CICC
中金公司

China International Capital Corporation Limited

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock code : 3908

Interim Report
2019

Core Values

BY THE PEOPLE AND FOR THE NATION

People are our most valuable assets. We strive to attract, cultivate and retain the best people. Since inception, CICC has positioned itself as "a China-based investment bank with international perspectives". It is our mission to serve the nation by promoting economic reform and long-term development of the capital markets.

PROFESSIONALISM AND DILIGENCE

We develop our businesses up to the highest professional standards, and nurture a high-caliber team of financial professionals, who boast international visions, diligently perform their duties and share our corporate values.

INNOVATION AND ENTREPRENEURSHIP

Innovation is the lasting force that drives CICC forward. Blessed with deep industry knowhow, visionary leadership, close relationship with clients, and abundant execution experiences, CICC is always prepared to embrace change and continue to deliver innovative products and quality services to our clients.

CLIENT FIRST

We always put our clients first. We develop and maintain long-term relationships of trust with our clients by truly safeguarding their interests and satisfying their needs.

INTEGRITY

We build our franchise upon the utmost professional integrity and highest ethical standards. We value our franchise and never compromise on integrity.

CHINESE ROOTS AND INTERNATIONAL REACH

As a China-based global investment bank, we are proud of our Chinese roots and of our international DNA. We bridge China and the world by providing best-in-class services to clients at home and abroad.

Content

Definitions

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

"Articles of Association"	the articles of association of our Company (as amended)
"AUM"	the amount of assets under management
"Basic and diluted earnings per share"	(profit attributable to shareholders of the Company and holders of other equity instruments – interest for holders of perpetual subordinated bonds for the period)/weighted average number of ordinary shares in issue
"Board" or "Board of Directors"	the board of directors of the Company
"Central Bank"	the People's Bank of China* (中國人民銀行), the central bank of the PRC
"China Investment Consulting"	China Investment Consulting Co., Ltd.* (中國投資諮詢有限責任公司), a company incorporated in the PRC in March 1986 and a wholly-owned subsidiary of Jianyin Investment and a Shareholder of our Company
"CICC Capital"	CICC Capital Management Co., Ltd.* (中金資本運營有限公司), a company incorporated in the PRC in March 2017 and a wholly-owned subsidiary of our Company
"CICC Fund Management"	CICC Fund Management Co., Ltd.* (中金基金管理有限公司), a company incorporated in the PRC in February 2014 and a wholly-owned subsidiary of our Company
"CICC Futures"	CICC Futures Co., Ltd.* (中金期貨有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of our Company
"CICC Hong Kong"	China International Capital Corporation (Hong Kong) Limited (中國國際金融(香港)有限公司), a company incorporated in Hong Kong, China in April 1997 and a wholly-owned subsidiary of our Company
"CICC UK"	China International Capital Corporation (UK) Limited, a company incorporated in the United Kingdom in August 2009 and a wholly-owned subsidiary of our Company
"CICC Wealth Management"	China CICC Wealth Management Securities Company Limited (中國中金財富證券有限公司), formerly known as China Investment Securities Company Limited (中國中投證券有限責任公司), a company incorporated in the PRC in September 2005 and a wholly-owned subsidiary of our Company
"Company", "our Company" or "CICC"	China International Capital Corporation Limited (中國國際金融股份有限公司), a joint stock company incorporated in the PRC with limited liability and whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 03908)
"Company Law"	the Company Law of the PRC* (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
"Corporate Governance Code"	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"CSRC"	the China Securities Regulatory Commission* (中國證券監督管理委員會)

Definitions

"Directors"	directors of our Company
"Domestic Share(s)"	issued ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is (are) subscribed for or credited as fully paid in RMB
"FICC"	fixed income, commodities and currencies
"Gearing ratio"	(total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)
"Group", "our Group" or "we"	our Company and its subsidiaries (or with reference to the context, our Company and anyone or more of its subsidiaries)
"H Share(s)"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, which is (are) listed on the Hong Kong Stock Exchange and are subscribed for and traded in HK dollars
"HK$", "HK dollars" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong, China
"Hong Kong" or "Hong Kong SAR"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Huijin"	Central Huijin Investment Ltd.* (中央匯金投資有限責任公司), a wholly state-owned company ultimately owned by the PRC Government
"I&G"	China National Investment and Guaranty Corporation* (中國投融資擔保股份有限公司), a company incorporated in the PRC in 1993 and a Shareholder of our Company
"IFRSs"	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards (IASs) and interpretations issued by the International Accounting Standards Committee (IASC)
"Jianyin Investment"	China Jianyin Investment Ltd.* (中國建銀投資有限責任公司), a company incorporated in the PRC in June 1986 and a wholly-owned subsidiary of Huijin and a Shareholder of our Company

Definitions

"JIC Investment"	JIC Investment Co., Ltd.* (建投投資有限責任公司), a company incorporated in the PRC in October 2012 and a wholly-owned subsidiary of Jianyin Investment and a Shareholder of our Company
"Latest Practicable Date"	August 20, 2019
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Mingly"	Mingly Corporation, a company incorporated in Cayman Islands, and registered in Hong Kong, China in 1988 and a Shareholder of our Company
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Net capital"	net capital refers to net assets after risk adjustments on certain types of assets as defined in the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies
"PRC" or "China"	the People's Republic of China
"PRC Government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities
"QDII"	Qualified Domestic Institutional Investor* (合格境內機構投資者)
"QFII"	Qualified Foreign Institutional Investor* (合格境外機構投資者)
"Reporting Period"	the six-month period ended June 30, 2019
"REPOs"	financial assets sold under repurchase agreements
"Reverse REPOs"	financial assets held under resale agreements
"RMB"	Renminbi, the lawful currency of the PRC
"RQFII"	Renminbi Qualified Foreign Institutional Investor* (人民幣合格境外機構投資者)
"Securities Law"	the Securities Law of the PRC* (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, China), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of Share(s)
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
"Subscription"	the subscription of the Subscription Shares by Tencent Mobility Limited pursuant to the Subscription Agreement

Definitions

"Subscription Agreement"	the subscription agreement entered into between the Company and Tencent Mobility Limited dated September 20, 2017 in relation to the subscription of the Subscription Shares by Tencent Mobility Limited
"Subscription Shares"	207,537,059 new H Shares subscribed under the Subscription
"Supervisors"	supervisors of our Company
"Supervisory Committee"	the supervisory committee of our Company
"Tencent Holdings"	Tencent Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 700)
"Tencent Mobility Limited"	Tencent Mobility Limited, a company incorporated in Hong Kong, China with limited liability and a wholly-owned subsidiary of Tencent Holdings
"TPG"	TPG Asia V Delaware, L.P., a limited partnership established in the United States in 2009 and a Shareholder of our Company
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USD" or "US$"	United States dollars, the lawful currency of the United States
"Weighted average return on net assets"	(profit attributable to shareholders of the Company and holders of other equity instruments - interest for holders of perpetual subordinated bonds for the period)/weighted average of equity attributable to shareholders of the Company
"%"	per cent

Notes:

Certain amounts and percentage figures included in this report have been subject to rounding. Accordingly, the arithmetic sum shown in certain tables may not be the total of the figures preceding them. Any discrepancies in any table or chart between the arithmetic sum shown and the total of the amounts listed are due to rounding.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the report in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are marked with "*" and are provided for identification purposes only.

Company Profile

Name in Chinese:	中國國際金融股份有限公司
Name in English:	China International Capital Corporation Limited
Legal representative:	Shen Rujun(Note 1)
Chairman:	Shen Rujun(Note 1)
Chief Executive Officer:	Bi Mingjian
Registered capital:	RMB4,192,667,868
Headquarters in the PRC:	
Registered and office address	27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Company website	http://www.cicc.com
E-mail	Investorrelations@cicc.com.cn
Principal place of business in Hong Kong, China:	29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong, China
Secretary to the Board:	Xu Yicheng
Address	27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Telephone	+86-10-65051166
Facsimile	+86-10-65051156
Joint Company Secretaries:	Xu Yicheng, Zhou Jiaxing
Authorized Representatives:	Bi Mingjian, Zhou Jiaxing
Statutory Auditors engaged by our Company:	
Domestic accounting firm:	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Overseas accounting firm:	Deloitte Touche Tohmatsu

Note 1: As approved by the Board and the shareholders' general meeting, Mr. Shen Rujun, a non-executive Director, has started to serve as the chairman of the Board and legal representative of the Company since August 22, 2019, and Mr. Bi Mingjian ceased to perform the duties of the chairman of the Board and legal representative since then.

Financial Summary

I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

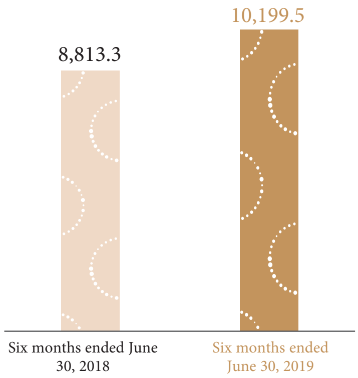
Items	Six months ended June 30, 2019	Six months ended June 30, 2018	Changes over the corresponding period of last year
Operating results (RMB in million)			
Total revenue and other income	**10,199.5**	8,813.3	15.7%
Total expenses	**7,850.5**	6,737.9	16.5%
Profit before income tax	**2,420.6**	2,127.2	13.8%
Profit for the period attributable to shareholders of the Company and holders of other equity instruments	**1,880.5**	1,630.9	15.3%
Net cash used in operating activities	**(1,785.0)**	(4,021.0)	(55.6%)
Earnings per share (RMB/share)			
Basic and diluted earnings per share	**0.442**	0.392	12.7%
Weighted average return on net assets	**4.4%**	4.3%	Increased by 0.1 percentage point

Items	June 30, 2019	December 31, 2018	Changes over the end of last year
Financial position (RMB in million)			
Total assets	**320,697.6**	275,420.5	16.4%
Total liabilities	**277,042.3**	233,043.8	18.9%
Total equity attributable to shareholders of the Company and holders of other equity instruments	**43,452.4**	42,183.5	3.0%
Accounts payable to brokerage clients	**53,071.1**	41,317.9	28.4%
Total share capital (in million shares)	**4,192.7**	4,192.7	–
Net assets per share attributable to shareholders of the Company (RMB/share)	**10.1**	9.8	3.1%
Gearing ratio	**83.7%**	81.9%	Increased by 1.8 percentage points

Financial Summary

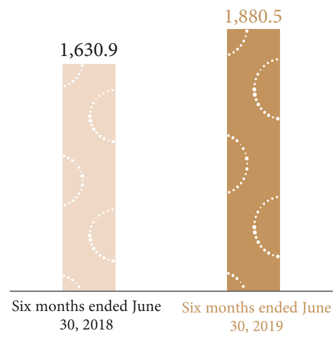
Total revenue and other income

RMB in million

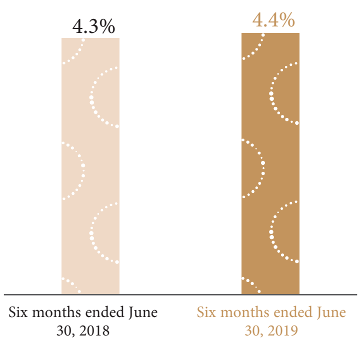


Profit for the period attributable to shareholders of the Company and holders of other equity instruments

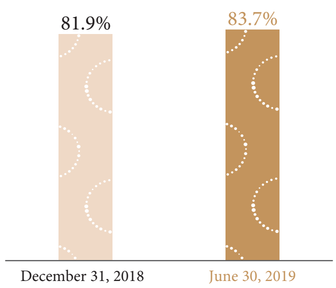
RMB in million



Weighted average return on net assets

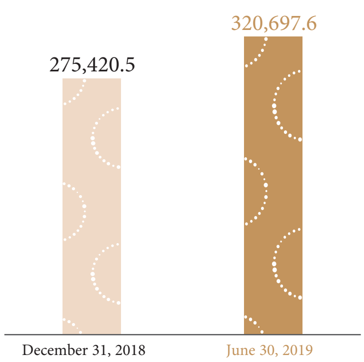


Gearing ratio



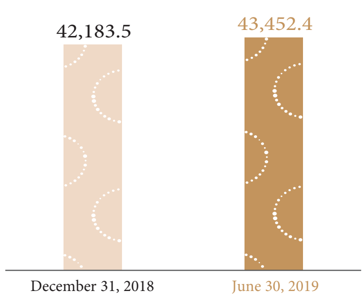
Total assets

RMB in million



Total equity attributable to shareholders of the Company and holders of other equity instruments

RMB in million



Financial Summary

II. NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS

As of June 30, 2019, the Company's net capital amounted to RMB25,779.0 million, representing an increase of 4.9% compared with RMB24,577.5 million as of December 31, 2018. During the Reporting Period, all of the Company's risk control indicators including the net capital met regulatory requirements.

Unit: RMB in million

Items	**June 30, 2019**	December 31, 2018
Core net capital	**17,186.0**	16,385.0
Supplementary net capital	**8,593.0**	8,192.5
Net capital	**25,779.0**	24,577.5
Net assets	**38,014.8**	37,265.5
Total risk capital reserves	**18,958.1**	18,399.0
Total on-and-off-balance-sheet assets	**164,691.7**	155,320.8
Risk coverage ratio	**136.0%**	133.6%
Capital leverage ratio	**10.4%**	10.5%
Liquidity coverage ratio	**381.6%**	438.3%
Net stable funding ratio	**139.9%**	157.0%
Net capital/net assets	**67.8%**	66.0%
Net capital/liabilities	**22.9%**	22.7%
Net assets/liabilities	**33.8%**	34.5%
Equity securities and related derivatives held/net capital	**30.7%**	20.6%
Non-equity securities and related derivatives held/net capital	**338.8%**	347.5%

Management Discussion and Analysis

I. ANALYSIS OF PRINCIPAL BUSINESSES

Investment Banking

Equity Financing

Market Environment

During the first half of 2019, a total of 64 A-share IPOs were completed, with an aggregate financing size of approximately RMB61,157 million, representing a year-on-year decrease of 33.7%; a total of 70 A-share follow-on offerings were completed, with an aggregate financing size of approximately RMB61,092 million, representing a year-on-year decrease of 75.4%.

In the Hong Kong primary market, during the first half of 2019, a total of 72 Hong Kong IPOs were completed, with an aggregate financing size of approximately US$9,124 million, representing a year-on-year decrease of 29.0%; in terms of follow-on offerings and selldowns, a total of 97 Hong Kong follow-on offerings and selldowns were completed, with an aggregate amount of approximately US$9,847 million, representing a year-on-year decrease of 55.7%.

In the U.S. primary market, during the first half of 2019, a total of 11 US IPOs of PRC-based companies were completed, with an aggregate financing size of approximately US$1,502 million, representing a year-on-year decrease of 63.8%.

Actions and Achievements

During the first half of 2019, our Group closed a total of five A-share IPOs, with an aggregate lead underwriting amount of approximately RMB5,913 million, ranking No. 2 in the market; our Group also closed four A-share follow-on offerings, with an aggregate lead underwriting amount of approximately RMB5,414 million.

During the first half of 2019, the Group sponsored a total of eight IPOs, ranking first in the market, with an aggregate lead underwriting amount of US$950 million, ranking No. 3 in the market. The Group underwrote a total of 13 Hong Kong IPOs acting as the global coordinator, with an aggregate underwriting amount of US$1,006 million, ranking first in the market. The Group underwrote a total of 15 Hong Kong IPOs acting as the lead bookrunner, with an aggregate amount of US$938 million, ranking first in the market. In the first half of 2019, the Group underwrote five transactions of refinancings and selldowns for Hong Kong stocks acting as the lead bookrunner, ranking No. 6 in the market, with an aggregate lead underwriting amount of US$772 million, ranking No. 4 in the market.

During the first half of 2019, we participated and executed well in several landmark US IPOs of PRC-based companies. The Group underwrote a total of three US IPOs of PRC-based companies acting as the lead bookrunner, with an aggregate lead underwriting amount of US$282 million, ranking No. 1 in the market in terms of both deal number and aggregate amount. In addition, the Group participated in one follow-on offering of a China concept stock in the US, with a lead underwriting amount of US$316 million, ranking No. 5 in the market.

Management Discussion and Analysis

Items A shares	January to June 2019 Lead underwriting amount (RMB in million)	January to June 2019 Number of offerings	January to June 2018 Lead underwriting amount (RMB in million)	January to June 2018 Number of offerings
IPOs	**5,913**	**5**	33,681	6
Follow-on offerings	**5,414**	**4**	22,015	5

Items Hong Kong equity offerings	January to June 2019 Lead underwriting amount (USD in million)	January to June 2019 Number of offerings	January to June 2018 Lead underwriting amount (USD in million)	January to June 2018 Number of offerings
IPOs	**938**	**15**	423	4
Follow-on offerings	**772**	**5**	603	4

Items U.S. equity offerings by PRC-based companies	January to June 2019 Lead underwriting amount (USD in million)	January to June 2019 Number of offerings	January to June 2018 Lead underwriting amount (USD in million)	January to June 2018 Number of offerings
IPOs	**282**	**3**	73	2
Follow-on offerings	**316**	**1**	0	0

Management Discussion and Analysis

Outlook for the second half of 2019

During the second half of 2019, we will carry forward execution of deals in the pipeline, deepen penetration into emerging industries, strengthen business development efforts associated with the Science and Technology Innovation Board ("STAR Market"), and capitalize on our cross-border capability to explore secondary listing opportunities for clients currently listed on other listing venues.

Debt and Structured Financing

Market Environment

During the first half of 2019, as the interest rate in the domestic bond market fluctuated downwards, the total amount of issuance in the credit bond market continued to increase. The total amount of onshore credit bond issuance reached approximately RMB6.60 trillion, representing a year-on-year increase of 38.8%, among which the total amount of asset-backed securitization ("ABS") deals reached approximately RMB950 billion, representing a year-on-year increase of 35.6%. Meanwhile, during the first half of 2019, as market expectation for Fed's interest rate cuts picked up, offshore bond yields headed down, emerging markets continued to see debt capital inflows and offshore bond markets remained active. During the first half of 2019, the overseas debt capital raising amount of PRC-based companies amounted to approximately US$135,537 million, representing a year-on-year increase of 12.1%.

Actions and Achievements

During the first half of 2019, the Group continued to enhance our debt underwriting capabilities and maintained a strong momentum in the underwriting of fixed income products, further consolidating our leading position in the debt primary market. During the first half of 2019, the Group closed a total of 238 bond transactions (excluding local government bonds), representing a year-on-year increase of 91.9%, with an aggregate underwriting amount of approximately RMB304,283 million, including 178 onshore credit bond transactions with an aggregate amount of approximately RMB281,109 million, and 60 offshore transactions with an aggregate amount of approximately US$3,414 million. During the first half of 2019, thanks to sound business positioning and enhanced underwriting capabilities, the Company's ranking moved up to No. 3 among securities firms in terms of onshore bond offering amount, which increased approximately 90% year on year; meanwhile, our offshore bond underwriting business maintained sound development momentum. We continued to rank No. 1 among Chinese securities firms in terms of the underwriting amount of investment-grade USD bond offerings by PRC-based issuers.

In addition, the Group continued to seek breakthroughs in terms of product innovation. We successfully closed a number of benchmark transactions, including the offshore asset-backed securitisation note issued by China State Construction International, which represented the first off-balance-sheet asset-backed securitisation product issued by a state-owned enterprise through overseas public offering in recent years; the RMB40 billion perpetual bond of Bank of China, which represented the first onshore perpetual bond product issued by commercial banks; and the RMB40 billion A-share convertible bond of China CITIC Bank, which represented the largest ever convertible bond offering in China.

Management Discussion and Analysis

Outlook for the second half of 2019

During the second half of 2019, we will seek to capture major business opportunities presented by macro and policy trends, such as the low interest rate environment, new asset management regulations, strong growth in the cross-border arena, increase in infrastructure investments and support for private enterprises, to continue to effectively address the debt financing needs of major clients, better capture new business opportunities to expand business scale, enhance service capabilities and diversify sources of revenue.

Financial Advisory Services

Market Environment

During the first half of 2019, according to Dealogic, 2,371 mergers and acquisitions ("M&A") by PRC-based companies were announced with an aggregate amount of approximately US$198,775 million, representing a year-on-year decrease of 29.2%, among which, 1,978 were domestic M&A transactions with a total amount of US$165,060 million, representing a year-on-year decrease of 30.0%; and 393 were cross-border M&A transactions with a total amount of US$33,715 million, representing a year-on-year decrease of 25.3%.

Actions and Achievements

We continued to reinforce our leadership in the M&A business. In the first half of 2019, according to M&A statistics by Dealogic, the Group announced 17 deals, involving an amount of approximately US$11,012 million. Among these transactions, 15 were domestic M&A transactions with a total amount of approximately US$8,834 million and two were cross-border M&A transactions with a total amount of approximately US$2,178 million. In the first half of 2019, the Group ranked No. 4 in the mainland China M&A market, No. 2 in the cross-border M&A market, and No. 4 in the PRC M&A market with a market share of approximately 5.5%. In the first half of 2019, we led the RMB20 billion debt restructuring of Bohai Steel Group as the exclusive financial advisor, and also continued to play a lead role in a number of milestone debt restructurings in China, including: China Baowu's takeover of Ma Steel Group with a size of US$2.92 billion, Minjiang Hydropower asset swap with a size of RMB4.56 billion, and China Merchants Group's takeover of Liaoning Port Group. The Group continuously developed the debt restructuring advisory business and made outstanding contributions to China's supply-side reform, mitigation of major financial risks and reform of state-owned enterprises.

Management Discussion and Analysis

Outlook for the second half of 2019

During the second half of 2019, capitalizing on historic opportunities brought by reforms of state-owned enterprises and deleveraging, our Group will seek to strengthen our role in the mixed ownership reform of state-owned enterprises, partnerships between central SOEs and local SOEs, and debt restructuring transactions, and consolidate our leading position in major M&A and restructuring transactions of SOEs. We will continue to promote the M&A and restructuring transactions of listed companies to contribute to industrial consolidation and better serve the real economy. Meanwhile, we will strive to further expand our international presence and leverage our international network to strengthen business development efforts in the field of M&A of multinational corporations and in the Belt and Road countries, and continue to promote deeper interconnection between domestic and overseas capital markets.

Equities

Market Environment

During the first half of 2019, major stock indices in the mainland China and Hong Kong SAR markets headed down after early year hikes with intensified volatility, but still recorded gains for the period. Among them, the Shanghai Composite Index rose by 19.4%, the Shenzhen Stock Exchange Composite Index by 26.8%, the Hang Seng Index by 10.4%, and the H-share index by 7.5%. Since May 2019, as investors turned more risk-averse due to increasing uncertainties of trade friction between China and the US, major stock indices plunged with narrowing trading volumes. During the first half of 2019, the average daily trading volume in the A-share market was RMB625.3 billion, representing an increase of 30% compared with the corresponding period last year. The average daily turnover of the Hong Kong SAR stock market was HK$97.7 billion, representing a decrease of 24% compared with the corresponding period last year.

Actions and Achievements

During the first half of 2019, the overall domestic and overseas capital market environment improved compared with 2018. The equities business captured historical opportunities brought by further opening-up and deepening reform of the capital market to expand client coverage, innovate product structures, promote cross-border business interactions, and strictly manage business risks. We continued to strengthen customer management, optimize business procedures and promote system construction, to maintain the steady growth of revenue and a balanced revenue structure between the exchange and OTC markets at home and abroad. Our revenues from domestic and overseas markets grew significantly compared with the first half of 2018, outperforming the overall market.

We continued to expand our global presence and upgrade our international services. Our Group intensified business development efforts in the international financial markets and maintained a leading and growing customer coverage and market share in the stock connect programs, while continuing to expand business presence in the international market. In the domestic market, we maintained a strong coverage over fund and insurance accounts, and our market share in Hong Kong stock trading volume by domestic fund and insurance clients exceeded 10%. In the offshore market, the size of the prime brokerage business of CICC Hong Kong continued to grow, and the total trading volume in Hong Kong stocks and northbound trading of Shanghai and Shenzhen Stock Connect programs through the Hong Kong Stock Exchange hit record high in the first half of 2019. We continued to maintain a leading market share in terms of trading in Shanghai and Shenzhen connect program stocks through Hong Kong Stock Exchange among all international and Chinese brokers. As our sources of revenue from overseas trading activities became increasingly diversified, in addition to the mainland and Hong Kong SAR markets, our brokerage income from US increased by over 30% compared with last year. As one of the first qualified cross-border conversion agencies for global depositary receipts (GDRs), CICC UK will facilitate conversion between A shares and GDRs for investors.

Management Discussion and Analysis

We witnessed steady growth of our product business, and established an integrated financial service platform. We continued to strengthen product innovation and cross-selling activities in the exchange and OTC markets at home and abroad to fully address client demand, while maintaining vigorous risk management. By utilizing IT platform we independently developed, our prime brokerage business continued to grow. The prime brokerage business of CICC Hong Kong ranked among the topnotch in the offshore market in terms of business size and customer base in the first half of 2019. Prime brokerage business in mainland China showed steady growth in terms of scale and client base. We maintained a leading position in the cross-border arena, and offer investors with a variety of exchange and OTC instruments. In the derivatives business, we strengthened efforts in client development by offering product structures that fit with their risk-return profiles, and strengthened development of both tailored and standardized products, to achieve steady revenue growth. Meanwhile, we continued to optimize our business IT systems and enhance the operation efficiency of middle and back offices and level of risk control, to consistently provide high-end and customized services to our clients.

We further consolidated our global institutional customer base and strengthened cross-selling activities. Being deeply rooted in the domestic and overseas secondary markets for years, our Group has built a prestigious institutional client base and provided clients with comprehensive financial services through seamless cooperation of cross-border teams of different business lines, including equity sales, derivatives and market capitalization management. We maintained higher levels of customer coverage and market shares among long funds (including QFII/RQFIIs, QDIIs, and the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect), insurance companies and hedge funds. Meanwhile, the Group further strengthened ties with bank clients, and signed strategic cooperation agreements with a number of commercial banks, successfully establishing partnerships with a number of medium and large banks and their wealth management subsidiaries. For the northbound trading of the Connect Program through the Hong Kong Stock Exchange, we recorded a significant increase in the number of Northbound Stock Connect trading accounts opened during the first half of 2019, with a leading market share in terms of total trading volume.

Outlook for the second half of 2019

With the continuous development and growth of domestic financial institutions and the further opening-up of China's capital market, the Group will continue to give full play to CICC's advantages in light of our "Chinese Roots and International Reach" and our market-oriented and international-standard practices. Relying on our high-quality customer base and by closely tracking changes in the market, we will actively expand new products and new business in the exchange and OTC markets at home and abroad, to drive steady growth of revenue.

Management Discussion and Analysis

FICC

Market Environment

During the first half of 2019, China's economic performance was generally stable, but the external economic environment tightened as a whole, and structural conflicts were prominent. In the first quarter of 2019, in response to risks of economic downturn, the Central Bank continued to implement a prudent monetary policy, and maintained reasonably sufficient liquidity by lowering the required deposit reserve ratio and remaining flexible in open market operations, maintaining a stable money market interest environment. Meanwhile, the Government has implemented a proactive fiscal policy including cutting taxes and fees and advancing the issuance of local government bonds, resulting in a higher growth of fiscal expenditures. In the bond market, due to the impact of lower required deposit reserve ratio early this year, the interbank liquidity was generally loose, and money market interest rate went down in the first quarter, which pushed up demand for bond allocation and drove bond yields down. The yield of 10-year government bonds fell to 3.07% the lowest. In April 2019, against the backdrop of stabilized economic fundamentals, stock market rebounds and recovery of market risk appetite, the monetary policy was marginally tightened again. Bond yields rose sharply in April, and the yield of 10-year government bonds rebounded to 3.4%. However, due to escalated China-US trade friction in early May, and occurrence of credit default incidents in late May, the risk appetites of financial institutions further dropped, and liquidity was tightened for small and medium banks and non-financial institutions. In order to hedge against external and internal risks, the Central Bank announced cuts to required reserve ratios again and increase the money supply in the open market, and therefore loosing the overall liquidity in the market and the overnight repo rate fell to a record low in June. With the increased risk aversion of the market which favored risk-free assets such as interest rate bonds, and the impact of inclusion of Chinese bond market into global key indexes, the buying power of overseas institutions rose sharply in May and June, leading to a rapid decline in yields of interest rate bonds. However, due to reduced risk appetite and increased default risk, the spreads of credit continued to expand, resulting in sell-offs of low-grade credit bonds and sharply rising yields of low-grade bonds in the second quarter. As liquidity diverged, the yields of interest rate bonds varied significantly. Overall, at the end of the half year of 2019, the yield of government bonds was close to that at the beginning of the year. However, the repo rate was lower than that at the beginning of the year, and the yield of low-grade credit bonds was higher than that at the beginning of the year.

Management Discussion and Analysis

Actions and Achievements

During the first half of 2019, the Group continued to forge ahead our FICC business. We have significantly improved our comprehensive service capability, and made solid progress in client business. We delivered strong results in client trading and structured product business, and maintained a leading market share in asset-backed securitization. We further strengthened structuring of cross-border products and new products, and further enhanced collaboration and product offerings to wealth management customers.

During the first half of 2019, in spite of increasing market volatility and credit risks following risk incidents of some financial institutions and escalation of China-US trade friction, our trading teams continued to demonstrate strong trading and risk control capabilities, and achieved certain returns by prudently capturing market opportunities.

During the first half of 2019, the Group continued to strengthen the IT infrastructure of our FICC business and steadily push forward relevant IT system development.

Outlook for the second half of 2019

Our Group will continue to improve the FICC platform and focus on client business; we will further strengthen risk management in trading and principal investment to continue to deliver sound returns; we will further strengthen our innovation and product design capabilities for all types of products, increase product varieties and expand the scale of products; we will focus on cross-border business and further improve our product design and service platform for cross-border activities.

Wealth Management

Market Environment

During the first half of 2019, as the domestic stock market rebounded, equities funds enjoyed growths in terms of both share size and net asset value, and the brokerage commission revenue of the securities industry grew significantly year on year. At the same time, following the ongoing supply-side structural reform and financial deleveraging, the credit risk rapidly accumulated shown by the rapid divergence of credit profiles in the financial market, removal of implicit guarantees for wealth management products and occurrence of credit defaults. In an environment of a rapid change of product supply and further suppression of brokerage commission rate, traditional business models cannot fit in with the new competitive landscape in the industry, so the wealth management industry as a whole is on the verge of business transitioning. In addition, technologies have begun to take shape in improving the effectiveness of the wealth management industry, accelerating the transformation of wealth management business into digital and intelligent models. Meantime, the appetites of Chinese high-net-worth population for wealth management services have been gradually evolving following changes in the external environment. On one hand, with the removal of implicit return guarantees, customers need to increase the acceptance of allocations in NAV-measured products. On the other hand, customers are increasingly seeking for one-stop wealth solutions based on life goals and family succession, which require supports from an integrated wealth management platform. Against the backdrop of rapid growth of private wealth and total assets under management, to adopt innovative means including digital instruments to provide better quality services and improve customer experience, and to establish comprehensive service models and differentiated competitive edges to increase customer loyalty, are the key to sustainable development going forward.

Management Discussion and Analysis

Actions and Achievements

During the first half of 2019, our Company continued to enhance the wealth management platform. To fully address customer needs over their entire life cycle, we aim to provide "wealth planning & asset allocation" solutions, and upgraded our wealth management service models by combining online and offline services. Capitalizing on the Company's strong research coverage, we further improved our Wealth Service Center's capabilities on buy-side research and services. We are able to provide clients and investment advisors with professional analysis opinions at first hand in time, and can also conduct active assessments, online promotions and after-sale tracking for high-quality domestic and overseas products over the entire market so as to build a wealth management product ecosystem with CICC features. At the same time, we focused on strengthening our wealth planning capabilities to launch a series of wealth planning products including mutual pension funds and family trusts by acutely capturing market trends and customer needs, which have laid a solid foundation for the future release of a full spectrum of wealth planning products. We also upgraded gWMS system, the core wealth management platform for wealth management products, by constantly upgrading the service terminals tuned to clients and investment advisors, adding new modules like wealth planning and constantly enriching products on the shelf. Meanwhile, by adopting innovative digital technologies, we continued to strengthen the digital marketing platform by accumulating a large amount of customer behavioral data, which can help deepen our understanding of customer needs through their digital profiling and assist investment advisors to provide them with insightful and exclusive experiences.

On August 13, 2019, China Investment Securities Company Limited changed its name to China CICC Wealth Management Securities Company Limited (中國中金財富證券有限公司) ("CICC Wealth Management"). During the first half of 2019, our Company continued to promote the full integration with CICC Wealth Management in accelerated paces. We deepened the integration of middle and back office' functions including risk management. We included CICC Wealth Management into our comprehensive risk management system to realize vertical management. We also promoted the unified management of balance sheets of CICC and CICC Wealth Management to maximize balance sheet utilization at the Group level. We steadily advanced the integration of wealth management business, with deepened sharing of CICC's product, research, system and training resources, and made organizational and functional adjustments to CICC Wealth Management in an organized manner to introduce more market-oriented practices into CICC Wealth Management. After two years of efforts, the two parties have basically completed the integration in terms of investment advisor teams, evaluation mechanisms, sharing of research and product resources and unifying of risk control parameters, paving the road for the unifying of brand names.

As of June 30, 2019, the number of CICC's wealth management customers reached 60,196, with a growth of 27.6% compared with the end of 2018. The total customer assets reached approximately RMB826,532 million, with an increase of 16.5% compared with the end of 2018; the average assets per account exceeded RMB13 million. CICC Wealth Management had 5,762 institutional clients, 367,728 affluent customers and 2,666,619 retail customers, whose total assets were RMB1,177,976 million, RMB254,884 million and RMB46,823 million, respectively.

Management Discussion and Analysis

Outlook for the second half of 2019

In the second half of 2019, the Company will continue to bring forward the integration with CICC Wealth Management, with the focus on unifying the brand name, so as to further materialize its synergies with the CICC platform. We will further deepen the integration of middle and back offices, for example, to deepen interconnections of IT systems, and actively carry out experience and resource sharing. We will strengthen coordinated efforts in business planning and collaboration, and leverage the research and product support from the Wealth Service Center to enhance coverage over different groups of customers, and further unify marketing strategies, product service strategies, system development plans, and investment advisor teams. We will also establish a unified business support system to promote the long-term and stable development of the wealth management business.

In the second half of 2019, the Company will intensify efforts to provide customers with a full spectrum of products and comprehensive wealth solutions, continue to explore business model innovation, and consolidate platform resources to promote business transitioning towards “wealth planning & asset allocation”. We will continue to strengthen our Wealth Service Center’s capabilities including research on general asset allocation, product sourcing, wealth planning and enhancing support to investment advisors to further improve customer experience. We will continue to expand our team of private wealth advisors, optimize the incentive and appraisal mechanisms to strengthen customer acquisition and expand customer coverage. We will also deepen the cooperation with Tencent to expand and diversify our customer base, deeply exploit the value of data through customer profiling to comprehensively improve our service capabilities. We will push forward the development and implementation of a digital wealth management platform and actively promote digitalization, in an effort to release more business potential with the help of state-of-the-art technologies. At the same time, we will continue to actively implement rigorous risk control measures in line with regulatory requirements, ensuring the steady and orderly development of all businesses.

Investment Management

During the first half of 2019, the investment management business of the Group continued to advance the building of allocation teams and platforms for major classes of assets, strengthened critical capabilities such as product design, distribution, investment and research and vigorously grew our AUM. As of June 30, 2019, the scale of assets under the Group’s management through a variety of ways amounted to approximately RMB719.8 billion.

Asset Management

Market Environment

During the first half of 2019, although the new asset management regulations and relevant supplementary documents relaxed the requirements to some extent for the transition period, scope of investment and valuation methods during the transition period, the overall policy directions for removal of implicit guarantees, regulating the money pool, tightened control over “shadow banking”, and highlighted supervision over asset management products through layers down to the actual underling assets, have not changed. The new asset management regulations may have fundamentally changed the business model and landscape of the asset management industry. Asset management institutions focus on enhancing their active management capabilities and investment and research capabilities.

Management Discussion and Analysis

Actions and Achievements

Our Company focuses on active asset management. Always putting clients' interest first, we design and offer high-quality and innovative asset management products and services to domestic and overseas clients for the purpose of steady value appreciation over the long term. During the first half of 2019, the Company further strengthened the investment and research team, established a rigorous investment decision-making process and disciplined management system. We continued to enrich our product lines, constantly develop new strategies and solutions tailored to changing market environment, client demand, and the configuration of investment and research, so as to continuously strengthen our comprehensive service capabilities. We actively guided our institutional investors to fine-tune their investment strategies in line with the new asset management regulations. Moreover, in terms of further development of pension business, after winning the bid for the occupational pension plans of the central government, the Company won 100% bids for the occupational pension plans in several provinces as the mandated investment manager. We steadily enhance the capabilities of active cross-border asset management, gradually improving our cross-border product lines and optimizing the cross-border assets allocation capabilities. Moreover, the Company continued to strengthen synergies with CICC Wealth Management in terms of asset management business by carrying out in-depth cooperation in pension business development and products distribution, and constantly enhancing the depth and breadth of customer coverage.

As of June 30, 2019, total assets under management by the asset management department of the Company was RMB190,227 million, representing an increase of 17.6% compared with the end of 2018. By product line, total assets under management of collective asset management products and segregated asset management products (including NSSF, corporate annuities, pensions and occupational annuities) were RMB13,853 million and RMB176,374 million, respectively. We had altogether 330 products under management, most of which were under active management.

Outlook for the second half of 2019

In the second half of 2019, we will continue to enhance our investment and research capabilities, improve the product mix, and enhance the professional service capabilities of the sales team. We will also increase investment in IT system development, enhance the service quality of middle and back offices, continue to focus on development of the occupational annuity business, seize the historical opportunity presented by the new asset management landscape to intensify efforts in institutional business and channel business, and provide customers with one-stop comprehensive solutions. The objective is to grow our asset management business into a multi-asset, multi-strategy, cross-market full-service asset management institution.

Management Discussion and Analysis

Mutual Fund

Market Environment

During the first half of 2019, the size of equity funds grew significantly, due to equity market recovery in the first quarter, and the size of bond funds continued to expand, yet the size of money market funds decreased on increasing redemptions. As of the end of the first half of 2019, total assets under management by the mutual fund industry slightly increased to RMB13.5 trillion from RMB13.0 trillion as of the end of 2018.

Actions and Achievements

During the first half of 2019, CICC Fund Management continued to expand retail channels, deepen penetration into the retail market, and strengthen design of featured instrument-type products and long-term asset allocation products. As of June 30, 2019, the assets under management of CICC Fund Management amounted to RMB21,091 million, representing an increase of RMB1,074 million compared with the end of 2018. In particular, the size of mutual funds increased to RMB16,633 million, and the size of private asset management schemes amounted to RMB4,458 million.

Outlook for the second half of 2019

In the second half of 2019, CICC Fund Management will continue to expand retail market coverage by strengthening channel service capabilities and make attempts to enter into the institutional market. We will continue to focus on upgrading major asset allocation instrument-type products, enhance investment capabilities, deliver sound investment performance, and make important contributions to enhance the overall asset management and service capabilities of our Group.

Private Equity Investment

Market Environment

Since 2018, the regulation over the financial industry was tightened, with highlighted focus on addressing financial chaos and preventing financial risks. China's private equity investment market saw a slight downturn. During the first half of 2019, influenced by macro conditions and policy environment, the private equity investment market of China could still feel the chill winds. The industry continued to polarize where leading private equity funds continued to deliver strong performance thanks to their professional investment and risk management capabilities, while small funds experienced a tough time.

Management Discussion and Analysis

Since the second half of 2018, the fundraising size of the Chinese private equity investment market has declined substantially. In the first half of 2019, the fundraising amount continued to decline year on year, and the number and size of new funds raised and funds that completed fundraising remained low. However, USD funds grew as a whole against market downturn. In the first half of 2019, several large USD funds completed fundraising. Thanks to their unique advantage in investment exit, USD funds are preferred by investors as more institutions choose dual currency funds (RMB and USD) in fundraising and investment.

In terms of investment management, in the first half of 2019, the private equity investment market of China saw continuous declining investment activities. As more institutions turned risk averse, and flew to rational value investment with highlighted focus on profit model and performance, the number and amount of transactions continued to drop, with a smaller number of large transactions. Besides, as "fundraising became increasingly challenging", available capital tightened rapidly, making it even difficult for later stage investment.

In terms of exit, due to slowdown of approval processes of domestic IPOs in the first half of 2019, exit through A share IPOs became challenging. Therefore, more investments turned for exit through mergers and acquisitions or overseas IPOs. The CSRC's green channel for IPO approval and the STAR Market will widen the exit options for investments.

Actions and Achievements

At present, CICC Capital has established a unified and open management platform. Internally, we achieved resource centralization and management synergy. Externally, we fostered an open platform ecosystem. The family of funds managed by CICC Capital mainly include government venture capital funds, RMB equity investment funds, USD equity investment funds, M&A funds and infrastructure funds. The industries covered include new generation information technology, biomedicine, cultural consumption, and high-end equipment manufacturing.

During the Reporting Period, the funds managed by CICC Capital were mainly local venture capital/industry FoFs and direct investment funds through cooperation with governments at various levels and major enterprises, funds managed as innovative segregated accounts through cooperation with large financial institutions, direct equity investment funds focusing on growth investment opportunities, and cross-border funds focusing on the investment and merger and acquisition opportunities between developed countries and China. We have formed relatively diversified product lines, to balance the overall risk of the business in light of diversified risk profiles of different products and to lay a solid foundation for the long-term and

Management Discussion and Analysis

sustainable development of CICC Capital, and constant value creation for limited partners and portfolio companies. In the first half of 2019, CICC Capital established a number of equity investment funds, covering civil-military integration, mixed ownership reform of SOEs, reverse ownership reform of private enterprises and infrastructure sectors. Besides, CICC Capital sought to establish regional large-scale funds, to share resources, realize synergies, promote collaboration with local governments, and fully mobilize social capital to promote the transformation and upgrading of regional economy in the medium and long term. As of the end of June 2019, the size of assets managed by the domestic and overseas businesses of CICC Capital reached RMB268,246 million, increasing by RMB19,034 million[1] compared with the end of 2018, making it one of the largest business platforms in the field of private equity in China.

CICC Capital attaches great importance to risk, and risk awareness has been implanted in CICC culture. CICC Capital has established a complete and vigorous risk control system in line with business development. Besides, CICC Capital has put in place a sophisticated and centralized middle and back office management and internal control platform, by fully consolidating the existing middle and back office functions.

Outlook for the Second Half of 2019

CICC Capital will continue to pursue growth in prudent and steady paces, and keep in line with the latest macro and industry trends. We will fully leverage upon the franchise of CICC and resources of our industry partners to fully utilize the power of capital and grasp opportunities brought by the reform of China's stock economies and development of new economies to assist in the upgrading of industries. In addition, we will also strengthen collaboration with the research and investment banking departments, to realize synergies between investment and investment banking, and build full-scope, multilayered equity investment capabilities to generate sound returns for investors. In the second half of 2019, CICC Capital will focus on: further expanding the size of funds under management, establishing strategically regional funds in key regions, further diversifying alternative product lines such as fund of funds, corporate equity, and thematic products, establishing a reasonable balance of investments, and continuing to strengthen risk control and unified management of business platforms.

[1] Including only CICC Capital-related funds, excluding funds managed by other departments or subsidiaries.

Management Discussion and Analysis

Others

The investment management business of the Group was mainly conducted through departments or subsidiaries such as the Asset Management Department, CICC Fund Management and CICC Capital. Along with increasing market demand and our business expansion, other departments, such as wealth management department, FICC department and investment banking department of our Group also rolled out investment management business and achieved new breakthroughs in terms of business scale and client development. As of June 30, 2019, the size of total assets managed by different business divisions and subsidiaries of our Group is set forth as follows:

Scale of the Group's investment management business

Unit: RMB million

Items	**June 30, 2019**	December 31, 2018
Asset management AUM	**374,984**	335,197
Including: Asset Management Department	**190,227**	161,771
Mutual fund AUM	**21,091**	20,017
Private equity fund AUM	**323,746**	306,817
Including: CICC Capital	**268,246**	249,212
Total of the Group	**719,821**	662,031

Research

Our research team covers global markets and provides services to clients both at home and abroad through our Group's offices and platforms across the world. The scope of our research products and investment analysis ranges from macro economy and market strategy to asset allocation, equities, commodities, and derivatives. As of June 30, 2019, our research team employed a high-caliber team of more than 100 experienced professionals, and covered more than 40 sectors as well as over 900 stocks listed in mainland China, Hong Kong SAR, New York, Singapore, Frankfurt and London.

Our Group's Research has won recognition from major domestic and overseas investors for its independent, unbiased and insightful research products. In the first half of 2019, we published 7,400 reports in English and Chinese. On the back of our numerous sector and company reports, we assembled a series of in-depth thematic reports, such as *Marvelous travel: Growing market backed by improving living standards, 5G: Changing the world and reshaping the intelligent connectivity, Cosmetics industry report: Rise of China's domestic brands, 5G: Ten trends to watch in 2020-2030, New infrastructure in China, Changing global trade landscape for Chinese industries*. These research products showcase our profound understanding of China. The superior quality and extensive coverage of our research reports have earned us the reputation as the "China Expert".

II. ANALYSIS OF FINANCIAL STATEMENTS

(i) Profitability Analysis of the Group

The Group's revenue and profit in the first half of 2019 increased compared with those in the same period last year. In particular, the FICC business achieved a substantial growth of revenue, and the revenue of equities business also increased notably.

The Group realized total revenue and other income of RMB10,199.5 million in the first half of 2019, representing an increase of 15.7% compared with that in the first half of 2018. Investment Banking(note) realized a revenue of RMB1,032.4 million, representing an increase of 3.1% compared with that in the first half of 2018; Equities(note) realized a revenue of RMB1,873.5 million, representing an increase of 26.9%; FICC(note) realized a revenue of RMB2,808.8 million, representing an increase of 50.5%; Wealth Management(note) realized a revenue of RMB3,042.8 million, representing an increase of 2.6%; Investment Management(note) realized a revenue of RMB861.6 million, representing a decrease of 7.5%; Others(note) realized a revenue of RMB580.4 million, representing an increase of 1.4%.

Note: The Group has five principal business segments: Investment Banking, Equities, FICC, Wealth Management and Investment Management. The segment Others mainly comprises other business departments and back offices. Details about the business segments were set out in "Management Discussion and Analysis – (iv) Operating Revenue and Profit Analysis – 2. Segment Results" of the report.

Management Discussion and Analysis

The Group's total expenses amounted to RMB7,850.5 million in the first half of 2019, representing an increase of 16.5% compared with that in the first half of 2018, mainly due to the increase of interest expenses and of staff costs.

The Group realized net profit attributable to shareholders of the Company and holders of other equity instruments of RMB1,880.5 million in the first half of 2019, representing an increase of 15.3% compared with that in the same period last year. The Group realized basic and diluted earnings per share of RMB0.442, representing an increase of 12.7% compared with that in the same period last year. The weighted average return on net assets was 4.4%, representing an increase of 0.1 percentage point compared with that in the same period last year.

(ii) Asset Structure and Quality

As of June 30, 2019, the Group's equity attributable to shareholders of the Company and holders of other equity instruments amounted to RMB43,452.4 million, representing an increase of RMB1,268.8 million or 3.0% compared with that at the end of 2018, mainly consisting of the Group's profit attributable to shareholders of the Company and holders of other equity instruments.

The asset structure remained relatively stable and the asset quality and liquidity maintained at a satisfactory level. As of June 30, 2019, the Group's total assets amounted to RMB320,697.6 million, representing an increase of RMB45,277.1 million or 16.4% compared with that at the end of 2018. Financial assets at fair value through profit or loss and derivative financial assets totalled RMB146,408.1 million, accounting for 45.7% of the total assets; financial assets at fair value through other comprehensive income amounted to RMB34,249.7 million, accounting for 10.7% of the total assets; cash and bank balances amounted to RMB27,611.2 million, accounting for 8.6% of the total assets; receivable from margin clients and reverse REPOs totalled RMB36,590.4 million, accounting for 11.4% of the total assets; interests in associates and joint ventures amounted to RMB1,336.6 million, accounting for 0.4% of the total assets. During the Reporting Period, there was no indication of significant impairment in the Group's assets.

As of June 30, 2019, the Group's total liabilities amounted to RMB277,042.3 million, representing an increase of RMB43,998.5 million or 18.9% compared with that at the end of 2018. After deducting accounts payable to brokerage clients, the total liabilities amounted to RMB223,971.2 million, representing an increase of RMB32,245.3 million or 16.8% compared with that at the end of 2018. REPOs amounted to RMB38,546.7 million, accounting for 13.9% of the total liabilities; debt securities issued totalled RMB85,403.4 million, accounting for 30.8% of the total liabilities; financial liabilities at fair value through profit or loss and derivative financial liabilities totalled RMB26,296.4 million, accounting for 9.5% of the total liabilities; placements from financial institutions amounted to RMB25,255.4 million, accounting for 9.1% of the total liabilities.

The gearing ratio was relatively stable. As of June 30, 2019, excluding the impact of accounts payable to brokerage clients, total assets of the Group amounted to RMB267,626.5 million; the gearing ratio was 83.7%, representing an increase of 1.8 percentage points compared with 81.9% at the end of 2018.

(iii) Cash Flows

Excluding the effect of cash held on behalf of brokerage clients, the Group's net increase in cash and cash equivalents amounted to RMB5,086.2 million in the first half of 2019, representing a decrease of RMB454.4 million compared with that in the first half of 2018, mainly due to a decrease in net cash generated from financing activities.

In the first half of 2019, net cash used in operating activities by the Group amounted to RMB1,785.0 million, representing a decrease of RMB2,236.0 million compared with that in the first half of 2018, mainly due to a net increase in placement from financial institutions.

In the first half of 2019, net cash used in investing activities by the Group amounted to RMB468.3 million, representing a decrease of RMB656.4 million compared with that in the first half of 2018, mainly due to a decrease in payment for purchase of investments.

In the first half of 2019, net cash generated from financing activities by the Group amounted to RMB7,339.6 million, representing a decrease of RMB3,346.8 million compared with that in the first half of 2018, mainly due to an increase in repayment of debt securities.

(iv) Operating Revenue and Profit Analysis

1. Analysis of Items in Statement of Profit or Loss

Summary of Financial Performance

The Group realized a net profit of RMB1,899.3 million in the first half of 2019, representing an increase of 14.8% compared with that in the first half of 2018. The financial performance of the Group are summarized as follows:

Unit: RMB in million

Items	**Six months ended June 30, 2019**	Six months ended June 30, 2018	Change	% of change
Revenue				
Fee and commission income	**4,263.1**	3,945.6	317.5	8.0%
Interest income	**2,419.8**	2,319.5	100.3	4.3%
Investment income	**3,554.8**	2,466.7	1,088.2	44.1%
Total revenue	**10,237.8**	8,731.9	1,505.9	17.2%
Other (losses)/income, net	**(38.3)**	81.5	(119.8)	N/A
Total revenue and other income	**10,199.5**	8,813.3	1,386.1	15.7%
Total expenses	**7,850.5**	6,737.9	1,112.6	16.5%
Share of profits of associates and joint ventures	**71.6**	51.8	19.8	38.3%
Profit before income tax	**2,420.6**	2,127.2	293.4	13.8%
Income tax expense	**521.3**	473.1	48.2	10.2%
Profit for the period	**1,899.3**	1,654.1	245.2	14.8%
Attributable to:				
Shareholders of the Company and holders of other equity instruments	**1,880.5**	1,630.9	249.5	15.3%

Management Discussion and Analysis

Revenue Breakdown

In the first half of 2019, the Group's total revenue amounted to RMB10,237.8 million, representing an increase of 17.2% compared with that in the same period last year. Of the Group's total revenue, fee and commission income accounted for 41.6%, representing a decrease of 3.5 percentage points compared with that in the same period last year; interest income accounted for 23.6%, representing a decrease of 2.9 percentage points; investment income accounted for 34.7%, representing an increase of 6.5 percentage points. Breakdown of the Group's revenue for the six months ended June 30, 2019 is listed as follows:

Items	**Six months ended June 30, 2019**	Six months ended June 30, 2018	**Change**
Fee and commission income	**41.6%**	45.2%	Decreased by 3.5 percentage points
Interest income	**23.6%**	26.6%	Decreased by 2.9 percentage points
Investment income	**34.7%**	28.2%	Increased by 6.5 percentage points
Total	**100.0%**	100.0%	

The Group's investment income in the first half of 2019 increased significantly compared with that in the same period last year, resulting in a smaller proportion of fee and commission income and of interest income in total revenue.

Fee and Commission Income and Expenses

In the first half of 2019, the Group realized a net fee and commission income of RMB3,754.2 million, representing an increase of 7.3% compared with that in the same period last year. Breakdown of the Group's net fee and commission income for the six months ended June 30, 2019 is listed as follows:

Unit: RMB in million

Items	**Six months ended June 30, 2019**	Six months ended June 30, 2018	**Change**	**% of change**
Fee and commission income				
Brokerage commission income	**1,991.7**	1,923.2	68.5	3.6%
Investment banking income	**1,213.8**	1,003.6	210.3	21.0%
Underwriting and sponsoring fees from equity financing	**309.5**	618.8	(309.3)	(50.0%)
Underwriting and sponsoring fees from debt and structured financing	**643.8**	230.0	413.8	179.9%
Financial advisory fees	**260.5**	154.8	105.7	68.3%
Asset management fees	**829.8**	767.3	62.5	8.1%
Asset management and mutual funds	**302.3**	291.0	11.2	3.9%
Private equity investment funds	**527.5**	476.2	51.3	10.8%
Investment advisory fees	**210.6**	229.7	(19.1)	(8.3%)
Others	**17.1**	21.8	(4.7)	(21.6%)
Total fee and commission income	**4,263.1**	3,945.6	317.5	8.0%
Fee and commission expenses	**508.9**	445.6	63.3	14.2%
Net fee and commission income	**3,754.2**	3,500.0	254.2	7.3%

Management Discussion and Analysis

The respective proportions of the Group's fee and commission income for the six months ended June 30, 2019 are listed as follows:

Items	**Six months ended June 30, 2019**	Six months ended June 30, 2018	Change
Brokerage commission income	**46.7%**	48.7%	Decreased by 2.0 percentage points
Investment banking income	**28.5%**	25.4%	Increased by 3.0 percentage points
Asset management fees	**19.5%**	19.4%	Increased by 0.0 percentage point
Investment advisory fees	**4.9%**	5.8%	Decreased by 0.9 percentage point
Others	**0.4%**	0.6%	Decreased by 0.2 percentage point
Total	**100.0%**	100.0%	

Brokerage commission income increased by RMB68.5 million or 3.6% compared with that in the first half of 2018, mainly due to the increase, with fluctuations, of the major stock indices in both mainland China and Hong Kong SAR markets in the first half of 2019; the average daily trading volume in the A-share market increased by 30% compared with that in the first half of 2018.

Investment banking income increased by RMB210.3 million or 21.0% compared with that in the first half of 2018. Investment banking income included underwriting and sponsoring fees from equity financing and from debt and structured financing and financial advisory fees. The underwriting and sponsoring fees increased by RMB104.6 million or 12.3% compared with that in the first half of 2018, mainly due to a significant increase in underwriting and sponsoring fees from debt and structured financing. Financial advisory fees increased by RMB105.7 million or 68.3% compared with that in the first half of 2018, mainly due to an increase in the Group's advisory fee income from M&A projects and from asset-backed special plans compared with that in the same period of 2018.

Management Discussion and Analysis

Asset management fees increased by RMB62.5 million or 8.1% compared with that in the first half of 2018, in line with the growth in AUM. Asset management fees consisted of the management fees from asset management business, mutual fund business and private equity fund business. In addition to asset management fees, the Group also had a share of profits of associates and joint ventures generated from AUM managed by fund management companies jointly-invested by the Group. Breakdown of the size of the Group's AUM as of June 30, 2019 is listed as follows:

Unit: RMB in million

Items	June 30, 2019	December 31, 2018	% of change
AUM that generated fee and commission income (wholly-owned)			
Collective asset management schemes	**34,422**	19,059	81%
Segregated asset management schemes	**216,747**	183,752	18%
Special asset management schemes	**104,730**	116,514	(10%)
Mutual funds	**21,091**	20,017	5%
Private equity funds	**186,490**	170,900	9%
Subtotal	**563,481**	510,242	10%
AUM that generated share of profits of associates and joint ventures (jointly-invested)			
Private equity funds	**137,256**	135,917	1%
Non-private equity funds	**19,085**	15,873	20%
Subtotal	**156,340**	151,789	3%
Total	**719,821**	662,031	9%

Investment advisory fees decreased by RMB19.1 million or 8.3% compared with that in the first half of 2018, mainly due to a declining demand for advisory services for private equity investments in the first half of 2019 compared with that in the same period of 2018.

Fee and commission expenses increased by RMB63.3 million or 14.2% compared with that in the first half of 2018, in line with the growth of the total fee and commission income.

Management Discussion and Analysis

Interest Income and Expenses

In the first half of 2019, the Group incurred net interest expenses of RMB358.2 million, among which interest income amounted to RMB2,419.8 million, representing an increase of 4.3% compared with that in the first half of 2018, and among which interest expenses amounted to RMB2,778.0 million, representing an increase of 12.4% compared with that in the first half of 2018. Breakdown of the Group's interest income and expenses for the six months ended June 30, 2019 is listed as follows:

Unit: RMB in million

Items	**Six months ended June 30, 2019**	Six months ended June 30, 2018	**Change**	**% of change**
Interest income				
Interest income from financial institutions	**695.6**	698.3	(2.7)	(0.4%)
Interest income from margin financing and securities lending	**705.1**	801.8	(96.7)	(12.1%)
Interest income from reverse REPOs	**395.1**	385.6	9.5	2.5%
Interest income from financial assets at fair value through other comprehensive income	**613.3**	421.1	192.2	45.6%
Others	**10.7**	12.7	(2.0)	(15.9%)
Total interest income	**2,419.8**	2,319.5	100.3	4.3%
Interest expenses				
Interest expenses on accounts payable to brokerage clients	**84.8**	90.0	(5.2)	(5.8%)
Interest expenses on REPOs	**594.6**	541.5	53.0	9.8%
Interest expenses on placements from financial institutions	**355.4**	258.0	97.4	37.8%
Interest expenses on debt securities issued	**1,575.9**	1,399.1	176.8	12.6%
Interest expenses on lease liabilities	**34.6**	–	34.6	N/A
Others	**132.7**	182.6	(50.0)	(27.4%)
Total interest expenses	**2,778.0**	2,471.3	306.7	12.4%
Net interest expenses	**(358.2)**	(151.8)	(206.4)	136.0%

Management Discussion and Analysis

Interest income from financial institutions decreased by RMB2.7 million or 0.4% compared with that in the first half of 2018.

Interest income from margin financing and securities lending decreased by RMB96.7 million or 12.1% compared with that in the first half of 2018, mainly due to a shrinkage in average daily scale of margin financing resulted from a declining financing demands of domestic clients.

Interest income from reverse REPOs increased by RMB9.5 million or 2.5% compared with that in the first half of 2018, mainly due to an increase in interest income from bond agreement REPO business.

Interest income from financial assets at fair value through other comprehensive income represented an increase of RMB192.2 million or 45.6% compared with that in the first half of 2018, mainly due to an increase in the Group's bond positions in the first half of 2019, resulting in a corresponding increase in the relevant interest income.

Interest expenses increased by RMB306.7 million or 12.4% compared with that in the first half of 2018, mainly due to an increase in debt financing. During the first half of 2019, in order to meet its business development needs and the regulatory requirements, the Group issued various debt securities including corporate bonds, structured notes and USD-denominated medium-term notes, and its placements from banks increased compared with that in the same period of last year, resulting in the corresponding increase in interest expenses.

Management Discussion and Analysis

Investment Income

In the first half of 2019, the Group recognized an investment income of RMB3,554.8 million, representing an increase of RMB1,088.2 million or 44.1% compared with that in the same period last year. Breakdown of the Group's investment income for the six months ended June 30, 2019 is listed as follows:

Unit: RMB in million

Items	Six months ended June 30, 2019	Six months ended June 30, 2018	Change	% of Change
Investment income				
Net gains/(losses) from disposal of financial assets at fair value through other comprehensive income	**138.1**	(3.0)	141.0	N/A
Net gains from financial instruments at fair value through profit or loss and derivative financial instruments	**3,410.4**	2,469.7	940.8	38.1%
– Equity investments	**1,185.3**	608.4	576.8	94.8%
– Debt investments	**1,605.4**	1,321.2	284.3	21.5%
– Other investments	**619.7**	540.1	79.7	14.8%
Others	**6.3**	–	6.3	N/A
Total	**3,554.8**	2,466.7	1,088.2	44.1%

Management Discussion and Analysis

Net gains from disposal of financial assets at fair value through other comprehensive income amounted to RMB138.1 million, while the net losses in the same period of 2018 amounted to RMB3.0 million. They were primarily the gains and losses generated from disposing debt investments at fair value through other comprehensive income.

Net gains from financial instruments at fair value through profit or loss and from derivative financial instruments totalled RMB3,410.4 million, representing an increase of RMB940.8 million or 38.1% compared with that in the first half of 2018. The net gains were from the following categories of investments:

- Net gains from equity investments represented an increase of RMB576.8 million or 94.8% compared with that in the first half of 2018, mainly due to the increase in investment income resulting from a recovery of stock market in the first half of 2019 compared with that in the first half of 2018;
- Net gains from debt investments represented an increase of RMB284.3 million or 21.5% compared with that in the first half of 2018, mainly due to the increase in investment income resulting from an increase in the Group's bond positions and from a downturn in the bond market yield in the first half of 2019;
- Net gains from other investments represented an increase of RMB79.7 million or 14.8% compared with that in the first half of 2018.

Management Discussion and Analysis

Operating Expenses

In the first half of 2019, the Group's operating expenses (excluding fee and commission expenses and interest expenses, the same below) amounted to RMB4,563.6 million, representing an increase of RMB742.6 million or 19.4% compared with that in the same period last year. Breakdown of the Group's operating expenses for the six months ended June 30, 2019 is listed as follows:

Unit: RMB in million

Items	Six months ended June 30, 2019	Six months ended June 30, 2018	Change	% of change
Operating expenses				
Staff costs	**3,275.2**	2,624.8	650.5	24.8%
Depreciation and amortization expenses	**442.1**	138.3	303.9	219.8%
Tax and surcharges	**35.1**	35.6	(0.5)	(1.3%)
Other operating expenses and costs	**821.7**	1,057.5	(235.8)	(22.3%)
Reversal of impairment losses	**(10.5)**	(35.1)	24.5	(70.0%)
Total	**4,563.6**	3,821.0	742.6	19.4%

Staff costs increased by RMB650.5 million or 24.8% compared with that in the first half of 2018, mainly due to an improvement in the operating results of the Group compared with that for the same period of 2018 and an increase in the number of staff.

Depreciation and amortization expenses increased by RMB303.9 million or 219.8% compared with that in the first half of 2018, mainly due to the depreciation and amortization expenses recognized for the right-of-use assets by the Group as a result of adopting IFRS 16, *Leases* ("IFRS 16"). For details of changes in accounting policies of the Group in the first half of 2019, please refer to "Notes to the Unaudited Interim Financial Report – 3. Changes in Accounting Policies".

Tax and surcharges decreased by RMB0.5 million or 1.3% compared with that in the first half of 2018, mainly due to a decrease in the stamp duties paid in relation to equity transfer, share capital and share premium.

Other operating expenses and costs decreased by RMB235.8 million or 22.3% compared with that in the first half of 2018, mainly due to a reclassification of expenses incurred by office leasing and by office equipment maintenance from lease expenses to depreciation and amortisation expenses for the right-of-use assets as a result of adopting IFRS 16.

2. Segment Results

The Group has five principal business segments: Investment Banking, Equities, FICC, Wealth Management and Investment Management. The segment Others mainly comprises other business departments and back offices.

Unit: RMB in million

Items	Six months ended June 30, 2019	Six months ended June 30, 2018	Change	% of change
Investment Banking(1)				
Segment revenue and other income	**1,032.4**	1,001.8	30.6	3.1%
Fee and commission income	**814.8**	788.0	26.9	3.4%
Interest income	**11.9**	7.4	4.5	60.1%
Investment income	**196.6**	198.8	(2.2)	(1.1%)
Other income, net	**9.1**	7.7	1.4	18.6%
Interest expenses	**(66.3)**	(70.9)	4.6	(6.5%)
Revenue and other income after interest	**966.1**	930.9	35.2	3.8%
Non-interest expenses(2)	**(913.5)**	(881.7)	(31.8)	3.6%
Profit before income tax	**52.6**	49.2	3.4	6.9%
Segment margin(3)	**5.1%**	4.9%	Increased by 0.2 percentage point	

Management Discussion and Analysis

Items	Six months ended June 30, 2019	Six months ended June 30, 2018	Change	% of change
Equities[1]				
Segment revenue and other income	**1,873.5**	1,476.8	396.8	26.9%
Fee and commission income	**695.6**	859.3	(163.7)	(19.0%)
Interest income	**139.4**	111.7	27.7	24.8%
Investment income	**1,112.8**	538.3	574.6	106.7%
Other losses, net	**(74.4)**	(32.5)	(41.8)	128.5%
Interest expenses	**(279.6)**	(329.1)	49.6	(15.1%)
Revenue and other income after interest	**1,594.0**	1,147.6	446.3	38.9%
Non-interest expenses[2]	**(412.4)**	(387.2)	(25.2)	6.5%
Profit before income tax	**1,181.5**	760.4	421.1	55.4%
Segment margin[3]	**63.1%**	51.5%	Increased by 11.6 percentage points	

Investment income of Equities increased significantly compared with that in the first half of 2018, mainly due to the increase in investment income resulting from a recovery of stock market in the first half of 2019 compared with that in the first half of 2018. Other losses increased significantly compared with that in the first half of 2018, mainly due to the changes in foreign exchange gains and losses resulting from exchange rate fluctuations.

Management Discussion and Analysis

Items	Six months ended June 30, 2019	Six months ended June 30, 2018	Change	% of change
FICC[1]				
Segment revenue and other income	**2,808.8**	1,866.0	942.8	50.5%
Fee and commission income	**447.7**	189.0	258.7	136.9%
Interest income	**683.3**	503.0	180.3	35.8%
Investment income	**1,676.3**	1,179.8	496.5	42.1%
Other income/(losses), net	**1.5**	(5.8)	7.3	N/A
Interest expenses	**(1,537.3)**	(1,186.4)	(350.9)	29.6%
Revenue and other income after interest	**1,271.5**	679.6	591.9	87.1%
Non-interest expenses[2]	**(329.4)**	(215.5)	(113.9)	52.8%
Profit before income tax	**942.1**	464.0	478.1	103.0%
Segment margin[3]	**33.5%**	24.9%	Increased by 8.7 percentage points	

Fee and commission income of FICC increased significantly compared with that in the first half of 2018, mainly due to a notable increase in fees for investment advisory services provided for trust schemes, as well as an increase in debt underwriting fees and fixed-income asset management fees.

Management Discussion and Analysis

Items	Six months ended June 30, 2019	Six months ended June 30, 2018	Change	% of change
Wealth Management[1]				
Segment revenue and other income	**3,042.8**	2,964.6	78.2	2.6%
Fee and commission income	**1,536.3**	1,305.7	230.6	17.7%
Interest income	**1,340.6**	1,455.5	(114.9)	(7.9%)
Investment income	**167.3**	195.0	(27.6)	(14.2%)
Other (losses)/income, net	**(1.5)**	8.5	(10.0)	N/A
Interest expenses	**(760.9)**	(946.9)	186.0	(19.6%)
Revenue and other income after interest	**2,281.9**	2,017.7	264.2	13.1%
Non-interest expenses[2]	**(1,303.8)**	(1,247.7)	(56.1)	4.5%
Share of profits of associates and joint ventures	**26.0**	9.0	17.0	189.2%
Profit before income tax	**1,004.0**	779.0	225.1	28.9%
Segment margin[3]	**33.0%**	26.3%	Increased by 6.7 percentage points	
Investment Management[1]				
Segment revenue and other income	**861.6**	931.8	(70.1)	(7.5%)
Fee and commission income	**758.9**	776.3	(17.4)	(2.2%)
Interest income	**8.7**	10.3	(1.6)	(15.3%)
Investment income	**79.4**	131.0	(51.6)	(39.4%)
Other income, net	**14.7**	14.3	0.4	2.6%
Interest expenses	**(56.4)**	(30.9)	(25.4)	82.3%
Revenue and other income after interest	**805.2**	900.8	(95.6)	(10.6%)
Non-interest expenses[2]	**(546.3)**	(435.4)	(110.8)	25.5%
Share of profits of associates and joint ventures	**25.9**	20.2	5.7	28.1%
Profit before income tax	**284.8**	485.6	(200.7)	(41.3%)
Segment margin[3]	**33.1%**	52.1%	Decreased by 19.1 percentage points	

Management Discussion and Analysis

Items	Six months ended June 30, 2019	Six months ended June 30, 2018	Change	% of change
Others[(1)(4)]				
Segment revenue and other income	**580.4**	572.4	8.0	1.4%
Fee and commission income	**9.8**	27.5	(17.7)	(64.5%)
Interest income	**236.0**	231.7	4.3	1.8%
Investment income	**322.4**	223.8	98.5	44.0%
Other income, net	**12.3**	89.4	(77.1)	(86.2%)
Segment expenses	**(1,644.8)**	(1,006.1)	(638.7)	63.5%
Share of profits of associates and joint ventures	**19.7**	22.6	(2.9)	(12.6%)
Loss before income tax	**(1,044.6)**	(411.0)	(633.5)	154.1%

(1) The Company acquired 100% equity interests of CICC Wealth Management (originally known as "China Investment Securities Company Limited") in March 2017. As of June 30, 2018, as the restructuring and integration was still in progress, CICC Wealth Management was managed and, in the 2018 interim report, presented as a separate operating segment. As of June 30, 2019, with a greater progress achieved in the integration, based on the nature of their business activities, the existing business units of CICC Wealth Management were reorganized and their financial performance were presented in the relevant operating segments. The information of comparative period was restated accordingly.

(2) Non-interest expenses include fee and commission expenses, staff costs, depreciation and amortization expenses, tax and surcharges, other operating expenses and costs, and impairment losses.

(3) Segment margin = profit before income tax/segment revenue and other income.

(4) The segment margin of Others is not presented because this segment incurred loss before income tax in the relevant periods.

Management Discussion and Analysis

(v) Contingent Liabilities

As of June 30, 2019, CICC Wealth Management, a subsidiary of the Company, held one piece of land under construction for which CICC Wealth Management had obtained the corresponding land use right certificates and construction permits in accordance with PRC laws. Up to the date of approving the Group's interim financial report, construction of the land has not commenced. Under the relevant laws and regulations, in the event of delay in commencement of construction, CICC Wealth Management may be subject to a fee on idle land of no more than RMB112.2 million (equivalent to 20% of the land transfer fee) and/or to forfeiture of the land use rights. However, if the delay is caused by government actions or other force majeure events, CICC Wealth Management may negotiate with relevant government authorities for postponing the commencement of construction and extending the construction period. CICC Wealth Management received an idle land verification report from the relevant government authorities on February 1, 2018. According to the report, the aforesaid land was recognized as idle land, and the idling was caused by government and corporate reasons. In May 2018, CICC Wealth Management received a Hearing Right Notice from the relevant government authorities, demanding the payment of fee on idle land of RMB112.2 million and thereupon CICC Wealth Management applied for attending hearing meeting. Thereafter in August 2018, CICC Wealth Management received a Hearing Notice and attended the hearing. Up to the date of approving the Group's interim financial report, CICC Wealth Management has still been in the progress of communicating with the relevant government authorities. The amount of the fee is still subject to the decision of the relevant government authorities, and CICC Wealth Management is of the view that such amount could not be reliably measured. As a result, no relevant accrued liabilities were recognized as of June 30, 2019.

Except for the above, the Group had no other outstanding matters which had a material impact on its consolidated financial position as of June 30, 2019.

(vi) Pledge of Assets of the Group

The Group has no pledge of assets as of June 30, 2019.

(vii) Income Tax Policy

In accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and the Provisions of Implementation for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), the statutory corporate income tax rate applicable to our Company and our subsidiaries in mainland China is 25%. Our subsidiaries in Hong Kong SAR are subject to a tax rate of 16.5% on their assessable profit. The Company's income tax computation and payment are governed by the Announcement of the State Administration of Taxation on Printing and Distributing the Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by the Enterprises with Trans-regional Operations* (《國家稅務總局關於印發〈跨地區經營匯總納稅企業所得稅徵收管理辦法〉的公告》) (Public Notice of the State Administration of Taxation [2012] No.57). During the six months ended June 30, 2019, we had fulfilled all our tax obligations and did not have any unresolved tax disputes with the relevant tax authorities in China or other jurisdictions.

Management Discussion and Analysis

III. SIGNIFICANT INVESTMENT AND FINANCING ACTIVITIES OF THE GROUP

(i) Equity Investment

During the Reporting Period, the Group did not have significant equity investments.

(ii) Equity Financing

The Group had no significant equity financing in the first half of 2019.

In addition, on September 20, 2017, the Company and Tencent Mobility Limited entered into the Subscription Agreement, and on March 23, 2018, the Company completed the issuance of 207,537,059 new H Shares to Tencent Mobility Limited. For details, please refer to the announcements published by the Company on September 20, 2017 and March 23, 2018. After deducting the relevant expenses, the net proceeds from the issuance of the Subscription Shares amounted to approximately HK$2,860.82 million. Our Group intended to use the proceeds for replenishing the capital of our Group and hence to support our Group's domestic and overseas business development by further strengthening our capital base. As of June 30, 2019, the Group has utilized 66.8% of net proceeds, and the remaining 33.2% of such net proceeds are planned to be used in cross-border businesses, all of which are expected to be utilized in 2019.

Management Discussion and Analysis

(iii) Debt Financing

As of June 30, 2019, the Group's outstanding bonds are set out in the table below:

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate*	Remarks
Corporate bonds	16 CICC 01	RMB3,000 million	July 18, 2016	July 18, 2021	2.99%	Our Company had an option to redeem such bond on July 18, 2019, which the Company announced to waive on June 28, 2019. The Company opted to increase the coupon rate from 2.99% to 3.58% for the last two years of the duration of such bond, and has hence redeemed part of such bond as requested by certain investors on July 18, 2019.
	16 CICC 02	RMB1,000 million	July 18, 2016	July 18, 2023	3.29%	Our Company has an option to redeem such bond on July 18, 2021. If the early-redemption option is not exercised at the end of the fifth year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
	16 CICC 03	RMB1,100 million	October 27, 2016	October 27, 2021	2.95%	Our Company has an option to redeem such bond on October 27, 2019. If the early-redemption option is not exercised at the end of the third year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
	16 CICC 04	RMB900 million	October 27, 2016	October 27, 2023	3.13%	Our Company has an option to redeem such bond on October 27, 2021. If the early-redemption option is not exercised at the end of the fifth year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
	16 CICC 05	RMB2,000 million	December 26, 2016	December 26, 2019	4.50%	

Management Discussion and Analysis

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
	17 CICC 01	RMB4,000 million	January 20, 2017	January 20, 2020	4.35%	
	17 CICC 02	RMB1,000 million	May 8, 2017	May 8, 2020	4.97%	
	17 CICC 03	RMB1,000 million	May 8, 2017	May 8, 2022	5.19%	
	17 CICC 04	RMB2,000 million	July 27, 2017	July 27, 2020	4.78%	
	17 CICC 05	RMB2,000 million	October 20, 2017	October 20, 2020	5.13%	
	17 CICC 06	RMB2,500 million	November 21, 2017	November 21, 2020	5.45%	
	18 CICC 01	RMB1,000 million	January 26, 2018	January 26, 2020	5.58%	
	18 CICC 02	RMB1,000 million	January 26, 2018	January 26, 2021	5.70%	
	18 CICC 03	RMB500 million	April 24, 2018	April 24, 2020	4.80%	
	18 CICC 04	RMB1,000 million	April 24, 2018	April 24, 2021	4.94%	
	18 CICC 05	RMB1,000 million	June 28, 2018	June 28, 2020	5.20%	
	18 CICC 06	RMB1,000 million	June 28, 2018	June 28, 2021	5.30%	
	17 CISC F1	RMB3,000 million	July 18, 2017	July 18, 2020	4.95%	
	17 CISC F2	RMB1,000 million	July 18, 2017	July 18, 2022	5.10%	
	18 CISC 01	RMB1,000 million	March 23, 2018	March 23, 2021	5.95%	
	18 CISC 02	RMB2,000 million	September 3, 2018	September 3, 2020	4.72%	
	18 CISC 03	RMB1,000 million	September 21, 2018	September 21, 2021	4.99%	
	19 CISC 01	RMB2,000 million	April 22, 2019	April 22, 2022	4.22%	
	16 CICC C2	RMB3,400 million	December 15, 2016	December 15, 2021	4.60%	
	17 CICC C1	RMB600 million	May 22, 2017	May 22, 2022	5.39%	
	17 CICC C2	RMB1,500 million	July 24, 2017	July 24, 2022	4.98%	
	17 CICC C3	RMB1,500 million	November 16, 2017	November 16, 2022	5.50%	
	18 CICC C1	RMB1,000 million	April 20, 2018	April 20, 2023	5.30%	
	18 CICC C2	RMB1,500 million	August 29, 2018	August 29, 2021	4.70%	
Subordinated bonds	19 CICC C1	RMB1,500 million	April 19, 2019	April 19, 2022	4.20%	
	16 CICC Futures	RMB100 million	December 16, 2016	December 16, 2024	Bearing an interest rate of 5.00% per annum in the first five years; 8.00% from the sixth to eighth year	CICC Futures has an option to redeem such bond on December 16, 2021.
	16 CISC 01	RMB2,200 million	December 7, 2016	December 7, 2019	4.00%	
	17 CISC 01	RMB1,000 million	February 23, 2017	February 23, 2020	4.85%	
	17 CISC 02	RMB1,800 million	February 23, 2017	February 23, 2022	5.00%	
	19 CISC C1	RMB3,000 million	April 25, 2019	April 25, 2022	4.50%	
Perpetual subordinated bonds	15 CICC Y1	RMB1,000 million	May 29, 2015	–	Bearing an interest rate of 5.70% per annum in the first five years, and subject to reset every five years	As at the end of each five-year period, our Company has a right to extend the term of such perpetual subordinated bonds for another five- year period.

Management Discussion and Analysis

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
Notes payable	The three-year USD-denominated US$600 million guaranteed notes with floating rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$600 million	April 25, 2018	April 25, 2021, or interest payment date nearest to April 25, 2021	3-month USD LIBOR rate +1.20%	
	The three-year USD-denominated US$400 million guaranteed notes with floating rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$400 million	September 11, 2018	September 11, 2021, or interest payment date nearest to September 11, 2021	3-month USD LIBOR rate +1.20%	
	The three-year USD-denominated US$700 million guaranteed notes with floating rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$700 million	May 3, 2019	May 3, 2022, or interest payment date falling nearest to May 3, 2022	3-month USD LIBOR rate +1.175%	
	The three-year USD-denominated US$300 million guaranteed notes with fixed rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$300 million	May 3, 2019	May 3, 2022	3.375%	

During the six months ended June 30, 2019, the Group completed 1,210 issuances of beneficiary certificates, with an aggregate principal amount of RMB31,760.5 million. As of June 30, 2019, the balance of principal amount of the Group's outstanding beneficiary certificates amounted to RMB13,660.7 million. As of June 30, 2019, the balance of bank borrowings and overdrafts of the Group's subsidiaries in Hong Kong SAR amounted to approximately HKD980.0 million, USD462.9 million and RMB1,256.0 million.

Management Discussion and Analysis

IV. RISK MANAGEMENT

Overview

Our Group has always believed that risk management creates value. The risk management of our Group aims to effectively allocate risk-based capital, limit risks to a controllable level, maximize the corporate value and constantly solidify the foundation for the steady and sustainable development of our Group. Our Group has sound corporate governance, effective risk management measures and a strict internal control system.

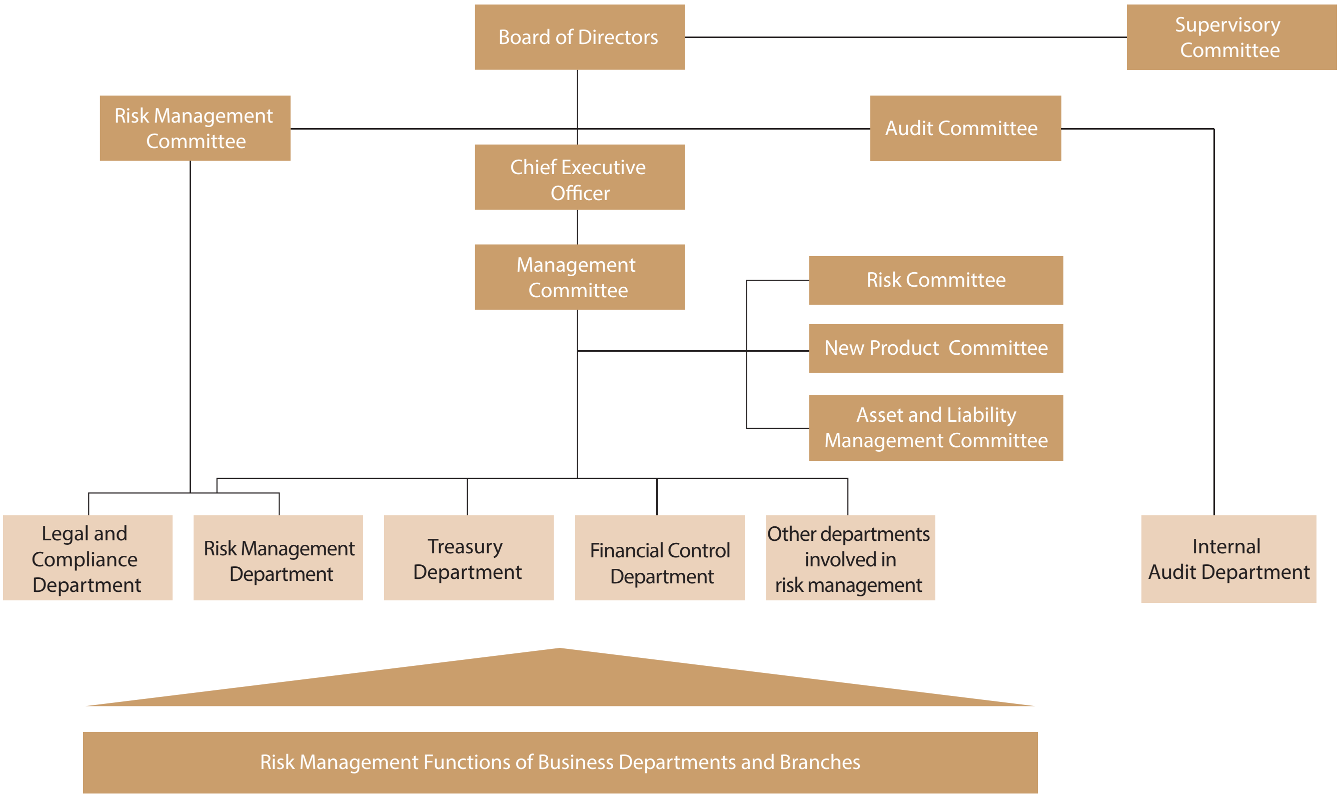
Pursuant to the relevant laws and regulations and regulatory requirements, our Group has established a sound governance structure. The general meeting, the Board of Directors and the Supervisory Committee of our Company perform duties in accordance with the Company Law, the Securities Law, the Guidance for the Internal Control of Securities Companies* (《證券公司內部控制指引》), the Norms for the Comprehensive Risk Management of Securities Companies* (《證券公司全面風險管理規範》) and the Articles of Association and supervise and manage the business operations of our Group. Through enhancing and improving the internal control structure, compliance and risk management culture, the Board of Directors has made internal control and risk management an essential aspect of the business operation management of our Group.

Risk Management Framework

The Group has established a multi-level risk management organizational structure which comprises the Board of Directors, the Supervisory Committee, senior management, independent departments performing risk management functions, business departments and branches, of which, (i) the Board of Directors is the top level of our Company's risk management and internal control governance structure and is responsible for facilitating the enforcement of the firmwide risk management culture and reviewing and approving the overall risk management goals, risk appetite, risk tolerance, important risk limits and the risk management policy of our Company. The Board of Directors performs its risk management duties primarily through the Risk Management Committee and the Audit Committee; (ii) the Supervisory Committee assumes the supervision duty on the effectiveness of the overall risk management of our Company, and supervises and inspects the fulfillment of the risk management duties performed by the Board of Directors and the Management Committee, and reviews the rectification of risk management deficiencies and findings; (iii) under the Board of Directors, our Company has established the Management Committee chaired by the Chief Executive Officer. The Management Committee determines the risk appetite of our Company in accordance with the overall risk management goals set by the Board of Directors and assumes the major responsibility of ensuring the effectiveness of the overall risk management of our Company; (iv) the Risk Committee established under the Management Committee reports risk issues to the Management Committee and significant risk matters to the Risk Management Committee under the Board of Directors. The Chief Operating Officer is the chairman of the Risk Committee, and the Chief Risk Officer and Chief Compliance Officer are the co-executive chairmen of the Risk Committee. Other members include the Chief Financial Officer, heads of each of the business departments and heads of independent departments performing risk management functions; (v) independent departments performing risk management functions, including internal control departments such as Risk Management Department, Legal and Compliance Department, Treasury Department, Financial Control Department, Operations Department, Information Technology Department and Public Relations Department, coordinate to manage various risks based on their respective perspectives; and (vi) heads of business departments and branches take the primary responsibility for the effectiveness of risk management. During our daily business operations, all staff involved in business operations in our business departments and branches are required to perform risk management functions.

Management Discussion and Analysis

The organizational structure of our Group's risk management is shown in the following chart:



Risk to Our Group's Business Activities and Management Measures

Risks related to business activities of our Group mainly include market risk, credit risk, liquidity risk, operational risk, compliance risk, legal risk and reputational risk, etc. Our Group proactively responds to risks through effective risk management measures, which generally prevents the occurrence of significant risk events and ensures the stable development of the business operation of our Group. During the Reporting Period, the business of our Group operated steadily and all risks were managed within a controllable and tolerable level.

In the first half of 2019, the internal and external environment became increasingly complex and severe, and the Chinese economy was under new downward pressure, but the overall performance was steady and remained within a reasonable range. At the same time, the financial markets fluctuated more wildly and the potential risks of the whole market increased, especially credit risks, market risks and liquidity risks. During the Reporting Period, in view of the complicated and challenging market environment, the Group's risk management encountered greater pressure. Through joint efforts on risk management control of three lines of defense, the Group actively identified, prudently evaluated, dynamically monitored, timely reported and proactively tackled with risks. During the Reporting Period, the Group continued to improve the risk management framework, enhance risk management capabilities and dynamically update risk management limits, mechanism and processes from a forward-looking angle, to promote the optimization and sustainable development of our business. During the Reporting Period, the Group prevented the occurrence of significant risk events and large credit losses, and the overall risks were managed within a controllable and tolerable level.

Market Risk

Market risk refers to risks of changes in the fair value of financial assets held by our Group resulting from the fluctuations in equity prices, interest rates, exchange rates and commodity prices, etc.

Our Group has adopted the following measures to manage market risk:

➢ Business departments of our Group, as parties performing market risk management duties, dynamically manage market risk of exposures by way of diversifying risk exposures, controlling the size of positions and utilizing hedging instruments;

➢ The Risk Management Department of our Group independently assesses, monitors and manages the overall market risk of our Group with the following measures. The market risk management mainly includes risk measurement, limit formulation and risk monitoring:

- Our Group measures market risk mainly by means of Value at Risk (VaR) analysis, stress tests and sensitivity analysis, etc. VaR is a major tool for our Group to measure and monitor market risk. VaR measures the potential maximum loss to an asset portfolio by changes in market risk factors at a certain confidence level within a certain holding period. Our Group computes the single day VaR at a confidence level of 95% by adopting a historical simulation method based on three years of historical data and examines the effectiveness of the model through the method of back testing on a regular basis. Meanwhile, our Group adopts stress test to complement the VaR analysis and measures whether the investment loss of our Group is within the scope of the risk tolerance when market risk factors such as equity prices, interest rates, exchange rates and commodity prices undergo extreme changes. In addition, in respect of sensitivity factors of different assets, our Group measures the impact of changes in specific factors on the value of assets by calculating the corresponding sensitivity indicators.

- Our Group has formulated a risk limit indicator framework. Risk limit is a mean for controlling risks and also represents the risk appetite and risk tolerance of our Group. Our Group sets appropriate market risk limits based on the business nature, such as notional limit, VaR limit, concentration limit, sensitivity limit and stop-loss limit, etc.

- Our Group monitors risk limit usage in real time or on a daily basis. The Risk Management Department prepares daily risk reports to monitor the usage of limits and submit them to the senior management and business departments. When the limit usage triggers the warning line, the Risk Management Department will issue a warning notice to business departments. Once the risk indicators exceed the limits, business departments shall report reasons of the breach and measures to be taken to the Chief Risk Officer or his authorized person and shall be responsible for reducing the risk exposure to a level within the limits in a given time frame. If this cannot be achieved, they are required to apply to the Chief Risk Officer or his authorized person for a temporary increase in limit. If necessary, the Chief Risk Officer will submit a request to senior management.

Value at Risk (VaR)

Our Group sets the total VaR limit of our investment portfolio and VaR limits for different business lines. The Risk Management Department computes VaRs of these financial instruments on a daily basis to ensure the daily VaRs are maintained within limits. The following table sets forth the computed VaRs of the Group by risk categories as of the dates and for the periods as indicated: (i) the daily VaRs as of the end of the respective period; (ii) the averages of daily VaRs during the respective period; and (iii) the highest and lowest daily VaRs during the respective period.

The Group

			Six months ended June 30, 2019			Twelve months ended December 31, 2018		
(RMB in million)	June 30, 2019	December 31, 2018	Average	Highest	Lowest	Average	Highest	Lowest
Equity prices[1]	**21.4**	10.0	**14.5**	**23.0**	**8.3**	35.3	84.1	9.2
Interest rates[2]	**55.1**	54.1	**54.8**	**63.9**	**49.6**	34.9	59.1	22.7
Currency rates[3]	**34.6**	13.0	**27.7**	**39.5**	**10.5**	17.1	26.1	10.9
Commodity prices[4]	**0.7**	1.7	**1.0**	**1.8**	**0.2**	1.0	2.9	0.2
Diversification effect	**(47.4)**	(24.9)	**(36.3)**	**(19.6)**	**(48.4)**	**(31.0)**	(19.2)	(46.6)
Total portfolio	**64.4**	54.0	**61.7**	**74.0**	**50.7**	57.4	94.7	31.9

Notes:

(1) including equities and the price-sensitive portion of derivative products

(2) including fixed income products and the interest-rate sensitive portion of derivative products

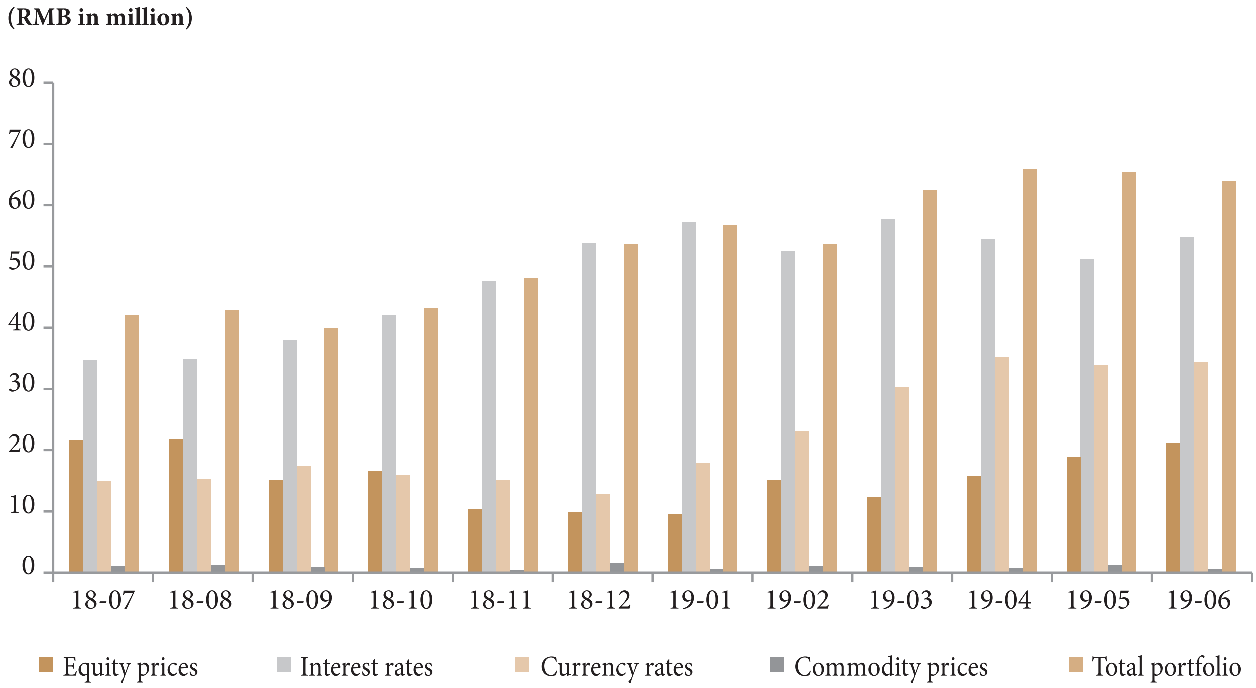
(3) including financial products subject to exchange rate changes (including derivative products)

(4) including commodity and the price-sensitive portion of derivative products

Management Discussion and Analysis

The chart below sets forth the VaRs by risk categories of the Group as of the end of each month over the past year:

Monthly VaR Chart



During the Reporting Period, our Group conducted foreign exchange risk management for offshore assets, measuring risk exposures and monitoring risk limit utilizations on a daily basis. The foreign exchange risk exposures were managed by adjusting currency positions and using foreign exchange derivatives as hedging instruments.

During the Reporting Period, our Group closely monitored domestic and overseas market conditions and business risks. Coping with interest rate swings in both domestic and overseas markets, our Group hedged the interest rate risk for the fixed-income portfolio by using treasury bond futures, interest rate swaps, etc.

Credit Risk

Credit risk refers to the risk resulting from defaults or deterioration in creditworthiness of counterparties, borrowers and securities issuers. The exposure to credit risk of our Group arises mainly from:

➢ Credit risk from debt borrowers or securities issuers' default or bankruptcy, including the loss due to intermediary institutions (such as brokers or custodian banks). The risk exposure represents the total value of outstanding debts;

➢ Credit risk from a counterparty's default on the OTC derivative transactions (such as swaps or forward transactions). The risk exposure is determined by the changes in the market value of the derivatives;

➢ The settlement risk from a business partner's failure in delivery of funds or securities when our Group has fulfilled its delivery obligation.

Bond Investments

Our Group emphasizes the diversification level of the fixed income credit products and the invested credit products are those predominantly with relatively high credit ratings. Our Group controls its market risk and credit risk exposures by setting up limits on investment size, product types, credit ratings and concentrations, and closely monitors and tracks bond issuers' business performance and credit profiles so as to constantly evaluate and warn any credit deterioration.

During the Reporting Period, against the rising occurrence of credit bond defaults, FICC closely collaborated with the Risk Management Department and identified, assessed, monitored and managed credit risk related to bond investments. As a result, the Group avoided material losses during the Reporting Period through effective risk management measures.

Management Discussion and Analysis

The Group	As of June 30, 2019 (RMB in million) Position	DV01	Spread DV01
Outside mainland China (by international rating agencies)(1)			
—AAA	0.5	0.00	–
—AA- to AA+	–	–	–
—A- to A+	3,981.0	1.14	1.25
—below A-	14,518.8	2.12	2.18
Sub-total	18,500.2	3.26	3.43
Mainland China (by domestic rating agencies)(1)			
—AAA	63,455.2	10.60	7.92
—AA- to AA+	6,694.4	0.74	0.76
—A- to A+	682.0	0.06	0.06
—below A-	314.5	0.03	0.03
Sub-total	71,146.1	11.44	8.78
—Non-rated(2)	2,619.0	1.25	–
—Non-rated(3)	14,961.3	0.01	0.01
Total	107,226.6	15.96	12.22

Notes:

The Risk Management Department uses DV01 and Spread DV01 to measure the interest rate sensitivity and credit spread sensitivity of bonds. DV01 measures the change in the value of interest rate sensitive products for each parallel movement of one basis point in a market interest rate curve. Spread DV01 measures the change in the value of credit spread sensitive products for each parallel movement of one basis point in the credit spread.

(1) The Group refers the credit ratings of its debt securities to the credit ratings of the debt securities or the debt securities' issuers from Bloomberg comprehensive ratings or the local major rating agencies.

(2) These non-rated financial assets mainly include government bonds, central bank bills, policy financial bonds and Special Drawing Rights ("SDR") – denominated bonds.

(3) These non-rated financial assets are mainly other debt instruments and trading securities which are not rated by independent rating agencies.

Capital Business

For the credit risks of margin financing and securities lending business, stock-based lending business and other capital businesses, our Group has established a comprehensive and robust risk control system, including the customers' creditworthiness assessment, collateral management, underlying securities management, risk limit management, margin ratio monitoring, mandatory liquidation, etc. Our Group attaches considerable importance to customers' on-boarding and has established and implemented a strict customer selection and credit assessment mechanism, under which the branches are responsible for preliminary assessment of the customers' credit profile by collecting customers' basic information, financial status, securities investment experience, credit record and risk tolerance. The information of the customers that has passed the preliminary assessment will be submitted to the relevant business departments at the headquarters for further review, which, if qualified, will then be submitted to the Risk Management Department for formal approval, which will conduct an independent assessment of the customers' qualifications, and determine their credit ratings and credit limits.

During the Reporting Period, no significant losses were incurred in the Group's margin financing and securities lending business and stock-based lending business. Our Group primarily controlled the risks of margin financing and securities lending business and stock-based lending business by the following measures:

Margin Financing and Securities Lending Business

During the Reporting Period, our Group strictly controlled the concentrations of single customer and single collateral, closely monitored and assessed accounts with higher concentration and riskier investment portfolio, timely communicated with the customers and promptly took corresponding measures to mitigate such risks; our Group attached considerable importance to collateral management and dynamically adjusted the scope and haircuts of the collaterals; we prudently reviewed and approved business extension by considering the following factors, i.e., the concentration and risk condition of the investment portfolio, and the collateral ratio of the existing deal; our Group also conducted regular and irregular stress testing and closely monitored customers with high risks.

Stock-based Lending Business

During the Reporting Period, our Group exercised strict control over the onboarding and approval of the stock-based lending deals, and has taken effective risk control measures, including, but not limited to, strengthening deal risk assessment, evaluating the risks by the customers' creditworthiness and fundamentals of the pledged securities (including the pledge ratio of the large shareholder, pledge ratio of all shareholders, liquidity and trading suspension records, shareholder structure, capital status of the controlling shareholder, potential delisting risk and negative news), carefully determining the loan-to-value ratio, as well as exercising strict control over the financing amount of the customers who are subject to shareholding reduction restriction; our Group strictly controlled single security concentration, established a security blacklist mechanism, and managed the overall exposure of a single security within the Group. In addition, our Group strengthened the on-site due diligence investigation, assessment and analysis of the pledged securities and clients with large financing demand, and raised the approval requirements to ensure risks were managed at a controllable level.

Meanwhile, our Group closely monitored the risks of the outstanding contracts, conducted regular and irregular stress testing, and classified deals into different risk status and kept track of the deals with potential high risks; it maintained close monitoring and regular assessment of the customers' credit risk with large financing amount, and maintained dynamic monitoring of the pledged securities, continuously tracked the fundamentals and security price fluctuations of large deals, and if any abnormal circumstances identified on the pledged security, our Group will ensure the risk precautions are in place, and corresponding measures are taken promptly.

Provision Methods for Expected Credit Loss

In accordance with IFRS 9, our Group started to recognize provision for losses in respect of debt investments and capital businesses based on expected credit loss since 2018. For financial instruments measured at expected credit loss, our Group classifies each financial instrument into different risk stages based on whether the credit risk of the relevant financial instrument has increased significantly since its initial recognition. A financial instrument is included in stage 1 if it has low credit risk at the reporting date or its credit risk has not increased significantly since its initial recognition; a financial instrument is included in stage 2 if its credit risk has increased significantly since its initial recognition; a financial instrument is migrated to stage 3 if it has objective evidence of impairment. Our Group measures the expected credit loss based on parameters such as Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). Each parameter is determined as follows: (i) the PD represents an estimation of the likelihood of default over a given period of time. Our Group estimates the PD based on the internal rating model with references to factors including external rating information, macroeconomic environment and changes in the quantitative and qualitative indicators of counterparties or bond issuers; (ii) the LGD represents the Group's expectation of the extent of loss on a defaulted exposure. When determining the LGD, our Group estimates the cash flows recovered from the disposal of underlying assets and collaterals after taking into full consideration the liquidity and relevant historical market data of underlying assets and collaterals. Estimation is made based on the differences between the recoverable cash flows and the contracted cash flows; and (iii) the EAD represents the total value our Group is exposed to at the time of default over a given period of time.

Margin Financing and Securities Lending Business

The following table sets forth the balance of margin financing and securities lending, market value of collaterals, collateral ratio and the impairment data of the margin financing and securities lending business of the Group:

Unit: RMB in million

Items	**As of June 30, 2019**	As of December 31, 2018
Amounts of margin financing and securities lending	**21,254.8**	17,747.1
Market value of collaterals	**56,892.0**	41,865.7
Collateral ratio	**267.7%**	235.9%
Impairment loss allowance	**35.2**	35.3
Impairment loss allowance/Receivable from margin clients	**0.2%**	0.2%

Unit: RMB in million

Item	**Six months ended June 30, 2019**	Six months ended June 30, 2018
Reversal of impairment losses	**(0.1)**	(35.8)

Note: The collateral ratio is calculated as the ratio of the client's total account assets balance (including cash and securities held) to the client's balance of margin loans and securities borrowed from our Group (i.e. the sum of margin loans extended, the securities sold short and any accrued interests and fees).

Management Discussion and Analysis

As of June 30, 2019, the collateral ratio of the margin financing and securities lending business of the Group was 267.7%. Assuming that the market value of all securities as collaterals of the Group's margin financing and securities lending business declined by 10% and 20%, respectively, the collateral ratio of the Group's margin financing and securities lending business as of June 30, 2019, would have been 241.8% and 218.3%, respectively.

Stock-based Lending Business

The following table sets forth the lending amount, market value of collaterals, collateral ratio and the impairment data of the stock-based lending business of the Group:

Unit: RMB in million

Items	**As of June 30, 2019**	As of December 31, 2018
Amounts of stock-based lending	**8,869.3**	10,802.6
Market value of collaterals	**23,508.6**	24,413.1
Collateral ratio	**265.1%**	226.0%
Impairment loss allowance	**49.7**	73.4
Impairment loss allowance/Stock-based lending	**0.6%**	0.7%

Unit: RMB in million

Item	**Six months ended June 30, 2019**	Six months ended June 30, 2018
Reversal of impairment losses	**(23.7)**	(3.4)

Note: The collateral ratio refers to the ratio of the total market value of the pledged collateral and its yields to the client's total amount payable to our Group.

Management Discussion and Analysis

Liquidity Risk

Liquidity risk refers to the risks arising from our Group's inability to obtain sufficient funds in a timely manner or inability to obtain sufficient funds at reasonable costs in a timely manner to respond to asset growth, settle debts due and satisfy the funding needs in conducting normal business operations.

Our Group implements vertical and centralized management on liquidity risks of all domestic and overseas branches and subsidiaries. Our Group has adopted the following measures to manage liquidity risk:

➢ Closely monitoring balance sheets of our Group and its branches and subsidiaries, and managing liquidity gaps between assets and liabilities;

➢ Setting liquidity risk limits based on our Group's overall situation and regulatory requirement;

➢ Conducting cash flow forecast and liquidity risk stress test on a regular and irregular basis to analyze and assess our liquidity risk exposure;

➢ Maintaining adequate high-quality liquid assets and establishing liquidity contingency plan for potential liquidity emergencies.

In order to withstand the potential liquidity risk and satisfy the short-term liquidity needs, our Group constantly holds sufficient unsecured and high-quality liquid assets as its liquidity reserves. The liquidity reserves are held by the Treasury Department and are managed independently from business departments. Our Group manages the liquidity reserves of all branches and subsidiaries vertically to ensure the allocation efficiency of the liquidity reserves. Meanwhile, due to the liquidity transfer restrictions between entities and regions, the liquidity reserves are held in various currencies and maintained within the Company and its major operating subsidiaries, ensuring that the liquidity requirements of different entities are met in a timely manner. The Group continues to optimize the management of the liquidity reserves from the aspects of policy framework, risk management, investment size and criteria, etc. The size and composition of the liquidity reserves are actively managed by our Group based on the consideration of factors including, but not limited to, funding maturity profile, balance sheet size and composition, business and operational capital requirements, stress test results, and regulatory requirements. Our Group strictly limits the liquidity reserves to high-quality liquid assets including cash and cash equivalents, interest rate bonds and money market funds.

Our Group constantly broadens and diversifies its funding channels to optimize the liability structure. The funding instruments of our Group include perpetual subordinated bonds, subordinated bonds, corporate bonds, medium-term note program, syndication loan, short-term commercial papers, beneficiary certificates, income right transfer, interbank borrowing, REPOs, etc. Our Group maintains good relationship with major commercial banks and had sufficient bank facilities to meet the funding requirement for business development. As of the Latest Practicable Date, as assessed by China Chengxin Securities Rating Co., Ltd.* (中誠信證券評估有限公司) and China Chengxin International Credit Rating Company Limited* (中誠信國際信用評級有限責任公司), the credit rating of our Company was AAA and the rating outlook was stable. As of the Latest Practicable Date, as assessed by Standard & Poor's, the long-term rating of the Group was BBB, the short-term rating was A-2 and the rating outlook is positive. As assessed by Moody's, the long-term rating of the Group was Baa1, the short-term rating was P-2 and the rating outlook was stable. As assessed by Fitch, the long-term rating of the Group was BBB+, the short-term rating was F2 and the rating outlook was stable.

During the Reporting Period, there was no substantial change in terms of substance and type of liquidity risks exposed to our Group. Our Group's liquidity risk management was sound, the liquid reserve was sufficient, and the liquidity risk was under control.

During the Reporting Period, the regulatory indicator of liquidity risk management of our Company continued to comply with the regulatory requirements. As of June 30, 2019, the liquidity coverage ratio and the net stable funding ratio of our Company were 381.6% and 139.9%, respectively.

Operational Risk

Operational risk refers to the risks of losses resulting from failed or defective internal procedures or IT systems, human factors and external events.

Our Group has adopted the following measures to manage operational risk:

- ➢ Establishing a transparent organizational structure with a proper decision-making mechanism;
- ➢ Implementing sound policies and procedures and enforcing checks and balances;
- ➢ Establishing new product approval policy to define roles and responsibilities;
- ➢ Establishing a business continuity plan to ensure business continuity in the event of sudden business disruptions.

During the Reporting Period, there was no substantial change in nature and extent of operational risks exposed to our Group. Our Group continued to strengthen the operational risk management by enhancing IT systems and streamlining business procedures. Through developing business-related IT systems and optimizing and standardizing business procedures, our Group further improved the operation efficiency and reduced operational risk. Meanwhile, our Group continuously reinforces the firmwide culture of risk awareness and encourages all staff to proactively participate in operational risk management and to jointly control and manage risk.

Compliance Risk

Compliance risk refers to the risk of legal sanctions, regulatory actions, loss of property or damage to our reputation because of the violation of laws, regulations, self-regulatory rules or our internal policies arising from our operations and management activities or employee behavior.

Our Group has mainly adopted the following measures to manage and prevent compliance risk:

- ➢ Our Group formulates and updates our compliance policies and procedures in accordance with changes in laws, regulations and industry norms;
- ➢ Our Group conducts compliance reviews for new businesses. Our professional compliance team is responsible for examining new businesses and providing compliance advice. We implement effective compliance risk management measures at an early stage of new businesses;
- ➢ Our Group controls the circulation of sensitive information by monitoring information flows and establishing dynamic Chinese walls, with the aim to prevent risks of insider trading and manage conflicts of interest;
- ➢ Our Group has established a sound internal control system for anti-money laundering to fulfill our responsibilities for client identification and classification of client risk level. We identify and analyze suspicious transactions and promptly report to the regulators where necessary;
- ➢ Our Group undertakes compliance reviews in accordance with applicable laws and regulations, other regulatory documents, self-regulatory rules, industry norms and our internal policies, to monitor the compliance of our business operations and employee activities and identify and manage compliance risks in a proactive manner;

Management Discussion and Analysis

- Our Group adopts various means to cultivate a compliance culture with each business line, functional department and branch and provide compliance training to our employees to improve their compliance awareness;

- Our Group has established an internal accountability system in respect of employees' violations of laws and regulations and internal policies to impose applicable punishments on offenders.

During the Reporting Period, there was no substantial change in nature and extent of compliance risks exposed to our Group.

Legal Risk

Legal risk refers to the possible risk of economic loss or damage to our Group's reputation resulting from breach of contracts, infringement-related disputes, litigation or other legal disputes.

Our Group manages, controls and prevents legal risks mainly through the following measures:

- Our Group continuously enhances our internal policies and business procedures from a legal perspective to ensure that our operations and management satisfy the requirements of applicable laws and regulations;

- Our Group formulates templates for various business contracts and requires our business departments to use our in-house templates to the fullest extent. We also review contracts drafted or provided by counterparties prior to entering into such contracts to mitigate the legal risk associated with performing such contracts;

- The application, maintenance and protection of our trademarks, protection of our goodwill and trade secrets and taking actions against behaviors that harms our reputation or interests;

- Our Group conducts legal training to enhance our employees' legal awareness;

- Our Group takes active measures to mitigate legal risks when disputes and litigation arise.

During the Reporting Period, there was no material change in the nature and extent of legal risks of our Group or in our ability to respond to legal risks.

Reputational Risk

Reputational risk refers to the risk of negative comments on our Group caused by our Group's operational activities, business management and other actions as well as external events. Reputational risk can occur in all business areas and activities, and our Group assesses and manages reputational risk across all areas such as operation management, business activities and employee behaviors.

Our Group has mainly adopted the following measures to manage and prevent reputational risk:

- All business departments take measures to prevent and control reputational risks across important business activities and processes, and strictly follow "Know your Customers (KYC)" principle, enhance project due diligence and quality control, as well as timely prevent and deal with potential reputational risk;

- Reinforcing the firmwide culture of risk awareness for all employees and enhancing the professional ethics of employees through policy making and employee training; and any employee who causes a significant reputational loss to our Group due to any misconduct or improper behavior will be subject to disciplinary actions;

- The Public Relations Department manages the overall reputational risk of our Group by public opinion monitoring, media communications, media management, and takes proper actions to intervene in a timely manner according to the severity of events, and releases or communicates with media the correct information and stance related to our Group, so as to lead correct and objective public opinion and further prevent the spread of inaccurate and false information in public environment.

Other Events

I. INTERIM DIVIDEND

The Board of Directors did not recommend to declare any interim dividend for the six months ended June 30, 2019 to the Shareholders.

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

As of the end of the Reporting Period, the interests or short positions of the Directors, Supervisors and chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by our Company under section 352 of the SFO, or as otherwise notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Name of Director/ Supervisor/chief executive	Class of shares	Capacity	Number of securities/Type of shares held	Approximate percentage of shareholding in the total share capital of the Company	Approximate percentage of shareholding in the relevant class of shares
Cha Mou Daid Johnson	H Shares	Beneficial owner	1,260,400/ Long positions	0.030%	0.073%
		Beneficiary of a discretionary trust *(Note 1)*	122,559,265/ Long positions	2.923%	7.094%
		Beneficiary of a discretionary trust and others *(Note 2)*	2,500,000/ Long positions	0.060%	0.145%
David Bonderman	H Shares	Interest of controlled corporation *(Note 3)*	42,937,429/ Long positions	1.024%	2.485%
Liu Haifeng David	H Shares	Founder of a discretionary trust *(Note 4)*	636,400/ Long positions	0.015%	0.037%
		Interest of controlled corporation *(Note 5)*	779,600/ Long positions	0.019%	0.045%
Bi Mingjian	H Shares	Beneficiary of a trust *(Note 6)*	2,252,515/ Long positions	0.054%	0.130%
Edwin Roca Lim	H Shares	Beneficial owner	356,000/ Long positions	0.008%	0.021%
Siu Wai Keung	H Shares	Beneficial owner	100,000/ Long positions	0.002%	0.006%

Other Events

Notes:

(1) The interests deemed to be held by Mr. Cha Mou Daid Johnson consist of 122,559,265 H Shares held by Mingly. Mingly is held by certain discretionary trusts as to 96.12% equity interests as at June 30, 2019, of which CCM Trust (Cayman) Limited, LBJ Regents Limited and Dolios Limited are the corporate trustees, and Mr. Cha Mou Daid Johnson is among the members of the class of discretionary beneficiaries.

(2) The interests deemed to be held by Mr. Cha Mou Daid Johnson consist of 2,500,000 H Shares held by CMC Master Offshore Fund, L.P.. Each of CMC Master Fund, L.P. (as the sole limited partner of CMC Master Offshore Fund, L.P.), Cagen Holdings Limited (as limited partner which holds 51.08% interest in CMC Master Fund, L.P.), CMC Master Fund Partners, LLC (as general partner of CMC Master Fund, L.P.), Century Advantage Limited (as the sole member of CMC Master Fund Partners, LLC), CCM Trust (Cayman) Limited (as the sole member of Century Advantage Limited and Cagen Holdings Limited) and Mr. Cha Mou Daid Johnson (who is one of the discretionary beneficiaries of a discretionary trust of which CCM Trust (Cayman) Limited is the trustee, and given Century Advantage Limited is accustomed to act on Mr. Cha Mou Daid Johnson's direction) is deemed to be interested in the H Shares held by CMC Master Offshore Fund, L.P. under the SFO.

(3) The interests deemed to be held by Mr. David Bonderman consist of 42,937,429 H Shares held by TPG. Each of TPG Asia GenPar V, L.P. (as general partner of TPG), TPG Asia GenPar V Advisors, Inc. (as general partner of TPG Asia GenPar V, L.P.), TPG Holdings I, L.P. (as the sole member of TPG Asia GenPar V Advisors, Inc.), TPG Holdings I-A, LLC (as general partner of TPG Holdings I, L.P.), TPG Group Holdings (SBS), L.P. (as the sole member of TPG Holdings I-A, LLC and the sole member of TPG Holdings II-A, LLC), TPG Group Holdings (SBS) Advisors, LLC (as general partner of TPG Group Holdings (SBS), L.P.), TPG Group Holdings (SBS) Advisors, Inc. (as the sole member of TPG Group Holdings (SBS) Advisors, LLC), Mr. David Bonderman and Mr. James Coulter (each holds 50% interests in TPG Group Holdings (SBS) Advisors, Inc.), as well as TPG Capital Management, L.P. (as the registered investment advisor to TPG), TPG Capital Advisors, LLC (as the sole member of TPG Capital Management, LLC, which is general partner of TPG Capital Management, L.P.), TPG Holdings II Sub, L.P. (as the sole member of TPG Capital Advisors, LLC), TPG Holdings II, L.P. (as general partner of TPG Holdings II Sub, L.P.), TPG Holdings II-A, LLC (as general partner of TPG Holdings II, L.P.) is deemed to be interested in the H Shares held by TPG under the SFO. Mr. Bonderman and Mr. Coulter disclaim beneficial ownership of the securities held by TPG.

(4) Mr. Liu Haifeng David is interested in 636,400 H Shares through a discretionary trust, The Liu Family Legacy Trust, of which he is the founder.

(5) New Trace Limited is wholly-owned by Mr. Liu Haifeng David. Therefore, Mr. Liu Haifeng David is deemed to be interested in 779,600 H Shares held by New Trace Limited for the purpose of the SFO.

(6) Mr. Bi Mingjian holds interests through COFCO Trust Co., Ltd. Qiyuan No.2 Collective Fund Trust Scheme, the trust scheme established by COFCO Trust Co., Ltd.

III. RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

As of the end of the Reporting Period, none of the Directors, Supervisors or their respective spouses or minor children were granted with rights or had exercised any such rights to acquire benefits by means of acquisition of Shares or debentures of the Company. Neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors, Supervisors or their respective spouses or minor children to acquire such rights from any other body corporate.

IV. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As of the end of the Reporting Period, to the knowledge of the Company and the Directors after making reasonable inquiries, the following persons (other than the Directors, Supervisors or chief executive of the Company as disclosed above) have interests or short positions in shares or underlying shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and have recorded in the register required to be maintained by the Company under Section 336 of the SFO:

Name of Shareholders	Class of shares	Capacity	Number of securities/Type of shares held	Approximate percentage of shareholding in the total share capital of the Company	Approximate percentage of shareholding in the relevant class of shares
Huijin *(Note 1)*	Domestic Shares	Beneficial owner	1,936,155,680/ Long positions	46.180%	78.547%
		Interests of controlled corporation	2,734,800/ Long positions	0.065%	0.111%
Haier Group Corporation *(Note 2)*	Domestic Shares	Interest of controlled corporation	398,500,000/ Long positions	9.505%	16.167%
Tencent Holdings *(Note 3)*	H Shares	Interest of controlled corporation	207,537,059/ Long positions	4.950%	12.012%
Alibaba Group Holding Limited *(Note 4)*	H Shares	Interest of controlled corporation	202,844,235/ Long positions	4.838%	11.741%
I&G *(Note 5)*	Domestic Shares	Beneficial owner	127,562,960/ Long positions	3.043%	5.175%
Mingly *(Note 6)*	H Shares	Beneficial owner	122,559,265/ Long positions	2.923%	7.094%
Invesco Advisor Inc	H Shares	Investment manager	99,015,860/ Long positions	2.362%	5.731%

Other Events

Notes:

(1) Each of Jianyin Investment, JIC Investment and China Investment Consulting is wholly-owned by Huijin. Therefore, Huijin is deemed to be interested in 2,734,800 Domestic Shares held by Jianyin Investment, JIC Investment and China Investment Consulting for the purpose of the SFO.

(2) According to the share transfer agreement dated June 6, 2018 between Huijin and Haier Group (Qingdao) Financial Holdings Ltd., Huijin agreed to transfer to Haier Group (Qingdao) Financial Holdings Ltd. 398,500,000 Domestic Shares (representing approximately 9.505% of the total issued Shares of our Company and approximately 16.167% of the relevant class of Shares) it held in the Company for a consideration of RMB5,411.63 million. The share transfer has been approved by the CSRC and other regulatory authorities, and relevant registration procedures of the register of members of the share transfer were completed on March 11, 2019. As at June 30, 2019, each of Haier Electric International Co., Ltd. (as the sole member of Haier Group (Qingdao) Financial Holdings Ltd.), Qingdao Haichuangke Management Consulting Enterprise (Limited Partnership) (holding 48.8% interest in Haier Electric International Co., Ltd.), Haier Group Corporation (holding 51.2% interest in Haier Electric International Co., Ltd.) and Qingdao Haichuangke Investment Management Co., Ltd. (as general partner of Qingdao Haichuangke Management Consulting Enterprise (Limited Partnership) and a member holding its 10% interest) is deemed to be interested in the Domestic Shares held by Haier Group (Qingdao) Financial Holdings Ltd. under the SFO.

(3) As at June 30, 2019, Tencent Mobility Limited, directly interested in 207,537,059 H Shares, is a corporation controlled by Tencent Holdings, which is therefore deemed to be interested in the H Shares held by Tencent Mobility Limited.

(4) As at June 30, 2019, Des Voeux Investment Company Limited held 202,844,235 H Shares of the Company, representing approximately 4.838% of total issued Shares of the Company and approximately 11.741% of the relevant class of Shares. Des Voeux Investment Company Limited is wholly-owned by Alibaba Group Treasury Limited, which is wholly-owned by Alibaba Group Holding Limited. Therefore, Alibaba Group Treasury Limited and Alibaba Group Holding Limited are deemed to be interested in 202,844,235 H Shares held by Des Voeux Investment Company Limited under the SFO.

(5) As at June 30, 2019, State Development & Investment Corp., Ltd. (國家開發投資集團有限公司), a PRC state-owned enterprise, holds approximately 47.20% shares of I&G and is therefore deemed to be interested in the Domestic Shares held by I&G under the SFO.

(6) As at June 30, 2019, Mingly is held by certain but not identical discretionary trusts as to 96.12% equity interests, of which CCM Trust (Cayman) Limited, LBJ Regents Limited and Dolios Limited are the corporate trustees, and members of the classes of discretionary beneficiaries of such trusts comprise the late Dr. Cha Chi Ming's issue.

Other Events

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

On May 21, 2019, the Company completed a married trade of the "16CICC05" tranche of corporate bonds in an amount of RMB90 million on the FICC platform of the Shanghai Stock Exchange on the same day, at a purchase price of RMB91,995,595.90 and a sales income of RMB91,998,295.90.

Save as disclosed above, during the Reporting Period, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's securities.

VI. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, save for Provision A.2.1 of the Corporate Governance Code, the Company strictly complied with the Corporate Governance Code, followed all code provisions and met the requirements of part of the recommended best practices set out in the Corporate Governance Code. For details of Provision A.2.1 of the Corporate Governance Code, please refer to the disclosure set out in "Corporate Governance Report - V. Chairman and Chief Executive Officer" in the 2018 Annual Report dated April 12, 2019 as published by the Company.

VII. COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms no less exacting than the required standard set out in the Model Code. The Company has made specific enquiries to all Directors and Supervisors concerning the compliance with the Model Code. All Directors and Supervisors confirmed that they had strictly observed all standards set out in the Company's code of conduct regarding Directors' and Supervisors' securities transactions during the Reporting Period.

VIII. AUDIT

The 2019 interim financial report of the Company is unaudited. The Audit Committee under the Board of Directors has reviewed the unaudited interim financial report of the Company for the six months ended June 30, 2019, and did not raise any objection to the accounting policy and practices adopted by the Company. The external auditor of the Company has reviewed the interim financial report of the Company for the six months ended June 30, 2019 in accordance with Hong Kong Standard on Review Engagements 2410.

IX. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group did not have any material litigation or arbitration.

Other Events

X. CHANGE IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(A) Change in Directors and Composition of Board Committees

Mr. Shen Rujun was nominated by the Board as a candidate for the non-executive director of the Company on June 24, 2019. The term of office of Mr. Shen Rujun shall take effect from August 22, 2019 until the election of a new session of the Board at the shareholders' general meeting to be held by the Company, and Mr. Shen Rujun will be eligible for re-election upon expiry of his term. In addition, as considered and approved by the Board, Mr. Shen Rujun has been appointed as the chairman of the Board, the chairman of the Strategy Committee and a member of the Nomination and Corporate Governance Committee on the same date. Meanwhile, Mr. Bi Mingjian ceased to perform the duties of the chairman of the Board and the chairman of the Strategy Committee. The aforesaid details of the change were disclosed in the announcements relating to the (proposed) appointment of non-executive Director, chairman of the Board and chairman/member of the special committees of the Board dated June 24, 2019 and August 22, 2019 and the circular relating to the election of non-executive Director dated July 5, 2019 as published by the Company.

Save as disclosed above, there has been no other change in Directors of our Company during the Reporting Period.

(B) Change in Supervisors

During the Reporting Period, there has been no change in Supervisors.

(C) Change in Biographies of Directors and Supervisors

Mr. Liu Haoling, a Supervisor, served as the vice general manager of Huijin as well as the head of the general management department/banking institutions department II and a managing director of Huijin since June 2019. The updated biography of Mr. Liu is as follows:

Mr. Liu Haoling (劉浩凌), aged 48, has been appointed as a Supervisor of our Company since May 2015. He served as a preparatory group member for the establishment of ABN AMRO Xiangcai Fund Management Co. Ltd. from January 2002 to June 2002, manager of the legal and compliance department and secretary of the board of directors of China Euro Securities Limited from July 2003 to March 2007, and an associate of the compliance department of Goldman Sachs Gao Hua Securities Company Limited from April 2007 to February 2008. He held several positions in CIC, including the business head of the legal and compliance department and senior manager from March 2008 to April 2011. He also served as a director of New China Life Insurance Co. Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 1336) and Shanghai Stock Exchange (Stock Code: 601336), from December 2009 to September 2010. He served as a supervisor of China Export & Credit Insurance Corporation from December 2012 to May 2017 and the deputy head of the general management department of Huijin from May 2011 to June 2016. He currently serves as the head of the general management department/banking institutions department II and the managing director of Huijin since July 2016 and July 2014, respectively. He also serves as the vice general manager of Huijin as well as the head of the general management department/banking institutions department II and the managing director of Huijin since June 2019. Mr. Liu obtained a bachelor's degree in English from Peking University (北京大學) in July 1995, a bachelor's degree in law from China University of Political Science and Law (中國政法大學) in July 1997, a master's degree in law from The University of Iowa, the United States, in May 1998 and a master's degree in finance from London Business School of University of London, the United Kingdom, in September 2003.

The biographies of other Directors and Supervisors were disclosed in the 2018 Annual Report dated April 12, 2019 as published by the Company.

(D) Change in Senior Management

During the Reporting Period, there has been no change in senior management of our Company.

Save from the above-mentioned changes, there was no other change in Directors, Supervisors and senior management of our Company during the Reporting Period.

XI. EMPLOYEES AND REMUNERATION

As at June 30, 2019, we had 7,797 employees, among which 7,196 employees were based in the mainland China and 603 employees were based in Hong Kong SAR, Singapore, the United States, the United Kingdom and Germany, representing 92% and 8%, respectively, of the total number of our employees. Approximately 43% and 41% of our employees had obtained bachelor's degrees or master's degrees and above, respectively. Moreover, approximately 25% of our employees and 55% of our managing directors had overseas education or working experience.

During the Reporting Period, there was no change in the remuneration policy and training plans of the Company. For related information, please refer to "Directors, Supervisors, Senior Management and Employees" in the 2018 Annual Report of the Company.

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

To the board of directors of
CHINA INTERNATIONAL CAPITAL CORPORATION LIMITED
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of China International Capital Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 69 to 160, which comprise the condensed consolidated statement of financial position as at 30 June 2019 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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.

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, China
23 August 2019

Condensed Consolidated Statement of Profit or Loss

for the six months ended 30 June 2019 (Expressed in Renminbi ("RMB"), unless otherwise stated)

		Six months ended 30 June	
	Notes	**2019**	2018
		(Unaudited)	(Unaudited)
Revenue:			
Fee and commission income	6	**4,263,118,847**	3,945,639,898
Interest income	7	**2,419,798,688**	2,319,537,112
Investment income	8	**3,554,844,673**	2,466,692,823
Total revenue		**10,237,762,208**	8,731,869,833
Other (losses)/income, net	9	**(38,311,570)**	81,455,444
Total revenue and other income		**10,199,450,638**	8,813,325,277
Expenses:			
Fee and commission expenses	10	**508,891,194**	445,613,525
Interest expenses	11	**2,777,987,316**	2,471,304,411
Staff costs	12	**3,275,248,272**	2,624,795,961
Depreciation and amortisation expenses	13	**442,130,914**	138,269,693
Tax and surcharges		**35,104,042**	35,560,561
Other operating expenses and costs	14	**821,666,631**	1,057,460,639
Reversal of impairment losses	15	**(10,516,274)**	(35,058,233)
Total expenses		**7,850,512,095**	6,737,946,557
Operating profit		**2,348,938,543**	2,075,378,720
Share of profits of associates and joint ventures		**71,613,532**	51,773,332
Profit before income tax		**2,420,552,075**	2,127,152,052
Less: Income tax expense	16	**521,293,232**	473,088,265
Profit for the period		**1,899,258,843**	1,654,063,787
Attributable to:			
Shareholders of the Company and holders of other equity instruments	17	**1,880,477,236**	1,630,940,280
Non-controlling interests		**18,781,607**	23,123,507
Basic and diluted earnings per share (in RMB per share)	17	**0.44**	0.39

The notes on pages 79 to 160 form part of this interim financial report.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2019 (Expressed in RMB, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit for the period	**1,899,258,843**	1,654,063,787
Other comprehensive income for the period		
Items that may be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
– Net gains from changes in fair value	**203,276,498**	53,686,419
– Provision for/(reversal of) expected credit losses	**4,872,520**	(4,316,119)
– Tax effect	**15,006,335**	(30,513,815)
– Net (gains)/losses transferred to profit or loss on disposals	**(138,060,377)**	2,961,454
Interests in associates and joint ventures:		
– Share of other comprehensive income	**(108,584)**	(24,553)
Foreign currency translation difference of financial statements of overseas subsidiaries	**31,195,223**	53,971,655
Total other comprehensive income for the period, net of tax	**116,181,615**	75,765,041
Total comprehensive income for the period	**2,015,440,458**	1,729,828,828
Attributable to:		
Shareholders of the Company and holders of other equity instruments	**1,996,658,851**	1,706,705,321
Non-controlling interests	**18,781,607**	23,123,507

The notes on pages 79 to 160 form part of this interim financial report.

Condensed Consolidated Statement of Financial Position

As at 30 June 2019 (Expressed in RMB, unless otherwise stated)

	Notes	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018 (Audited)
Non-current assets:			
Property and equipment	18	**611,660,658**	597,207,220
Goodwill	19	**1,582,678,646**	1,582,678,646
Intangible assets	20	**277,490,833**	272,225,643
Interests in associates and joint ventures		**1,336,590,435**	1,266,950,588
Financial assets at fair value through profit or loss	21	**2,779,741,210**	2,471,319,697
Financial assets held under resale agreements (“reverse REPOs”)	22	**484,908,776**	739,070,482
Refundable deposits	23	**4,555,201,157**	3,489,936,509
Deferred tax assets	24	**916,512,446**	1,156,997,727
Other non-current assets	25	**2,912,826,725**	1,330,803,662
Total non-current assets		**15,457,610,886**	12,907,190,174
Current assets:			
Accounts receivable	26	**14,082,663,952**	11,879,143,696
Receivable from margin clients	27	**21,228,203,080**	17,716,209,967
Financial assets at fair value through other comprehensive income	28	**34,249,687,011**	35,699,665,877
Financial assets at fair value through profit or loss	21	**138,974,428,018**	112,313,583,432
Reverse REPOs	22	**14,877,290,111**	18,814,063,861
Derivative financial assets	29	**4,653,947,292**	5,529,536,148
Cash held on behalf of brokerage clients	30	**49,342,507,719**	37,902,902,736
Cash and bank balances	31	**27,611,157,052**	22,424,488,162
Other current assets		**220,119,290**	233,756,299
Total current assets		**305,240,003,525**	262,513,350,178
Total assets		**320,697,614,411**	275,420,540,352

The notes on pages 79 to 160 form part of this interim financial report.

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2019 (Expressed in RMB, unless otherwise stated)

	Notes	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018 (Audited)
Current liabilities:			
Financial liabilities at fair value through profit or loss	33	**21,848,041,350**	15,094,248,271
Derivative financial liabilities	29	**4,448,398,698**	3,381,209,869
Accounts payable to brokerage clients	34	**53,071,088,566**	41,317,904,126
Placements from financial institutions	35	**25,255,371,862**	8,533,803,872
Short-term debt securities issued	36	**13,531,743,483**	14,061,377,785
Financial assets sold under repurchase agreements ("REPOs")	37	**38,546,685,559**	48,650,756,322
Employee benefits payable		**2,899,419,702**	3,938,854,639
Income tax payable		**647,702,392**	759,950,938
Long-term debt securities issued due within one year	38	**14,382,937,355**	12,993,890,883
Lease liabilities		**496,266,193**	–
Other current liabilities	39	**40,114,063,537**	32,129,167,430
Total current liabilities		**215,241,718,697**	180,861,164,135
Net current assets		**89,998,284,828**	81,652,186,043
Total assets less current liabilities		**105,455,895,714**	94,559,376,217
Non-current liabilities:			
Non-current employee benefits payable		**742,632,143**	834,544,875
Long-term debt securities issued	38	**57,488,758,397**	48,998,790,985
Deferred tax liabilities	24	**297,090,109**	270,866,094
Lease liabilities		**1,144,236,587**	–
Other non-current liabilities		**2,127,824,487**	2,078,437,686
Total non-current liabilities		**61,800,541,723**	52,182,639,640
Net assets		**43,655,353,991**	42,376,736,577

The notes on pages 79 to 160 form part of this interim financial report.

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2019 (Expressed in RMB, unless otherwise stated)

	Notes	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018 (Audited)
Equity:			
Share capital	40	**4,192,667,868**	4,192,667,868
Other equity instruments	41	**1,000,000,000**	1,000,000,000
Reserves	40	**28,012,338,287**	27,863,594,595
Retained profits		**10,247,349,614**	9,127,261,314
Total equity attributable to shareholders of the Company and holders of other equity instruments		**43,452,355,769**	42,183,523,777
Non-controlling interests		**202,998,222**	193,212,800
Total equity		**43,655,353,991**	42,376,736,577

Approved and authorised for issue by the board of directors on 23 August 2019.

Bi Ming Jian
Chief Executive Officer

Wong King Fung
Chief Financial Officer

Company chop

The notes on pages 79 to 160 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2019 (Expressed in RMB, unless otherwise stated)

	Attributable to shareholders of the Company and holders of other equity instruments										
			Reserves								
	Share capital (Note 40(a))	Other equity instruments (Note 41)	Capital reserve (Note 40(b))	Surplus reserve (Note 40(b))	General reserves (Note 40(b))	Investment revaluation reserve (Note 40(b))	Foreign currency translation reserve (Note 40(b))	Retained profits	Subtotal	Non-controlling interests	Total equity
At 1 January 2019 (Audited)	4,192,667,868	1,000,000,000	24,822,602,955	532,495,676	2,547,710,127	41,820,298	(81,034,461)	9,127,261,314	42,183,523,777	193,212,800	42,376,736,577
Changes in equity for the six months ended 30 June 2019											
Profit for the period	-	-	-	-	-	-	-	1,880,477,236	1,880,477,236	18,781,607	1,899,258,843
Other comprehensive income for the period	-	-	-	-	-	84,986,392	31,195,223	-	116,181,615	-	116,181,615
Total comprehensive income for the period	-	-	-	-	-	84,986,392	31,195,223	1,880,477,236	1,996,658,851	18,781,607	2,015,440,458
Appropriation to general reserves	-	-	-	-	32,562,077	-	-	(32,562,077)	-	-	-
Distributions to holders of perpetual subordinated bonds	-	-	-	-	-	-	-	(57,000,000)	(57,000,000)	-	(57,000,000)
Dividends to shareholders of the Company	-	-	-	-	-	-	-	(670,826,859)	(670,826,859)	-	(670,826,859)
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	-	(8,996,185)	(8,996,185)
At 30 June 2019 (Unaudited)	4,192,667,868	1,000,000,000	24,822,602,955	532,495,676	2,580,272,204	126,806,690	(49,839,238)	10,247,349,614	43,452,355,769	202,998,222	43,655,353,991

The notes on pages 79 to 160 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity (Continued)

for the six months ended 30 June 2019 (Expressed in RMB, unless otherwise stated)

	Attributable to shareholders of the Company and holders of other equity instruments										
			Reserves								
	Share capital (Note 40(a))	Other equity instruments (Note 41)	Capital reserve (Note 40(b))	Surplus reserve (Note 40(b))	General reserves (Note 40(b))	Investment revaluation reserve (Note 40(b))	Foreign currency translation reserve (Note 40(b))	Retained profits	Subtotal	Non-controlling interests	Total equity
At 31 December 2017 (Audited)	3,985,130,809	1,000,000,000	22,721,145,372	347,068,722	2,030,134,969	(135,103,088)	(355,847,026)	7,114,159,008	36,706,688,766	185,748,856	36,892,437,622
Adjustment for initial application of IFRS 9 (net of tax)	-	-	-	-	-	15,213,647	-	(48,226,392)	(33,012,745)	-	(33,012,745)
At 1 January 2018 (Restated)	3,985,130,809	1,000,000,000	22,721,145,372	347,068,722	2,030,134,969	(119,889,441)	(355,847,026)	7,065,932,616	36,673,676,021	185,748,856	36,859,424,877
Changes in equity for the six months ended 30 June 2018											
Profit for the period	-	-	-	-	-	-	-	1,630,940,280	1,630,940,280	23,123,507	1,654,063,787
Other comprehensive income for the period	-	-	-	-	-	21,793,386	53,971,655	-	75,765,041	-	75,765,041
Total comprehensive income for the period	-	-	-	-	-	21,793,386	53,971,655	1,630,940,280	1,706,705,321	23,123,507	1,729,828,828
Appropriation to general reserves	-	-	-	-	25,216,260	-	-	(25,216,260)	-	-	-
Distributions to holders of perpetual subordinated bonds	-	-	-	-	-	-	-	(57,000,000)	(57,000,000)	-	(57,000,000)
Dividends to shareholders of the Company	-	-	-	-	-	-	-	(670,826,859)	(670,826,859)	-	(670,826,859)
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(36,000,000)	(36,000,000)
Issuance of H shares	207,537,059	-	2,101,457,583	-	-	-	-	-	2,308,994,642	-	2,308,994,642
At 30 June 2018 (Unaudited)	4,192,667,868	1,000,000,000	24,822,602,955	347,068,722	2,055,351,229	(98,096,055)	(301,875,371)	7,943,829,777	39,961,549,125	172,872,363	40,134,421,488

The notes on pages 79 to 160 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2019 (Expressed in RMB, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Profit before income tax	**2,420,552,075**	2,127,152,052
Adjustments for:		
Interest expenses on debt securities issued and other financing expenses	**1,666,499,077**	1,530,938,448
Depreciation and amortisation expenses	**442,130,914**	138,269,693
Reversal of impairment losses	**(10,516,274)**	(35,058,233)
Net losses on disposal of property, equipment and other assets	**2,706,865**	9,191,239
Losses/(gains) on changes in fair value of financial instruments at fair value through profit or loss	**793,173,888**	(814,237,439)
Foreign exchange losses/(gains)	**104,680,954**	(10,376,583)
Net gains on disposal of investments	**(6,348,735)**	(20,064,002)
Dividend income from investments in financial assets, and share of profits of associates and joint ventures	**(95,115,771)**	(54,810,427)
Operating cash flows before movements in working capital	**5,317,762,993**	2,871,004,748
(Increase)/decrease in receivable from margin clients	**(3,506,446,467)**	1,232,752,046
Increase in accounts receivable, other receivables and prepayments	**(1,115,839,628)**	(6,898,038,084)
Decrease/(increase) in reverse REPOs	**4,198,632,927**	(943,067,918)
Increase in financial instruments at fair value through profit or loss	**(18,354,765,800)**	(213,549,165)
Decrease/(increase) in financial assets at fair value through other comprehensive income	**1,868,281,088**	(8,042,799,739)
Increase in cash held on behalf of brokerage clients	**(11,436,960,333)**	(1,032,405,416)
(Increase)/decrease in restricted bank deposits	**(251,636,252)**	388,933,188
Increase in refundable deposits	**(1,065,624,058)**	(308,859,668)
Increase in accounts payable to brokerage clients	**11,752,765,478**	1,972,237,552
(Decrease)/increase in REPOs	**(10,104,601,092)**	3,075,847,613
Increase in other liabilities	**21,277,415,847**	4,196,699,551
Cash used in operating activities, before tax	**(1,421,015,297)**	(3,701,245,292)
Income tax paid	**(364,022,492)**	(319,753,996)
Net cash used in operating activities	**(1,785,037,789)**	(4,020,999,288)

The notes on pages 79 to 160 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows (Continued)

for the six months ended 30 June 2019 (Expressed in RMB, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Cash flows from investing activities:		
Receipts from dividend income and disposal of investments	**68,499,960**	53,471,250
Proceeds from disposal of interest in an associate	**8,455,800**	–
Proceeds from disposal of property, equipment and other assets	**630,035**	162,253
Purchase of investments	**(332,318,378)**	(1,015,257,643)
Purchase of property, equipment and other assets	**(213,587,556)**	(163,143,784)
Net cash used in investing activities	**(468,320,139)**	(1,124,767,924)
Cash flows from financing activities:		
Proceeds from issuance of beneficiary certificates	**23,595,264,000**	15,887,205,400
Proceeds from issuance of medium-term notes ("MTNs")	**6,734,400,000**	4,412,780,000
Proceeds from issuance of structured notes	**5,688,853,824**	3,786,755,819
Proceeds from issuance of subordinated bonds	**4,500,000,000**	1,000,000,000
Proceeds from issuance of corporate bonds	**2,000,000,000**	6,500,000,000
Proceeds from issuance of shares	**–**	2,308,994,642
Cash inflows associated with other financing activities	**–**	229,879,411
Redemption of beneficiary certificates	**(27,145,289,000)**	(17,545,253,500)
Redemption of MTNs	**(3,449,400,000)**	(1,079,262,000)
Redemption of structured notes	**(2,917,240,896)**	(1,828,717,905)
Redemption of subordinated bonds	**–**	(2,000,000,000)
Repayment of lease liabilities	**(191,798,768)**	–
Cash paid for dividend or interest	**(1,409,077,101)**	(673,976,196)
Distributions to holders of other equity instruments	**(57,000,000)**	(57,000,000)
Cash outflows associated with other financing activities	**(9,148,294)**	(255,053,815)
Net cash generated from financing activities	**7,339,563,765**	10,686,351,856

The notes on pages 79 to 160 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows (Continued)

for the six months ended 30 June 2019 (Expressed in RMB, unless otherwise stated)

	Note	Six months ended 30 June **2019** **(Unaudited)**	 2018 (Unaudited)
Net increase in cash and cash equivalents		**5,086,205,837**	5,540,584,644
Cash and cash equivalents at the beginning of the period		**21,954,987,644**	17,412,367,179
Effect of exchange rate changes		**(152,533,087)**	140,712,046
Cash and cash equivalents at the end of the period	32	**26,888,660,394**	23,093,663,869
Net cash used in operating activities including:			
Interest received		**2,603,566,388**	2,191,866,376
Interest paid		**(969,630,179)**	(997,558,106)

The notes on pages 79 to 160 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

1. GENERAL INFORMATION

China International Capital Corporation Limited (中國國際金融股份有限公司) (the "Company") was established on 31 July 1995 in the People's Republic of China ("PRC") as approved by the People's Bank of China ("PBOC").

Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 9 November 2015.

The Company acquired 100% equity interests of China Investment Securities Company Limited ("CISC") in March 2017 and issued 1,678,461,809 domestic shares to Central Huijin Investment Ltd. ("Huijin") as a consideration of the acquisition. After the completion of the acquisition, the registered capital and share capital of the Company increased to RMB3,985,130,809.

The Company issued 207,537,059 new H shares to Tencent Mobility Limited in March 2018. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,192,667,868.

The registered address of the Company is the 27th and 28th Floor, China World Trade Centre 2, 1 Jian Guo Men Wai Avenue, Beijing.

The Company and its subsidiaries (together "the Group") are principally engaged in investment banking business, equities business, fixed-income, currency and commodity ("FICC") business, investment management business, wealth management business and other business activities.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (the "IASB"). It was authorised for issue on 23 August 2019.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The condensed consolidated financial statements do not include all of the information and disclosures required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the Group's financial statements for the year ended 31 December 2018.

The interim financial report is unaudited, but has been reviewed by Deloitte Touche Tohmatsu 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 Hong Kong Institute of Certified Public Accountants.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES

3.1 Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	*Leases*
IFRIC 23 (Note)	*Uncertainty over Income Tax Treatments*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IFRSs	*Annual Improvements to IFRSs 2015-2017 Cycle*

Note: IFRIC: Interpretations issued by the IFRS Interpretations Committee of the IASB.

Except as described below, the application of the new and amendments to IFRSs in the current interim period has had no material effect on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.2 Impacts and changes in accounting policies of application of IFRS 16

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 *Leases* ("IAS 17") and the related interpretations.

3.2.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application of IFRS 16 *(continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 16 *(continued)*

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead to account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date (i.e. the date the underlying asset is available for use) and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straightline basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application of IFRS 16 *(continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 16 *(continued)*

As a lessee *(continued)*

Right-of-use assets *(continued)*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets, of which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term, are depreciated from commencement date to the end of the useful life. Otherwise, a right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application of IFRS 16 *(continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 16 *(continued)*

***As a lessee** (continued)*

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted for under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of the lease payments that are not paid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application of IFRS 16 *(continued)*

3.2.1 Key changes in accounting policies resulting from application of IFRS 16 *(continued)*

As a lessee *(continued)*

Lease liabilities *(continued)*

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in an index or a change in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax arising from the recognition of right-of-use assets and related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities. Temporary differences associated with right-of-use assets and lease liabilities are not recognised when the Group initially recognising the assets and liabilities and over the lease terms as a result of applying the initial recognition exemption of deferred tax under IAS 12 *Income Taxes*.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application of IFRS 16 *(continued)*

3.2.2 Transition to IFRS 16 and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not to apply IFRS 16 to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed, on the date of initial application, whether the contracts, which already existed prior to the date of initial application, were or contained a lease.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, 1 January 2019. The cumulative effect is recognised as an adjustment to the opening balance of retained profits, and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group used the following practical expedients, when applicable, to leases previously classified as operating leases under IAS 17, on a lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application;

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension or termination options.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application of IFRS 16 *(continued)*

3.2.2 Transition to IFRS 16 and summary of effects arising from initial application of IFRS 16 *(continued)*

***As a lessee** (continued)*

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.72%.

	Lease liabilities
Operating lease commitments disclosed as at 31 December 2018	1,499,512,935
Lease liabilities discounted at relevant incremental borrowing rates	1,279,862,863
Add: Extension options reasonably certain to be exercised	360,030,291
Less: Recognition exemption – short-term leases	(13,415,787)
Lease liabilities relating to operating leases recognised upon application of IFRS 16	1,626,477,367
Add: Obligations under finance leases recognised as at 31 December 2018	1,922,057
Lease liabilities as at 1 January 2019	1,628,399,424
Analysed as:	
– Current	476,302,057
– Non-current	1,152,097,367
	1,628,399,424

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application of IFRS 16 *(continued)*

3.2.2 Transition to IFRS 16 and summary of effects arising from initial application of IFRS 16 *(continued)*

As a lessee *(continued)*

The carrying amount of right-of-use assets in relation to buildings and equipment held under leases as at 1 January 2019 comprises the following:

	Notes	**Right-of-use assets**
Right-of-use assets in relation to buildings and equipment held under leases recognised upon application of IFRS 16		1,626,477,367
Reclassified from prepaid lease payments in other current assets	(a)	42,707,047
Amounts included in property and equipment under IAS 17		
– Assets previously under finance leases	(b)	1,743,476
Right-of-use assets in relation to buildings and equipment held under leases as at 1 January 2019		1,670,927,890
Analysed by type:		
– Buildings		1,669,049,104
– Equipment		1,878,786
		1,670,927,890

In addition to right-of-use assets above, there were land use rights that represented upfront payments for leasehold land in mainland China, which were included in other non-current assets in these condensed consolidated financial statements.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application of IFRS 16 *(continued)*

3.2.2 Transition to IFRS 16 and summary of effects arising from initial application of IFRS 16 *(continued)*

As a lessee *(continued)*

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position as at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
Non-current assets				
Property and equipment	(b)	597,207,220	(1,743,476)	595,463,744
Other non-current assets		1,330,803,662	1,670,927,890	3,001,731,552
Current assets				
Other current assets	(a)	233,756,299	(42,707,047)	191,049,252
Current liabilities				
Lease liabilities		–	(476,302,057)	(476,302,057)
Other current liabilities		(32,129,167,430)	560,398	(32,128,607,032)
Non-current liabilities				
Lease liabilities		–	(1,152,097,367)	(1,152,097,367)
Other non-current Liabilities		(2,078,437,686)	1,361,659	(2,077,076,027)

(a) Upon application of IFRS 16, the prepaid lease payments amounting to RMB42,707,047 was reclassified to right-of-use assets.

(b) In relation to assets previously under finance leases, the Group recategorised the relevant assets which were still under leases as at 1 January 2019 with a carrying amount RMB1,743,476 as right-of-use assets.

(c) For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on the opening condensed consolidated statement of financial position as at 1 January 2019 as disclosed above.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the condensed consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty for the estimation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's financial statements for the year ended 31 December 2018.

5. TAXATION

(a) Value-added tax ("VAT") and surcharges

The applicable tax rate is 6%. The urban maintenance and construction tax, education surcharge and local education surcharge are charged at 7%, 3% and 2% of VAT respectively.

(b) Income tax

The income tax rate applicable to the Company and its subsidiaries in mainland China is 25%.

The income tax rate applicable to the subsidiaries in Hong Kong Special Administrative Region ("Hong Kong SAR") is 16.5%. Taxes of other offshore subsidiaries are charged at the relevant local rates.

6. FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2019	2018
Brokerage commission income	**1,991,736,448**	1,923,238,450
Underwriting and sponsoring fees	**953,321,691**	848,740,966
Asset management fees	**829,801,181**	767,281,499
Financial advisory fees	**260,522,816**	154,831,867
Investment advisory fees	**210,638,575**	229,735,294
Others	**17,098,136**	21,811,822
Total	**4,263,118,847**	3,945,639,898

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

7. INTEREST INCOME

	Six months ended 30 June	
	2019	2018
Interest income from margin financing and securities lending	**705,082,877**	801,773,869
Interest income from financial institutions	**695,563,864**	698,280,346
Interest income from financial assets at fair value through other comprehensive income	**613,316,721**	421,138,590
Interest income from reverse REPOs	**395,135,944**	385,622,532
Others	**10,699,282**	12,721,775
Total interest income on financial assets not at fair value through profit or loss	**2,419,798,688**	2,319,537,112

8. INVESTMENT INCOME

	Six months ended 30 June	
	2019	2018
Net gains/(losses) from disposal of financial assets at fair value through other comprehensive income	**138,060,377**	(2,961,454)
Net gains/(losses) from financial instruments at fair value through profit or loss	**6,813,311,768**	(1,264,650,487)
Net (losses)/gains from derivative financial instruments	**(3,402,876,207)**	3,734,304,764
Others	**6,348,735**	–
Total	**3,554,844,673**	2,466,692,823

9. OTHER (LOSSES)/INCOME, NET

		Six months ended 30 June	
	Notes	**2019**	2018
Government grants	(i)	**42,287,572**	37,872,555
Tax refunds		**5,037,986**	20,005,395
Others	(ii)	**(85,637,128)**	23,577,494
Total		**(38,311,570)**	81,455,444

(i) The government grants were received by the Company and its subsidiaries from the local government with no condition attached.

(ii) Others mainly consisted of gains or losses resulting from exchange rate fluctuation.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

10. FEE AND COMMISSION EXPENSES

	Six months ended 30 June	
	2019	2018
Brokerage commission expenses	**436,118,927**	390,761,765
Underwriting and sponsoring expenses	**38,839,440**	40,608,860
Asset management expenses	**31,692,204**	14,204,706
Investment advisory expenses	**2,240,623**	38,194
Total	**508,891,194**	445,613,525

11. INTEREST EXPENSES

	Six months ended 30 June	
	2019	2018
Interest expenses on:		
– Corporate bonds	**733,466,008**	672,775,622
– REPOs	**594,557,623**	541,532,857
– Subordinated bonds	**364,239,699**	372,314,342
– Placements from financial institutions	**355,430,400**	258,025,384
– MTNs	**215,184,809**	73,293,317
– Beneficiary certificates	**205,224,096**	238,205,145
– Accounts payable to brokerage clients	**84,827,843**	90,028,932
– Structured notes	**57,764,874**	42,501,109
– Lease liabilities	**34,630,336**	–
– Others	**132,661,628**	182,627,703
Total interest expenses on financial liabilities not at fair value through profit or loss	**2,777,987,316**	2,471,304,411

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

12. STAFF COSTS

	Six months ended 30 June	
	2019	2018
Salaries, bonus and allowance	**2,924,637,483**	2,309,568,980
Retirement scheme contributions	**140,088,711**	126,105,599
Other social welfare	**150,159,838**	130,719,394
Other benefits	**60,362,240**	58,401,988
Total	**3,275,248,272**	2,624,795,961

The Group is required to participate in pension schemes in mainland China, Hong Kong SAR and other jurisdictions whereby the Group pays annual contributions for its employees at certain rates of wages. The Group has no other material obligations for payment of retirement benefits to its employees beyond the annual contributions described above.

13. DEPRECIATION AND AMORTISATION EXPENSES

	Six months ended 30 June	
	2019	2018
Depreciation of other non-current assets	**272,224,484**	14,972,512
Depreciation of property and equipment	**128,446,125**	96,761,568
Amortisation of intangible assets	**41,007,469**	25,585,157
Others	**452,836**	950,456
Total	**442,130,914**	138,269,693

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

14. OTHER OPERATING EXPENSES AND COSTS

	Six months ended 30 June	
	2019	2018
Business development expenses	**240,243,277**	224,753,162
Information technology related expenses	**160,372,385**	148,286,157
Travelling and transportation expenses	**138,199,364**	101,281,293
Professional service fees	**59,018,722**	50,772,639
Utilities and maintenance	**34,824,959**	31,380,558
Securities Investor Protection Fund	**31,630,006**	54,615,244
Lease expenses	**31,068,063**	287,226,046
Auditors' remuneration	**3,000,000**	3,200,000
Others	**123,309,855**	155,945,540
Total	**821,666,631**	1,057,460,639

15. REVERSAL OF IMPAIRMENT LOSSES

	Six months ended 30 June	
	2019	2018
(Reversal of)/provision for impairment losses against accounts receivable and other non-current assets	**(1,109,162)**	17,901,026
Provision for/(reversal of) impairment losses against receivable from margin clients	**2,336,342**	(39,564,725)
Reversal of impairment losses against reverse REPOs	**(15,855,185)**	(9,042,330)
Provision for/(reversal of) impairment losses against financial assets at fair value through other comprehensive income	**4,872,520**	(4,352,204)
Reversal of impairment losses against cash and bank balances	**(760,789)**	–
Total	**(10,516,274)**	(35,058,233)

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

16. INCOME TAX EXPENSE

(a) Taxation in the condensed consolidated statement of profit or loss:

	Six months ended 30 June	
	2019	2018
Current tax		
– Mainland China income tax	**120,915,501**	117,692,594
– Hong Kong SAR profits tax	**118,543,517**	44,434,956
Subtotal	**239,459,018**	162,127,550
Deferred tax		
– Origination and reversal of temporary differences	**281,834,214**	310,960,715
Total	**521,293,232**	473,088,265

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

16. INCOME TAX EXPENSE *(continued)*

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

The income tax has been provided at the statutory rate of 25%, in accordance with relevant tax laws in mainland China during the period. Taxes on profits assessable outside mainland China have been calculated at the applicable tax rates prevailing in the countries/jurisdictions in which the Group operates, based on the existing legislation, interpretations and practices. A reconciliation between income tax expense that would result from applying the PRC statutory income tax rate to the Group's profit before income tax and the income tax expense in the condensed consolidated statement of profit or loss is as follows:

	Six months ended 30 June	
	2019	2018
Profit before income tax	**2,420,552,075**	2,127,152,052
Income tax calculated at the PRC statutory income tax rate	**605,138,019**	531,788,013
Effect of non-deductible expenses	**17,497,068**	14,588,932
Effect of non-taxable income	**(41,196,763)**	(29,503,056)
Effect of different applicable tax rates of the subsidiaries	**(71,860,496)**	(53,126,442)
Effect of deductible temporary differences or deductible tax losses for which no deferred tax asset was recognised in the period	**39,195,630**	12,062,890
Effect of using the deductible tax losses for which no deferred tax asset was recognised in previous period	**(15,248,882)**	(272)
Others	**(12,231,344)**	(2,721,800)
Total income tax expense	**521,293,232**	473,088,265

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

17. BASIC AND DILUTED EARNINGS PER SHARE

	Six months ended 30 June	
	2019	2018
Profit attributable to shareholders of the Company and holders of other equity instruments	**1,880,477,236**	1,630,940,280
Interest for holders of perpetual subordinated bonds for the period	**(28,265,753)**	(28,265,753)
Total	**1,852,211,483**	1,602,674,527
Weighted average number of ordinary shares in issue (Note)	**4,192,667,868**	4,088,899,339
Basic earnings per share (in RMB per share)	**0.44**	0.39

Note: On 23 March 2018, the Company issued 207,537,059 new H shares at a price of HKD13.80 per share to Tencent Mobility Limited. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,192,667,868.

Basic earnings per share was calculated as the profit for the period attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.

There were no dilutive potential ordinary shares in the six months ended 30 June 2019 and 2018, and therefore, diluted earnings per share are the same as the basic earnings per share.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

18. PROPERTY AND EQUIPMENT

	Buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
Cost							
As at 31 December 2018	91,329,992	1,318,075,018	92,619,102	62,971,929	763,693,399	5,369,255	2,334,058,695
Adjustment for initial application of IFRS 16	–	(8,740,873)	–	–	–	–	(8,740,873)
As at 1 January 2019	91,329,992	1,309,334,145	92,619,102	62,971,929	763,693,399	5,369,255	2,325,317,822
Additions and transfer-in	–	84,270,739	7,696,186	281,452	51,595,361	12,038,176	155,881,914
Transfer-out	–	–	–	–	–	(7,899,789)	(7,899,789)
Disposals	–	(22,117,921)	(1,967,299)	–	(14,543,813)	–	(38,629,033)
Effect of changes in exchange rates	–	454,273	31,803	2,316	775,306	–	1,263,698
As at 30 June 2019	91,329,992	1,371,941,236	98,379,792	63,255,697	801,520,253	9,507,642	2,435,934,612
Accumulated depreciation							
As at 31 December 2018	(32,763,304)	(962,606,048)	(68,980,427)	(47,004,661)	(625,497,035)	–	(1,736,851,475)
Adjustment for initial application of IFRS 16	–	6,997,397	–	–	–	–	6,997,397
As at 1 January 2019	(32,763,304)	(955,608,651)	(68,980,427)	(47,004,661)	(625,497,035)	–	(1,729,854,078)
Additions	(2,180,468)	(77,397,675)	(5,072,008)	(2,686,801)	(41,109,173)	–	(128,446,125)
Disposals	–	20,717,636	1,320,948	–	13,248,883	–	35,287,467
Effect of changes in exchange rates	–	(488,113)	(48,528)	(2,316)	(722,261)	–	(1,261,218)
As at 30 June 2019	(34,943,772)	(1,012,776,803)	(72,780,015)	(49,693,778)	(654,079,586)	–	(1,824,273,954)
Carrying amount							
As at 30 June 2019	56,386,220	359,164,433	25,599,777	13,561,919	147,440,667	9,507,642	611,660,658
As at 31 December 2018	58,566,688	355,468,970	23,638,675	15,967,268	138,196,364	5,369,255	597,207,220

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

18. PROPERTY AND EQUIPMENT *(continued)*

	Buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
Cost							
As at 1 January 2018	85,992,204	1,163,675,156	80,584,668	64,896,377	661,324,246	1,800,808	2,058,273,459
Additions and transfer-in	5,337,788	206,569,086	15,885,152	–	102,716,943	10,667,160	341,176,129
Transfer-out	–	–	–	–	–	(7,098,713)	(7,098,713)
Disposals	–	(59,649,451)	(4,308,266)	(1,951,429)	(5,355,290)	–	(71,264,436)
Effect of changes in exchange rates	–	7,480,227	457,548	26,981	5,007,500	–	12,972,256
As at 31 December 2018	91,329,992	1,318,075,018	92,619,102	62,971,929	763,693,399	5,369,255	2,334,058,695
Accumulated depreciation							
As at 1 January 2018	(28,416,967)	(880,161,655)	(65,593,121)	(39,887,369)	(569,280,943)	–	(1,583,340,055)
Additions	(4,346,337)	(132,118,538)	(7,030,711)	(7,459,813)	(57,756,707)	–	(208,712,106)
Disposals	–	53,155,330	4,067,515	369,502	5,191,717	–	62,784,064
Effect of changes in exchange rates	–	(3,481,185)	(424,110)	(26,981)	(3,651,102)	–	(7,583,378)
As at 31 December 2018	(32,763,304)	(962,606,048)	(68,980,427)	(47,004,661)	(625,497,035)	–	(1,736,851,475)
Carrying amount							
As at 31 December 2018	58,566,688	355,468,970	23,638,675	15,967,268	138,196,364	5,369,255	597,207,220
As at 31 December 2017	57,575,237	283,513,501	14,991,547	25,009,008	92,043,303	1,800,808	474,933,404

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

19. GOODWILL

(a) Changes in goodwill

	Six month ended 30 June 2019	Year ended 31 December 2018
At the beginning of the period/year	**1,582,678,646**	1,582,678,646
Additions for the period/year	**–**	–
Subtotal	**1,582,678,646**	1,582,678,646
Less: Allowance for impairment losses	**–**	–
Carrying amount	**1,582,678,646**	1,582,678,646

Note: The Company acquired CISC in 2017 and paid the consideration amounting to RMB16,700,695,000 as the cost of the acquisition. The difference between the consideration and the fair value of the identifiable net assets attributable to the Company amounted to RMB1,582,678,646 and was recognised as goodwill.

(b) Impairment test

The Company acquired 100% equity interests of CISC in March 2017, aiming to generate long-term benefit of synergy by unitlising strengths in aspects of products, services and distributions across the enlarged group. The Group recognised the portion of consideration in excess of fair value of the identifiable net assets acquired as the goodwill of the cash-generating unit ("CGU") of wealth management.

The recoverable amount of the CGU is determined based on the present value of expected future cash flows, which was determined on the financial budgets (including budgeted income and profit margins based on the CGU's past performance and management's expectations for market development) approved by management covering certain period and a pre-tax discount rate based on weighted average return of equity of the Group. Cash flows beyond certain period are extrapolated using an estimated annual growth rate based on industry growth forecasts.

As at 30 June 2019, based on the estimated recoverable amount, the goodwill arising from the acquisition was not impaired and no impairment loss was therefore recognised.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

20. INTANGIBLE ASSETS

	Securities trading seat rights	Others	Total
Cost			
As at 1 January 2019	163,989,047	363,140,177	527,129,224
Additions	–	46,267,166	46,267,166
Effect of changes in exchange rates	3,456	7,803	11,259
As at 30 June 2019	163,992,503	409,415,146	573,407,649
Accumulated amortisation			
As at 1 January 2019	(92,406,520)	(162,497,061)	(254,903,581)
Additions	(4,178,823)	(36,828,646)	(41,007,469)
Effect of changes in exchange rates	–	(5,766)	(5,766)
As at 30 June 2019	(96,585,343)	(199,331,473)	(295,916,816)
Carrying amount			
As at 30 June 2019	67,407,160	210,083,673	277,490,833
As at 31 December 2018	71,582,527	200,643,116	272,225,643

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

20. INTANGIBLE ASSETS *(continued)*

	Securities trading seat rights	Others	Total
Cost			
As at 1 January 2018	163,948,747	263,603,732	427,552,479
Additions	–	109,250,314	109,250,314
Disposal	–	(9,804,704)	(9,804,704)
Effect of changes in exchange rates	40,300	90,835	131,135
As at 31 December 2018	163,989,047	363,140,177	527,129,224
Accumulated amortisation			
As at 1 January 2018	(84,445,428)	(115,901,076)	(200,346,504)
Additions	(7,961,092)	(51,972,981)	(59,934,073)
Disposal	–	5,442,150	5,442,150
Effect of changes in exchange rates	–	(65,154)	(65,154)
As at 31 December 2018	(92,406,520)	(162,497,061)	(254,903,581)
Carrying amount			
As at 31 December 2018	71,582,527	200,643,116	272,225,643
As at 31 December 2017	79,503,319	147,702,656	227,205,975

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Analysed by type:

Non-current

	As at 30 June 2019	As at 31 December 2018
Equity securities	**2,747,927,073**	2,446,425,365
Funds and other investments	**31,814,137**	24,894,332
Total	**2,779,741,210**	2,471,319,697

Current

	As at 30 June 2019	As at 31 December 2018
Equity securities	**44,867,192,544**	24,746,482,555
Debt securities (Note)	**72,976,937,925**	67,883,079,318
Funds and other investments	**21,130,297,549**	19,684,021,559
Total	**138,974,428,018**	112,313,583,432

Note: As at 30 June 2019, perpetual bonds amounting to RMB9,138,329,579 are included in debt securities (31 December 2018: RMB8,112,238,278).

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

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

(b) Analysed by listing status:

Non-current

	As at 30 June 2019	As at 31 December 2018
Listed		
– Outside Hong Kong, China	**284,038,508**	38,468,152
Unlisted	**2,495,702,702**	2,432,851,545
Total	**2,779,741,210**	2,471,319,697

Current

	As at 30 June 2019	As at 31 December 2018
Listed		
– In Hong Kong, China	**8,602,073,947**	7,810,781,597
– Outside Hong Kong, China	**111,802,123,824**	89,856,945,279
Unlisted	**18,570,230,247**	14,645,856,556
Total	**138,974,428,018**	112,313,583,432

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

22. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS ("REVERSE REPOs")

(a) Analysed by collateral type:

Non-current

	As at 30 June 2019	As at 31 December 2018
Stocks	**477,426,030**	719,914,040
Accrued interests	**8,470,637**	21,722,422
Less: Allowance for impairment losses	**(987,891)**	(2,565,980)
Total	**484,908,776**	739,070,482

Current

	As at 30 June 2019	As at 31 December 2018
Stocks	**8,201,075,527**	9,740,939,226
Debt securities	**6,543,964,025**	8,960,245,243
Subtotal	**14,745,039,552**	18,701,184,469
Accrued interests	**181,207,208**	176,113,137
Less: Allowance for impairment losses	**(48,956,649)**	(63,233,745)
Total	**14,877,290,111**	18,814,063,861

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

22. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS ("REVERSE REPOs") *(continued)*

(b) Analysed by market:

Non-current

	As at 30 June 2019	As at 31 December 2018
Stock exchanges	**301,484,832**	537,841,825
Over-the-counter market	**183,423,944**	201,228,657
Total	**484,908,776**	739,070,482

Current

	As at 30 June 2019	As at 31 December 2018
Stock exchanges	**12,257,768,256**	15,558,505,408
Inter-bank market	**2,233,457,243**	3,255,558,453
Over-the-counter market	**386,064,612**	–
Total	**14,877,290,111**	18,814,063,861

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

22. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS ("REVERSE REPOs") *(continued)*

(c) Analysis of the movement in allowance for impairment losses:

	As at 30 June 2019	As at 31 December 2018
At the end of prior period/year	**65,799,725**	14,437,237
Adjustment for initial application of IFRS 9	**–**	22,796,131
At the beginning of current period/year	**65,799,725**	37,233,368
(Reversed)/provided for the period/year	**(15,855,185)**	28,566,357
At the end of the period/year	**49,944,540**	65,799,725

As at 30 June 2019, the fair value of collaterals received by the Group amounted to approximately RMB31,436 million (31 December 2018: RMB33,702 million).

23. REFUNDABLE DEPOSITS

	As at 30 June 2019	As at 31 December 2018
Self-owned refundable deposits	**2,199,272,000**	1,348,063,089
Refundable deposits held on behalf of clients	**2,355,878,755**	2,141,463,608
Subtotal	**4,555,150,755**	3,489,526,697
Accrued interests	**50,402**	409,812
Total	**4,555,201,157**	3,489,936,509

Refundable deposits are mainly placed at stock exchanges and clearing house, futures and commodity exchanges, China Securities Finance Corporation Limited, Shanghai Clearing House, futures companies and other institutions.

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(Expressed in RMB, unless otherwise stated)

24. DEFERRED TAX ASSETS/(LIABILITIES)

(a) Deferred tax assets and liabilities recognised

The components of deferred tax assets/(liabilities) recognised in the condensed consolidated statement of financial position and the movement during the period/year are as follows:

	As at 1 January 2019	(Charged)/ credited to profit or loss	Credited to equity	Exchange differences (Note)	As at 30 June 2019 Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax assets/(liabilities) before set-off:							
Staff cost	1,085,463,782	(289,161,885)	–	2,293	796,304,190	796,304,190	–
Deductible tax losses	29,868,168	27,178,710	–	90,526	57,137,404	57,137,404	–
Depreciation and amortisation	(22,681,482)	(2,436,182)	–	12,851	(25,104,813)	–	(25,104,813)
Changes in fair values of financial instruments at fair value through profit or loss	(216,202,730)	26,904,972	–	4,203	(189,293,555)	–	(189,293,555)
Changes in fair values and impairment losses of financial assets at fair value through other comprehensive income	(35,189,455)	(1,716,016)	15,006,335	–	(21,899,136)	–	(21,899,136)
Fair value adjustment arising from acquisition of a subsidiary	(182,718,694)	3,507,739	–	–	(179,210,955)	–	(179,210,955)
Others	227,592,044	(46,111,552)	–	8,710	181,489,202	181,489,202	–
Subtotal	886,131,633	(281,834,214)	15,006,335	118,583	619,422,337	1,034,930,796	(415,508,459)
Set off						(118,418,350)	118,418,350
Deferred tax assets/(liabilities) recognised in the condensed consolidated statement of financial position						916,512,446	(297,090,109)

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

24. DEFERRED TAX ASSETS/(LIABILITIES) *(continued)*

(a) Deferred tax assets and liabilities recognised *(continued)*

	As at 31 December 2017	Adjustment for initial application of IFRS 9	As at 1 January 2018	(Charged)/ credited to profit or loss	Charged to equity	Exchange differences (Note)	As at 31 December 2018 Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax assets/(liabilities) before set-off:									
Staff cost	1,161,806,337	–	1,161,806,337	(76,722,973)	–	380,418	1,085,463,782	1,085,463,782	–
Deductible tax losses	21,874,486	–	21,874,486	7,042,446	–	951,236	29,868,168	29,868,168	–
Depreciation and amortisation	4,422,309	–	4,422,309	(27,110,316)	–	6,525	(22,681,482)	–	(22,681,482)
Changes in fair values of financial instruments at fair value through profit or loss	(249,930,662)	(22,715,731)	(272,646,393)	56,849,881	–	(406,218)	(216,202,730)	–	(216,202,730)
Changes in fair values of available-for-sale financial assets	10,918,153	(10,918,153)	–	–	–	–	–	–	–
Changes in fair values and impairment losses of financial assets at fair value through other comprehensive income	–	33,639,707	33,639,707	1,130,442	(69,959,604)	–	(35,189,455)	–	(35,189,455)
Fair value adjustment arising from acquisition of a subsidiary	(191,661,156)	–	(191,661,156)	8,942,462	–	–	(182,718,694)	–	(182,718,694)
Others	166,946,763	10,821,787	177,768,550	49,662,002	–	161,492	227,592,044	227,592,044	–
Subtotal	924,376,230	10,827,610	935,203,840	19,793,944	(69,959,604)	1,093,453	886,131,633	1,342,923,994	(456,792,361)
Set off								(185,926,267)	185,926,267
Deferred tax assets/(liabilities) recognised in the condensed consolidated statement of financial position								1,156,997,727	(270,866,094)

Note: Exchange differences represent foreign currency translation difference of financial statements of overseas subsidiaries.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

24. DEFERRED TAX ASSETS/(LIABILITIES) *(continued)*

(b) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of deductible temporary differences and cumulative tax losses amounted to RMB258 million and RMB230 million as at 30 June 2019 and 31 December 2018, respectively.

Deferred tax assets not recognised in respect of cumulative tax losses are mainly attributable to certain overseas subsidiaries of the Group which were set up to strengthen the Group's cross-border service capabilities.

Deferred tax asset arising from unused tax losses is recognised only to the extent that an entity has sufficient taxable temporary differences or there is other convincing evidence that sufficient taxable profit will be available against which the unused tax losses can be utilised by the entity, when the entity has a history of recent losses. The directors of the Company review the financial performance of these overseas subsidiaries at the end of reporting period to determine whether there is sufficient taxable profit to be available against the unused tax losses, and they are of the opinion that it is probable that sufficient future taxable profits against which the losses can be utilised may not be available in these overseas entities in the foreseeable future, given the current market conditions, and that further expenditures of these overseas subsidiaries are considered necessary for expanding the Group's overseas operations based on its business strategies.

25. OTHER NON-CURRENT ASSETS

As at 30 June 2019, the balance is mainly comprised of right-of-use assets arising from leases of buildings and equipment amounting to RMB1,600,054,302 and land use rights of RMB1,131,103,082 (31 December 2018: RMB1,147,558,409).

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

26. ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 30 June 2019	As at 31 December 2018
Trade receivable	**11,043,996,768**	9,524,858,287
Asset management fees receivable	**1,150,688,253**	1,030,013,910
Underwriting and advisory fees receivable	**655,606,319**	685,158,179
Trading seat rental fees receivable	**123,421,119**	110,770,523
Others	**1,173,780,030**	601,469,347
Subtotal	**14,147,492,489**	11,952,270,246
Accrued interests	**7,379,742**	9,198,159
Less: Allowance for impairment losses	**(72,208,279)**	(82,324,709)
Total	**14,082,663,952**	11,879,143,696

(b) Analysed by aging:

	As at 30 June 2019			
	Gross amount		**Allowance for impairment losses**	
	Amount	**%**	**Amount**	**%**
Within 1 year (inclusive)	**13,287,868,437**	**93.87%**	**(35,628,680)**	**49.35%**
1 – 2 years (inclusive)	**458,567,790**	**3.24%**	**(13,022,742)**	**18.03%**
2 – 3 years (inclusive)	**176,387,808**	**1.25%**	**(530,251)**	**0.73%**
More than 3 years	**232,048,196**	**1.64%**	**(23,026,606)**	**31.89%**
Total	**14,154,872,231**	**100.00%**	**(72,208,279)**	**100.00%**

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

26. ACCOUNTS RECEIVABLE *(continued)*

(b) Analysed by aging: *(continued)*

	As at 31 December 2018			
	Gross amount		Allowance for impairment losses	
	Amount	%	Amount	%
Within 1 year (inclusive)	11,187,696,937	93.53%	(56,284,755)	68.37%
1 – 2 years (inclusive)	421,932,830	3.53%	(1,687,683)	2.05%
2 – 3 years (inclusive)	139,006,741	1.16%	(528,676)	0.64%
More than 3 years	212,831,897	1.78%	(23,823,595)	28.94%
Total	11,961,468,405	100.00%	(82,324,709)	100.00%

(c) Analysis of the movement in allowance for impairment losses:

	As at 30 June 2019	As at 31 December 2018
At the beginning of the period/year	**82,324,709**	25,555,250
(Reversed)/provided for the period/year	**(2,056,103)**	56,570,413
Write-offs for the period/year	**(8,076,428)**	(173,171)
Effect of changes in exchange rates	**16,101**	372,217
At the end of the period/year	**72,208,279**	82,324,709

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

27. RECEIVABLE FROM MARGIN CLIENTS

(a) Analysed by nature:

	As at 30 June 2019	As at 31 December 2018
Individuals	**18,848,548,382**	15,992,254,837
Institutions	**2,014,730,422**	1,364,577,500
Subtotal	**20,863,278,804**	17,356,832,337
Accrued interests	**391,199,380**	383,309,440
Less: Allowance for impairment losses	**(26,275,104)**	(23,931,810)
Total	**21,228,203,080**	17,716,209,967

(b) Analysed by fair value of collaterals:

	Fair value of collaterals	
	As at 30 June 2019	As at 31 December 2018
Stocks	**54,576,337,649**	40,535,814,487
Cash	**1,952,346,553**	1,069,744,805
Funds	**303,981,346**	226,341,434
Debt securities	**59,366,550**	33,822,536
Total	**56,892,032,098**	41,865,723,262

(c) Analysis of the movement in allowance for impairment losses:

	As at 30 June 2019	As at 31 December 2018
At the end of prior period/year	**23,931,810**	23,752,591
Adjustment for initial application of IFRS 9	–	21,044,224
At the beginning of current period/year	**23,931,810**	44,796,815
Provided/(reversed) for the period/year	**2,336,342**	(18,329,457)
Write-offs for the period/year	–	(1,843,224)
Effect of changes in exchange rates	**6,952**	(692,324)
At the end of the period/year	**26,275,104**	23,931,810

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Analysed by type:

	As at 30 June 2019	As at 31 December 2018
At fair value		
– Debt securities	**34,249,687,011**	35,699,665,877

(b) Analysed by listing status:

	As at 30 June 2019	As at 31 December 2018
Listed		
– In Hong Kong, China	**3,321,913,025**	3,089,749,567
– Outside Hong Kong, China	**30,927,773,986**	32,609,916,310
Total	**34,249,687,011**	35,699,665,877

(c) Analysis of the movement in allowance for impairment losses:

	As at 30 June 2019	As at 31 December 2018
At the end of prior period/year	**20,151,854**	–
Adjustment for initial application of IFRS 9	**–**	13,317,597
At the beginning of current period/year	**20,151,854**	13,317,597
Provided for the period/year	**4,872,520**	6,730,579
Effect of changes in exchange rates	**54,798**	103,678
At the end of the period/year	**25,079,172**	20,151,854

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

29. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	As at 30 June 2019		
		Fair value	
	Notional amount	Assets	Liabilities
Hedging instruments (a)			
– Interest rate contracts	24,640,000,000	389,468,918	–
Non-hedging instruments			
– Interest rate contracts	58,893,204,952	291,773,369	(380,368,178)
– Currency contracts	23,599,921,672	227,345,614	(173,876,999)
– Equity contracts	82,086,717,626	3,546,466,171	(3,671,384,435)
– Credit contracts	732,865,514	4,444,550	(10,783,221)
– Other contracts	12,664,356,924	221,948,957	(211,985,865)
Total	202,617,066,688	4,681,447,579	(4,448,398,698)
Less: Settlement		(27,500,287)	–
Net position		4,653,947,292	(4,448,398,698)

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

29. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) *(continued)*

	As at 31 December 2018		
		Fair value	
	Notional amount	Assets	Liabilities
Hedging instruments (a)			
– Interest rate contracts	26,100,000,000	491,128,609	–
Non-hedging instruments			
– Interest rate contracts	56,217,846,128	336,424,488	(427,536,439)
– Currency contracts	19,241,583,018	99,619,314	(106,023,948)
– Equity contracts	76,343,769,429	4,416,901,451	(2,728,859,874)
– Credit contracts	1,247,017,363	5,872,825	(9,888,657)
– Other contracts	12,361,224,344	182,596,498	(188,281,339)
Total	191,511,440,282	5,532,543,185	(3,460,590,257)
Less: Settlement		(3,007,037)	79,380,388
Net position		5,529,536,148	(3,381,209,869)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in futures in mainland China are settled daily and the corresponding receipts and payments are reflected in "deposits with clearing houses". Accordingly, the Group did not hold any net position of the above contracts as at 30 June 2019 and 31 December 2018.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

29. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) *(continued)*

(a) Hedging instruments

Fair value hedges are used by the Group to protect against changes in the fair value of financial liabilities due to movements in market interest rates. Interest rate swaps are used as hedging instruments to hedge the interest rate risk of long-term debt securities issued.

30. 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 brokerage business. The Group has classified their clients' monies as cash held on behalf of brokerage clients under the current assets of the condensed consolidated statement of financial position and recognised the corresponding accounts payable to brokerage clients on the grounds that the Group is liable for any misappropriation of their clients' monies. In mainland China, clients' monies are restricted and governed by relevant third-party deposit regulations issued by the China Securities Regulatory Commission (the "CSRC"). In Hong Kong SAR, clients' monies are restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

31. CASH AND BANK BALANCES

	As at 30 June 2019	As at 31 December 2018
Cash on hand	**291,108**	245,730
Deposits with banks	**25,166,493,097**	20,120,201,092
Deposits with clearing houses	**2,386,474,114**	2,247,502,495
Subtotal	**27,553,258,319**	22,367,949,317
Accrued interests	**57,981,894**	57,382,787
Less: Allowance for impairment losses	**(83,161)**	(843,942)
Total	**27,611,157,052**	22,424,488,162

32. CASH AND CASH EQUIVALENTS

	As at 30 June 2019	As at 31 December 2018
Cash on hand	**291,108**	245,730
Deposits with banks	**25,166,493,097**	20,120,201,092
Deposits with clearing houses	**2,386,474,114**	2,247,502,495
Subtotal	**27,553,258,319**	22,367,949,317
Less: Restricted bank deposits	**(664,597,925)**	(412,961,673)
Total	**26,888,660,394**	21,954,987,644

The restricted bank deposits mainly include the risk reserve deposits held for asset management business and temporary deposits held on behalf of non-brokerage clients.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

33. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2019		
	Financial liabilities held for trading	**Financial liabilities designated as at fair value through profit or loss**	**Total**
Equity investments	**2,980,345,205**	**14,439,215,310**	**17,419,560,515**
Debt investments	**426,493,493**	**4,001,987,342**	**4,428,480,835**
Total	**3,406,838,698**	**18,441,202,652**	**21,848,041,350**

	As at 31 December 2018		
	Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss	Total
Equity investments	3,324,981,139	8,773,289,241	12,098,270,380
Debt investments	918,861,787	2,077,116,104	2,995,977,891
Total	4,243,842,926	10,850,405,345	15,094,248,271

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

34. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at 30 June 2019	As at 31 December 2018
Clients' deposits for brokerage trading	**47,869,292,812**	37,472,041,393
Clients' deposits for margin financing and securities lending	**5,193,760,512**	3,838,246,453
Subtotal	**53,063,053,324**	41,310,287,846
Accrued interests	**8,035,242**	7,616,280
Total	**53,071,088,566**	41,317,904,126

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

The balance of the accounts payable includes certain margin deposits and cash collaterals received from clients for their margin financing and securities lending activities under normal course of business. Only the amounts in excess of the required amount of margin deposits and cash collaterals are repayable on demand.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

35. PLACEMENTS FROM FINANCIAL INSTITUTIONS

(a) Analysed by funding source:

	As at 30 June 2019	As at 31 December 2018
Placements from China Securities Finance Co., Ltd	**100,000,000**	–
Placements from banks	**25,015,453,869**	7,487,696,864
Others	**–**	1,000,000,000
Subtotal	**25,115,453,869**	8,487,696,864
Accrued interests	**139,917,993**	46,107,008
Total	**25,255,371,862**	8,533,803,872

(b) Analysed by residual maturity:

	As at 30 June 2019		As at 31 December 2018	
	Book value	**Range of interest rate**	Book value	Range of interest rate
Within 1 month (inclusive)	**14,677,059,877**	**1.58% – 5.00%**	5,640,939,681	2.86% – 9.00%
1 – 3 months (inclusive)	**1,320,597,825**	**3.80% – 5.00%**	746,378,339	4.85% – 5.00%
3 months – 1 year (inclusive)	**9,257,714,160**	**3.12% – 5.00%**	2,146,485,852	4.40% – 5.00%
Total	**25,255,371,862**		8,533,803,872	

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

36. SHORT-TERM DEBT SECURITIES ISSUED

	Notes	**As at 30 June 2019**	As at 31 December 2018
Beneficiary certificates	(a)	**8,683,961,000**	12,028,986,000
Notes payable	(b)	**4,751,335,975**	1,944,854,059
Subtotal		**13,435,296,975**	13,973,840,059
Accrued interests:			
Beneficiary certificates		**60,810,265**	60,997,604
Notes payable		**35,636,243**	26,540,122
Total		**13,531,743,483**	14,061,377,785

(a) Beneficiary certificates:

Nominal interest rate	**Book value as at 1 January 2019**	**Issuance**	**Interest accrued, net of interest paid**	**Redemption**	**Transferred out**	**Book value as at 30 June 2019**
0.00% – 8.10%	**12,089,983,604**	**22,760,264,000**	**(187,339)**	**(26,105,289,000)**	**–**	**8,744,771,265**

Nominal interest rate	Book value as at 1 January 2018	Issuance	Interest accrued, net of interest paid	Redemption	Transferred out	Book value as at 31 December 2018
0.00% – 8.10%	8,824,880,000	48,566,845,400	62,996,725	(45,344,939,400)	(19,799,121)	12,089,983,604

The Group has issued beneficiary certificates bearing nominal interest with:

– fixed rates, ranging from 0.30% to 8.10% per annum;

– a fixed rate plus a floating rate; or

– a floating rate.

The floating interest rate is calculated based on Shanghai & Shenzhen 300 Index, China Securities Index ("CSI") 500, CSI 500 Total Return, prices of commodity products, USD index or certain asset-backed securities.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

36. SHORT-TERM DEBT SECURITIES ISSUED *(continued)*

(b) Notes payable:

Name	**Book value as at 1 January 2019**	**Issuance**	**Interest accrued, net of interest paid**	**Redemption**	**Amortisation and others**	**Book value as at 30 June 2019**
Structured notes (i)	**1,971,394,181**	**5,688,853,824**	**9,096,121**	**(2,917,240,896)**	**34,868,988**	**4,786,972,218**

Name	Book value as at 1 January 2018	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2018
MTN (ii)	1,110,814,000	–	–	(1,079,262,000)	(31,552,000)	–
MTN (iii)	–	628,820,000	–	(690,650,000)	61,830,000	–
Structured notes (i)	691,186,896	6,416,379,004	26,540,122	(5,056,301,166)	(106,410,675)	1,971,394,181
Total	1,802,000,896	7,045,199,004	26,540,122	(6,826,213,166)	(76,132,675)	1,971,394,181

(i) The notes were issued bearing nominal interest rates ranging from 0.00% to 4.85% per annum.

(ii) The interest commencement date and maturity date of the notes were 15 November 2017 and 15 May 2018 respectively. The principal of the notes amounted to USD170 million. The Group has redeemed the notes on 15 May 2018.

(iii) The interest commencement date and maturity date of the notes were 7 February 2018 and 7 November 2018 respectively. The principal of the notes amounted to USD100 million. The Group has redeemed the notes on 7 November 2018.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

37. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS ("REPOs")

(a) Analysed by collateral type:

	As at 30 June 2019	As at 31 December 2018
Debt securities	**34,035,423,792**	45,485,445,768
Others	**4,451,428,068**	3,106,007,184
Subtotal	**38,486,851,860**	48,591,452,952
Accrued interests	**59,833,699**	59,303,370
Total	**38,546,685,559**	48,650,756,322

(b) Analysed by market:

	As at 30 June 2019	As at 31 December 2018
Inter-bank market	**17,884,917,834**	28,645,623,494
Stock exchanges	**11,393,088,385**	13,127,726,502
Over-the-counter market	**9,268,679,340**	6,877,406,326
Total	**38,546,685,559**	48,650,756,322

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

38. LONG-TERM DEBT SECURITIES ISSUED

	Notes	**As at 30 June 2019**	As at 31 December 2018
Due within one year			
– Beneficiary certificates	(a)	**312,800,000**	1,117,800,000
– Subordinated bonds	(b)	**3,197,903,363**	2,198,656,584
– Corporate bonds	(c)	**10,664,041,286**	6,100,000,000
– Notes payable	(d)	**–**	3,428,336,856
Accrued interests:			
– Beneficiary certificates		**6,451,093**	83,390,860
– Subordinated bonds		**67,703,769**	6,027,397
– Corporate bonds		**134,037,844**	48,141,370
– Notes payable		**–**	11,537,816
Subtotal		**14,382,937,355**	12,993,890,883
Due after one year			
– Beneficiary certificates	(a)	**1,000,000,000**	400,000,000
– Subordinated bonds	(b)	**16,085,475,996**	12,579,474,786
– Corporate bonds	(c)	**25,627,776,404**	28,256,578,851
– Notes payable	(d)	**13,705,411,570**	6,842,394,391
Accrued interests:			
– Beneficiary certificates		**14,624,386**	4,667,946
– Subordinated bonds		**311,310,500**	232,647,140
– Corporate bonds		**669,880,450**	648,651,458
– Notes payable		**74,279,091**	34,376,413
Subtotal		**57,488,758,397**	48,998,790,985
Total		**71,871,695,752**	61,992,681,868
Fair value		**72,475,878,977**	62,408,122,791

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

38. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(a) Beneficiary certificates:

Nominal interest rate	**Book value as at 1 January 2019**	**Issuance**	**Interest accrued, net of interest paid**	**Transferred in**	**Redemption**	**Book value as at 30 June 2019**
0.00% – 8.00%	**1,605,858,806**	**835,000,000**	**(66,983,327)**	**–**	**(1,040,000,000)**	**1,333,875,479**

Nominal interest rate	Book value as at 1 January 2018	Issuance	Interest accrued, net of interest paid	Transferred in	Redemption	Book value as at 31 December 2018
0.00% – 8.00%	2,633,021,155	500,000,000	27,748,530	19,799,121	(1,574,710,000)	1,605,858,806

The Group has issued beneficiary certificates bearing nominal interest with:

– fixed rates, ranging from 3.40% to 5.20% per annum;

– a fixed rate plus a floating rate; or

– a floating rate.

The floating interest rate is calculated based on or certain asset-backed securities. An investor put or issuer call is applicable on certain beneficiary certificates.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

38. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(b) Subordinated bonds:

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 30 June 2019
16 CICC C2	15/12/2016	15/12/2021	Annually	4.60%	3,406,855,890	–	77,557,261	–	–	3,484,413,151
16 CICC Futures (i)	16/12/2016	16/12/2024	Annually	1st – 5th year, 5.00%; 6th – 8th year, 8.00%	100,219,178	–	2,479,452	–	–	102,698,630
17 CICC C1	22/05/2017	22/05/2022	Annually	5.39%	642,495,998	–	(19,438,484)	–	(4,883,487)	618,174,027
17 CICC C2	24/07/2017	24/07/2022	Annually	4.98%	1,578,638,729	–	30,682,515	–	5,318,145	1,614,639,389
17 CICC C3	16/11/2017	16/11/2022	Annually	5.50%	1,566,077,566	–	33,769,458	–	6,167,893	1,606,014,917
18 CICC C1	20/04/2018	20/04/2023	Annually	5.30%	1,067,546,988	–	(29,863,870)	–	(3,931,643)	1,033,751,475
18 CICC C2	29/08/2018	29/08/2021	Annually	4.70%	1,534,886,625	–	32,834,608	–	2,577,081	1,570,298,314
19 CICC C1	19/04/2019	19/04/2022	Annually	4.20%	–	1,500,000,000	12,427,397	–	–	1,512,427,397
16 CISC 01	07/12/2016	07/12/2019	Annually	4.00%	2,204,683,981	–	44,347,191	–	–	2,249,031,172
17 CISC 01	23/02/2017	23/02/2020	Annually	4.85%	1,040,704,314	–	(24,128,354)	–	–	1,016,575,960
17 CISC 02	23/02/2017	23/02/2022	Annually	5.00%	1,874,696,638	–	(45,040,557)	–	–	1,829,656,081
19 CISC C1	25/04/2019	25/04/2022	Annually	4.50%	–	3,000,000,000	24,713,115	–	–	3,024,713,115
Total					15,016,805,907	4,500,000,000	140,339,732	–	5,247,989	19,662,393,628

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

38. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(b) Subordinated bonds: *(continued)*

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2018	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2018
15 CICC C1 (ii)	29/05/2015	29/05/2021	Annually	1st – 3rd year, 5.25%; 4th – 6th year, 8.25%	2,000,000,000	–	–	(2,000,000,000)	–	–
16 CICC C1 (iii)	21/07/2016	21/07/2021	Annually	1st – 2nd year, 3.25%; 3rd – 5th year, 6.25%	2,000,000,000	–	–	(2,000,000,000)	–	–
16 CICC C2	15/12/2016	15/12/2021	Annually	4.60%	3,400,000,000	–	6,855,890	–	–	3,406,855,890
16 CICC Futures (i)	16/12/2016	16/12/2024	Annually	1st – 5th year, 5.00%; 6th – 8th year, 8.00%	100,000,000	–	219,178	–	–	100,219,178
17 CICC C1	22/05/2017	22/05/2022	Annually	5.39%	601,136,664	–	16,058,086	–	25,301,248	642,495,998
17 CICC C2	24/07/2017	24/07/2022	Annually	4.98%	1,480,139,603	–	30,183,697	–	68,315,429	1,578,638,729
17 CICC C3	16/11/2017	16/11/2022	Annually	5.50%	1,500,000,000	–	2,054,888	–	64,022,678	1,566,077,566
18 CICC C1	20/04/2018	20/04/2023	Annually	5.30%	–	1,000,000,000	34,935,674	–	32,611,314	1,067,546,988
18 CICC C2	29/08/2018	29/08/2021	Annually	4.70%	–	1,500,000,000	23,950,685	–	10,935,940	1,534,886,625
16 CISC 01	07/12/2016	07/12/2019	Annually	4.00%	2,197,269,866	–	6,027,397	–	1,386,718	2,204,683,981
17 CISC 01	23/02/2017	23/02/2020	Annually	4.85%	998,622,825	–	41,457,535	–	623,954	1,040,704,314
17 CISC 02	23/02/2017	23/02/2022	Annually	5.00%	1,797,125,551	–	76,931,507	–	639,580	1,874,696,638
Total					16,074,294,509	2,500,000,000	238,674,537	(4,000,000,000)	203,836,861	15,016,805,907

(i) CICC Futures Co., Ltd. ("CICC Futures") has an option to redeem the bonds on 16 December 2021.

(ii) The Company has redeemed the bonds on 29 May 2018.

(iii) The Company has redeemed the bonds on 23 July 2018.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

38. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(c) Corporate bonds:

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 30 June 2019
16 CICC 01 (i)	18/07/2016	18/07/2021	Annually	2.99%	3,041,040,822	–	44,481,370	–	–	3,085,522,192
16 CICC 02 (ii)	18/07/2016	18/07/2023	Annually	3.29%	1,015,052,877	–	16,314,795	–	–	1,031,367,672
16 CICC 03 (iii)	27/10/2016	27/10/2021	Annually	2.95%	1,105,867,671	–	16,091,645	–	–	1,121,959,316
16 CICC 04 (iv)	27/10/2016	27/10/2023	Annually	3.13%	905,093,753	–	13,969,233	–	–	919,062,986
16 CICC 05	26/12/2016	26/12/2019	Annually	4.50%	2,001,232,877	–	44,630,137	–	–	2,045,863,014
17 CICC 01	20/01/2017	20/01/2020	Annually	4.35%	4,208,384,842	–	(97,670,725)	–	(23,171,620)	4,087,542,497
17 CICC 02	08/05/2017	08/05/2020	Annually	4.97%	1,048,723,409	–	(29,839,854)	–	(11,877,147)	1,007,006,408
17 CICC 03	08/05/2017	08/05/2022	Annually	5.19%	1,074,650,503	–	(31,801,268)	–	(10,605,571)	1,032,243,664
17 CICC 04	27/07/2017	27/07/2020	Annually	4.78%	2,069,448,958	–	38,865,356	–	721,059	2,109,035,373
17 CICC 05	20/10/2017	20/10/2020	Annually	5.13%	2,050,793,969	–	42,695,691	–	1,925,807	2,095,415,467
17 CICC 06	21/11/2017	21/11/2020	Annually	5.45%	2,553,722,772	–	57,688,612	–	2,075,451	2,613,486,835
18 CICC 01	26/01/2018	26/01/2020	Annually	5.58%	1,065,390,775	–	(31,106,532)	–	(7,423,569)	1,026,860,674
18 CICC 02	26/01/2018	26/01/2021	Annually	5.70%	1,077,396,945	–	(32,573,970)	–	(8,045,500)	1,036,777,475
18 CICC 03	24/04/2018	24/04/2020	Annually	4.80%	522,384,546	–	(13,657,789)	–	(3,191,746)	505,535,011
18 CICC 04	24/04/2018	24/04/2021	Annually	4.94%	1,051,641,949	–	(28,173,885)	–	(4,443,111)	1,019,024,953
18 CICC 05	28/06/2018	28/06/2020	Annually	5.20%	1,033,134,856	–	(28,289,180)	–	(1,533,466)	1,003,312,210
18 CICC 06	28/06/2018	28/06/2021	Annually	5.30%	1,038,182,162	–	(28,876,786)	–	(123,840)	1,009,181,536
17 CISC F1	18/07/2017	18/07/2020	Annually	4.95%	3,067,943,835	–	73,639,727	–	–	3,141,583,562
17 CISC F2	18/07/2017	18/07/2022	Annually	5.10%	1,023,334,247	–	25,290,411	–	–	1,048,624,658
18 CISC 01	23/03/2018	23/03/2021	Annually	5.95%	1,046,152,966	–	(30,008,825)	–	–	1,016,144,141
18 CISC 02	03/09/2018	03/09/2020	Annually	4.72%	2,040,024,557	–	44,540,611	–	932,092	2,085,497,260
18 CISC 03	21/09/2018	21/09/2021	Annually	4.99%	1,013,772,388	–	24,774,616	–	–	1,038,547,004
19 CISC 01	22/04/2019	22/04/2022	Annually	4.22%	–	2,000,000,000	16,142,076	–	–	2,016,142,076
Total					35,053,371,679	2,000,000,000	107,125,466	–	(64,761,161)	37,095,735,984

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

38. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(c) Corporate bonds: *(continued)*

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2018	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2018
16 CICC 01 (i)	18/07/2016	18/07/2021	Annually	2.99%	3,000,000,000	–	41,040,822	–	–	3,041,040,822
16 CICC 02 (ii)	18/07/2016	18/07/2023	Annually	3.29%	1,000,000,000	–	15,052,877	–	–	1,015,052,877
16 CICC 03 (iii)	27/10/2016	27/10/2021	Annually	2.95%	1,100,000,000	–	5,867,671	–	–	1,105,867,671
16 CICC 04 (iv)	27/10/2016	27/10/2023	Annually	3.13%	900,000,000	–	5,093,753	–	–	905,093,753
16 CICC 05	26/12/2016	26/12/2019	Annually	4.50%	2,000,000,000	–	1,232,877	–	–	2,001,232,877
17 CICC 01	20/01/2017	20/01/2020	Annually	4.35%	3,974,367,918	–	155,115,334	–	78,901,590	4,208,384,842
17 CICC 02	08/05/2017	08/05/2020	Annually	4.97%	1,005,797,807	–	24,141,961	–	18,783,641	1,048,723,409
17 CICC 03	08/05/2017	08/05/2022	Annually	5.19%	1,007,657,164	–	25,868,186	–	41,125,153	1,074,650,503
17 CICC 04	27/07/2017	27/07/2020	Annually	4.78%	1,985,509,769	–	35,137,174	–	48,802,015	2,069,448,958
17 CICC 05	20/10/2017	20/10/2020	Annually	5.13%	2,000,000,000	–	12,048,542	–	38,745,427	2,050,793,969
17 CICC 06	21/11/2017	21/11/2020	Annually	5.45%	2,500,000,000	–	901,662	–	52,821,110	2,553,722,772
18 CICC 01	26/01/2018	26/01/2020	Annually	5.58%	–	1,000,000,000	46,038,946	–	19,351,829	1,065,390,775
18 CICC 02	26/01/2018	26/01/2021	Annually	5.70%	–	1,000,000,000	47,561,580	–	29,835,365	1,077,396,945
18 CICC 03	24/04/2018	24/04/2020	Annually	4.80%	–	500,000,000	15,648,608	–	6,735,938	522,384,546
18 CICC 04	24/04/2018	24/04/2021	Annually	4.94%	–	1,000,000,000	31,538,620	–	20,103,329	1,051,641,949
18 CICC 05	28/06/2018	28/06/2020	Annually	5.20%	–	1,000,000,000	25,834,744	–	7,300,112	1,033,134,856
18 CICC 06	28/06/2018	28/06/2021	Annually	5.30%	–	1,000,000,000	26,115,223	–	12,066,939	1,038,182,162
15 CISC G1 (v)	24/07/2015	24/07/2018	Annually	3.62%	3,497,797,815	–	–	(3,500,000,000)	2,202,185	–
17 CISC F1	18/07/2017	18/07/2020	Annually	4.95%	3,000,000,000	–	67,943,835	–	–	3,067,943,835
17 CISC F2	18/07/2017	18/07/2022	Annually	5.10%	1,000,000,000	–	23,334,247	–	–	1,023,334,247
18 CISC 01	23/03/2018	23/03/2021	Annually	5.95%	–	1,000,000,000	46,295,891	–	(142,925)	1,046,152,966
18 CISC 02	03/09/2018	03/09/2020	Annually	4.72%	–	2,000,000,000	31,035,617	–	8,988,940	2,040,024,557
18 CISC 03	21/09/2018	21/09/2021	Annually	4.99%	–	1,000,000,000	13,944,658	–	(172,270)	1,013,772,388
Total					27,971,130,473	9,500,000,000	696,792,828	(3,500,000,000)	385,448,378	35,053,371,679

(i) The Company had an option to redeem the bonds on 18 July 2019. If the early-redemption option was not exercised, the Company would have an option to increase the coupon rate and an obligation to redeem the bonds when requested by the investors. On 28 June 2019, the Company announced to waive its early-redemption option.

(ii) The Company has an option to redeem the bonds on 18 July 2021. If the early-redemption option is not exercised, the Company will have an option to increase the coupon rate and an obligation to redeem the bonds when requested by the investors.

(iii) The Company has an option to redeem the bonds on 27 October 2019. If the early-redemption option is not exercised, the Company will have an option to increase the coupon rate and an obligation to redeem the bonds when requested by the investors.

(iv) The Company has an option to redeem the bonds on 27 October 2021. If the early-redemption option is not exercised, the Company will have an option to increase the coupon rate and an obligation to redeem the bonds when requested by the investors.

(v) CISC has redeemed the bonds on 24 July 2018.

(Expressed in RMB, unless otherwise stated)

38. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(d) Notes payable:

Name	Interest commencement date	Maturity date	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 30 June 2019
MTN (i)	18/05/2016	18/05/2019	2.75%	**3,439,874,674**	**-**	**(11,537,815)**	**(3,449,400,000)**	**21,063,141**	**-**
MTN (ii)	25/04/2018	25/04/2021	3M LIBOR plus 1.2%	**4,134,978,441**	**-**	**320,226**	**-**	**9,424,881**	**4,144,723,548**
MTN (iii)	11/09/2018	11/09/2021	3M LIBOR plus 1.2%	**2,741,792,361**	**-**	**(702,543)**	**-**	**6,339,236**	**2,747,429,054**
MTN (iv)	03/05/2019	03/05/2022	3M LIBOR plus 1.2%	**-**	**4,714,080,000**	**29,064,139**	**-**	**81,353,315**	**4,824,497,454**
MTN (v)	03/05/2019	03/05/2022	3.38%	**-**	**2,020,320,000**	**11,220,855**	**-**	**31,499,750**	**2,063,040,605**
Total				**10,316,645,476**	**6,734,400,000**	**28,364,862**	**(3,449,400,000)**	**149,680,323**	**13,779,690,661**

Name	Interest commencement date	Maturity date	Nominal interest rate	Book value as at 1 January 2018	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2018
MTN (i)	18/05/2016	18/05/2019	2.75%	3,255,995,294	-	11,537,816	-	172,341,564	3,439,874,674
MTN (ii)	25/04/2018	25/04/2021	3M LIBOR plus 1.2%	-	3,783,960,000	28,328,176	-	322,690,265	4,134,978,441
MTN (iii)	11/09/2018	11/09/2021	3M LIBOR plus 1.2%	-	2,739,520,000	6,048,237	-	(3,775,876)	2,741,792,361
Total				3,255,995,294	6,523,480,000	45,914,229	-	491,255,953	10,316,645,476

(i) The interest commencement date and maturity date of the notes are 18 May 2016 and 18 May 2019 respectively. The principal of the notes amounts to USD500 million. The Group has redeemed the notes on 20 May 2019.

(ii) The interest commencement date and maturity date of the notes are 25 April 2018 and 25 April 2021 respectively. The principal of the notes amounts to USD600 million. The interest payment is made quarterly.

(iii) The interest commencement date and maturity date of the notes are 11 September 2018 and 11 September 2021 respectively. The principal of the notes amounts to USD400 million. The interest payment is made quarterly.

(iv) The interest commencement date and maturity date of the notes are 3 May 2019 and 3 May 2022 respectively. The principal of the notes amounts to USD700 million. The interest payment is made quarterly.

(v) The interest commencement date and maturity date of the notes are 3 May 2019 and 3 May 2022 respectively. The principal of the notes amounts to USD300 million. The interest payment is made semi-annually.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

39. OTHER CURRENT LIABILITIES

	As at 30 June 2019	As at 31 December 2018
Trade payable	**32,046,144,275**	26,440,618,642
Payables to the investors of consolidated structured entities (Note 1)	**5,386,427,358**	3,432,346,183
Dividends payable to shareholders of the Company (Note 2)	**646,092,117**	–
Sundry tax payable	**295,980,817**	723,423,784
Accrued expenses	**619,663,460**	571,996,456
Others	**1,119,755,510**	960,782,365
Total	**40,114,063,537**	32,129,167,430

Note 1: For each reporting period, the consolidation scope of structured entities varies due to the addition and liquidation of the consolidated structured entities, and changes in the interests therein.

Note 2: The difference between dividends payable and the announced payment of cash dividend in Note 40(c) is the payment of income tax on behalf of overseas shareholders.

40. CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

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

	As at 30 June 2019	As at 31 December 2018
Issued and fully paid ordinary shares with a nominal value of RMB1 each		
Domestic shares	**2,464,953,440**	2,464,953,440
H shares	**1,727,714,428**	1,727,714,428
Total	**4,192,667,868**	4,192,667,868
Share capital		
Domestic shares	**2,464,953,440**	2,464,953,440
H shares	**1,727,714,428**	1,727,714,428
Total	**4,192,667,868**	4,192,667,868

On 23 March 2018, the Company issued 207,537,059 new H shares at a price of HKD13.80 per share to Tencent Mobility Limited. Accordingly, the registered capital of the Company increased to RMB4,192,667,868 and the total number of the shares of the Company increased to 4,192,667,868 shares, which was divided into 2,464,953,440 domestic shares and 1,727,714,428 H shares.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

40. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(a) Share capital *(continued)*

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

(b) Reserves

(i) Capital reserve

	As at 30 June 2019	As at 31 December 2018
Share premium (Note)	**24,775,868,127**	24,775,868,127
Others	**46,734,828**	46,734,828
Total	**24,822,602,955**	24,822,602,955

Note: The premium arising from the Company's H share offering and the issuance of domestic shares (see Note 40(a)) was recorded in share premium.

(ii) Surplus reserve

The surplus reserve represents statutory surplus reserve. The Company is required to appropriate 10% of its net profit as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the Ministry of Finance ("MOF") after offsetting prior year's accumulated losses, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory surplus 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.

The Company makes the appropriation of surplus reserve at the end of each year.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

40. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Reserves *(continued)*

(iii) General reserves

General reserves include general risk reserve and trading risk reserve.

In accordance with the Financial Rules for Financial Enterprises (Order of the MOF No. 42) and the application guidance (Caijin [2007] No. 23) issued by the MOF, and the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the general risk reserve.

In addition, the Company as the mutual fund custodian shall accrue general risk reserve at a proportion of no less than 2.5% of custodian fee income. The accruement could be suspended on condition that the ending balance of risk reserve reached 0.25% of the aggregate of net asset values of the mutual funds, which are under custody, at the end of last quarter.

In accordance with the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the trading risk reserve.

In accordance with the Implementation Guidelines for the Large Collective Asset Management Business of Securities Firms under the Guiding Opinions for Regulating the Asset Management Business of Financial Institutions, securities companies shall be analogically governed by relevant laws and requirements of public offering funds. Accordingly, the Company and CISC draw risk reserves from management fee income of Large Collective Asset Management business at a proportion of 10%.

General reserves for the Company's subsidiaries are appropriated if relevant requirements are in place.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

40. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Reserves *(continued)*

(iv) Investment revaluation reserve

The investment revaluation reserve represents cumulative gains and losses arising on the revaluation of financial assets at fair value through other comprehensive income, net of amounts reclassified to profit or loss when those financial assets at fair value through other comprehensive income are disposed of or are determined to be impaired.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of the Group entities from their respective reporting currencies to RMB.

(c) Dividends

Upon the approval of the Annual General Meeting on 28 May 2019, the Company announced the payment of cash dividend for its 2018 profit distribution. The amount of cash dividend was RMB670,826,859 (or RMB1.6 every 10 shares, tax inclusive).

41. OTHER EQUITY INSTRUMENTS

The Company issued its 2015 perpetual subordinated bonds with a total principal amount of RMB1 billion on 29 May 2015. The interest rate of the perpetual subordinated bond is determined as the following:

– The bond bears at a fixed interest rate;

– The nominal interest rate of the first five interest-bearing years is determined by inquiry and will remain unchanged. The nominal interest rate resets every five years since the sixth interest-bearing year.

The Company does not have any contractual obligation to deliver cash or other financial assets to redeem the perpetual subordinated bonds. The redemption of the perpetual subordinated bonds is solely at the discretion of the Company.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

42. COMMITMENT

(a) Capital commitments

Capital commitments outstanding at 30 June 2019 and 31 December 2018 not provided for in the financial statements were as follows:

	As at 30 June 2019	As at 31 December 2018
Contracted, but not provided for	**2,891,210,157**	1,597,864,192

(b) Underwriting commitments

According to the relevant tendering documents, the underwriting commitments taken but not provided for at 30 June 2019 was RMB942 million for the Group (31 December 2018: RMB40 million).

43. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Largest shareholder of the Company – Huijin

As at 30 June 2019, Huijin owned 46.25% of the equity interest of the Company (31 December 2018: 55.75%) directly and indirectly.

On 6 June 2018, Huijin and Haier Group (Qingdao) Financial Holdings Ltd. ("Haier") entered into a share transfer agreement, and agreed to sell Huijin's 398,500,000 domestic shares in the Company (representing approximately 9.51% of the total share capital of the Company) (the "Share Transfer") to Haier. After obtaining the approval from the CSRC, the Share Transfer was completed on 11 March 2019, and on completion of the Share Transfer, Huijin directly holds 1,936,155,680 domestic shares in the Company, representing approximately 46.18% of the total share capital of the Company.

(i) Related party transactions with Huijin and Huijin's affiliates

	Six months ended 30 June	
	2019	2018
Brokerage commission income	**436,677**	3,036,157
Underwriting and sponsoring fees	**28,862,286**	17,805,321
Asset management fees	**16,047,596**	15,819,110
Interest income	**317,013,156**	271,690,468
Net gains from financial instruments at fair value through profit or loss	**53,737,452**	28,302,601
Other income, net	**88**	523,210
Brokerage commission expenses	**16,089,914**	16,559,574
Asset management expenses	**3,811,778**	7,958,182
Interest expenses	**168,191,686**	186,088,161

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

43. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(a) Largest shareholder of the Company – Huijin *(continued)*

(ii) The balances of transactions with Huijin and Huijin's affiliates

	As at 30 June 2019	As at 31 December 2018
Accounts receivable	**67,332,357**	53,593,396
Financial assets at fair value through other comprehensive income	**1,115,601,082**	1,227,593,885
Financial assets at fair value through profit or loss	**1,678,754,094**	2,598,167,500
Cash and bank balances (Note 1)	**35,310,929,197**	23,426,633,967
Financial liabilities at fair value through profit or loss	**20,440,025**	68,213,950
Accounts payable to brokerage clients	**96,409,925**	3,330,777
Placements from financial institutions	**7,060,253,506**	1,632,518,860
Short-term debt securities issued	**–**	3,711,245,342
REPOs	**2,857,980,596**	8,600,310,768
Long-term debt securities issued	**3,134,899,552**	2,866,640,788
Other current liabilities	**5,162,875**	6,470,447

Note 1: The cash and bank balances deposited with Huijin and Huijin's affiliates includes self-owned cash and bank balances and cash held on behalf of brokerage clients.

Note 2: As at 30 June 2019, besides of the transactions disclosed above, the interests held by Huijin and Huijin's affiliates in the segregated asset management schemes managed by the Group amounted to RMB12,882,268,749 (31 December 2018: RMB8,212,572,227).

(b) Related party transactions with key management personnel

The key management personnel are those who have the authority and responsibility to plan, direct and control directly or indirectly, the activities of the Group, including members of the Board of Directors and the supervisory board, and other senior executives.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors, is as follows:

	Six months ended 30 June	
	2019	2018
Salaries, allowances and benefits in kind	**16,432,384**	15,982,088
Discretionary bonuses (Note)	**–**	–
Retirement scheme contributions	**486,501**	456,719
Total	**16,918,885**	16,438,807

Note: The discretionary bonuses of the Group's management personnel for the six months ended 30 June 2019 have not yet been finalised.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

43. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Related party transactions with other shareholders

(i) Related party transactions with other shareholders and their affiliates

	Six months ended 30 June	
	2019	2018
Brokerage commission income	**38,567**	87,324
Underwriting and sponsoring fees	**–**	2,433,731
Interest expenses	**153,064**	47,974

(ii) The balances of transactions with other shareholders and their affiliates

	As at 30 June 2019	As at 31 December 2018
Accounts payable to brokerage clients	**103,986,408**	55,784,014

(d) Related party transactions with the Group's associates and joint ventures

(i) Related party transactions with associates and joint ventures and their affiliates

	Six months ended 30 June	
	2019	2018
Brokerage commission income	**73,649**	320,857
Asset management fees	**4,639,748**	6,195,788
Investment advisory fees	**1,983,562**	776,699
Interest income	**6,605,306**	4,185,563
Asset management expenses	**82,731**	582,265
Other operating expenses and costs	**–**	28,879,690

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

43. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(d) Related party transactions with the Group's associates and joint ventures *(continued)*

(ii) The balances of transactions with associates and joint ventures and their affiliates

	As at 30 June 2019	As at 31 December 2018
Accounts receivable	**295,343,386**	282,362,874
Accounts payable to brokerage clients	–	887
Other current liabilities	**3,975,398**	902,382

44. SEGMENT REPORTING

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group:

– that engages in business activities from which it may earn revenues and incur expenses;

– whose operating results are regularly reviewed by the Group's management for the purposes of resources allocation and performance evaluation; and

– for which financial statements regarding financial position, results of operations and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics in respect of:

– the nature of services;

– the type or class of customers for the services;

– the methods used to provide the services; and

– the nature of the regulatory environment.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

44. SEGMENT REPORTING *(continued)*

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's operating segments represents a strategic business unit that offers services which are subject to risks and returns that are different from the other operating segments. A summary of the operating segments is as follows:

- the Investment Banking segment provides investment banking services, including equity financing, debt and structured financing and financial advisory services as well as the National Equities Exchange and Quotations ("NEEQ") services, to domestic and overseas clients.

- the Equities segment provides a wide range of equity sales and trading services, including brokerage services and capital-based intermediary services, and product services, to institutional investors, including financial institutions, corporations and governmental entities, and other investors.

- the FICC segment engages in trading of financial products, including fixed-income, equities, currencies and commodities products, using the Group's own capital, as well as for clients facilitation purposes. It also provides product structuring, fixed income distribution and futures brokerage services.

- the Investment Management segment designs and provides a wide range of asset management products and services for domestic and overseas investors. It also manages mutual funds, private equity funds as well as funds of funds.

- the Wealth Management segment provides a wide range of wealth management products and services, consisting of brokerage services, advisory services, transactional services, capital-based intermediary services and product services, to retail client, high-net-worth individuals, family offices and corporate clients.

- the Others segment mainly comprises of other business departments and back offices.

The Company acquired 100% equity interests in CISC in March 2017. As at 30 June 2018, the restructuring and integration work was still in progress. Thus, CISC was managed and presented as a separate segment in the interim report for the six months ended 30 June 2018. As at 30 June 2019, with greater progress achieved in the integration, CISC's existing business lines were divided and presented in relevant operating segments according to the nature of the business activities for the purpose of segment reporting. The comparative data is also restated.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

44. SEGMENT REPORTING *(continued)*

(a) Segment results

	Six months ended 30 June 2019						
	Investment banking	Equities	FICC	Investment management	Wealth management	Others	Total
Segment revenue							
– Fee and commission income	814,816,809	695,636,959	447,701,823	758,902,718	1,536,307,485	9,753,053	4,263,118,847
– Interest income	11,860,650	139,392,670	683,273,741	8,685,021	1,340,610,869	235,975,737	2,419,798,688
– Investment income	196,630,325	1,112,841,694	1,676,297,766	79,366,163	167,334,890	322,373,835	3,554,844,673
– Other income/(losses), net	9,087,647	(74,359,583)	1,484,825	14,659,391	(1,503,013)	12,319,163	(38,311,570)
Segment revenue and other income	1,032,395,431	1,873,511,740	2,808,758,155	861,613,293	3,042,750,231	580,421,788	10,199,450,638
Segment expenses	(979,785,992)	(691,964,138)	(1,866,655,842)	(602,634,790)	(2,064,716,092)	(1,644,755,241)	(7,850,512,095)
Segment operating profit/(loss)	52,609,439	1,181,547,602	942,102,313	258,978,503	978,034,139	(1,064,333,453)	2,348,938,543
Share of profits of associates and joint ventures	–	–	–	25,867,862	26,008,548	19,737,122	71,613,532
Profit/(loss) before income tax	52,609,439	1,181,547,602	942,102,313	284,846,365	1,004,042,687	(1,044,596,331)	2,420,552,075
Interest expenses (Note)	(66,311,067)	(279,550,114)	(1,537,259,691)	(56,368,003)	(760,893,553)	(77,604,888)	(2,777,987,316)
Depreciation and amortisation expenses	(44,436,465)	(27,101,599)	(21,310,975)	(49,126,450)	(152,386,233)	(147,769,192)	(442,130,914)
(Provision for)/reversal of impairment losses	(7,982,537)	634,972	(3,951,989)	(1,306,000)	23,804,982	(683,154)	10,516,274

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

44. SEGMENT REPORTING *(continued)*

(a) Segment results *(continued)*

	Six months ended 30 June 2018 (Restated)						
	Investment banking	Equities	FICC	Investment management	Wealth management	Others	Total
Segment revenue							
– Fee and commission income	787,950,421	859,311,563	188,970,881	776,255,097	1,305,681,248	27,470,688	3,945,639,898
– Interest income	7,408,512	111,690,520	502,995,411	10,254,358	1,455,477,019	231,711,292	2,319,537,112
– Investment income	198,790,009	538,291,191	1,179,830,684	130,964,363	194,984,255	223,832,321	2,466,692,823
– Other income/(losses), net	7,663,160	(32,541,498)	(5,837,490)	14,283,908	8,455,831	89,431,533	81,455,444
Segment revenue and other income	1,001,812,102	1,476,751,776	1,865,959,486	931,757,726	2,964,598,353	572,445,834	8,813,325,277
Segment expenses	(952,605,804)	(716,346,762)	(1,401,931,638)	(466,356,752)	(2,194,623,994)	(1,006,081,607)	(6,737,946,557)
Segment operating profit/(loss)	49,206,298	760,405,014	464,027,848	465,400,974	769,974,359	(433,635,773)	2,075,378,720
Share of profits of associates and joint ventures	–	–	–	20,192,690	8,992,457	22,588,185	51,773,332
Profit/(loss) before income tax	49,206,298	760,405,014	464,027,848	485,593,664	778,966,816	(411,047,588)	2,127,152,052
Interest expenses (Note)	(70,898,521)	(329,107,138)	(1,186,402,574)	(30,919,448)	(946,920,193)	92,943,463	(2,471,304,411)
Depreciation and amortisation expenses	(4,947,296)	(6,332,480)	(3,358,956)	(5,791,987)	(58,724,051)	(59,114,923)	(138,269,693)
(Provision for)/reversal of impairment losses	(19,687)	726,947	4,321,802	(9,539,333)	40,283,228	(714,724)	35,058,233

Note: The Group allocates interest expenses across the reportable segments according to the capital used during the reporting periods for the purpose of measuring segment operating performance and improving the efficiencies of capital management.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

44. SEGMENT REPORTING *(continued)*

(b) Geographical information

The following table sets out the Group's revenue and other income from external clients and the Group's non-current assets (excluding financial assets at fair value through profit or loss, deferred tax assets, and reverse REPOs, same as below) in terms of geographical locations. The geographical locations of the revenue and other income from external clients are identified based on the locations of the clients to whom the services are rendered or the products are purchased. The geographical locations of the non-current assets are identified based on the locations where the fixed assets are located or the intangible assets are allocated or the associates and joint ventures operate.

	Revenues and other income from external customers Six months ended 30 June	
	2019	2018
Mainland China	**8,089,247,533**	7,534,030,991
Outside mainland China	**2,110,203,105**	1,279,294,286
Total	**10,199,450,638**	8,813,325,277

	Non-current assets	
	As at 30 June 2019	As at 31 December 2018
Mainland China	**9,443,746,721**	7,705,060,320
Outside mainland China	**1,832,701,733**	834,741,948
Total	**11,276,448,454**	8,539,802,268

Reconciliation of segment non-current assets:

	Non-current assets	
	As at 30 June 2019	As at 31 December 2018
Total non-current assets for segments	**31,280,635,128**	28,079,041,942
Elimination of inter-segment non-current assets	**(20,004,186,674)**	(19,539,239,674)
Total	**11,276,448,454**	8,539,802,268

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

44. SEGMENT REPORTING *(continued)*

(c) Major clients

The Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue for the six months ended 30 June 2019 and ended 30 June 2018.

45. FAIR VALUE INFORMATION

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

(i) Financial assets including cash and bank balances, cash held on behalf of brokerage clients and reverse REPOs and financial liabilities including short-term placements from financial institutions and REPOs, are mainly instruments with floating interest rates or short-term financing. Accordingly, their carrying amounts approximate the fair values.

(ii) Financial instruments at fair value through profit or loss or through other comprehensive income and derivatives are stated at fair value unless the fair values cannot be reliably measured. For the financial instruments traded in active markets, the Group uses market prices as the best estimate for their fair values. For the financial instruments without any market price, the Group determines their fair values using discounted cash flows or other valuation techniques.

(iii) The fair values of short-term and long-term debt securities issued 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 similar credit risk and maturity, to estimate the fair values using discounted cash flows or other valuation techniques. The fair values of long-term debt securities issued are disclosed in Note 38. The carrying amounts of short-term debt securities issued approximate their fair values.

(iv) Accounts receivable and accounts payable to brokerage clients are due mainly within one year. Accordingly, the carrying amounts approximate the fair values.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

45. FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level I valuations: Fair value measured using only Level I inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level II valuations: Fair value measured using Level II inputs i.e. observable inputs which fail to meet Level I, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level III valuations: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for a financial instrument, the fair value of the financial instrument is based on quoted market price. If a reliable quoted market price is not available, the fair value of the financial instrument is estimated using valuation techniques. For the fair value of the financial instrument measured at Level II, the valuation techniques applied include discounted cash flow analysis and option pricing models. The significant observable inputs used in valuation techniques include future cash flows estimated based on contractual terms, risk-free and benchmark interest rates, credit spreads and foreign exchange rates. For the fair value of the financial instrument measured at Level III, the valuation techniques and significant unobservable inputs are disclosed in Note 45(a)(ii).

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

45. FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

The table below analyses financial instruments measured at fair value at the end of the reporting periods, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	As at 30 June 2019			
	Level I	**Level II**	**Level III**	**Total**
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	**44,262,965,608**	**379,410,310**	**2,972,743,699**	**47,615,119,617**
– Debt securities	**2,052,540,117**	**70,897,185,000**	**27,212,808**	**72,976,937,925**
– Funds and other investments	**4,150,281,947**	**17,011,829,739**	**–**	**21,162,111,686**
Derivative financial assets	**–**	**4,653,947,292**	**–**	**4,653,947,292**
Financial assets at fair value through other comprehensive income				
– Debt securities	**–**	**34,249,687,011**	**–**	**34,249,687,011**
Total	**50,465,787,672**	**127,192,059,352**	**2,999,956,507**	**180,657,803,531**
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
– Equity investments	**(2,980,345,205)**	**–**	**–**	**(2,980,345,205)**
– Debt investments	**–**	**(426,493,493)**	**–**	**(426,493,493)**
Financial liabilities designated as at fair value through profit or loss				
– Equity investments	**–**	**(14,439,215,310)**	**–**	**(14,439,215,310)**
– Debt investments	**–**	**(4,001,987,342)**	**–**	**(4,001,987,342)**
Derivatives financial liabilities	**–**	**(4,448,398,698)**	**–**	**(4,448,398,698)**
Total	**(2,980,345,205)**	**(23,316,094,843)**	**–**	**(26,296,440,048)**

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

45. FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

	As at 31 December 2018			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	24,143,024,726	255,859,816	2,794,023,378	27,192,907,920
– Debt securities	2,012,856,578	65,830,951,432	39,271,308	67,883,079,318
– Funds and other investments	5,264,173,874	14,444,742,017	–	19,708,915,891
Derivative financial assets	–	5,529,536,148	–	5,529,536,148
Financial assets at fair value through other comprehensive income				
– Debt securities	99,554,989	35,600,110,888	–	35,699,665,877
Total	31,519,610,167	121,661,200,301	2,833,294,686	156,014,105,154
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
– Equity investments	(3,324,980,886)	(253)	–	(3,324,981,139)
– Debt investments	–	(918,861,787)	–	(918,861,787)
Financial liabilities designated as at fair value through profit or loss				
– Equity investments	–	(8,773,289,241)	–	(8,773,289,241)
– Debt investments	–	(2,077,116,104)	–	(2,077,116,104)
Derivative financial liabilities	–	(3,381,209,869)	–	(3,381,209,869)
Total	(3,324,980,886)	(15,150,477,254)	–	(18,475,458,140)

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

45. FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(i) The Group's investment in certain suspended stocks were transferred from Level I to Level II as the quoted prices of these stocks were no longer regularly available:

	As at 30 June 2019	As at 31 December 2018
Financial assets at fair value through profit or loss	**2,978,934**	7,027,045

As of 30 June 2019, the Group's equity securities of RMB164 million (31 December 2018: RMB226 million) were transferred from Level I or II to Level III, as the fair values of these investments were determined with the use of valuation techniques instead of quoted prices, due to events such as delisting.

As of 30 June 2019, the Group had no debt securities transferred from Level II to Level III (the amount transferred as of 31 December 2018: RMB36 million), as the fair values of these investments were determined with the use of valuation techniques instead of quoted prices, due to the credit risk in existence.

As of 30 June 2019, the Group's equity securities of RMB198 million (31 December 2018: nil) were transferred out of Level III to Level I or II, as the fair values of these investments were determined with quoted prices instead of the use of valuation techniques, due to events such as listing or re-listing.

Apart from the transfer above, for the six months ended 30 June 2019 and the year ended 31 December 2018, there was no other significant transfer among Level I, Level II and Level III of the fair value hierarchy for the Group's assets and liabilities measured at fair value. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

45. FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(ii) Information about Level III fair value measurements

As at 30 June 2019 and 31 December 2018, it is estimated that the sensitivity of the Group's profit or loss and other comprehensive income to the fluctuation of parameters used in Level III fair value measurements is not significant.

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
As at 1 January 2019	**2,833,294,686**
Gains for the period	**23,003,979**
Purchases	**372,142,990**
Sales and settlements	**(194,303,458)**
Transfer into Level III	**163,684,380**
Transfer out of Level III	**(197,866,070)**
As at 30 June 2019	**2,999,956,507**
Total gains for the period included in profit or loss for assets held at the end of the reporting period	**21,129,767**

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

45. FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(ii) Information about Level III fair value measurements *(continued)*

	Financial assets at fair value through profit or loss	Available-for-sale financial assets
As at 31 December 2017	985,365,229	1,231,998,246
Adjustment for initial application of IFRS 9	1,231,998,246	(1,231,998,246)
As at 1 January 2018	2,217,363,475	–
Gains for the period	218,253,355	–
Purchases	1,271,664,155	–
Sales and settlements	(1,136,817,007)	–
Transfer into Level III	262,830,708	–
As at 31 December 2018	2,833,294,686	–
Total gains for the period included in profit or loss for assets held at the end of the reporting period	104,480,625	–

For financial instruments in Level III, prices are determined using valuation methods 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.

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Debt securities	Level III	Discounted cash flow models	Discount rate	The higher the discount, the lower the fair value
Unlisted equity securities	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value

(b) Fair value of financial assets and liabilities carried at other than fair value

The fair values of long-term debt securities issued 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 the Group, which are classified as Level II categories and disclosed in Note 38.

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

46. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

Credit risk refers to the risk resulting from defaults or deterioration in creditworthiness of counterparties, borrowers and security issuers.

The exposure to credit risk of the Group arises mainly from: (1) Credit risk from debt borrowers or bond issuers' default or bankruptcy, including the loss due to intermediary institutions (such as brokers or custodian banks). The risk exposure represents the total value of outstanding debts; (2) Credit risk from counterparty's default on the over-the-counter ("OTC") derivative transactions (such as swaps or forward transactions). The risk exposure is determined by the changes in the market value of the derivatives; (3) The settlement risk from a business partner's failure in delivery of funds or securities when the Group has fulfilled its delivery obligation.

The Group adopted the following measures to manage credit risk in the trading and investment activities: setting up investment criteria and limits on products and issuers; reviewing credit terms in agreements with counterparties; and monitoring the credit exposure to counterparties.

The Group has adopted the following measures to manage credit risk in capital businesses, including margin financing and securities lending, stock-based lending transactions and other businesses: approving counterparties, and assigning credit ratings and lending limits to counterparties; managing collaterals (haircut rates, liquidity and concentration) and closely monitoring margin ratios and/or collateral ratios; and establishing and implementing margin call and mandatory liquidation policy.

Debt securities (including debt securities measured at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVTOCI"))

The Group focuses on decentralising investments for the credit-type fixed income securities investment which are mainly high-credit rating products. The Group pre-controls the exposure of the credit risk by setting investment position limit, classifying the sub-investment varieties, sub-credit rating limits and concentration limits. Moreover, the Group continuously tracks the bond issuer's business conditions and credit rating changes through monitoring, pre-warning, risk detecting, etc. At the same time, the Group is highly prudent in the investment of the asset-based securities products and strictly evaluates the quality of the underlying asset pool and the effectiveness of the credit enhancement.

The Group recognises loss allowance for debt securities not measured at fair value through profit or loss via ECL model. The measurement of the ECL is based on the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"). When measuring the ECL, the Group classifies the assets into different stages based on whether the credit risk of each debt asset has increased significantly since the initial recognition. Accordingly, the Group measures loss allowance on either a 12-month or the lifetime base for those investments in different risk stages.

In accordance with IFRS 9, the Group started to recognise provision for losses in respect of debt securities and capital businesses based on expected credit loss since 1 January 2018. For financial instruments measured at expected credit loss, the Group classifies each financial instrument into different risk stages based on whether the credit risk of the relevant financial instrument has increased significantly since its initial recognition. A financial instrument is included in stage 1 if it has low credit risk at the reporting date or its credit risk has not increased significantly since its initial recognition; a financial instrument is included in stage 2 if its credit risk has increased significantly since its initial recognition; a financial instrument is migrated to stage 3 if it has objective evidence of impairment. The Group measures the expected credit loss based on parameters such as PD, LDG and EAD.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Debt securities (including debt securities measured at FVTPL and FVTOCI) *(continued)*

The carrying amount of the Group's debt securities are as follows:

	As at 30 June 2019	As at 31 December 2018
Financial assets at fair value through profit or loss	**72,976,937,925**	67,883,079,318
Financial assets at fair value through other comprehensive income	**34,249,687,011**	35,699,665,877
Total	**107,226,624,936**	103,582,745,195

(i) The exposure to credit risk for debt securities at FVTOCI and FVTPL by geographic region was as follows.

	As at 30 June 2019	As at 31 December 2018
Mainland China	**106,766,008,010**	102,767,059,464
Outside mainland China	**460,616,926**	815,685,731
Total	**107,226,624,936**	103,582,745,195

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Debt securities (including debt securities measured at FVTPL and FVTOCI) *(continued)*

(ii) The following table presents an analysis of the credit quality of debt securities at FVTOCI and FVTPL.

	As at 30 June 2019		As at 31 December 2018	
		FVTOCI		FVTOCI
Credit rating	**FVTPL**	**12-month ECL**	FVTPL	12-month ECL
Outside mainland China				
(by international rating agencies)				
– AAA	**460,185**	**–**	36,965,504	–
– From AA- to AA+	**–**	**–**	99,934,168	–
– From A- to A+	**1,924,865,220**	**2,056,098,937**	2,901,571,388	1,868,305,913
– Below A-	**10,980,356,824**	**3,538,446,908**	4,731,334,513	2,233,360,115
Subtotal	**12,905,682,229**	**5,594,545,845**	7,769,805,573	4,101,666,028
Mainland China				
(by domestic rating agencies)				
– AAA	**35,449,927,447**	**28,005,307,852**	37,516,910,604	31,052,165,066
– From AA- to AA+	**6,470,544,142**	**223,831,063**	8,239,641,768	197,537,883
– From A- to A+	**682,019,621**	**–**	609,758,021	–
– Below A-	**314,511,389**	**–**	47,229,851	–
Subtotal	**42,917,002,599**	**28,229,138,915**	46,413,540,244	31,249,702,949
Non-rated I (Note 1)	**2,192,965,890**	**426,002,251**	2,250,168,313	348,296,900
Non-rated II (Note 2)	**14,961,287,207**	**–**	11,449,565,188	–
Carrying amount before impairment	**72,976,937,925**	**34,249,687,011**	67,883,079,318	35,699,665,877
Loss allowance		**(25,079,172)**		(20,151,854)
Total	**72,976,937,925**	**34,224,607,839**	67,883,079,318	35,679,514,023

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Debt securities (including debt securities measured at FVTPL and FVTOCI) *(continued)*

Note 1: These non-rated financial assets mainly include government bonds, central bank bills, policy financial bonds and Special Drawing Rights ("SDR") denominated bonds.

Note 2: These non-rated financial assets are mainly other debt securities and trading securities which are not rated by independent rating agencies.

The Group did not have any debt securities that were past due but not impaired at 30 June 2019 and 31 December 2018.

Other financial investments (other than debt securities)

The exposure to credit risk for other financial instruments (other than debt securities) at amortised cost at the reporting date by geographic region was as follows.

	As at 30 June 2019	As at 31 December 2018
Mainland China	**107,352,010,492**	95,518,489,940
Outside mainland China	**24,919,906,343**	17,501,007,238
Total	**132,271,916,835**	113,019,497,178

Derivatives

The Group strictly implemented the OTC options in accordance with the Notice on Further Strengthening the Supervision of OTC Options Business of Securities Companies issued by the China Securities Regulatory Commission in 2018. The regulation has raised the entry threshold for counterparties and has improved the counterparty's credit qualifications. In the meanwhile, the Group collects sufficient collaterals for derivatives transactions revealing credit risk exposures, as well as conducts daily mark-to-market and monitoring. Based on the conditions mentioned above, the Group can maintain the credit risk exposure of derivatives transactions within an acceptable range.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk

Liquidity risk refers to the risks arising from the Group's inability to obtain sufficient funds in a timely manner or inability to obtain sufficient funds at reasonable costs in a timely manner to respond to asset growth, settle debts due and satisfy the funding needs in conducting normal business operations.

The Group implements vertical and centralised management on liquidity risks of all domestic and overseas branches and subsidiaries. The Group has adopted the following measures to manage liquidity risk: closely monitoring balance sheets of our Group and its branches and subsidiaries, and managing liquidity gaps between assets and liabilities; setting liquidity risk limits based on our Group's overall situation and regulatory requirement; conducting cash flow forecast and liquidity risk stress test on a regular and irregular basis to analyse and assess our liquidity risk exposure; maintaining adequate high-quality liquid assets, and establishing liquidity contingency plan for potential liquidity emergencies.

The following tables show the undiscounted contractual cash flows of the Group's non-derivative and derivative financial liabilities (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the end of the year), categorised by their remaining contractual maturities at the end of the year calculated based on the earliest date the Group can be required to pay:

	As at 30 June 2019					
	Overdue/ repayable on demand	Within 1 year (inclusive)	1 – 5 years (inclusive)	More than 5 years	Undated	Total
Financial liabilities						
Accounts payable to brokerage clients	53,071,088,566	–	–	–	–	53,071,088,566
Placements from financial institutions	–	25,432,145,574	–	–	–	25,432,145,574
Financial liabilities at fair value through profit or loss	–	21,848,050,118	–	–	–	21,848,050,118
Derivative financial liabilities	–	4,147,223,536	301,175,162	–	–	4,448,398,698
REPOs	–	38,552,577,601	–	–	–	38,552,577,601
Lease liabilities	–	555,261,878	1,150,319,792	95,497,997	–	1,801,079,667
Short-term debt securities issued	–	13,683,730,138	–	–	–	13,683,730,138
Long-term debt securities issued	–	16,068,092,473	61,493,911,032	108,000,000	–	77,670,003,505
Others	20,780,072,583	18,025,342,457	2,018,838,332	1,816,097	–	40,826,069,469
Total	73,851,161,149	138,312,423,775	64,964,244,318	205,314,094	–	277,333,143,336

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk *(continued)*

	As at 31 December 2018					
	Overdue/ repayable on demand	Within 1 year (inclusive)	1 – 5 years (inclusive)	More than 5 years	Undated	Total
Financial liabilities						
Accounts payable to brokerage clients	41,317,904,126	–	–	–	–	41,317,904,126
Placements from financial institutions	–	8,591,559,485	–	–	–	8,591,559,485
Financial liabilities at fair value through profit or loss	–	15,094,566,741	–	–	–	15,094,566,741
Derivative financial liabilities	–	3,062,579,714	318,630,155	–	–	3,381,209,869
REPOs	–	48,686,137,097	–	–	–	48,686,137,097
Short-term debt securities issued	–	14,165,161,144	–	–	–	14,165,161,144
Long-term debt securities issued	–	16,492,280,773	50,207,198,247	108,000,000	–	66,807,479,020
Others	17,226,832,604	13,763,796,404	2,006,604,838	1,816,097	–	32,999,049,943
Total	58,544,736,730	119,856,081,358	52,532,433,240	109,816,097	–	231,043,067,425

(c) Market risk

Market risk is the risk of loss in 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 etc. 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. Stress testing is conducted regularly, and the potential movements of risk and operating indicators in a variety of scenarios are calculated.

The Group monitors the market risk for investment portfolios and non-trading portfolios separately.

(i) Market risk of investment portfolios

Investment portfolio includes financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivative financial assets, financial liabilities at fair value through profit or loss, derivative financial liabilities. The risk exposures are measured and monitored in terms of principal, stop loss limit and etc., and are maintained within the limits set up by management. The Group adopts various kinds of methodologies (such as Value-at-Risk ("VaR"), sensitivity limit, investment concentration limit, scenario analysis, stress test, and etc.) to manage market risk. The VaR analysis is a major tool used by the Group to measure and monitor market risk of the investment portfolios.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(i) Market risk of investment portfolios *(continued)*

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to the adverse market movements, such as interest rates, stock prices, foreign exchange rates and so on over a specified time horizon and at a given level of confidence. The independent risk management personnel of the Group compute VaR by using a historical simulation method and implement relevant control of market risk. The historical simulation method is used to simulate future profit or loss based on the historical fluctuation of the key market risk factors and the sensitivity of current investment portfolio in respect of such risk factors.

The Group has adopted the historical simulation method and set 95% as its confidence level to compute its daily VaR based on historical data of the previous three years, i.e. there is 95% chance that the expected loss based on historical data will not exceed the VaR value regarding the Group's investment portfolio. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

– When there is severe market illiquidity for a prolonged period, the realisable value of the Group's investment portfolio in a trade day may vary from the expected value due to a 1-day time horizon for VaR;

– The assigned confidence level of 95% does not reflect losses that may occur beyond this level. Even within the model used there is a probability of 5% that losses could exceed the VaR;

– VaR is calculated on an end-of-day basis and does not reflect intraday exposures; and

– The use of historical data as a basis for determining the possible distribution of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(i) Market risk of investment portfolios *(continued)*

The following tables set forth the Group computed VaRs by risk categories as of the dates and for the periods:

	As at 30 June 2019	**Six months ended 30 June 2019**		
		Average	**Highest**	**Lowest**
Equity prices	21,377,157	14,506,963	22,985,484	8,266,060
Interest rates	55,106,669	54,805,476	63,897,038	49,587,416
Currency rates	34,614,615	27,674,098	39,464,896	10,516,056
Commodity prices	653,931	984,694	1,843,974	170,340
Diversification effect	(47,390,988)	(36,291,183)	(19,620,576)	(48,407,265)
Total portfolio	64,361,384	61,680,048	74,020,106	50,664,887

	As at 31 December 2018	Year ended 31 December 2018		
		Average	Highest	Lowest
Equity prices	10,017,654	35,295,772	84,098,599	9,211,728
Interest rates	54,126,510	34,934,216	59,106,783	22,723,042
Currency rates	12,978,384	17,133,335	26,134,597	10,943,473
Commodity prices	1,739,044	994,920	2,897,438	236,359
Diversification effect	(24,900,111)	(31,004,413)	(19,232,253)	(46,570,288)
Total portfolio	53,961,481	57,353,830	94,666,167	31,926,815

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(ii) Market risk of non-trading portfolios

(1) Interest rate risk

The non-trading portfolios of the Group are subject to the risk of interest rate fluctuations. Except for the financial assets and liabilities managed through VaR, the Group's major interest-earning assets in its non-trading portfolios include deposits at banks and in clearing houses, receivable from margin clients and reverse REPOs; and its interest-bearing liabilities mainly include short-term debt securities issued, placements from financial institutions, REPOs and long-term debt securities issued.

The Group adopts sensitivity analysis to measure the interest rate risk of non-trading portfolios. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit and equity	
	As at 30 June 2019	As at 31 December 2018
Changes in basis points		
Increase by 50 basis points	**(241,426,065)**	(204,477,998)
Decrease by 50 basis points or decrease to 0	**268,519,313**	227,671,434

The sensitivity analysis is based on the static rate risk profile of the Group's assets and liabilities. The sensitivity analysis measures the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions that:

- The 50 basis points of changes in interest rates at the end of the reporting periods apply to all of the Group's non-trading financial instruments in the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rate;
- There are no changes to the assets and liabilities portfolios;
- Other variables (including exchange rates) remain unchanged; and
- Risk management measures undertaken by the Group are not considered.

Due to the above assumptions, the actual changes of interest rate and the impact to the Group's net profit and equity might vary from the estimated results of the sensitivity analysis.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

46. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(ii) Market risk of non-trading portfolios *(continued)*

(2) Currency risk

Currency risk is the risk arising from the fluctuation of foreign exchange rates. The Group's currency risk regarding the non-trading portfolio primarily relates to business activities denominated in foreign currencies different from the Group's functional currency and is considered not material, because the proportion of the non-trading portfolios denominated in foreign currencies is relatively low.

47. CONTINGENCIES

As at 30 June 2019, CISC, a subsidiary of the Company, held one piece of land under construction for which CISC had obtained the corresponding land use right certificates and construction permits in accordance with PRC laws. Up to the date of approving the Group's interim financial report, construction of the land has not commenced. By relevant laws and regulations, in the event of delay in commencement of construction, CISC may be subject to a fee on idle land of no more than RMB112.2 million (equivalent to 20% of the land transfer fee) and/or to forfeiture of the land use rights. However, if the delay is caused by government actions or other force majeure events, CISC may negotiate with relevant government authorities for postponing the commencement of construction and extending the construction period. CISC received an idle land verification report from the relevant government authorities on 1 February 2018. According to the report, the aforesaid land was recognised as idle land, and the idling was caused by government and corporate reasons. In May 2018, CISC received a Hearing Right Notice from the relevant government authorities, demanding the payment of fee on idle land of RMB112.2 million and thereupon CISC applied for attending hearing meeting. Thereafter in August 2018, CISC received a Hearing Notice and attended the hearing. Up to the date of approving the Group's interim financial report, CISC was still in the progress of communicating with the relevant government authorities. The amount of the fee was subject to the decision of the relevant government authorities, and CISC was of the view that such amount could not be reliably measured. As a result, no relevant accrued liabilities were recognised as at 30 June 2019.

Except for the above, the Group had no other outstanding matters which had a material impact on its consolidated financial position as at 30 June 2019.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB, unless otherwise stated)

48. SUBSEQUENT EVENTS

(a) Corporate bonds

On 18 July 2019, the Company waived its early-redemption option for 16 CICC 01 and increased the coupon rate from 2.99% to 3.58% for the rest two years of the bond duration. As a result, the Company partially redeemed the bonds with a total principal amount of RMB124.00 million as requested by certain investors.

(b) Financial bonds

On 22 August 2019, the Company issued 19 CICC Financial Bond 01 with a total principal amount of RMB2.50 billion.

(c) Profit distribution

The Company's Annual General Meeting of Shareholders approved the 2018 profit distribution plan on 28 May 2019. The distribution of cash dividends was made in July 2019.

(d) Others

On 13 August 2019, upon the completion of registration, CISC changed its name to China CICC Wealth Management Securities Company Limited.

49. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current period's presentation.

CICC
中金公司