial assets sold under repurchase agreements	1,609,794	231,991
Interest expenses of accounts payable to brokerage clients	221,158	53,486
Interest expenses on placements	116,171	58,300
Interest expenses on short-term debt instruments issued	784,185	274,169
Interest expenses on long-term bonds	784,748	283,085
Interest expenses on gold leasing	153,385	—
Others	13,874	629
Total	3,683,315	901,660

11 STAFF COSTS

	Six months ended 30 June	
	2015	2014
Salaries, bonuses and allowances	3,907,002	1,330,175
Contribution to pension schemes	62,513	56,538
Other social welfare	121,976	109,831
Total	4,091,491	1,496,544

The domestic employees of the Group in the PRC participate in social plans, including pension, medical, housing, and other welfare benefits, organised and administered by the governmental authorities. The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. According to the relevant regulations, the premiums and welfare benefits contributions that should be borne by the Group are calculated on regular basis and paid to the labor and social welfare authorities. These social security plans are defined contribution plans and contributions to the plans are expensed as incurred.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

12 DEPRECIATION AND AMORTISATION EXPENSES

	Six months ended 30 June	
	2015	2014
Depreciation of property and equipment	77,494	84,742
Depreciation of investment properties	11,371	9,737
Amortisation of other intangible assets	37,437	28,072
Amortisation of leasehold improvements and long-term deferred expenses	27,077	38,370
Total	153,379	160,921

13 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2015	2014
Rental expenses	110,675	104,438
Securities investor protection funds	81,329	24,194
Postal and communication expenses	48,892	45,933
Business entertainment expenses	46,607	43,957
Consulting fees	38,032	25,712
Business travel expenses	37,862	26,952
Utilities	14,555	16,269
IT expenses	22,511	15,558
Auditors' remuneration	2,559	1,924
Others	275,165	161,815
Total	678,187	466,752

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(Expressed in thousands of Renminbi, unless otherwise stated)

14 REVERSAL OF IMPAIRMENT LOSSES

	Six months ended 30 June	
	2015	2014
Provision for impairment losses against accounts receivable	(821)	—
Reversal of impairment losses against other receivables	3,183	345
Total	2,362	345

15 INCOME TAX EXPENSE

(a) Taxation in the consolidated income statements represents:

	Six months ended 30 June	
	2015	2014
Current tax		
— PRC income tax	2,095,388	332,124
— Hong Kong profits tax	—	—
	2,095,388	332,124
Adjustment in respect of prior years		
— PRC income tax	(5,554)	(3,933)
— Hong Kong profits tax	—	21
	(5,554)	(3,912)
Deferred tax		
Origination and reversal of temporary differences	25,467	173,631
Total	2,115,301	501,843

- (i) According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Company and the Group's PRC subsidiaries are subject to CIT at the statutory tax rate of 25%.
- (ii) Hong Kong profit tax has been provided at the rate of 16.5% on the estimated assessable profits for the period.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

15 INCOME TAX EXPENSE (continued)

(b) Reconciliation between income tax expense and accounting profit at applicable tax rate:

	Six months ended 30 June	
	2015	2014
Profit before income tax	8,833,873	2,034,900
National tax calculated using the PRC statutory tax rate	2,208,468	508,725
Tax effect of non-deductible expenses	2,113	564
Tax effect of non-taxable income	(50,507)	(29,143)
Tax effect of unused tax losses not recognised	—	2,359
Effect of different tax rates of the subsidiary	(13,224)	1,048
Utilisation of tax losses previously not recognised	(4,068)	—
Adjustment for prior years	(5,554)	(3,912)
Others	(21,927)	22,202
Actual income tax expense	2,115,301	501,843

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

16 BASIC AND DILUTED EARNINGS PER SHARE

	Note	Six months ended 30 June	
		2015	2014
Weighted average number of ordinary shares (in thousands)	16(a)	5,829,705	5,600,000
Net profit attributable to equity shareholders of the Company (in RMB thousands)		6,674,823	1,517,633
Basic and diluted earnings per share attributable to equity shareholders of the Company (in RMB)		1.14	0.27

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the period.

(a) Weighted average number of ordinary shares (in thousands)

	Six months ended 30 June	
	2015	2014
Number of ordinary shares as at 1 January	5,600,000	5,600,000
Increase in weighted average number of ordinary shares	229,705	—
Weighted average number of ordinary shares	5,829,705	5,600,000

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For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

17 PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2015	1,310,881	148,607	580,586	87,297	2,045,325	4,172,696
Additions	240	4,076	47,495	1,778	485,152	538,741
Transfer during the period (Note 23)	1,443,371	—	—	—	(1,444,307)	(936)
Transfer to investment properties	(139,826)	—	—	—	—	(139,826)
Disposals	—	(679)	(61,220)	(2,854)	—	(64,753)
As at 30 June 2015	2,614,666	152,004	566,861	86,221	1,086,170	4,505,922
Accumulated depreciation						
As at 1 January 2015	(266,738)	(95,864)	(443,607)	(62,801)	—	(869,010)
Charge for the period	(27,630)	(7,524)	(36,525)	(5,815)	—	(77,494)
Transfer to investment properties	67,872	—	—	—	—	67,872
Disposals	—	652	59,281	2,527	—	62,460
As at 30 June 2015	(226,496)	(102,736)	(420,851)	(66,089)	—	(816,172)
Carrying amount						
As at 30 June 2015	2,388,170	49,268	146,010	20,132	1,086,170	3,689,750
Cost						
As at 1 January 2014	1,391,767	151,140	695,060	83,646	871,595	3,193,208
Additions	1,781	1,225	42,582	13,400	1,186,332	1,245,320
Transfer during the year (Note 23)	—	—	—	—	(12,602)	(12,602)
Transfer to investment properties	(79,011)	—	—	—	—	(79,011)
Disposals	(3,656)	(3,758)	(157,056)	(9,749)	—	(174,219)
As at 31 December 2014	1,310,881	148,607	580,586	87,297	2,045,325	4,172,696
Accumulated depreciation						
As at 1 January 2014	(237,324)	(83,586)	(508,454)	(65,330)	—	(894,694)
Charge for the year	(38,829)	(15,440)	(88,928)	(6,352)	—	(149,549)
Transfer to investment properties	8,110	—	—	—	—	8,110
Disposals	1,305	3,162	153,775	8,881	—	167,123
As at 31 December 2014	(266,738)	(95,864)	(443,607)	(62,801)	—	(869,010)
Carrying amount						
As at 31 December 2014	1,044,143	52,743	136,979	24,496	2,045,325	3,303,686

As at 30 June 2015 and 31 December 2014, included in buildings, there is a carrying amount of RMB43,573 thousand and RMB88,890 thousand respectively, for which the Group has yet to obtain the relevant land or building certificates.

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For the six months ended 30 June 2015

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18 OTHER INTANGIBLE ASSETS

	Land-use right	Software and others	Total
Cost			
As at 1 January 2015	359,161	383,683	742,844
Additions	—	30,967	30,967
Disposals	—	(203)	(203)
As at 30 June 2015	359,161	414,447	773,608
Accumulated amortisation			
As at 1 January 2015	(49,340)	(292,293)	(341,633)
Charge for the period	(3,599)	(33,838)	(37,437)
Disposals	—	203	203
As at 30 June 2015	(52,939)	(325,928)	(378,867)
Carrying amount			
As at 30 June 2015	306,222	88,519	394,741
Cost			
As at 1 January 2014	359,161	305,815	664,976
Additions	—	79,835	79,835
Disposals	—	(1,967)	(1,967)
As at 31 December 2014	359,161	383,683	742,844
Accumulated amortisation			
As at 1 January 2014	(42,726)	(240,308)	(283,034)
Charge for the year	(6,614)	(53,952)	(60,566)
Disposals	—	1,967	1,967
As at 31 December 2014	(49,340)	(292,293)	(341,633)
Carrying amount			
As at 31 December 2014	309,821	91,390	401,211

As at 30 June 2015 and 31 December 2014, there is a carrying amount of RMB303,439 thousand and RMB306,409 thousand land-use right being mortgaged for the long-term bank loans (Note 38).

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19 INTEREST IN ASSOCIATES

	As at 30 June 2015	As at 31 December 2014
Share of net assets	2,173,181	1,874,488

The following list contains only the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Registered place	Registered capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
China Southern Asset Management Co., Ltd.	Shenzhen	RMB300,000,000	45.00%	45.00%	—	Fund management
Huatai-PineBridge Fund Management Co., Ltd.	Shanghai	RMB200,000,000	49.00%	49.00%	—	Fund management
Huatai Zijin (Jiangsu) Equity Investment Fund Equity (Limited Partnership)	Nanjing	RMB2,000,000,000	48.25%	—	48.25%	Equity investment

All of the above associates are accounted for using the equity method in the consolidated financial statements.

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19 INTEREST IN ASSOCIATES (continued)

Summarised financial information of the Group's material associates, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

China Southern Asset Management Co., Ltd.

	Six months ended 30 June	
	2015	2014
Gross amounts of the associate:		
Revenue	1,440,780	997,271
Profit for the period	394,665	241,008
Other comprehensive income	79,401	509
Total comprehensive income	474,066	241,517

	As at	As at
	30 June	31 December
	2015	2014
Gross amounts of the associate:		
Assets	5,005,736	4,503,567
Liabilities	(1,664,713)	(1,270,497)
Net assets	3,341,023	3,233,070
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	3,142,917	3,020,720
The Group's effective interest	45.00%	45.00%
Carrying amount in the consolidated financial statements	1,414,313	1,359,324

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19 INTEREST IN ASSOCIATES (continued)

Huatai-PineBridge Fund Management Co., Ltd.

	Six months ended 30 June	
	2015	2014
Gross amounts of the associate:		
Revenue	285,169	149,307
Profit for the period	92,720	35,266
Other comprehensive income	17,899	(1,667)
Total comprehensive income	110,619	33,599
Dividend received from the associate	—	19,600

	As at	As at
	30 June	31 December
	2015	2014
Gross amounts of the associate:		
Assets	720,286	684,627
Liabilities	(112,954)	(187,915)
Net assets	607,332	496,712
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	607,332	496,712
The Group's effective interest	49.00%	49.00%
Carrying amount in the consolidated financial statements	297,592	243,389

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19 INTEREST IN ASSOCIATES (continued)

Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)

	Six months ended 30 June	
	2015	2014
Gross amounts of the associate:		
Revenue	13,168	26,160
(Loss)/profit for the period	(7,251)	5,954
Other comprehensive income	—	—
Total comprehensive income	(7,251)	5,954

	As at	As at
	30 June	31 December
	2015	2014
Gross amounts of the associate:		
Assets	893,951	522,202
Liabilities	—	(21,000)
Net assets	893,951	501,202
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	893,951	501,202
The Group's effective interest	48.25%	48.25%
The Group's share of net assets of the associate	431,331	241,830
Other adjustment	14,694	14,694
Carrying amount in the consolidated financial statements	446,025	256,524

Aggregate information of associates that are not individually material:

	Six months ended 30 June	
	2015	2014
Aggregate amounts of the Group's share of those associates' gains	551	—
Other comprehensive income	—	—
Total comprehensive income	551	—

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19 INTEREST IN ASSOCIATES (continued)

Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership) (continued)

Aggregate information of associates that are not individually material: (continued)

	As at 30 June 2015	As at 31 December 2014
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	15,251	15,251

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current

	As at 30 June 2015	As at 31 December 2014
At fair value:		
– Equity securities	7,382,081	4,485,675
– Debt securities	239,865	242,031
– Funds	4,206	2,760
– Wealth management products	61,743	106,354
At cost:		
– Equity securities	81,640	138,010
Less: Impairment losses	(5,716)	(5,716)
Total	7,763,819	4,969,114
Analysed as:		
Listed outside Hong Kong	927,009	244,791
Unlisted	6,836,810	4,724,323
Total	7,763,819	4,969,114

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20 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Current

	As at 30 June 2015	As at 31 December 2014
At fair value:		
– Equity securities	1,726,382	609,368
– Debt securities	271,580	149,310
– Funds	467,070	339,671
– Wealth management products	1,118,395	3,210,376
Less: Impairment losses	(1,691)	(1,691)
Total	3,581,736	4,307,034
Analysed as:		
Listed outside Hong Kong	1,875,998	942,273
Unlisted	1,705,738	3,364,761
Total	3,581,736	4,307,034

As at 30 June 2015 and 31 December 2014, the fund investments with lock-up periods held by the Group are RMB4,206 thousand and RMB2,760 thousand respectively. The fair values of these funds have taken into account the relevant features including the restrictions.

As at 30 June 2015 and 31 December 2014, the non-current listed equity securities held by the Group included approximately RMB682,938 thousand and nil of restricted shares, respectively. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.

The equity interest in unlisted securities held by the Group are issued by private companies. As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that for those of which the fair value cannot be measured reliably, the value of the securities is measured at cost less impairment at the reporting date. And for the fair value of those equity which can be measured reliably, the value of the securities is measured by comparing with comparable companies that are listed and in the same sector.

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20 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

In the opinion of the directors of the Company, non-current available-for-sale investments are expected to be realised or restricted for sale beyond one year from the end of the respective reporting periods. The fair value of the Group's investments in unlisted funds, which mainly invest in publicly traded equities listed in the PRC, are valued based on the net asset values of the funds calculated by the respective fund managers by reference to their underlying assets and liabilities' fair values.

The fair value of the Group's investments in equity securities without restriction, exchange-listed funds and debt securities are determined with reference to their quoted prices as at reporting date.

As at 30 June 2015 and 31 December 2014, the Company has entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale investments with total fair value of RMB8,621 thousand and RMB7,865 thousand to external clients, respectively, which did not result in derecognition of the financial assets. The fair value of collaterals for the securities lending business is analysed in Note 26(b) together with the fair value of collaterals of margin financing business.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Non-current

	As at 30 June 2015	As at 31 December 2014
Financial assets designated at fair value through profit or loss:		
– Wealth management products	1,061,111	—
Analysed as:		
– Unlisted	1,061,111	—

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21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Current

	As at 30 June 2015	As at 31 December 2014
Financial assets held for trading:		
– Debt securities	39,557,354	34,486,848
– Equity securities	20,650,432	8,360,220
– Funds	22,497,529	12,186,905
– Wealth management products	1,130,766	965,985
Total	83,836,081	55,999,958
Analysed as:		
– Listed outside Hong Kong	38,293,210	24,651,355
– Listed in Hong Kong	1,013,627	421,183
– Unlisted	44,529,244	30,927,420
Total	83,836,081	55,999,958

As at 30 June 2015 and 31 December 2014, the Company has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss with total fair value of RMB324,559 thousand and RMB1,049,762 thousand to external clients, respectively, which did not result in derecognition of the financial assets. The fair value of collaterals for the securities lending business is analysed in Note 26(b) together with the fair value of collaterals of margin financing business.

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22 DEFERRED TAXATION

- (a) The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements are as follows:

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments at fair value through profit or loss	Changes in fair value of derivative financial instruments	Changes in fair value of available-for-sale financial assets	Others	Total
As at 1 January 2015	104,440	200,680	(384,347)	222,021	(605,326)	40,236	(422,296)
Recognised in profit or loss	(1,710)	68,563	17,697	(48,008)	—	(62,009)	(25,467)
Recognised in reserves	—	—	—	—	(397,854)	—	(397,854)
As at 30 June 2015	102,730	269,243	(366,650)	174,013	(1,003,180)	(21,773)	(845,617)
As at 1 January 2014	111,384	51,027	110,456	(2,586)	(141,037)	75,817	205,061
Recognised in profit or loss	(6,944)	149,653	(494,803)	224,607	—	(35,581)	(163,068)
Recognised in reserves	—	—	—	—	(464,289)	—	(464,289)
As at 31 December 2014	104,440	200,680	(384,347)	222,021	(605,326)	40,236	(422,296)

- (b) Reconciliation to the statements of financial position

	As at 30 June 2015	As at 31 December 2014
Net deferred tax assets recognised in the statement of financial position	191,758	178,878
Net deferred tax liabilities recognised in the statement of financial position	(1,037,375)	(601,174)
Total	(845,617)	(422,296)

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22 DEFERRED TAXATION (continued)

(c) Recognised in other comprehensive income:

	Six months ended 30 June 2015		
	Before tax	Tax (expense)/ benefit	Net of tax
Available-for-sale financial assets			
— Net changes in fair value	2,058,358	(405,119)	1,653,239
— Reclassified to profit or loss	(22,357)	7,265	(15,092)
Share of other comprehensive income of associates	43,189	—	43,189
Exchange differences on translation of financial statements in foreign currencies	3,217	—	3,217
Total	2,082,407	(397,854)	1,684,553

	Six months ended 30 June 2014		
	Before tax	Tax (expense)/ benefit	Net of tax
Available-for-sale financial assets			
— Net changes in fair value	(12,322)	3,081	(9,241)
— Reclassified to profit or loss	(10,346)	2,586	(7,760)
Share of other comprehensive income of associates	(166)	—	(166)
Exchange differences on translation of financial statements in foreign currencies	5,302	—	5,302
Total	(17,532)	5,667	(11,865)

(d) Deferred tax assets not recognised

As at 30 June 2015 and 31 December 2014, the Group has not recognised deferred tax assets in respect of cumulative tax losses of nil and RMB4,068 thousand respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

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23 OTHER NON-CURRENT ASSETS

(a) Analysed by nature:

	As at 30 June 2015	As at 31 December 2014
Leasehold improvements and long-term deferred expenses	90,801	108,854

(b) The movements of leasehold improvements and long-term deferred expenses are as below:

	As at 30 June 2015	As at 31 December 2014
Balance at beginning of the period	108,854	164,583
Additions	8,088	14,381
Transfer in from property and equipment (Note 17)	936	12,602
Amortisation	(27,077)	(82,712)
Balance at end of the period	90,801	108,854

24 ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 30 June 2015	As at 31 December 2014
Accounts receivable of:		
– Settlement	961,486	2,642
– Brokers, dealers and clearing house	256,122	244,162
– Fee and commission	215,081	103,487
– Receivable from commodity trading	165,839	–
– Others	80,506	12,760
Less: Provision for impairment losses	(1,219)	(398)
Total	1,677,815	362,653

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

24 ACCOUNTS RECEIVABLE (continued)

(b) Analysed by aging:

The aging analysis of accounts receivable, based on the trade date, is as follows:

	As at 30 June 2015	As at 31 December 2014
Within 1 month	1,375,603	249,564
1 to 3 months	276,096	110,387
Over 3 months	26,116	2,702
Total	1,677,815	362,653

(c) Analysis of the movement of provision for impairment losses:

	As at 30 June 2015	As at 31 December 2014
At the beginning of the period	398	55
Charge for the period	821	343
At the end of the period	1,219	398

(d) Accounts receivable that is not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

25 OTHER RECEIVABLES AND PREPAYMENTS

(a) Analysed by nature:

	As at 30 June 2015	As at 31 December 2014
Interest receivable	2,897,492	1,751,677
Other receivables ⁽¹⁾	714,017	530,765
Dividend receivable	135,000	—
Prepayments	110,055	63,520
Deferred expenses	29,130	32,464
Others	112,421	83,567
Less: Impairment on other receivables and prepayments	(397,109)	(404,773)
Total	3,601,006	2,057,220

(1) The balance of other receivables mainly represents the amount due from non-controlling shareholders of Huatai United Securities Co., Ltd., receivables from securities investor protection fund and sundry receivables arising from normal course of business.

(b) Analysis of the movement of provision for impairment losses:

	As at 30 June 2015	As at 31 December 2014
At the beginning of the period	404,773	396,656
Charge for the period	2,329	22,714
Amounts written-off	(4,481)	—
Recovery of receivables written off in previous years	—	18
Reversal of impairment	(5,512)	(14,615)
At the end of the period	397,109	404,773

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

26 MARGIN ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 30 June 2015	As at 31 December 2014
Individuals	111,256,872	61,180,200
Institutions	3,421,119	3,456,539
Total	114,677,991	64,636,739

(b) The fair value of collaterals for margin financing and securities lending business is analysed as the followings:

	As at 30 June 2015	As at 31 December 2014
Fair value of collaterals:		
– Equity securities	309,072,606	154,450,637
– Cash	29,518,372	9,829,634
– Funds	4,038,510	1,852,966
– Debt securities	22,873	69,168
Total	342,652,361	166,202,405

The Group evaluates the collectability of receivable from margin clients based on management's assessment on the credit rating, collateral value and the past collection history of each margin client. As at 30 June 2015 and 31 December 2014, no provision for impairment losses was made on receivable from margin clients of the Group.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

27 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2015		
	Notional amount	Fair Value	
		Assets	Liabilities
Interest rate derivatives	22,970,058	27,314	(132,947)
– Treasury futures	155,288	213	–
– Interest rate swap contracts	22,814,770	27,101	(132,947)
Currency derivatives	245,688	960	(818)
– Currency swaps	245,688	960	(818)
Equity derivatives	20,982,008	1,154,851	(1,222,135)
– Stock index futures	11,567,243	865,672	(119)
– Equity return swaps	8,657,464	273,647	(1,191,944)
– Exchange-traded options	678,351	15,532	(29,351)
– Over-the-counter options	78,950	–	(721)
Credit derivatives	245,688	567	(2,837)
– Credit default swaps	245,688	567	(2,837)
Others	15,815,191	1,486	(523,682)
– Commodity futures	13,416	1,486	(261)
– Forward contracts	15,801,775	–	(523,421)
Total	<u>60,258,633</u>	1,185,178	(1,882,419)
Less: settlement		(867,371)	39,944
Net position		317,807	(1,842,475)

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

27 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	As at 31 December 2014		
	Notional amount	Fair Value	
		Assets	Liabilities
Interest rate derivatives	14,914,052	71,474	(49,250)
– Treasury futures	57,933	–	(90)
– Interest rate swap contracts	14,856,119	71,474	(49,160)
Equity derivatives	10,820,956	3,482	(911,738)
– Stock index futures	6,768,393	–	(230,155)
– Equity return swaps	3,941,640	3,407	(681,564)
– Exchange-traded options	10,923	75	(19)
– Over-the-counter options	100,000	–	–
Others	249,871	4,602	–
– Commodity futures	249,871	4,602	–
Total	<u>25,984,879</u>	79,558	(960,988)
Less: settlement		(58,743)	230,245
Net position		<u>20,815</u>	<u>(730,743)</u>

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settled in Shanghai Clearing House, stock index futures, treasury futures and certain commodity futures traded through Huatai Futures Co. Ltd., were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net position of the above contracts was nil as at 30 June 2015 and 31 December 2014.

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(Expressed in thousands of Renminbi, unless otherwise stated)

28 CLEARING SETTLEMENT FUNDS

	As at 30 June 2015	As at 31 December 2014
Deposits with stock exchanges		
– China Securities Depository and Clearing Corporation Limited	1,963,399	540,747
Deposits with other institutions		
– Shanghai Gold Exchange	593	–
– Others	9,026	3,508
Total	1,973,018	544,255

29 CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified its brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statements of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that it is liable for any loss or misappropriation of its brokerage clients' monies. In the PRC, cash held on behalf of brokerage clients for their transaction and settlement funds is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

30 CASH AND BANK BALANCES

	As at 30 June 2015	As at 31 December 2014
Cash on hand	526	542
Bank balances	114,771,816	36,001,085
Total	114,772,342	36,001,627

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

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31 CASH AND CASH EQUIVALENTS

	As at 30 June 2015	As at 30 June 2014
Cash on hand	526	866
Bank balances	114,771,816	22,688,749
Clearing settlement funds	1,973,018	680,705
Financial assets held under resale agreements within 3 months original maturity	4,067,100	706,600
Less: restricted bank deposits	(9,267,097)	(1,294,382)
Total	111,545,363	22,782,538

The restricted bank deposits include bank deposits with original maturity of over three months held by the Group and risk reserve deposits.

32 SHORT-TERM DEBT INSTRUMENTS ISSUED

	Nominal interest rate	Book value as at		Book value as at	
		1 January 2015	Increase	Decrease	30 June 2015
Short-term commercial papers ⁽¹⁾	4.80%	8,500,000	11,000,000	(16,500,000)	3,000,000
Short-term corporate bonds ⁽²⁾	6.00%	7,000,000	—	—	7,000,000
Short-term subordinated bonds ⁽³⁾	5.10%–6.15%	7,000,000	2,995,237	(3,000,000)	6,995,237
Structured notes ⁽⁴⁾	3.00%–6.20%	2,287,070	14,130,580	(9,043,063)	7,374,587
Total		24,787,070	28,125,817	(28,543,063)	24,369,824

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

32 SHORT-TERM DEBT INSTRUMENTS ISSUED (continued)

	Nominal interest rate	Book value as at 1 January 2014	Increase	Decrease	Book value as at 30 June 2014
Short-term commercial papers ⁽¹⁾	4.15%–6.35%	8,000,000	35,300,000	(34,800,000)	8,500,000
Short-term corporate bonds ⁽²⁾	6.00%	—	7,000,000	—	7,000,000
Short-term subordinated bonds ⁽³⁾	5.10%–5.95%	—	7,000,000	—	7,000,000
Structured notes ⁽⁴⁾	5.50%–9.00%	—	2,320,070	(33,000)	2,287,070
Total		8,000,000	51,620,070	(34,833,000)	24,787,070

(1) As approved by PBOC pursuant to the Approval for the Issuance of Short-term Commercial Papers by Huatai Securities Co., Ltd. (Yin Fa [2014] No.112), the Company was entitled to issue short-term commercial papers within the balance of RMB12.1 billion. The approval is valid within 1 year.

(2) As approved by CSRC pursuant to the Approval for the Issuance of Short-term Corporate Bonds by Huatai Securities Co., Ltd., the Company issued one tranche of short-term corporate bond in 2014, bearing interest rate at 6.00% per annum, repayable within 1 year.

(3) As approved by the Board, the Company was entitled to issue subordinated bonds. Subordinated bonds repayable more than 1 year are disclosed in Note 37.

(4) For the six months ended 30 June 2015, the Company issued 56 tranches of structured notes, bearing fixed interest rate ranging from 3.00% to 6.20% per annum or variable rate linked to certain stock index, repayable within 1 year. For the year ended 31 December 2014, the Company issued 16 tranches of structured notes, bearing fixed interest rate ranging from 5.50% to 9.00% per annum or variable rate linked to certain stock index, repayable within 1 year. The notes with variable rate contain non-closely related derivative as their returns are linked to the fluctuation of stock index. For those embedded derivatives, they are disclosed in Note 27 after being bifurcated from their respective host contracts. Structured notes repayable more than 1 year are disclosed in Note 37.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

33 PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	Note	As at 30 June 2015	As at 31 December 2014
Placements from China Securities Finance Co., Ltd.	(1)	1,500,000	1,500,000
Interbank lending	(2)	1,900,000	—
Total		3,400,000	1,500,000

(1) As at 30 June 2015 and 31 December 2014, the placements from China Securities Finance Co., Ltd. are unsecured and bear interest rate at 6.30% and 5.80% per annum respectively, with original maturities within 182 days and 182 days respectively.

(2) As at 30 June 2015, the interbank lending is unsecured and bears interest rate ranging from 2.95% to 3.61% per annum, with original maturities within 7 days.

34 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at 30 June 2015	As at 31 December 2014
Clients' deposits for margin financing and securities lending	29,518,372	9,829,634
Clients' deposits for other brokerage business	175,620,904	60,398,771
Total	205,139,276	70,228,405

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and at clearing houses by the Group. Accounts payable to brokerage clients are interest bearing at the prevailing interest rate.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage clients represent monies received from clients for their margin financing activities under normal course of business, such as margin financing and securities lending. 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 in view of the nature of these businesses.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

35 OTHER PAYABLES AND ACCRUALS

	As at 30 June 2015	As at 31 December 2014
Payables to interest holders of consolidated structured entities	98,615,257	49,903,536
Payable for equity return swaps	2,711,860	920,482
Interest payable	1,821,595	1,025,327
Business tax and other tax payable	1,418,827	1,071,259
Payable for office building construction	881,350	681,766
Dividend to be converted to the investment capital of consolidated structured entities	548,803	236,682
Redemption payables	495,237	—
Payable for commodity trading	307,058	—
Payable to brokerage agents	210,446	24,572
Futures risk reserve	86,964	80,169
Payable to the securities investors protection fund	81,310	39,182
Settlement payables	72,314	36,639
Payable to open-ended funds	—	2,409,018
Others ⁽¹⁾	785,409	373,687
Total	108,036,430	56,802,319

(1) The balance of others mainly represents listing expenses payable, payable to the joint bonds underwriter, and sundry payables arising from normal course of business.

Notes to the Unaudited Consolidated Financial Statements

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36 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2015	As at 31 December 2014
Financial liabilities held for trading		
– Equity securities	27,674	9,245
– Gold leasing	15,551,619	—
Financial liabilities designated at fair value through profit or loss:		
– Structured entities	9,248	—
Total	15,588,541	9,245

In the consolidated financial statements, the financial liabilities arising from consolidation of structured entities are designated at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors upon maturity dates of the structured entities based on net book value and related terms of those consolidated asset management schemes.

Notes to the Unaudited Consolidated Financial Statements

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37 LONG-TERM BONDS

As at 30 June 2015

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
13 HUATAI 01 ⁽¹⁾	RMB4,000,000	05/06/2013	05/06/2018	RMB4,000,000	4.68%
13 HUATAI 02 ⁽¹⁾	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
14 HUATAI 02 ⁽²⁾	RMB3,000,000	18/04/2014	21/04/2016	RMB3,000,000	6.15%
14 HUATAI 03 ⁽³⁾	RMB2,000,000	26/09/2014	29/09/2017	RMB2,000,000	5.70%
14 HUATAI 04 ⁽³⁾	RMB4,000,000	26/09/2014	29/09/2018	RMB4,000,000	5.90%
15 HUATAI 01 ⁽⁴⁾	RMB6,000,000	22/01/2015	23/01/2017	RMB6,000,000	5.90%
15 HUATAI 02 ⁽⁵⁾	RMB7,000,000	20/04/2015	21/04/2017	RMB7,000,000	5.60%
15 HUATAI 03 ⁽⁵⁾	RMB5,000,000	20/04/2015	21/04/2020	RMB5,000,000	5.80%
15 HUATAI 04 ⁽⁶⁾	RMB18,000,000	26/06/2015	26/06/2017	RMB18,000,000	5.50%
15 HUATAI G1 ⁽⁷⁾	RMB6,600,000	29/06/2015	29/06/2018	RMB6,600,000	4.20%
HUATAI B1910 ⁽⁸⁾	US\$400,000	08/10/2014	08/10/2019	US\$399,656	3.625%
HengYi 15402 ⁽⁹⁾	RMB5,200,000	25/06/2015	21/06/2017	RMB5,200,000	5.60%
HengYi 15403 ⁽⁹⁾	RMB300,000	25/06/2015	21/06/2017	RMB300,000	5.60%
HengYi 15404 ⁽⁹⁾	RMB300,000	25/06/2015	07/12/2016	RMB300,000	5.20%
HengYi 15405 ⁽⁹⁾	RMB300,000	25/06/2015	21/06/2017	RMB300,000	5.60%
HengYi 15406 ⁽⁹⁾	RMB200,000	25/06/2015	21/06/2017	RMB200,000	5.60%
HengYi 15407 ⁽⁹⁾	RMB200,000	25/06/2015	21/06/2017	RMB200,000	5.60%
HengYi 15408 ⁽⁹⁾	RMB200,000	25/06/2015	21/06/2017	RMB200,000	5.60%
HengYi 15409 ⁽⁹⁾	RMB500,000	30/06/2015	30/05/2017	RMB500,000	5.60%
HengYi 15410 ⁽⁹⁾	RMB300,000	25/06/2015	25/05/2017	RMB300,000	5.50%
HengYi 15411 ⁽⁹⁾	RMB1,500,000	29/06/2015	29/05/2017	RMB1,500,000	5.60%
HengYi 15219 ⁽⁹⁾	RMB900,000	30/06/2015	29/06/2017	RMB900,000	5.50%

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37 LONG-TERM BONDS (continued)

Name	Book value		Amount of		Book value
	as at 1 January		amortization		as at
	2015	Increase		Decrease	30 June
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
13 HUATAI 01 ⁽¹⁾	3,994,117	—	713	—	3,994,830
13 HUATAI 02 ⁽¹⁾	5,988,198	—	1,259	—	5,989,457
14 HUATAI 02 ⁽²⁾	2,992,295	—	2,942	(2,995,237)	—
14 HUATAI 03 ⁽³⁾	2,000,000	—	—	—	2,000,000
14 HUATAI 04 ⁽³⁾	4,000,000	—	—	—	4,000,000
15 HUATAI 01 ⁽⁴⁾	—	6,000,000	—	—	6,000,000
15 HUATAI 02 ⁽⁵⁾	—	7,000,000	—	—	7,000,000
15 HUATAI 03 ⁽⁵⁾	—	5,000,000	—	—	5,000,000
15 HUATAI 04 ⁽⁶⁾	—	18,000,000	—	—	18,000,000
15 HUATAI G1 ⁽⁷⁾	—	6,600,000	—	—	6,600,000
HUATAI B1910 ⁽⁸⁾	2,370,714	73,065	—	—	2,443,779
HengYi 15402 ⁽⁹⁾	—	5,200,000	—	—	5,200,000
HengYi 15403 ⁽⁹⁾	—	300,000	—	—	300,000
HengYi 15404 ⁽⁹⁾	—	300,000	—	—	300,000
HengYi 15405 ⁽⁹⁾	—	300,000	—	—	300,000
HengYi 15406 ⁽⁹⁾	—	200,000	—	—	200,000
HengYi 15407 ⁽⁹⁾	—	200,000	—	—	200,000
HengYi 15408 ⁽⁹⁾	—	200,000	—	—	200,000
HengYi 15409 ⁽⁹⁾	—	500,000	—	—	500,000
HengYi 15410 ⁽⁹⁾	—	300,000	—	—	300,000
HengYi 15411 ⁽⁹⁾	—	1,500,000	—	—	1,500,000
HengYi 15219 ⁽⁹⁾	—	900,000	—	—	900,000
Total	21,345,324	52,573,065	4,914	(2,995,237)	70,928,066

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37 LONG-TERM BONDS (continued)

As at 31 December 2014

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
13 HUATAI 01 ⁽¹⁾	RMB4,000,000	05/06/2013	05/06/2018	RMB4,000,000	4.68%
13 HUATAI 02 ⁽¹⁾	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
14 HUATAI 02 ⁽²⁾	RMB3,000,000	18/04/2014	21/04/2016	RMB3,000,000	6.15%
14 HUATAI 03 ⁽³⁾	RMB2,000,000	26/09/2014	29/09/2017	RMB2,000,000	5.70%
14 HUATAI 04 ⁽³⁾	RMB4,000,000	26/09/2014	29/09/2018	RMB4,000,000	5.90%
HUATAI B1910 ⁽⁶⁾	US\$390,000	08/10/2014	08/10/2019	US\$389,665	3.625%

Name	Book value as at 1 January 2014 RMB equivalent	Increase RMB equivalent	Amount of amortization RMB equivalent	Decrease RMB equivalent	Book value as at 31 December 2014 RMB equivalent
13 HUATAI 01 ⁽¹⁾	3,992,473	—	1,644	—	3,994,117
13 HUATAI 02 ⁽¹⁾	5,987,631	—	567	—	5,988,198
14 HUATAI 02 ⁽²⁾	—	2,988,375	3,920	—	2,992,295
14 HUATAI 03 ⁽³⁾	—	2,000,000	—	—	2,000,000
14 HUATAI 04 ⁽³⁾	—	4,000,000	—	—	4,000,000
HUATAI B1910 ⁽⁶⁾	—	2,369,976	738	—	2,370,714
Total	9,980,104	11,358,351	6,869	—	21,345,324

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37 LONG-TERM BONDS (continued)

- (1) As approved by CSRC, the Company issued 5-year corporate bond amounting to RMB4 billion and 10-year corporate bond amounting to RMB6 billion on 5 June 2013. These two tranches of corporate bonds were listed in the Shanghai Stock Exchange on 17 July 2013.
- (2) As approved by the Board, the Company issued 2-year subordinated bond amounting to RMB3 billion on 18 April 2014. As at 30 June 2015, the subordinated bond of RMB2,995,237 thousand was reclassified as short-term subordinated bond (Note 32).
- (3) As approved by the Board, the Company issued 3-year subordinated bond amounting to RMB2 billion and 4-year subordinated bond amounting to RMB4 billion on 26 September 2014. The Company has the option to redeem the 3-year subordinated bond at the end of the first year since its issuance and redeem the 4-year subordinated bond at the end of the second year since its issuance.
- (4) As approved by the Board, the Company issued 2-year subordinated bond amounting to RMB6 billion on 22 January 2015.
- (5) As approved by the Board, the Company issued 2-year subordinated bond amounting to RMB7 billion and 5-year subordinated bond amounting to RMB5 billion on 20 April 2015. The Company has the option to redeem the 2-year subordinated bond at the end of the first year since its issuance and redeem the 5-year subordinated bond at the end of the third year since its issuance.
- (6) As approved by the Board, the Company issued 2-year subordinated bond amounting to RMB18 billion on 26 June 2015.
- (7) As approved by CSRC, the Company issued 3-year corporate bond amounting to RMB6.6 billion. This corporate bond has been listed in the Shanghai Stock Exchange since 29 June 2015.
- (8) Huatai International Finance I Limited, the Company's Hong Kong subsidiary, issued a 5-year bond with a face value of USD0.4 billion on 8 October 2014 which the Group held USD0.01 billion bond as at 31 December 2014 and then disposed in 2015. The bond was guaranteed by Bank of China Limited. The Company provided counter-guarantee to Bank of China Limited.
- (9) For the six months ended 30 June 2015, the Company issued 11 tranches of structured notes, bearing interest rate ranging from 5.20% to 5.60% per annum, repayable beyond 1 year.

38 LONG-TERM BANK LOANS

The long-term bank loans were secured as follows:

	As at 30 June 2015	As at 31 December 2014
Secured bank loans	367,095	138,658

At 30 June 2015 and 31 December 2014, the credit facility, amounting to RMB500,000 thousand, granted to the Company was secured by mortgage over its land-use right. The facilities were utilised to the extent of RMB367,095 thousand and RMB138,658 thousand respectively, bearing interest rate at 5.25% per annum, repayable within 5 years.

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39 OTHER NON-CURRENT LIABILITIES

	As at 30 June 2015	As at 31 December 2014
Payable of net assets attributable to other limited partners in private equity funds	2,593,561	843,786
Payable for equity return swaps	516,322	822,000
Total	3,109,883	1,665,786

40 SHARE CAPITAL

Share capital of the Group is as follows:

	As at 30 June 2015		As at 31 December 2014	
	Number of Shares (Thousand)	Nominal Value	Number of Shares (Thousand)	Nominal Value
Registered, issued and fully paid:				
A shares of RMB1 each	5,443,723	5,443,723	5,600,000	5,600,000
H shares of RMB1 each	1,719,046	1,719,046	—	—
Total	7,162,769	7,162,769	5,600,000	5,600,000

On 1 June 2015, the Company completed its initial public offering of 1,400,000,000 H shares on the Main Board of the Hong Kong Stock Exchange. On 19 June 2015, the Company partially exercised the over-allotment option and issued 162,768,800 H shares.

According to the relevant requirements of PRC regulators, existing shareholder of the state-owned shares of the Company have transferred an aggregate number of 156,276,880 state-owned shares of the Company to the National Social Security Fund of the PRC, and such shares were then converted into H shares on a one-for-one basis.

The H shares rank pari passu in all respects with the existing A shares including the right to receive all dividends and distributions declared or made.

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For the six months ended 30 June 2015

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41 RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

The Company was listed on the Main Board of the Hong Kong Stock Exchange on 1 June 2015. The excess of the proceeds over the nominal value of the total number of ordinary shares issued which amounted to RMB28,603,742 thousand was credited to the capital reserve, net of offering expenses (of which the inter-group transactions were eliminated on consolidation) of RMB428,244 thousand.

(b) Surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of the company provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

(c) General reserve

General reserve includes general risk reserve and transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No.320) issued on 18 December 2007, the Company appropriates 10% of its annual net profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No.320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% from its annual net profit to the transaction risk reserve.

The Company's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

Notes to the Unaudited Consolidated Financial Statements

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(Expressed in thousands of Renminbi, unless otherwise stated)

41 RESERVES (continued)

(d) Fair value reserve

The fair value reserve comprises the cumulative net changes in fair values of available-for-sale financial assets until the assets are derecognised or impaired.

(e) Translation reserve

The translation reserve mainly comprises foreign currency differences arising from the translation of the financial statements of foreign currencies.

42 RETAINED PROFITS

Pursuant to the resolution of the general meeting of the shareholders dated 30 March 2015, the Company was approved to distribute cash dividends of RMB5.00 (tax inclusive) per 10 A Shares to our existing holders of A Shares, with total cash dividends amounting to RMB2,800,000 thousand.

43 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding as at 30 June 2015 and 31 December 2014 not provided for in the financial statements were as follows:

	As at 30 June 2015	As at 31 December 2014
Contracted, but not provided for	1,908,549	2,428,227

The above-mentioned capital commitments mainly represent the construction of properties of the Group, as well as the investment commitments on the subsidiaries and private equity funds.

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(Expressed in thousands of Renminbi, unless otherwise stated)

43 COMMITMENTS (continued)

(b) Operating lease commitments

As at 30 June 2015 and 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2015	As at 31 December 2014
Within 1 year (inclusive)	181,432	182,742
1–2 years (inclusive)	147,749	124,132
2–3 years (inclusive)	44,548	67,273
After 3 years	37,957	42,887
Total	411,686	417,034

44 INTERESTS IN STRUCTURED ENTITIES

(a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group stand for the asset management schemes where the Group involves as manager or investment consultant and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management product to a level of such significance that it indicates that the Group is a principal.

As at 30 June 2015 and 31 December 2014, the total assets of the consolidated asset management schemes are RMB104,098,130 thousand and RMB55,318,894 thousand respectively, and the carrying amount of interests held by the Group in the consolidated asset management schemes are RMB4,584,737 thousand and RMB3,746,451 thousand respectively.

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(Expressed in thousands of Renminbi, unless otherwise stated)

44 INTERESTS IN STRUCTURED ENTITIES (continued)

(b) Structured entities sponsored by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest include funds, asset management schemes, trust schemes, and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 30 June 2015 and 31 December 2014, which are listed as below:

	As at 30 June 2015		
	Available- for-sale financial assets	Financial assets at fair value through profit or loss	Total
Carrying amount of interests held by the Group			
— Funds	471,276	22,497,529	22,968,805
— Asset management schemes	—	—	—
— Trust schemes	76,875	—	76,875
— Wealth management products	953,891	1,997,197	2,951,088
Total	1,502,042	24,494,726	25,996,768

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For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

44 INTERESTS IN STRUCTURED ENTITIES (continued)

(b) Structured entities sponsored by third party institutions in which the Group holds an interest (continued)

	As at 31 December 2014		Total
	Available- for-sale financial assets	Financial assets at fair value through profit or loss	
Carrying amount of interests held by the Group			
– Funds	342,430	12,186,905	12,529,335
– Asset management schemes	40,000	–	40,000
– Trust schemes	1,391,787	–	1,391,787
– Wealth management products	1,667,688	746,977	2,414,665
Total	3,441,905	12,933,882	16,375,787

The maximum exposure to loss for funds, asset management schemes, trust schemes and wealth management products is the fair value as at 30 June 2015 and 31 December 2014.

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in

Structured entities for which the Group served as general partner or manager, therefore has power over them are asset management schemes. Except for the structured entities that the Group has consolidated as set out in Note 44(a), the Group's exposure to the variable returns in the structured entities in which the Group has interest are not significant. The Group therefore did not consolidate these structured entities.

As at 30 June 2015 and 31 December 2014, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB441,318,970 thousand and RMB298,342,110 thousand respectively.

Investments and income derived from these unconsolidated structured entities held by the Group were not significant.

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For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

45 CONTINGENCIES

As at 30 June 2015 and 31 December 2014, the Group was not involved in any material legal, arbitration or administrative proceedings, that if adversely determined, the Group expect would materially adversely affect its financial position or results of operations.

46 RELATED PARTY TRANSACTIONS

(a) Major shareholders

Major shareholders include shareholders of the Company with 5% or above ownership.

Share percentage in the Company:

	As at 30 June 2015	As at 31 December 2014
Jiangsu Guoxin Investment Group Limited	17.46%	23.89%
Jiangsu Communications Holding Company Limited	5.57%	6.99%
Govtor Capital Group Co., Ltd	4.78%	6.43%
Jiangsu SOHO Holdings Group Co., Ltd.	3.74%	5.22%

(i) Transactions with major shareholders:

	Six months ended 30 June	
	2015	2014
Fee and commission income	2,002	252
Rental expenses	—	1,138

(ii) Balances with major shareholders:

	As at 30 June 2015	As at 31 December 2014
Accounts payable to brokerage clients	24,848	22,398
Other current liabilities and accruals	3,211	3,211

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For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

46 RELATED PARTY TRANSACTIONS (continued)

(b) Other related parties

Other related parties can be individuals or enterprises, which include: the Company's associates, and close family members of the Board of Directors, the Board of Supervisors and senior management.

(i) Transactions with other related parties:

	Six months ended 30 June	
	2015	2014
Investment in collective asset management scheme	301,643	—
Capital injection in associates	193,000	—
(Disposal of)/investment in financial assets		
at fair value through profit or loss	(1,731,943)	2,660
(Disposal of)/investment in available-for-sale financial assets	(35,000)	25,081
Gains/(losses) from disposal of financial assets		
at fair value through profit or loss	250,146	(14,717)
Gains from disposal of available-for-sale financial assets	1,771	—
Fee and commission income	74,484	29,859
Dividend received	7,220	21,280
Rental income	602	552

(ii) Balances with other related parties:

	As at	As at
	30 June	31 December
	2015	2014
Financial assets at fair value through profit or loss	542,835	2,400,811
Payables to interest holders of consolidated structured entities	303,743	—
Dividend receivable	135,412	—
Accounts receivable	37,224	14,176
Accounts payable to brokerage clients	22	15
Available-for-sale financial assets	—	36,595

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(Expressed in thousands of Renminbi, unless otherwise stated)

46 RELATED PARTY TRANSACTIONS (continued)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, is as follows:

	Six months ended 30 June	
	2015	2014
Short-term employee benefits		
— Fees, salaries, allowances and bonuses	13,640	16,987
Post-employment benefits		
— Contribution to pension scheme	253	214
Total	13,893	17,201

Total remuneration is included in “staff costs” (see Note 11).

47 SEGMENT REPORTING

Management manages the business operations by the following segments in accordance with the nature of the operations and the services provided:

- Brokerage and wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of clients, and also selling securities products and services to institutional investor clients and providing professional research services to facilitate their investment decisions. Moreover, the activities of providing margin financing, securities lending, securities-backed lending, stock repurchases and sell financial products are included in this segment.
- Investment banking segment provides investment banking services to the Group’s corporate clients, including financial advisory, equity underwriting and debt underwriting as well as National Equities Exchange and Quotations and regional equity exchange-related services.

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For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

47 SEGMENT REPORTING (continued)

- Asset management segment manages the developing of asset management products and services based on the asset scale and clients' needs, provides traditional asset management services, and operates private equity asset management business through wholly-owned subsidiaries.
- Investment and trading segment engages in trading equity securities, fixed-income securities, derivatives, commodities and other financial products for own account for the objective of achieving investment income, developing and issuing Over-the Counter ("OTC") financial products, and trading with counterparties over the counter.
- Overseas business and others segment includes the overseas business of Hong Kong subsidiaries and other operations of head office, including interest income and interest expense incurred for general working capital purpose.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

47 SEGMENT REPORTING (continued)

(a) Business segments

For the six months ended 30 June 2015

	Brokerage and wealth management	Investment banking	Asset management	Investment and trading	Overseas business and others	Segment total
Revenue						
– External	15,606,986	739,841	954,967	2,964,977	616,354	20,883,125
– Inter-segment	367	–	–	–	–	367
Other income and gains	47,446	5,362	1,667	589	350,394	405,458
Segment revenue and other income	15,654,799	745,203	956,634	2,965,566	966,748	21,288,950
Segment expenses	(8,657,598)	(459,200)	(254,891)	(1,024,211)	(2,256,681)	(12,652,581)
Segment operating profit/(loss)	6,997,201	286,003	701,743	1,941,355	(1,289,933)	8,636,369
Share of (loss)/profit of associates	–	–	(3,498)	–	201,002	197,504
Profit/(loss) before income tax	6,997,201	286,003	698,245	1,941,355	(1,088,931)	8,833,873
Interest income	5,607,936	63,517	555,367	19,725	206,101	6,452,646
Interest expenses	(2,211,813)	–	(65,176)	(333,951)	(1,072,375)	(3,683,315)
Depreciation and amortisation (provision for)/Reversal of impairment losses	(62,952)	(6,124)	(749)	(2,339)	(81,215)	(153,379)
Additions to non-current segment assets during the period	23,765	1,806	824	1,482	549,919	577,796
As at 30 June 2015						
Segment assets	358,782,273	4,005,645	114,764,577	48,664,848	157,540,876	683,758,219
Segment liabilities	(348,645,489)	(773,435)	(106,974,489)	(44,725,822)	(104,888,359)	(606,007,594)

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(Expressed in thousands of Renminbi, unless otherwise stated)

47 SEGMENT REPORTING (continued)

(a) Business segments (continued)

For the six months ended 30 June 2014

	Brokerage and wealth management	Investment banking	Asset management	Investment and trading	Overseas business and others	Segment total
Revenue						
– External	3,380,642	533,465	500,302	1,043,057	165,856	5,623,322
– Inter-segment	547	–	–	–	8,879	9,426
Other income and gains	39,238	11,920	1,652	2,913	4,065	59,788
Segment revenue and other income	3,420,427	545,385	501,954	1,045,970	178,800	5,692,536
Segment expenses	(1,798,550)	(456,541)	(73,915)	(398,484)	(1,040,712)	(3,768,202)
Segment operating profit/(loss)	1,621,877	88,844	428,039	647,486	(861,912)	1,924,334
Share of profit of associates	–	–	2,873	–	116,572	119,445
Profit/(loss) before income tax	1,621,877	88,844	430,912	647,486	(745,340)	2,043,779
Interest income	1,366,632	60,751	345,161	20,272	94,937	1,887,753
Interest expenses	(233,004)	–	(15,814)	(331,056)	(321,786)	(901,660)
Depreciation and amortisation	(79,297)	(8,550)	(96)	(1,153)	(71,825)	(160,921)
Reversal of impairment losses	–	–	–	–	345	345
Additions to non-current segment assets during the period	23,882	1,184	121	680	309,442	335,309
As at 31 December 2014						
Segment assets	151,991,707	3,911,596	60,855,372	31,038,255	70,882,123	318,679,053
Segment liabilities	(148,246,433)	(899,628)	(55,390,532)	(28,640,444)	(43,557,608)	(276,734,645)

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47 SEGMENT REPORTING (continued)

(a) Business segments (continued)

Reconciliations of segment revenues, profit or loss, assets and liabilities:

	For the six months ended 30 June	
	2015	2014
Revenue		
Total revenue and other income for segments	21,288,950	5,692,536
Elimination of inter-segment revenue	(367)	(9,426)
Consolidated revenue and other income	21,288,583	5,683,110
Profit		
Total profit before income tax for segments	8,833,873	2,043,779
Elimination of inter-segment profit	—	(8,879)
Consolidated profit before income tax	8,833,873	2,034,900
	As at 30 June 2015	As at 31 December 2014
Assets		
Total assets for segments	683,758,219	318,679,053
Elimination of inter-segment assets	(103,596,954)	(46,453,017)
Consolidated total assets	580,161,265	272,226,036
Liabilities		
Total liabilities for segments	(606,007,594)	(276,734,645)
Elimination of inter-segment liabilities	103,596,954	46,453,017
Consolidated total liabilities	(502,410,640)	(230,281,628)

For the six months ended 30 June 2015 and 30 June 2014, the Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue.

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47 SEGMENT REPORTING (continued)

(b) Geographical segments

The following table sets out information about the geographical location of: (i) the Group's revenue from external customers and (ii) the Group's property and equipment, investment properties, goodwill, other intangible assets, interest in associates and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property and equipment and other non-current assets, the location of the operation to which they are allocated, in the case of goodwill and other intangible assets, and the location of operations, in the case of interest in associates.

	For the six months ended 30 June 2015			For the six months ended 30 June 2014		
	Mainland		Total	Mainland		Total
	China	Hong Kong		China	Hong Kong	
Segment Revenue						
Revenue from external customers	20,538,006	345,119	20,883,125	5,567,341	55,981	5,623,322
Other income and gains	400,906	4,552	405,458	58,127	1,661	59,788
Total	20,938,912	349,671	21,288,583	5,625,468	57,642	5,683,110

	As at 30 June 2015			As at 31 December 2014		
	Mainland		Total	Mainland		Total
	China	Hong Kong		China	Hong Kong	
Specified non-current assets	7,120,061	14,320	7,134,381	6,398,136	15,426	6,413,562

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48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group monitors and controls key exposures to the credit risk, market risk, liquidity risk and operational risk from its use of financial instruments.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

During the reporting period, the Group was exposed to four types of credit risk: (i) default risk of the issuer or counterparty in debt securities trading; (ii) risk of losses arising from default of customers in credit business such as margin financing and securities lending, securities-backed lending and stock repurchases; (iii) counterparty credit risk from a counterparty's default on the OTC derivative transaction, such as swap or forward. The risk exposure is determined by the change in the market prices of the derivatives; (iv) risk of losses to the funds of the Company or customers arising from default of the financing party in innovative credit business; and (v) default risk of other fixed income financial assets except for debt securities and derivative financial assets, which refers to risk of assets losses caused by counterparty defaults.

The Group uses its risk management systems to monitor its credit risk on a real time basis, keep track of the credit risk of the Group's business products and its transaction counterparties, provide analyses and pre-warning reports, and adjust its credit limits in a timely manner. The Group will also measure the credit risks of its major operations through stress test and sensitivity analysis.

For credit risk in debt securities trading, the Group monitors the issuer and bonds during the reporting period. The Group established the credit rating framework and conducted research on the debt securities held by the Group. The Group also assessed the creditability of counterparties to mitigate related default risk. In respect of margin financing and securities lending, securities-backed lending, stock repurchases business and OTC derivative transaction, the Group evaluate the customers, aiming to have a thorough picture of the customers' credit level and risk tolerance and determine the customers' credit rating. Penalties for defaults were specified in contracts and risk disclosure statements. The Group monitors the collateral of the margin financing and securities lending, securities-backed lending, stock repurchases business and OTC derivative transaction and promptly communicated with customers on any abnormalities identified to avoid defaults. In respect of innovative credit business, preliminary due diligence was performed with a comprehensive project feasibility report and a due diligence report submitted for approval by the Group before a project can be launched.

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48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(i) Maximum exposure to credit risk

Maximum exposure to credit risk of the Group without taking account of any collateral and other credit enhancements:

	As at 30 June 2015	As at 31 December 2014
Held-to-maturity investments	5,000	5,000
Refundable deposits	6,636,418	4,482,845
Accounts receivable	1,677,815	362,653
Other receivables and prepayments	3,240,582	1,903,782
Margin accounts receivable	114,677,991	64,636,739
Available-for-sale financial assets	520,066	399,207
Financial assets held under resale agreements	24,703,117	20,710,026
Financial assets at fair value through profit or loss	39,881,914	35,536,610
Derivative financial assets	317,807	20,815
Clearing settlement funds	1,973,018	544,255
Cash held on behalf of brokerage clients	208,227,865	71,536,310
Bank balances	114,771,816	36,001,085
Total maximum credit risk exposure	516,633,409	236,139,327

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48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(ii) Risk concentrations

The Group's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical area:

	By geographical area		Total
	Mainland China	Outside Mainland China	
30 June 2015			
Held-to-maturity investments	5,000	—	5,000
Refundable deposits	6,636,418	—	6,636,418
Accounts receivable	1,327,168	350,647	1,677,815
Other receivables and prepayments	3,148,882	91,700	3,240,582
Margin accounts receivable	114,531,926	146,065	114,677,991
Available-for-sale financial assets	520,066	—	520,066
Financial assets held under resale agreements	24,703,117	—	24,703,117
Financial assets at fair value through profit or loss	38,837,110	1,044,804	39,881,914
Derivative financial assets	313,086	4,721	317,807
Clearing settlement funds	1,964,491	8,527	1,973,018
Cash held on behalf of brokerage clients	207,011,123	1,216,742	208,227,865
Bank balances	113,719,131	1,052,685	114,771,816
Total maximum credit risk exposure	512,717,518	3,915,891	516,633,409

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48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(ii) Risk concentrations (continued)

	By geographical area		
	Mainland	Outside	Total
	China	China	
31 December 2014			
Held-to-maturity investments	5,000	—	5,000
Refundable deposits	4,482,818	27	4,482,845
Accounts receivable	113,089	249,564	362,653
Other receivables and prepayments	1,894,084	9,698	1,903,782
Margin accounts receivable	64,497,968	138,771	64,636,739
Available-for-sale financial assets	399,207	—	399,207
Financial assets held under resale agreements	20,710,026	—	20,710,026
Financial assets at fair value through profit or loss	34,935,373	601,237	35,536,610
Derivative financial assets	17,333	3,482	20,815
Clearing settlement funds	540,747	3,508	544,255
Cash held on behalf of brokerage clients	71,142,604	393,706	71,536,310
Bank balances	33,681,604	2,319,481	36,001,085
Total maximum credit risk exposure	232,419,853	3,719,474	236,139,327

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48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(iii) Credit rating analysis of financial assets

The Group adopts credit rating method to monitor the credit risk of the debt securities portfolio. Rating of debt securities is referred from major rating institutions in which debt issuers located. The carrying amounts of debt securities at the end of the reporting period are categorised by rating distribution as follows:

	As at 30 June 2015	As at 31 December 2014
Rating		
— AAA	4,324,285	6,043,043
— From A to AA+	26,287,993	22,087,557
— A-1	1,809,476	2,372,397
Sub-total	32,421,754	30,502,997
Non-rated ⁽¹⁾	7,652,045	4,380,192
Total	40,073,799	34,883,189

(1) Non-rated financial assets mainly represent debts instruments and trading securities issued by the Ministry of Finance of the People's Republic of China, the PBOC, and policy banks, which are creditworthy issuers in the market, but are not rated by independent rating agencies.

(b) Liquidity risk

Liquidity risk arises in the investment activities, financing activities and capital management of the Group. Liquidity risk includes: (1) market liquidity risk of being unable to make a large size transaction at a reasonable price while trading volume in market is comparatively small; (2) funding liquidity of being unable to meet financial obligations when they come due.

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48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

The following tables show the details of the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities. Analysis of non-derivative financial liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

Financial liabilities	As at 30 June 2015								
	Carrying amount	Overdue/repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Short-term debt instruments issued	24,369,824	—	3,214,911	8,650,187	12,999,153	—	—	—	24,864,251
Placements from other financial institutions	3,400,000	—	1,901,293	1,289,375	257,875	—	—	—	3,448,543
Accounts payable to brokerage clients	205,139,276	205,139,276	—	—	—	—	—	—	205,139,276
Other payables and accruals	104,765,241	100,857,646	253,055	408,384	3,246,156	—	—	—	104,765,241
Financial assets sold under repurchase agreements	62,955,007	—	20,719,766	11,461,457	19,965,115	13,453,167	—	—	65,599,505
Derivative financial liabilities	1,842,475	261	16,702	706,549	1,053,328	65,635	—	—	1,842,475
Financial liabilities at fair value through profit or loss	15,588,541	9,248	—	359,571	15,750,716	—	—	27,674	16,147,209
Long-term bonds	70,928,066	—	—	350,000	2,884,987	76,619,681	6,918,000	—	86,772,668
Long-term bank loans	367,095	—	1,637	3,274	79,159	320,126	—	—	404,196
Others	3,109,883	—	—	—	—	516,322	2,593,561	—	3,109,883
Total	492,465,408	306,006,431	26,107,364	23,228,797	56,236,489	90,974,931	9,511,561	27,674	512,093,247

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(Expressed in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Financial liabilities	As at 31 December 2014								Total
	Carrying amount	Overdue/repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	
Short-term debt instruments issued	24,787,070	—	6,022,077	5,802,138	15,244,840	—	—	—	27,069,055
Placements from other financial institutions	1,500,000	—	—	1,286,653	257,330	—	—	—	1,543,983
Accounts payable to brokerage clients	70,228,405	70,228,405	—	—	—	—	—	—	70,228,405
Other payables and accruals	56,339,395	52,991,598	48,052	107,547	1,526,411	822,000	843,787	—	56,339,395
Financial assets sold under repurchase agreements	49,668,228	—	9,661,347	5,833,954	30,801,878	5,542,998	—	—	51,840,177
Derivative financial liabilities	730,743	—	—	104,096	106,093	520,554	—	—	730,743
Financial liabilities at fair value through profit or loss	9,245	—	—	—	—	—	—	9,245	9,245
Long-term bonds	21,345,324	—	93,036	186,071	837,319	15,919,120	7,045,500	—	24,081,046
Long-term bank loans	138,658	—	692	1,386	6,240	142,830	—	—	151,148
Total	224,747,068	123,220,003	15,825,204	13,321,845	48,780,111	22,947,502	7,889,287	9,245	231,993,197

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(Expressed in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk

Market risk is the risk of loss, in respect of the Group's income and value of financial instruments held, arising from the adverse market movements such as changes in interest rates, stock prices, foreign exchange rates and so on. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximise the risk adjusted return.

(i) Interest rate risk

Interest rate risk refers to the likelihood of loss that may arise from adverse movements in the market interest rate. The Group's interest rate risk mainly arises from interest rate policy changes and the mismatch of interest-sensitive assets and liabilities.

The Group mainly manages interest rate risk through structuring and adjusting its asset portfolio. The Group's asset portfolio management aims at mitigating risks and improving profitability by diversification of assets.

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(Expressed in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

The following tables indicate the assets and liabilities as at the end of the reporting periods by the expected next repricing dates or by maturity dates, depending on which is earlier:

Financial assets	As at 30 June 2015						Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest- bearing	
Held-to-maturity investments	—	—	—	5,000	—	—	5,000
Available-for-sale financial assets	507,912	110,162	192,589	229,315	—	10,305,577	11,345,555
Financial assets held under resale agreements	6,601,817	3,014,816	11,884,526	3,201,958	—	—	24,703,117
Refundable deposits	2,724,367	—	—	—	—	3,912,051	6,636,418
Accounts receivable	—	—	—	—	—	1,677,815	1,677,815
Other receivables and prepayments	—	—	—	—	—	343,090	343,090
Margin accounts receivable	1,446,903	7,189,547	106,041,541	—	—	—	114,677,991
Financial assets at fair value through profit or loss	29,332,727	1,027,744	7,831,158	16,542,118	6,150,362	24,013,083	84,897,192
Derivative financial assets	27,101	—	—	—	—	290,706	317,807
Clearing settlement funds	1,973,018	—	—	—	—	—	1,973,018
Cash held on behalf of brokerage clients	208,124,005	23,974	79,886	—	—	—	208,227,865
Cash and bank balances	107,122,592	849,224	6,800,000	—	—	526	114,772,342
Total	357,860,442	12,215,467	132,829,700	19,978,391	6,150,362	40,542,848	569,577,210

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(Expressed in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Financial liabilities	As at 30 June 2015						Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest- bearing	
Short-term debt instruments issued	(3,109,987)	(8,481,386)	(12,778,451)	–	–	–	(24,369,824)
Placements from other financial institutions	(1,900,000)	(1,250,000)	(250,000)	–	–	–	(3,400,000)
Accounts payable to brokerage clients	(205,139,276)	–	–	–	–	–	(205,139,276)
Other payables and accruals	–	–	–	–	–	(104,765,241)	(104,765,241)
Financial assets sold under repurchase agreements	(20,539,907)	(10,849,100)	(18,766,000)	(12,800,000)	–	–	(62,955,007)
Derivative financial liabilities	(93,122)	–	–	–	–	(1,749,353)	(1,842,475)
Financial liabilities at fair value through profit or loss	–	(352,410)	(15,199,209)	–	–	(36,922)	(15,588,541)
Long-term bonds	–	–	–	(64,938,609)	(5,989,457)	–	(70,928,066)
Long-term bank loans	–	–	(62,500)	(304,595)	–	–	(367,095)
Others	–	–	–	–	–	(3,109,883)	(3,109,883)
Total	(230,782,292)	(20,932,896)	(47,056,160)	(78,043,204)	(5,989,457)	(109,661,399)	(492,465,408)
Net interest rate risk exposure	127,078,150	(8,717,429)	85,773,540	(58,064,813)	160,905	(69,118,551)	77,111,802

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(Expressed in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Financial assets	As at 31 December 2014						Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest- bearing	
Held-to-maturity investments	—	—	—	5,000	—	—	5,000
Available-for-sale financial assets	1,216,025	1,211,071	1,512,208	57,117	—	5,279,727	9,276,148
Financial assets held under resale agreements	5,776,242	858,369	11,675,295	2,400,120	—	—	20,710,026
Refundable deposits	2,103,833	—	—	—	—	2,379,012	4,482,845
Accounts receivable	—	—	—	—	—	362,653	362,653
Other receivables and prepayments	—	—	—	—	—	152,105	152,105
Margin accounts receivable	544,822	4,173,508	59,918,409	—	—	—	64,636,739
Financial assets at fair value through profit or loss	11,967,038	1,628,813	7,234,596	16,355,729	8,325,945	10,487,837	55,999,958
Derivative financial assets	17,245	84	—	—	—	3,486	20,815
Clearing settlement funds	544,255	—	—	—	—	—	544,255
Cash held on behalf of brokerage clients	70,836,310	250,000	450,000	—	—	—	71,536,310
Cash and bank balances	28,258,055	2,164,224	5,578,806	—	—	542	36,001,627
Total	121,263,825	10,286,069	86,369,314	18,817,966	8,325,945	18,665,362	263,728,481

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(Expressed in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Financial liabilities	As at 31 December 2014						Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest- bearing	
Short-term debt instruments issued	(4,482,000)	(5,737,290)	(14,567,780)	—	—	—	(24,787,070)
Placements from other financial institutions	—	(1,250,000)	(250,000)	—	—	—	(1,500,000)
Accounts payable to brokerage clients	(70,228,405)	—	—	—	—	—	(70,228,405)
Other payables and accruals	—	—	—	—	—	(56,339,395)	(56,339,395)
Financial assets sold under repurchase agreements	(9,642,128)	(5,667,800)	(29,358,300)	(5,000,000)	—	—	(49,668,228)
Derivative financial liabilities	(49,066)	(94)	—	—	—	(681,583)	(730,743)
Financial liabilities at fair value through profit or loss	—	—	—	—	—	(9,245)	(9,245)
Long-term bonds	—	—	—	(15,357,126)	(5,988,198)	—	(21,345,324)
Long-term bank loans	—	—	—	(138,658)	—	—	(138,658)
Total	(84,401,599)	(12,655,184)	(44,176,080)	(20,495,784)	(5,988,198)	(57,030,223)	(224,747,068)
Net interest rate risk exposure	36,862,226	(2,369,115)	42,193,234	(1,677,818)	2,337,747	(38,364,861)	38,981,413

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48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis

For those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net profit and equity. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit	
	30 June 2015	31 December 2014
Move in yield curve		
Up 100 basis points	(640,389)	(533,147)
Down 100 basis points	703,383	585,128

	Sensitivity of equity	
	30 June 2015	31 December 2014
Move in yield curve		
Up 100 basis points	(644,021)	(538,141)
Down 100 basis points	707,218	590,402

The sensitivity analysis above indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

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(Expressed in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Currency risk

Currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation of foreign exchange rates. The Group adopts sensitivity analysis to measure currency risk.

Assuming all other risk variables remained constant and without consideration of risk management measures undertaken by the Group, a 10% strengthening of the RMB against the US dollar ("USD") and HKD at the reporting date would have increased/(decreased) the Group's equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the reporting date:

Currency	Sensitivity of net profit	
	30 June 2015	31 December 2014
USD	37,223	(9,926)
HKD	(284,112)	(2,741)

Currency	Sensitivity of equity	
	30 June 2015	31 December 2014
USD	27,738	(9,926)
HKD	(284,112)	(2,741)

A 10% weakening of the RMB against the USD and HKD at balance date would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

Due to the above assumptions, the result of sensitivity analysis on exchange rate changes may be different, compared with the actual changes in the Group's net profit and equity of may arise with this.

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(Expressed in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market risk (continued)

(iii) Price risk

The group is exposed to equity price changes arising from equity investments concluded in financial instruments at fair value through profit or loss and available-for-sale financial instruments. Price risk the Group facing is mainly the proportionate fluctuation in the Group's net profits due to the price fluctuation of the held for trading financial instruments and the proportionate fluctuation in the Group's equity due to the price fluctuation of the held for trading and available-for-sale financial instruments.

Sensitivity analysis

The analysis below is performed to show the impact on Group's net profit and equity due to change in the prices of equity securities by 10% with all other variables held constant.

	Sensitivity of net profit	
	30 June 2015	31 December 2014
Increase by 10%	3,396,738	1,602,030
Decrease by 10%	(3,396,738)	(1,602,030)

	Sensitivity of equity	
	30 June 2015	31 December 2014
Increase by 10%	4,142,540	2,065,080
Decrease by 10%	(4,142,540)	(2,065,080)

The sensitivity analysis indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant.

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48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(d) Capital management

The Group's objectives of capital management are:

- (i) To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's stability and growth;
- (iii) To maintain a strong capital base to support the development of their business; and
- (iv) To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2008) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

- (i) The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
- (ii) The ratio of net capital divided by net assets shall be no less than 40% ("Ratio 2");
- (iii) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");
- (iv) The ratio of net assets divided by liabilities shall be no less than 20% ("Ratio 4");
- (v) The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5"); and
- (vi) The ratio of the value of fixed income securities held divided by net capital shall not exceed 500% ("Ratio 6").

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

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48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(d) Capital management (continued)

As at 30 June 2015 and 31 December 2014, the Company maintained the above ratios as follows:

	As at 30 June 2015	As at 31 December 2014
Net Capital	52,136,620	19,727,809
Ratio 1	1,033.13%	463.56%
Ratio 2	73.08%	53.20%
Ratio 3	27.92%	19.67%
Ratio 4	38.21%	36.98%
Ratio 5	39.87%	69.18%
Ratio 6	35.47%	81.46%

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under the PRC and Hong Kong regulatory requirements, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively. These subsidiaries comply with the capital requirements during the period ended 30 June 2015 and the year ended 31 December 2014.

(e) Transfer of financial assets

The Group transferred financial assets to certain counterparties through repurchase agreements and securities lending. These securities and margin accounts receivable are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these securities and margin loans.

The Group entered into repurchase agreements with certain counterparties to sell debt securities classified as financial assets at fair value through profit or loss. Sales and repurchase agreements are transactions in which the Group sell a security or rights and interests in a margin accounts receivable and simultaneously agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities and rights and interests sold. These securities and margin accounts receivable are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these securities and margin accounts receivable.

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(Expressed in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(e) Transfer of financial assets (continued)

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as fair value through profit or loss and available-for-sale financial assets. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised these securities in the consolidated statement of financial position.

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

As at 30 June 2015

	Financial assets at fair value through profit or loss		Available-for- sale financial assets	Margin accounts receivable	Total
	Sales and repurchase agreements	Securities lending	Securities lending	Margin loans receivable- backed repurchase	
Carrying amount of transferred assets	1,917,260	324,559	8,621	59,140,852	61,391,292
Carrying amount of associated liabilities	(2,252,952)	—	—	(49,715,100)	(51,968,052)
Net position	(335,692)	324,559	8,621	9,425,752	9,423,240

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48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(e) Transfer of financial assets (continued)

As at 31 December 2014

	Financial assets at fair value through profit or loss		Available-for- sale financial assets	Margin accounts receivable	Total
	Sales and repurchase agreements	Securities lending	Securities lending	Margin loans receivable- backed repurchase	
Carrying amount of transferred assets	2,093,959	1,049,762	7,865	44,931,542	48,083,128
Carrying amount of associated liabilities	(2,643,461)	—	—	(40,116,100)	(42,759,561)
Net position	(549,502)	1,049,762	7,865	4,815,442	5,323,567

(f) Offsetting financial assets and financial liabilities

The Group offsets the related financial assets and financial liabilities when the Group currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realise the balances simultaneously.

The Group has entered into master netting arrangements with counterparties for the derivative instruments.

Under the agreement signed between the Group and the customers, money obligations receivable and payable with the same customers on the same settlement date are settled on net basis.

Under the agreement of Continuous Net Settlement made between the Group and clearing house, money obligations receivables and payables with clearing house on the same settlement date are settled on net basis.

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(Expressed in thousands of Renminbi, unless otherwise stated)

48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(f) Offsetting financial assets and financial liabilities (continued)

As at 30 June 2015

Financial assets	Gross	Gross	Net amounts	Related amounts not set off		Net amount
	amounts of recognised financial assets	amounts of recognised financial liabilities set off in the consolidated statement of financial position	of financial assets presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	
Derivative financial instruments	1,185,178	(867,371)	317,807	—	—	317,807
Accounts receivable from brokers, dealers and clearing house	391,937	(135,815)	256,122	—	—	256,122
Total	1,577,115	(1,003,186)	573,929	—	—	573,929

Financial liabilities	Gross	Gross	Net amounts	Related amounts not set off		Net amount
	amounts of recognised financial assets	amounts of recognised financial liabilities set off in the consolidated statement of financial position	of financial liabilities presented in the consolidated statement of financial position	Financial instruments	Cash collateral pledged	
Derivative financial instruments	(1,882,419)	39,944	(1,842,475)	—	—	(1,842,475)
Payable for equity return swaps	(3,547,008)	318,826	(3,228,182)	—	—	(3,228,182)
Total	(5,429,427)	358,770	(5,070,657)	—	—	(5,070,657)

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48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(f) Offsetting financial assets and financial liabilities (continued)

As at 31 December 2014

Financial assets	Gross	Gross	Net amounts	Related amounts not set off		Net amount
	amounts of recognised financial assets	amounts of recognised financial liabilities set off in the consolidated statement of financial position	of financial assets presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	
Derivative financial instruments	79,558	(58,743)	20,815	—	—	20,815
Accounts receivable from brokers, dealers and clearing house	284,627	(40,465)	244,162	—	—	244,162
Total	364,185	(99,208)	264,977	—	—	264,977

Financial liabilities	Gross	Gross	Net amounts	Related amounts not set off		Net amount
	amounts of recognised financial assets	amounts of recognised financial liabilities set off in the consolidated statement of financial position	of financial liabilities presented in the consolidated statement of financial position	Financial instruments	Cash collateral pledged	
Derivative financial instruments	(960,988)	230,245	(730,743)	—	—	(730,743)
Payable for equity return swaps	(1,872,016)	129,534	(1,742,482)	—	—	(1,742,482)
Total	(2,833,004)	359,779	(2,473,225)	—	—	(2,473,225)

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48 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(f) Offsetting financial assets and financial liabilities (continued)

Except for the enforceable master netting arrangements and the offset-right of the financial instruments under the similar agreements disclosed above, the collateral of which, such as financial assets held under resale agreements and financial assets sold under repurchase agreements are disclosed in the corresponding notes, which are generally not on the net basis in the consolidated statement of financial position.

However, the risk exposure associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. As at 30 June 2015 and 31 December 2014, the fair value of the collaterals related to the above items exceeded the book value of those financial instruments, net exposure is insignificant after setting off the collaterals.

49 FAIR VALUE INFORMATION

(a) Fair value of financial instruments

The Group adopts the following methods and assumptions when evaluating fair values:

- (i) Financial assets including cash and bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, and financial liabilities including placements from other financial institutions and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair values.
- (ii) Financial assets at fair value through profit or loss, derivatives and available-for-sale financial assets are stated at fair value unless the fair values cannot be reliably measured. For the financial instruments traded in active open markets, the Group uses market prices or markets rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.
- (iii) The fair values of held-to-maturity investments, short-term debt instruments issued and long-term bonds are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as credit risk and maturity, to estimate the fair values using pricing models or discounted cash flow.
- (iv) Account receivable, other receivables and prepayments, margin accounts receivable, and accounts payable to brokerage clients are within one year. Accordingly, the carrying amounts approximate the fair values.

Notes to the Unaudited Consolidated Financial Statements

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(Expressed in thousands of Renminbi, unless otherwise stated)

49 FAIR VALUE INFORMATION (continued)

(b) Fair value of other financial instruments (carried at other than fair value)

The carrying amount and fair value of held-to-maturity investments, short-term debt instruments issued and long-term bonds which are not presented at fair value are listed as below:

Carrying amount

	As at 30 June 2015	As at 31 December 2014
<i>Financial assets</i>		
— Held-to-maturity investments	5,000	5,000
Total	5,000	5,000
<i>Financial liabilities</i>		
— Short-term debt instruments issued	(24,369,824)	(24,787,070)
— Long-term bonds	(70,928,066)	(21,345,324)
Total	(95,297,890)	(46,132,394)

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For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

49 FAIR VALUE INFORMATION (continued)

(b) Fair value of other financial instruments (carried at other than fair value) (continued)

Fair value

	As at 30 June 2015			
	Level I	Level II	Level III	Total
<i>Financial assets</i>				
— Held-to-maturity investments	—	5,055	—	5,055
Total	—	5,055	—	5,055
<i>Financial liabilities</i>				
— Short-term debt instruments issued	(14,000,000)	(3,000,858)	(7,374,587)	(24,375,445)
— Long-term bonds	(61,093,713)	—	(9,900,000)	(70,993,713)
Total	(75,093,713)	(3,000,858)	(17,274,587)	(95,369,158)

	As at 31 December 2014			
	Level I	Level II	Level III	Total
<i>Financial assets</i>				
— Held-to-maturity investments	—	4,985	—	4,985
Total	—	4,985	—	4,985
<i>Financial liabilities</i>				
— Short-term debt instruments issued	(13,966,777)	(8,491,147)	(2,287,070)	(24,744,994)
— Long-term bonds	(21,254,786)	—	—	(21,254,786)
Total	(35,221,563)	(8,491,147)	(2,287,070)	(45,999,780)

The fair values of the financial assets and financial liabilities included in the level II and III categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost and available-for-sale financial assets at cost less impairment in the Group's consolidated statements of financial position approximate their fair values.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

49 FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	As at 30 June 2015			Total
	Level I	Level II	Level III	
Assets				
Financial assets at fair value through profit or loss				
– Debt securities	14,563,570	24,739,640	254,144	39,557,354
– Equity securities	18,996,192	1,654,240	–	20,650,432
– Funds	22,497,529	–	–	22,497,529
– Wealth management products	420,467	1,771,410	–	2,191,877
Available-for-sale financial assets				
– Debt securities	239,865	103,336	168,244	511,445
– Equity securities	529,290	1,878,338	6,699,144	9,106,772
– Funds	467,070	4,206	–	471,276
– Wealth management products	114,863	312,581	752,694	1,180,138
Derivative financial assets	15,532	302,275	–	317,807
Total	57,844,378	30,766,026	7,874,226	96,484,630
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	(27,674)	(15,560,867)	–	(15,588,541)
Derivative financial liabilities	(29,351)	(1,812,403)	(721)	(1,842,475)
Total	(57,025)	(17,373,270)	(721)	(17,431,016)

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

49 FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

	As at 31 December 2014			Total
	Level I	Level II	Level III	
Assets				
Financial assets at fair value through profit or loss				
— Debt securities	13,417,327	20,883,150	186,371	34,486,848
— Equity securities	8,161,578	198,642	—	8,360,220
— Funds	12,186,905	—	—	12,186,905
— Wealth management products	121,520	844,465	—	965,985
Available-for-sale financial assets				
— Debt securities	242,031	—	149,310	391,341
— Equity securities	579,929	27,748	4,485,676	5,093,353
— Funds	339,670	2,760	—	342,430
— Wealth management products	275,553	1,882,168	1,159,009	3,316,730
Derivative financial assets	—	20,815	—	20,815
Total	35,324,513	23,859,748	5,980,366	65,164,627
Liabilities				
Financial liabilities at fair value through profit or loss				
	(9,245)	—	—	(9,245)
Derivative financial liabilities	—	(730,743)	—	(730,743)
Total	(9,245)	(730,743)	—	(739,988)

For the six months ended 30 June 2015 and for the year ended 31 December 2014, there were no significant transfer among Level I, Level II and Level III of the fair value hierarchy.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

49 FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

(i) Financial instruments in Level I

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level I. Financial assets included in Level I comprise primarily securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange as trading securities or available for sale.

(ii) Financial instruments in Level II

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level II.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level III.

(iii) Valuation methods for specific investments

As at 30 June 2015 and 31 December 2014, the Group's valuation methods for specific investments are as follows:

- (1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. For those which has no quoted market price or those with lock-up periods as at the reporting date, valuation techniques are used to determine the fair value.
- (2) For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For open-end funds and wealth management products, fair value is determined by trading price which is based on the net asset value as at the reporting date.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

49 FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

(iii) Valuation methods for specific investments (continued)

- (3) For debt securities listed through exchanges, fair value is determined based on the closing price within bid-ask spread of the debt securities at the date of statements of financial position.
- (4) For debt securities traded through the inter-bank bond market and the over-the-counter market, fair value is determined using valuation techniques.
- (5) For gold leasing and derivative financial instruments, fair value is determined using valuation techniques.

(iv) Financial instruments in Level III

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
As at 1 January 2015	186,371	5,793,995	5,980,366
Gains or losses for the period	131,887	33,755	165,642
Changes in fair value recognised in other comprehensive income	—	1,525,522	1,525,522
Purchases	—	1,401,576	1,401,576
Sales and settlements	(64,114)	(1,134,766)	(1,198,880)
As at 30 June 2015	254,144	7,620,082	7,874,226
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	60,730	3,484	64,214

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

49 FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

(iv) Financial instruments in Level III (continued)

	Financial assets at fair value through profit or loss	Available-for- sale financial assets	Total
As at 1 January 2014	—	2,923,297	2,923,297
Gains or losses for the year	49,816	12,648	62,464
Changes in fair value recognised in other comprehensive income	—	1,765,890	1,765,890
Purchases	138,052	1,253,808	1,391,860
Sales and settlements	(1,497)	(161,648)	(163,145)
As at 31 December 2014	186,371	5,793,995	5,980,366
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	49,816	5,243	55,059

For financial instruments in Level III, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

49 FAIR VALUE INFORMATION (continued)

(c) Fair value hierarchy (continued)

(iv) Financial instruments in Level III (continued)

Financial assets	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Wealth management products and private placement bonds	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Private convertible bonds	Level III	Discounted cash flow model Option pricing model	Risk adjusted discount rate Stock price volatility	The higher the risk adjusted discount rate, the lower the fair value The higher the stock price volatility, the higher the fair value
Unlisted equity investment	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value
Over-the-counter options	Level III	Black-Scholes option pricing model	Price of underlying assets Price volatility of underlying assets	N/A N/A

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

50 EVENTS AFTER THE REPORTING DATE

Execution of agreement regarding the investment in blue-chip Exchange Traded Funds (“ETFs”) with China Securities Finance Corporation Limited

On 6 July 2015, the Company signed relevant contracts with China Securities Finance Corporation Limited and contributed RMB10 billion to a segregated account established by China Securities Finance Corporation Limited for a collective investment in blue-chip ETFs together with other 20 securities companies. Risks and income arising from the investment shall be shared by the 21 securities firms according to the proportion of their respective contribution. According to the authorization on proprietary business by the 2014 annual general meeting and the 4th meeting of the third session of the board, the investment in blue-chip ETFs is within in the annual proprietary investment quota of equity securities and securities derivatives. The aforementioned amount has been transferred to China Securities Finance Corporation Limited.

Index of Documents for Inspection

Documents Available for Inspection	Financial statements of the Company signed and sealed by the legal representative, the person responsible for accounting matters and the chief accountant
Documents Available for Inspection	Original copies of all documents and announcements of the Company as disclosed in the newspapers designated by the CSRC during the reporting period
Documents Available for Inspection	Articles of Association

Disclosures

Major Administrative Approvals of the Company

1. On January 28, 2015, the Company received the Approval for the Qualification of the Stock Options Market Making Business of Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No.162) (《關於核准华泰證券股份有限公司股票期權做市業務資格的批覆》(證監許可[2015]162號));
2. On January 19, 2015, the Company received the Approval for the Qualification of Zhou Yong as Director of Securities Company (Su Zheng Jian Ji Gou Zi [2015] No.25) (《關於周勇證券公司董事任職資格的批覆》(蘇證監機構字[2015]25號));
3. On February 13, 2015, the Company received the Approval for the Amendments to Major Terms in the Articles of Association of Huatai Securities Co., Ltd. (Su Zheng Jian Ji Gou Zi [2015] No.55) (《關於核准华泰證券股份有限公司變更公司章程重要條款的批覆》(蘇證監機構字[2015]55號));
4. On April 21, 2015, the Company received the Approval for the Issuance of Overseas Listed Foreign Shares by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No.685) (《關於核准华泰證券股份有限公司發行境外上市外資股的批覆》(證監許可[2015]685號));
5. On April 28, 2015, the Company received the Approval for the Qualification of Li Chi Ming as Independent Director of Securities Company (Su Zheng Jian Ji Gou Zi [2015] No.112) (《關於李志明證券公司獨立董事任職資格的批覆》(蘇證監機構字[2015]112號));
6. On June 4, 2015, the Company received the Approval for the Amendments to Major Terms in the Articles of Association of Huatai Securities Co., Ltd. (Su Zheng Jian Ji Gou Zi [2015] No.142) (《關於核准华泰證券股份有限公司變更公司章程重要條款的批覆》(蘇證監機構字[2015]142號));
7. On June 19, 2015, the Company received the Approval for the Public Issuance of Corporate Bonds to Qualified Investors by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No.1326) (《關於核准华泰證券股份有限公司向合格投資者公開發行公司債券的批覆》(證監許可[2015]1326號)).

Result of Classification by Regulatory Authority

From 2013 to 2015, the Company was rated AA under Category A according to the Classification of Securities Companies.