



申萬宏源集團股份有限公司
SHENWAN HONGYUAN GROUP CO., LTD.

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

(於中華人民共和國註冊成立的股份有限公司)

Stock Code 股份代號 : 6806.HK 000166.SZ

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源

2019
Interim Report
中期報告

重要提示

- 一、 本公司董事會、監事會及董事、監事、高級管理人員保證中期報告內容的真實、準確、完整，不存在虛假記載、誤導性陳述或重大遺漏，並承擔個別和連帶的法律責任。
- 二、 本中期報告經本公司第四屆董事會第四十四次會議審議通過。會議應參加表決董事11人，實際參加表決董事11人。未有本公司董事、監事、高級管理人員聲明對中期報告內容的真實性、準確性、完整性無法保證或存在異議。
- 三、 本公司按照國際財務報告準則編製的2019年中期簡明合併財務報告未經審計，已經本公司核數師畢馬威會計師事務所審閱。
- 四、 本公司計劃2019年中期不派發現金紅利，不送紅股，不以公積金轉增股本。
- 五、 本公司董事長儲曉明先生，財務總監陽昌雲先生及計劃財務部負責人張艷女士聲明：保證本中期報告中財務報告的真實、準確、完整。
- 六、 本中期報告中所涉及的未來計劃、發展戰略等前瞻性描述不構成本公司對投資者的實質承諾，敬請投資者注意投資風險。
- 七、 本公司以中英文兩種語言編製本中期報告。在對本中期報告的中英文版本理解上發生歧義時，以中文為準。
- 八、 報告期內，本公司不存在優先股。

Important Notice

1. The Board of Directors, the board of supervisors and the directors, supervisors and senior management of the Company warrant the truthfulness, accuracy and completeness of the content contained in this interim report, and that there are no misstatements, misleading representations or material omission in the contents contained herein, and severally and jointly bear full legal responsibilities thereof.
2. This interim report was considered and approved at the 44th meeting of the fourth session of the Board. 11 directors shall participate in the poll of the meeting and the actual number of directors participated was 11. No directors, supervisors, or senior management of the Company declares the inability to warrant or disagreement with the truthfulness, accuracy and completeness of the content herein.
3. The interim condensed consolidated financial report for 2019 prepared by the Company in accordance with the International Financial Reporting Standards are unaudited, but has been reviewed by KPMG, the auditor of the Company.
4. The Company did not plan to distribute cash dividend, issue bonus share, or convert any capital reserve into share capital for the first half of 2019.
5. Mr. Chu Xiaoming, the chairman of the Company, Mr. Yang Changyun, the chief financial officer of the Company, and Ms. Zhang Yan, the person in charge of the planning and finance department of the Company, have declared that they warrant the truthfulness, accuracy and completeness of the financial statements in this interim report.
6. The forward-looking statements in this interim report, including future plans and development strategies do not constitute substantive commitments of the Company to investors. Investors should be aware of the investment risks.
7. This interim report of the Company is prepared in both Chinese and English. In the event of any discrepancy, the Chinese version should prevail.
8. The Company did not have any preferred shares during the Reporting Period.



申萬宏源

Contents

2	Section I	Definitions and Important Notice
5	Section II	Company Profile and Key Financial Indicators
10	Section III	Summary Of The Company's Business
13	Section IV	Operation Discussion and Analysis
43	Section V	Significant Events
90	Section VI	Changes In Shares and Shareholders
100	Section VII	Directors, Supervisors and Senior Management
103	Section VIII	Profile of Corporate Bonds
115	Section IX	Financial Statements
190	Section X	Documents Available for Inspection

Section I Definitions and Important Notice

I. DEFINITIONS

In this interim report, unless the context otherwise requires, the following terms shall have the following meanings:

Term	Definition
“%”	per cent
“A Share(s)”	domestic ordinary shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange and traded in RMB
“actual controller” or “Central Huijin”	Central Huijin Investment Ltd. (中央匯金投資有限責任公司)
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“Board” or “Board of Directors”	the board of directors of the Company
“CG Code”	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
“Company Law”	the Company Law of the People’s Republic of China (中華人民共和國公司法)
“Company” or “Shenwan Hongyuan”	Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司)
“controlling shareholder” or “JIC”	China Jianyin Investment Ltd. (中國建銀投資有限責任公司)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“EBITDA”	earnings before interest, taxes, depreciation and amortization
“ETF(s)”	exchange-traded fund(s)
“FICC”	fixed income, currencies and commodities
“FOF”	fund of funds
“Fullgoal Fund”	Fullgoal Fund Co., Ltd. (富國基金有限責任公司)
“general meeting”	the general meeting of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign ordinary shares in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in HK dollars

Section I Definitions and Important Notice (continued)

Term	Definition
“HK\$” or “HK dollars”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hongyuan Futures”	Hongyuan Futures Co., Ltd. (宏源期貨有限公司)
“Hongyuan Huifu”	Hongyuan Huifu Capital Co., Ltd. (宏源匯富創業投資有限公司)
“Hongyuan Huizhi”	Hongyuan Huizhi Investment Co., Ltd. (宏源匯智投資有限公司)
“ISAE 3402”	International Standard on Assurance Engagements No. 3402
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“margin financing and securities lending”	provision of collateral by investors to securities firms who are qualified for conducting margin financing and securities lending business to borrow funds for securities purchases (margin financing) or to borrow and sell securities (securities lending)
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“Net Capital”	equals net assets minus risk-adjusted financial assets minus other risk-adjusted assets and risk-adjusted contingent liability plus or minus capital from other adjustments recognized or approved by the CSRC
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of PRC
“PB System”	prime brokerage system
“Reporting Period”	the six months from January 1, 2019 to June 30, 2019
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Securities Law”	the Securities Law of the People’s Republic of China (中華人民共和國證券法)
“Shenwan Futures”	Shenwan Futures Co., Ltd. (申銀萬國期貨有限公司)
“Shenwan Hongyuan Financing Services”	Shenwan Hongyuan Financing Services Co., Ltd. (申萬宏源證券承銷保薦有限責任公司)
“Shenwan Hongyuan Industrial Investment”	Shenwan Hongyuan Industrial Investment Management Company Limited (申萬宏源產業投資管理有限責任公司)

Section I Definitions and Important Notice (continued)

Term	Definition
“Shenwan Hongyuan Investment”	Shenwan Hongyuan Investment Co., Ltd. (申萬宏源投資有限公司)
“Shenwan Hongyuan Securities (Western)”	Shenwan Hongyuan Securities (Western) Co., Ltd. (申萬宏源西部證券有限公司)
“Shenwan Hongyuan Securities”	Shenwan Hongyuan Securities Co., Ltd. (申萬宏源證券有限公司)
“Shenyin & Wanguo Alternative Investment”	Shenyin & Wanguo Alternative Investment Co., Ltd. (申銀萬國創新證券投資有限公司)
“Shenyin & Wanguo Investment”	Shenyin & Wanguo Investment Co., Ltd. (申銀萬國投資有限公司)
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange
“SSE Composite Index”	the Shanghai Stock Exchange composite index
“STAR Market”	the Sci-Tech Innovation Board launched by the Shanghai Stock Exchange
“stock-backed lending”	a transaction in which a securities firm provides financing to qualified clients who pledge their stocks as collateral
“structured notes”	marketable securities issued by securities firms with the payment of principal and return linked to specific underlying assets
“SWS MU”	SWS MU Fund Management Co., Ltd. (申萬菱信基金管理有限公司)
“SWS Research”	SWS Research Co., Ltd. (上海申銀萬國證券研究所有限公司)
“SZSE Component Index”	the Shenzhen Stock Exchange component index
“VaR”	value at risk
“Wind Information”	Wind Information Co., Ltd. (萬得資訊技術股份有限公司), a service provider of financial data, information and software in Mainland China

In the 2019 interim report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding.

II. SIGNIFICANT RISK WARNING

The Company has described details of the possibly existing risks including legal and compliance risk, market risk, credit risk, liquidity risk and operational risk in this interim report. Investors are advised to read the “Operation Discussion and Analysis” as set out in section IV of this interim report carefully and pay special attention to the above-mentioned risk factors.

Section II Company Profile and Key Financial Indicators

I. COMPANY PROFILE

Stock name	申萬宏源 (Shenzhen Stock Exchange); SWHY (Hong Kong Stock Exchange)	Stock code	000166 (Shenzhen Stock Exchange); 6806 (Hong Kong Stock Exchange)
Stock exchanges on which the shares are listed	Shenzhen Stock Exchange, Hong Kong Stock Exchange		
Chinese name of the Company	申萬宏源集團股份有限公司		
Abbreviation of Chinese name of the Company	申萬宏源		
English name of the Company	Shenwan Hongyuan Group Co., Ltd.		
Abbreviation of English name of the Company	Shenwan Hongyuan		
Legal representative of the Company	Mr. Chen Liang		
Authorized representatives	Mr. Chu Xiaoming, Mr. Yang Changyun		
Joint company secretaries	Mr. Yang Changyun, Ms. Fok Po Yi (HKICPA)		

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Securities affairs representative
Name	Mr. Yang Changyun	Mr. Xu Liang
Address	20/F, Dacheng International Building, 358 South Beijing Road, Urumqi High-tech Zone, Xinjiang	20/F, Dacheng International Building, 358 South Beijing Road, Urumqi High-tech Zone, Xinjiang
Telephone	0991-2301870, 010-88085333	0991-2301870, 010-88085333
Facsimile	0991-2301779	0991-2301779
Email address	swwhy@swwhygh.com	swwhy@swwhygh.com

Section II Company Profile and Key Financial Indicators (continued)

III. OTHER INFORMATION

(I) Contact method of the Company

Registered office of the Company	Room 2001, 20/F, Dacheng International Building, 358 South Beijing Road, Urumqi High-tech Zone, Xinjiang, the PRC
Postal code of the registered office of the Company	830011
Office address of the Company	20/F, Dacheng International Building, 358 South Beijing Road, Urumqi High-tech Zone, Xinjiang, the PRC; No. 19, Taipingqiao Street, Xicheng District, Beijing, the PRC
Postal code of the office address of the Company	830011; 100033
Principal place of business in Hong Kong	40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong
Company website	www.swhygh.com
Email address of the Company	swhy@swhygh.com

(II) Information Disclosure and Location for Inspection of Documents

Newspapers designated for disclosure of the Company's A Share information	China Securities Journal, Securities Times, Shanghai Securities News
Website designated by the CSRC for publication of the A Share interim report	www.cninfo.com.cn
Website designated by the Hong Kong Stock Exchange for publication of the H Share interim report	www.hkexnews.hk
Location for inspection of interim report of the Company	the office of the Board of the Company, 20/F, Dacheng International Building, 358 South Beijing Road, Urumqi High-tech Zone, Xinjiang, the PRC

Section II Company Profile and Key Financial Indicators (continued)

(III) Other Relevant Information

1. Approved by the CSRC on “Reply Regarding the Approval for the Issuance of Offshore Listed Foreign Shares by Shenwan Hongyuan Group Co., Ltd. (Zheng Jian Xu Ke No. [2019]393) (《關於核准申萬宏源集團股份有限公司發行境外上市外資股的批覆》(證監許可[2019]393號)) and approved by the Hong Kong Stock Exchange, on April 26, 2019, 2,504,000,000 overseas listed foreign shares (H Share) issued by the Company were listed and traded on the main board of the Hong Kong Stock Exchange. The total share capital of the Company increased from 22,535,944,560 shares to 25,039,944,560 shares. During the Reporting Period, the Company, as authorized by general meeting, proceeded with the industrial and commercial registration procedures for changes of registered capital and related terms under the Articles of Association, and obtained the new business license. The registered capital of the Company was changed from RMB22,535,944,560 to RMB25,039,944,560.

2. Relevant Information

H Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen’s Road East
Wanchai, Hong Kong

Legal Advisor

Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

Auditor

KPMG
8th Floor, Prince’s Building
10 Chater Road
Central
Hong Kong

Joint Compliance Advisors

Shenwan Hongyuan Capital (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Section II Company Profile and Key Financial Indicators (continued)

IV. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

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

Unit: RMB'000

Items	January to June 2019	January to June 2018	Increase/decrease of the Reporting Period compared with the corresponding period of last year (%)
Total revenue and other income	15,038,663	10,609,227	41.75
Profit before income tax	4,002,715	2,617,333	52.93
Profit for the period attributable to shareholders of the Company	3,201,521	2,065,566	54.99
Net cash generated from/(used in) operating activities	2,771,435	(22,821,877)	N/A
Basic earnings per share (in Renminbi per share)	0.14	0.09	55.56
Weighted average return on equity (%)	4.34	3.14	Increased by 1.20 percentage points

Items	June 30, 2019	December 31, 2018	Increase/decrease as compared with the end of last year (%)
Total assets	379,046,821	347,725,035	9.01
Total liabilities	296,978,411	276,529,106	7.39
Total equity attributable to shareholders of the Company	80,513,281	69,399,325	16.01
Share capital	25,039,945	22,535,945	11.11
Equity per share attributable to shareholders of the Company (in Renminbi per share)	3.22	3.08	4.41
Gearing ratio (%) ^{Note}	72.52	75.23	Decreased by 2.71 percentage points

Note: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients) / (Total assets – Accounts payable to brokerage clients)

Section II Company Profile and Key Financial Indicators (continued)

V. DIFFERENCES IN ACCOUNTING DATA UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

There are no differences between the net profits for January to June 2019 and January to June 2018 and net assets as of June 30, 2019 and December 31, 2018 set out in the financial statements disclosed by the Company under the International Financial Reporting Standards and China Accounting Standards for Business Enterprises.

VI. NET CAPITAL AND THE RELEVANT RISK CONTROL INDICATORS (CALCULATED ON A NON-CONSOLIDATED BASIS OF SHENWAN HONGYUAN SECURITIES)

Unit: RMB

Items	As of the end of the Reporting Period	As of the end of last year	Increase/decrease as compared with the end of last year
Core net capital	53,640,376,613.04	47,653,705,518.04	12.56%
Net supplementary capital	7,000,000,000.00	10,720,000,000.00	(34.70%)
Net capital	60,640,376,613.04	58,373,705,518.04	3.88%
Net assets	68,072,795,282.04	62,330,977,192.62	9.21%
Total risk capital reserves	24,096,588,527.20	24,547,756,153.88	(1.84%)
Total on-balance sheet & off-balance sheet assets	257,906,757,196.66	251,877,780,259.51	2.39%
Risk coverage ratio	251.66%	237.80%	Increased by 13.86 percentage points
Capital leverage ratio	20.80%	18.92%	Increased by 1.88 percentage points
Liquidity coverage ratio	272.69%	333.57%	Decreased by 60.88 percentage points
Net stable funding ratio	149.63%	130.22%	Increased by 19.41 percentage points
Net capital/Net assets	89.08%	93.65%	Decreased by 4.57 percentage points
Net capital/liabilities	33.40%	31.54%	Increased by 1.86 percentage points
Net asset/liabilities	37.50%	33.68%	Increased by 3.82 percentage points
Equity securities and derivatives held/Net capital	25.61%	20.28%	Increased by 5.33 percentage points
Non-equity securities and derivatives held/Net capital	173.40%	172.09%	Increased by 1.31 percentage points

VII. REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Board has reviewed and confirmed the Company's Report on Review of Interim Financial Statements disclosed in accordance with International Financial Reporting Standards for the six months ended June 30, 2019, and has no objection against matters including the accounting policies and practice adopted by the Company.

Section III Summary of the Company's Business

I. PRINCIPAL BUSINESS ENGAGED BY THE COMPANY DURING THE REPORTING PERIOD

(I) Principal business engaged by the Company and its business model

As an investment holding group focusing on securities businesses, the Company is committed to providing diverse financial products and services to clients, footed the capital market and focusing on securities businesses. Utilizing the structure of "investment holding group + subsidiary securities firm", the Company has established business model and competitive strengths to distinct itself among its competitors. The Company's business mainly focuses on four segments, including enterprise finance, personal finance, institutional services and trading, as well as investment management. The specific business structure is as follows:

Enterprise Finance		Personal Finance	Institutional Services and Trading	Investment Management
Investment Banking	Principal Investment			
<ul style="list-style-type: none"> Equity financing Debt financing Financial advisory 	<ul style="list-style-type: none"> Equity investment Debt investment Other investment 	<ul style="list-style-type: none"> Securities and futures brokerage Margin financing and securities lending Stock-backed lending Sales of financial products 	<ul style="list-style-type: none"> Prime brokerage Research Proprietary trading 	<ul style="list-style-type: none"> Asset management Mutual fund management Private equity fund management

1. Enterprise finance

The Company's enterprise finance business consists of investment banking business and principal investment business. Investment banking business provides equity underwriting and sponsorship, debt underwriting and financial advisory services for corporate clients; and principal investment business mainly comprises external equity investment, debt investment and other investment through various financial instruments.

2. Personal finance

The Company's personal finance business serves the comprehensive financial needs of individuals and non-professional institutional investors. It provides services such as securities and futures brokerage, margin financing and securities lending, stock-backed lending and sales of financial products through its extensive online and offline channels.

3. Institutional services and trading

The Company's institutional services mainly include prime brokerage and research services for professional institutional clients; in the meantime, the Company is also engaged in the trading of FICC, equity and equity-linked securities, based on which the Company offers sales, trading, hedging and OTC derivatives services to institutional clients.

Section III Summary of the Company's Business (continued)

4. Investment management

The Company's investment management business consists of asset management, mutual fund management and private equity fund management services.

There were no material changes to the principal business and business model of the Company during the Reporting Period.

II. CORE COMPETITIVENESS OF THE COMPANY

The Company utilizes its established advantages to promote the sustainable development of each business segment coordinately, and actively builds an investment holding group with securities business as its core, thus forming its own core competitiveness, which is mainly reflected in the following aspects:

(I) Leading comprehensive strength

Making full use of the advantages of Shenyin & Wanguo Securities Co. Ltd. and Hong Yuan Securities Co. Ltd., its predecessors, the Company achieved total assets and net assets ranked among top tier in the industry, demonstrating strong capital strength. The Company has inherited the leading brand influence of Shenyin & Wanguo Securities Co. Ltd. and Hong Yuan Securities Co. Ltd., its predecessors, among the industry, and therefore has a strong influence in many businesses. The Company is vigorously carrying out various investment businesses, steadily conducting diversified financial investments, and taking the initiative to explore international business capitalizing on the opportunities arising from the construction of "Belt and Road" initiative, striving to become an investment holding group with sound layout and outstanding capabilities.

(II) Broad development prospects

The Company's structure of "investment holding group + subsidiary securities firm" is conducive to realizing the whole industry chain business model based on the capital market. Shenwan Hongyuan Group has the flexibility to carry out various investments and establish trading assets in view of the conditions of capital market. Our securities firm, a large securities firm with comprehensive business and full license, has sound product lines and services line under securities business. Its comprehensive strength has been greatly improved since the merger and reorganization, which helped laying the foundation for its transformation into a modern investment bank. The Company will actively promote the coordinated development of investment business and securities business, and build a differentiated development model of "investment + investment bank" to provide a full range of comprehensive financial services for the real economy.

Section III Summary of the Company's Business (continued)

(III) Favorable regional advantage

In terms of the capital market business, we are able to make full use of the regional advantage and the role of Xinjiang as the forefront for the strategy of the new "Silk Road Economic Belt"; at the same time, we are able to achieve linkage and resource synergy between the eastern and western parts by capturing the development opportunities arising from the construction of "Two Centers" and free trade zone in Shanghai. The Company has gained most of the market shares of brokerage business in Xinjiang which is located in the economic center of the "Belt and Road", accumulated rich client resources, and maintained good relationship with local governments, regulatory authorities and enterprises, enabling us to benefit from the development of the western region. Capitalizing on the favorable regional advantage and policy support in Shanghai area, the Company is able to seize opportunities for pilot implementation in the aspects of financial reform, opening up and innovation to actively participate in the promotion of the national strategy of "Maritime Silk Road".

(IV) Effective risk management

The Company attaches great importance to legal operation and internal control construction. It has established a comprehensive risk management system at group level covering all aspects and all staff throughout its entire business process, achieved the integration of business development and compliance operation, and effectively controlled market risk, credit risk, liquidity risk, operation risk and other risks, with risk control indicators of subsidiary securities firm in compliance with the requirements of regulatory authorities. Moreover, its business maintains sustainable development momentum, providing a guarantee for the further improvement of the Company's comprehensive strength.

(V) Well-established talent mechanism

The Company adheres to the people-oriented principle, upholds the concept of employing those with integrity, competence and merit and giving full scope to the talents, and creates an open, equal, competitive, merit-based and applicable employment environment. The Company improves the human resources development system with market-oriented mechanism as the core, and promotes the interests sharing between the Company, shareholders and employees to provide strong and enduring career help for employee's long-term development and self-value realization.

Section IV Operation Discussion and Analysis

I. OVERVIEW

In the first half of 2019, the uncertainty of international political and economic situation increased, and the Sino-US economic and trade disputes remained unclear. However, at the same time, the maintaining-domestic-growth policies went into effect continuously, and the financial supply-side reform gradually exhibited practical effects. In the first half of 2019, the domestic securities market generally showed a pattern of being strong first before weakening later. Specifically, the SSE Composite Index and the SZSE Component Index rose by 19.45% and 26.78% respectively in the first half of the year.

In the context of the launch of STAR Market, the further deepening of the supply-side reform, the increasingly strict regulatory requirements focusing on disclosures and the enhanced measures pertaining protecting investors, the Company, through earnestly implementing the deployment requirements of the general meetings and the Board, adjusted the layout, accelerated the transformation and prevented and controlled risks, achieving good results in terms of operating income, net profit, total assets, net assets, weighted average return on equity and industry rankings.

II. PRINCIPAL BUSINESS ANALYSIS

(I) General Condition

In the first half of 2019, the Company realized total revenue and other income of RMB15,039 million, representing an increase of 41.75% as compared to the corresponding period of last year; profit before income tax of RMB4,003 million, representing an increase of 52.93% as compared to the corresponding period of last year; profit for the period attributable to shareholders of the Company of RMB3,202 million, representing an increase of 54.99% as compared to the corresponding period of last year; basic earnings per share of RMB0.14, representing an increase of 55.56% as compared to the corresponding period of last year; and a weighted average return on equity of 4.34%, representing an increase of 1.20 percentage points as compared to the corresponding period of last year. As of June 30, 2019, the Company has total assets of RMB379.047 billion, representing an increase of 9.01% as compared to the beginning of the year, and its total equity attributable to shareholders of the Company amounted to RMB80.513 billion, representing an increase of 16.01% as compared to the beginning of the year.

Section IV Operation Discussion and Analysis (continued)

(II) Principal Business Analysis

The Group is comprised of Shenwan Hongyuan Securities, Shenwan Hongyuan Industrial Investment, Shenwan Hongyuan Investment, Hongyuan Futures, Hongyuan Huizhi, Hongyuan Huifu and other subsidiaries, and has four major business segments including enterprise finance, personal finance, institutional services and trading, and investment management. Information on each business segment of the principal business is as follows:

Unit: RMB'000

Segment	Total revenue and other income	Total expenses	Operating profit margin (%)	Change in total revenue and other income as compared to the corresponding period of last year (%)	Change in total expenses as compared to the corresponding period of last year (%)	Change in operating profit margin as compared to the corresponding period of last year (percentage point)
Enterprise finance	1,374,686	887,920	35.41	36.54	31.74	2.35
Including:						
Investment banking	581,640	386,304	33.58	31.59	29.40	1.12
Principal investment	793,046	501,616	36.75	40.41	33.60	3.23
Personal finance	6,077,133	4,518,355	25.65	1.91	(2.03)	2.99
Institutional services and trading	6,623,045	5,197,587	21.52	158.26	146.55	3.73
Investment management	963,799	542,080	43.76	(10.31)	(19.12)	6.12
Total	15,038,663	11,145,942	25.88	41.75	38.21	1.90

1. Enterprise Finance Business

Targeting enterprise clients, our enterprise finance business consists of investment banking business and principal investment business. The investment banking business includes equity financing, debt financing and financial advisory, while the principal investment business includes equity investment, debt investment and other investment.

(1) Investment banking business

According to statistics from Wind Information, in the first half of 2019, the total A share equity financing amounted to RMB612.5 billion, representing a year-on-year decrease of 13.68%; the total corporate bonds issued amounted to RMB1,050.6 billion, representing a year-on-year increase of 78.16%; and the enterprise bonds issued amounted to RMB158.5 billion, representing a year-on-year increase of 76.90%.

Section IV Operation Discussion and Analysis (continued)

In the context of policies that support direct financing and a corporate bond market that undergoes recovering, the Company's investment banking business actively serves the capital market reform and the national strategy of scientific and technological innovation, seizes market opportunities, fully participates in the construction of the STAR Market, continues to enhance the efforts to develop new projects, and expands the project backlog. During the Reporting Period, we completed four A share equity financing projects with a financing amount of RMB4.857 billion and two M&A transactions with transaction amount of RMB15.183 billion, ranking sixth in the industry. The Company also acted as the lead underwriter for 11 enterprise bond projects, ranking fourth in the industry and with underwriting amount of RMB5.739 billion and 29 corporate bond projects with underwriting amount of RMB18.742 billion. We recommended three companies for listing and 22 private placement projects on the NEEQ, ranking second in the industry.

(2) *Principal investment business*

The Company and certain of its subsidiaries including Hongyuan Huizhi and Shenyin & Wanguo Alternative Investment conduct the principal investment business.

In the first half of 2019, under the premise of strictly guarding against risks, the Company focused on the needs of the real economy, vigorously strengthened the construction of investment channels, and strived to explore high-quality customer sources and continued to strengthen the principal investment business. At the same time, the Company, relying on the capital market and leveraging its internal synergies, actively promoted the business transformation and innovation, steadily expanded the business scope, enriched investment varieties, and further improved the asset allocation structure.

Hongyuan Huizhi deepened its business cooperation with strategic customers and core customers, and continuously strengthened customer management and profitability foundation. It also actively promoted mezzanine investment, urban renewal projects, debt-to-equity swap projects, medical industry fund projects as well as provincial-level new and old kinetic energy conversion fund projects, in order to expand diversified investments and optimize the asset allocation.

Shenyin & Wanguo Alternative Investment deepened the adjustment of asset layout, and focused on promoting the investment layout of equity investment and the STAR Market investment, financial product investment and real estate funds.

2. **Personal Finance Business**

The personal finance business mainly covers securities brokerage, futures brokerage, margin financing and securities lending, stock-backed lending and sales of financial products.

(1) *Securities brokerage business*

In the first half of 2019, the A share market was relatively active with the SSE Composite Index and the SZSE Component Index rising by 19.45% and 26.78% respectively. In the same period, the daily average trading amount in the Shanghai and Shenzhen stock markets reached RMB587.361 billion, representing a year-on-year increase of 33.92%. The competition on commissions continued to intensify.

Section IV Operation Discussion and Analysis (continued)

The Company's securities brokerage business strived to overcome the unfavorable conditions such as further intensified competition in the industry, actively adapted to the profound changes in customer structure and service demand, and increased the introduction of customer assets and efforts to activate assets through expanding the construction of channels, strengthening brand publicity, promoting customer stratification, strengthening team building and deploying the businesses to embrace trends, thus achieving good results. As of the end of the Reporting Period, client's securities under the custody of the Company amounted to RMB2.96 trillion, representing an increase of 23.85% from the end of last year, and the net income from our securities brokerage business amounted to RMB1.763 billion, maintaining the leading position of the industry.

(2) *Futures brokerage business*

The Company conducts the futures brokerage business through Shenwan Futures and Hongyuan Futures.

In the first half of 2019, Shenwan Futures took the listing of new varieties of futures and options as the starting point, constantly consolidated the foundation of brokerage business, and kept on promoting the development of innovative businesses with product-oriented business and comprehensive financial business, and as a result, it achieved a year-on-year growth of 17.29% in terms of the daily average equity. Shenwan Futures and its risk management subsidiary cooperated with the Company to launch the corn "Insurance + Futures" project in Huining County, Gansu Province, which had been approved by the Shanghai Futures Exchange as a natural plastic project and ranked first in the industry in terms of scale. The risk management subsidiary of Shenwan Futures ranked among the top in the industry in futures market-making business, and was awarded as one of the outstanding market makers by the Shanghai Futures Exchange.

Hongyuan Futures increased market development and customer marketing efforts, accelerated the introduction of quality assets, and further consolidated the scale of the brokerage business. Its daily average customer equity and total customer equity peaked at a record high. Hongyuan Futures continued to strengthen its risk management subsidiary, further expanded the scale of business such as basis trading, and actively carried out on-the-exchange or OTC option business, thermal coal and silver market-making business, stock index options and methanol and cotton yarn futures market-making simulation, and hence the revenue of its risk management subsidiary increased by 294% year on year. In addition, Hongyuan Futures continuously strengthened the building of core capabilities such as customer management, investment and research and business synergy, and consolidated its development foundation.

(3) *Margin financing and securities lending business*

According to statistics from Shanghai Stock Exchange and Shenzhen Stock Exchange, in the first half of 2019, as the Shanghai and Shenzhen stock markets rebounded, the demand for market margin financing and securities lending increased accordingly. The balance of margin financing and securities lending increased from RMB755.704 billion at the beginning

Section IV Operation Discussion and Analysis (continued)

of 2019 to RMB910.817 billion at the end of June 2019, representing an increase of 20.53%. The Company's margin financing and securities lending business managed to maintain the market position through developing innovative securities financing products, organizing and guiding promotional activities of branches, strengthening customer differentiated management, strictly controlling business risks and other measures. As of the end of the Reporting Period, the Company's balance of the margin financing and securities lending business amounted to RMB48.3 billion, with a market share of 5.30% and continuously positioned in the industry's first echelon with the maintenance margin ratio of 243.36%.

(4) *Stock-backed lending business*

The Company's stock-backed lending business line actively responded to changes in the market environment. Through "controlling scale, adjusting structure and promoting business", it further strengthened business management, tightened the project access, enhanced the project review at the system level, carried out a series of measures including the self-inspection and post-loan management to proactively resolve the risks of stock-backed lending projects and achieved stable development of the stock-backed lending business. As of the end of the Reporting Period, the Company's stock-backed lending business has a balance of RMB32.226 billion, decreasing by RMB11.457 billion from the end of 2018, with an average collateral coverage ratio of 240.62%.

(5) *Sales of financial products business*

The Company provides financial products developed by ourselves and third parties, including asset management schemes, structured notes, mutual funds, private equity funds, wealth management products issued by commercial banks and other financial products.

In the first half of 2019, the sales of the Company's financial product business devoted great efforts to both the mutual funds and private equity funds and embraced the synergy between the internal and external functions to strengthen the development and management of our own asset management schemes and explore the potential of structured notes. It conducted market-making services with fund companies for equity-based mutual funds, guided its branches to focus resources on high-quality private placements, with an aim to strengthen the comprehensive development of agency, margin financing and securities lending and wealth management products of the private equity business, increase servicing and collaboration efforts put into the private equity business of branches and accelerate the introduction of trusts and bank wealth management fixed income products. During the Reporting Period, the sales of our own financial products and third party products reached RMB31.865 billion and RMB22.355 billion, respectively.

Section IV Operation Discussion and Analysis (continued)

3. Institutional Services and Trading Business

The institutional services and trading business include prime brokerage services, research and consultation, as well as proprietary trading.

(1) *Prime brokerage business*

The Company's prime brokerage services consist of trading units leasing, PB system and fund administration services.

In the first half of 2019, the Company further promoted the comprehensive financial services for institutional clients, and the units leasing business continued to be consolidated itself. In the first half of the year, the revenue generated from units leasing was RMB216 million, with a market share of 4.40%. As for the PB system business, as of the end of the Reporting Period, there were 414 PB system operating institutional accounts with a total scale of approximately RMB132.4 billion. In terms of fund administration services, the Company obtained ISAE 3402 international certification, and became one of the few fund administration services institutions in the fund administration services industry that passed such international certification for two consecutive years. Currently, the Company has obtained the qualification to carry out securities investment fund custody business.

(2) *Research business*

The Company carries out the research business principally through its controlled subsidiary SWS Research.

In the first half of 2019, SWS Research constantly improved its research quality and market influence under its strategy of specialization, platformization and globalization. During the Reporting Period, SWS Research ranked second in the two important evaluation dimensions of Eestmoney's brokerage research power ranking for the first half of 2019, namely the in-depth research reporting and reading frequency. It carried out eight party-building activities and provided roadshows for more than 6,800 core customers. provided intellectual support to the construction of the STAR Market by means of releasing more than 100 reports and holding a series of the STAR Market meetings, and captured the initiative in the influence of STAR Market research; our research service was dedicated to innovation and quality, particularly, the series of researches on the "Experience of Homecomings" planned by SWS Research had received extensive attention from the industry and society; and innovatively released spring reports via videos, with a total of more than 10 million readings, thus gaining significant publicity.

(3) *Proprietary trading*

FICC sales and trading business

In the first half of 2019, as the overall liquidity remained abundant, the Company's FICC business line closely followed the development of the bond market. Equal importance was put on the asset allocation and band operation. The business return rate significantly exceeded the average value

Section IV Operation Discussion and Analysis (continued)

of the Chinabond integrated full-price (total value) index and the return rate of open-ended pure-debt funds. Innovative businesses such as commodities and gold developed well and succeeded in obtaining the futures market-making qualifications for treasury bonds.

Equity sales and trading business

In the first half of 2019, the domestic capital market showed a “first-strong and then-weak” performance pattern, and the A share market experienced fluctuations within certain ranges. The Company’s investment trading business line grasped the rebound opportunities in the stock market in the first half of the year and optimized asset allocation to realize satisfactory investment returns. It also actively expanded its innovative businesses, applied for commodity option market-making qualifications and prepared for cross-border conversion and market-making business of Shanghai-London Stock Connect.

4. Investment Management Business

The investment management business consists of asset management, mutual fund management and private equity fund management.

(1) Asset management business

The Company carries out the asset management business principally through Shenwan Hongyuan Securities, SWS MU, Shenwan Futures and Hongyuan Futures.

In the first half of 2019, the Company’s asset management business line, via coordinating with the Company’s internal and external resources, adapted to changes in the market and regulatory situation, and strived to overcome the adverse effects of the external environment. In order to facilitate the professionalized reform, the Company promoted the transformation focusing on enhancing active management capabilities, expanded business channels, enriched product offerings and increased investment levels. As of the end of the Reporting Period, the Company’s asset under management was RMB604.306 billion, with a market share of 4.45%, ranking seventh in the industry; and the average monthly asset under discretionary management was RMB143 billion, ranking sixth in the industry.

The Company adhered to the development direction of active management, strengthened the design and distribution of active management products such as quantitative hedging, index enhancement and FOF, and re-designed the existing products to comply with the new regulations, and hence the performance of the products rebounded sharply. It also promoted the “Private Equity Plan” (私募百分計劃) and strengthened cooperation with banks, securities, funds, insurers and other financial peers to improve the service network of institutional customers.

(2) Mutual fund management business

The Company carries out the mutual fund management business principally through its controlled subsidiary SWS MU and its invested company Fullgoal Fund.

Section IV Operation Discussion and Analysis (continued)

In the first half of 2019, SWS MU fully demonstrated the strong competitiveness in the index and the quantitative investment ability in the industry with the support of its seasoned investment research team. SWS MU CSI 500 Index Selected Enhanced product and SWS MU SSE 50ETF product under SWS MU ranked in the top 10 among their categories; two 500 Index Enhanced products, namely CSI 500 Index Selected Enhanced and CSI 500 Index Enhanced, ranked the top one and two among the same kind of products, respectively. The Fullgoal Fund featured proactive style and innovative mindset. At the end of the Reporting Period, the scale of assets under its management was RMB519.7 billion, representing an increase of 19.75% from the end of the previous year. It maintained excellent overall investment performance in various major categories of products such as active equity, quantitative index and fixed income, and some products ranked among the top three in their own categories in terms of performance.

(3) *Private equity fund management business*

The Company carries out the private equity fund management business principally through Shenwan Hongyuan Industrial Investment, Hongyuan Huifu and Shenyin & Wanguo Investment.

In the first half of 2019, Shenwan Hongyuan Industrial Investment actively responded to the impact of new regulations of asset management, and by relying on the capital market, it vigorously explored high-quality customers such as listed groups and large state-owned enterprises, and actively facilitated the progress of nine established projects and 18 reserve projects. Hongyuan Huifu took the “research + investment + investment banking” as its strategy, used the private equity investment platform as an entry point to integrate internal and external resources and actively serve the real economy, strengthened the comprehensive financial services cooperation in key regions and key institutions, and newly established three private equity fund management platforms. It also initiated the establishment of a fund with a total fund size of RMB1.59 billion. On the basis of continuing to develop the business model of “PE + industry group + government”, Shenyin & Wanguo Investment also actively opened up a new business model for managers of government industrial fund of funds with the fund size increasing by RMB1.5 billion.

Section IV Operation Discussion and Analysis (continued)

III. ANALYSIS OF FINANCIAL STATEMENTS

(I) Analysis of Consolidated Statements of Profit or Loss

1. Composition of Revenue

Unit: RMB'000

Item	January to June of 2019	January to June of 2018	Change (%)
Fee and commission income	4,080,583	3,669,022	11.22
Interest income	5,319,159	4,762,274	11.69
Net investment gains	2,862,350	2,094,005	36.69
Other income and gains	2,776,571	83,926	3,208.36
Total revenue and other income	15,038,663	10,609,227	41.75

During the Reporting Period, the Group achieved total revenue and other income of RMB15,039 million, representing a year-on-year increase of RMB4,429 million or 41.75%, mainly attributable to an increase in fee and commission income, net investment gains and other income and gains, which included:

- (1) Fee and commission income of RMB4,081 million, representing a year-on-year increase of RMB412 million or 11.22%, mainly due to an increase in the fee income from the securities brokerage business in the first half of the year;
- (2) Interest income of RMB5,319 million, representing a year-on-year increase of RMB557 million or 11.69%, mainly due to an increase in the interest income from financial assets at fair value through other comprehensive income and the interest income from financial assets measured at amortized cost;
- (3) Net investment gains of RMB2,862 million, representing a year-on-year increase of RMB768 million or 36.69%, mainly due to an increase in the income from holding the fixed-income securities and the fair value of equity securities as a result of the favorable market conditions in the first half of the year;
- (4) Other income and gains of RMB2,777 million, representing a year-on-year increase of RMB2,693 million, mainly due to an increase in income from commodity trading as a result of the rapid growth of basis trading business.

Section IV Operation Discussion and Analysis (continued)

2. Composition of Expenses

Unit: RMB'000

Item	January to June of 2019	January to June of 2018	Change (%)
Fee and commission expenses	741,641	607,825	22.02
Interest expenses	3,918,107	3,996,936	(1.97)
Staff costs	2,776,971	2,411,778	15.14
Depreciation and amortization expenses	311,090	178,130	74.64
Tax and surcharges	72,464	77,233	(6.17)
Other operating expenses	3,086,586	698,359	341.98
Provision for impairment losses	239,083	93,988	154.38
Total expenses	11,145,942	8,064,249	38.21

From January to June of 2019, the Group had total expenses of RMB11,146 million, representing a year-on-year increase of RMB3,082 million or 38.21%, mainly attributable to an increase in staff costs and other operating expenses, which included:

- (1) Interest expenses of RMB3,918 million, representing a year-on-year decrease of RMB79 million or 1.97%;
- (2) Staff costs of RMB2,777 million, representing a year-on-year increase of RMB365 million or 15.14%, mainly due to an increase in the cost of performance-based remuneration as a result of an increase in the Company's revenue;
- (3) Other operating expenses of RMB3,087 million, representing a year-on-year increase of RMB2,388 million, mainly due to an increase in the cost of goods sold for basis trading business;
- (4) Provision for impairment losses of RMB239 million, representing a year-on-year increase of RMB145 million or 154.38%, mainly due to an increase in the impairment losses of stock-backed lending business;
- (5) Other expenses mainly included fee and commission expenses, depreciation and amortization expenses and tax and surcharges.

(II) Analysis of Consolidated Statements of Cash Flows

As of June 30, 2019, the Group had cash and cash equivalents of RMB52,223 million, increasing by 179.85% as compared to RMB18,661 million for the corresponding period of 2018. From January to June of 2019, there was net cash inflow of RMB12,263 million for cash and cash equivalents, up by RMB20,600 million as compared to RMB8,337 million of the net cash outflow for the corresponding period of 2018. Among these, the net cash inflow from operating activities between January and June of 2019 amounted to RMB2,771 million, up by RMB25,593 million as compared to RMB22,822 million of the net cash outflow used for the operating activities for the corresponding period of 2018, mainly due to an increase in the net cash inflow of financial assets held under resale agreements; the net cash inflow from investing activities between January and June of 2019 amounted to RMB1,268 million, up by RMB10,621 million as compared

Section IV Operation Discussion and Analysis (continued)

to RMB9,353 million of the net cash outflow used for the investing activities for the corresponding period of 2018, mainly due to a decrease in the cash outflow for the purchases of financial assets at fair value through other comprehensive income; and the net cash inflow from financing activities between January and June of 2019 amounted to RMB8,224 million, down by RMB15,613 million as compared to RMB23,837 million for the corresponding period of 2018, mainly due to an increase in cash paid for the repayment of long-term bonds and a decrease in the cash received for the issuance of short-term debt instruments.

(III) Analysis of Consolidated Statements of Financial Position

Unit: RMB'000

Item	June 30, 2019		December 31, 2018		Increase/Decrease	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Proportion (%)
Non-current assets						
Property and equipment	1,327,041	0.35	1,373,939	0.40	(46,898)	(3.41)
Right-of-use assets	758,154	0.20	—	—	758,154	N/A
Investment properties	65,617	0.02	66,683	0.02	(1,066)	(1.60)
Other intangible assets	136,431	0.04	148,749	0.04	(12,318)	(8.28)
Interest in associates and joint ventures	2,438,554	0.64	2,399,055	0.69	39,499	1.65
Financial assets measured at amortized cost	4,499,177	1.19	5,710,839	1.64	(1,211,662)	(21.22)
Financial assets at fair value through other comprehensive income	9,517,694	2.51	9,115,967	2.62	401,727	4.41
Financial assets held under resale agreements	11,441,047	3.02	20,992,802	6.04	(9,551,755)	(45.50)
Financial assets at fair value through profit or loss	3,292,042	0.87	3,419,715	0.98	(127,673)	(3.73)
Refundable deposits	9,404,551	2.48	5,830,612	1.68	3,573,939	61.30
Deferred tax assets	1,413,644	0.37	1,800,675	0.52	(387,031)	(21.49)
Other non-current assets	166,099	0.04	176,706	0.05	(10,607)	(6.00)
Total non-current assets	44,460,051	11.73	51,035,742	14.68	(6,575,691)	(12.88)

Section IV Operation Discussion and Analysis (continued)

Unit: RMB'000

Item	June 30, 2019		December 31, 2018		Increase/Decrease	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Proportion (%)
Current assets						
Accounts receivable	1,465,516	0.39	1,237,590	0.36	227,926	18.42
Other receivables and prepayments	2,043,981	0.54	1,839,251	0.53	204,730	11.13
Margin accounts receivable	49,680,197	13.11	44,147,977	12.69	5,532,220	12.53
Financial assets measured at amortized cost	6,237,346	1.65	4,481,242	1.29	1,756,104	39.19
Financial assets held under resale agreements	36,177,496	9.54	45,275,398	13.02	(9,097,902)	(20.09)
Financial assets at fair value through profit or loss	95,940,492	25.31	90,850,184	26.13	5,090,308	5.60
Financial assets at fair value through other comprehensive income	23,741,939	6.26	22,436,522	6.45	1,305,417	5.82
Derivative financial assets	447,113	0.12	453,915	0.13	(6,802)	(1.50)
Clearing settlement funds	3,910,808	1.03	3,095,507	0.89	815,301	26.34
Cash held on behalf of brokerage clients	74,148,314	19.56	57,521,637	16.54	16,626,677	28.91
Cash and bank balances	40,793,568	10.76	25,350,070	7.29	15,443,498	60.92
Total current assets	334,586,770	88.27	296,689,293	85.32	37,897,477	12.77
Total assets	379,046,821	100.00	347,725,035	100.00	31,321,786	9.01

Section IV Operation Discussion and Analysis (continued)

Unit: RMB'000

Item	June 30, 2019		December 31, 2018		Increase/Decrease	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Proportion (%)
Current liabilities						
Loans and borrowings	934,050	0.31	718,871	0.26	215,179	29.93
Short-term debt instruments issued	10,399,598	3.50	13,568,269	4.91	(3,168,671)	(23.35)
Placements from other financial institutions	11,201,634	3.77	11,694,003	4.23	(492,369)	(4.21)
Accounts payable to brokerage clients	80,382,387	27.07	60,275,347	21.80	20,107,040	33.36
Employee benefits payable	1,602,303	0.54	1,450,173	0.52	152,130	10.49
Other payables and accruals	17,150,495	5.77	13,396,280	4.84	3,754,215	28.02
Contract liabilities	108,653	0.04	86,750	0.03	21,903	25.25
Current tax liabilities	233,090	0.08	778,704	0.28	(545,614)	(70.07)
Financial assets sold under repurchase agreements	72,927,467	24.56	75,062,474	27.14	(2,135,007)	(2.84)
Lease liabilities	275,957	0.09	—	—	275,957	N/A
Financial liabilities at fair value through profit or loss	1,588,743	0.53	2,787,870	1.01	(1,199,127)	(43.01)
Derivative financial liabilities	498,469	0.17	456,300	0.17	42,169	9.24
Long-term bonds due within one year	30,145,186	10.15	23,940,520	8.66	6,204,666	25.92
Total current liabilities	227,448,032	76.59	204,215,561	73.85	23,232,471	11.38
Net current assets	107,138,738	36.08	92,473,732	33.44	14,665,006	15.86
Total assets less current liabilities	151,598,789	51.05	143,509,474	51.90	8,089,315	5.64

Section IV Operation Discussion and Analysis (continued)

Unit: RMB'000

Item	June 30, 2019		December 31, 2018		Increase/Decrease	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Proportion (%)
Non-current liabilities						
Loans and borrowings	651,806	0.22	650,800	0.24	1,006	0.15
Placements from other financial institutions	512,668	0.17	—	—	512,668	N/A
Long-term bonds	66,444,654	22.37	65,567,816	23.71	876,838	1.34
Non-current employee benefits payable	1,128,232	0.38	1,287,638	0.47	(159,406)	(12.38)
Deferred tax liabilities	217,999	0.07	242,110	0.09	(24,111)	(9.96)
Financial assets sold under repurchase agreements	—	—	4,300,000	1.55	(4,300,000)	(100.00)
Lease liabilities	494,823	0.17	—	—	494,823	N/A
Financial liabilities at fair value through profit or loss	—	—	44,017	0.02	(44,017)	(100.00)
Other non-current liabilities	80,197	0.03	221,164	0.08	(140,967)	(63.74)
Total non-current liabilities	69,530,379	23.41	72,313,545	26.15	(2,783,166)	(3.85)
Net assets	82,068,410	100.00	71,195,929	100.00	10,872,481	15.27
Equity						
Share capital	25,039,945	30.51	22,535,945	31.65	2,504,000	11.11
Reserves	33,113,832	40.35	26,721,215	37.53	6,392,617	23.92
Retained profits	22,359,504	27.25	20,142,165	28.30	2,217,339	11.01
Total equity attributable to shareholders of the Company	80,513,281	98.11	69,399,325	97.48	11,113,956	16.01
Non-controlling interests	1,555,129	1.89	1,796,604	2.52	(241,475)	(13.44)
Total equity	82,068,410	100.00	71,195,929	100.00	10,872,481	15.27

Section IV Operation Discussion and Analysis (continued)

1. As of June 30, 2019, the Group had total non-current assets of RMB44,460 million, representing a decrease of RMB6,576 million from the beginning of the year, mainly due to a decrease in financial assets held under resale agreements of RMB9,552 million and an increase in refundable deposits of RMB3,574 million from the beginning of the year. As of June 30, 2019, the Group had total non-current liabilities of RMB69,530 million, representing a decrease of RMB2,783 million from the beginning of the year, mainly due to a decrease in financial assets sold under repurchase agreements of RMB4,300 million and an increase in long-term bonds of RMB877 million.

2. As of June 30, 2019, the Group had total current assets of RMB334,587 million, representing an increase of RMB37,897 million from the beginning of the year, mainly due to an increase in cash held on behalf of brokerage clients of RMB16,627 million, an increase in cash and bank balances of RMB15,443 million and an increase in margin accounts receivable of RMB5,532 million. As of June 30, 2019, the Group had total current liabilities of RMB227,448 million, representing an increase of RMB23,232 million from the beginning of the year, mainly due to an increase in accounts payable to brokerage clients of RMB20,107 million and an increase in long-term bonds due within one year of RMB6,205 million.

3. Financing Channels and Structure of Long- and Short-term Liability of the Company

(1) Financing channels of the Company

The Company's major financing channels include interbank lending, bond repurchase, structured notes, corporate bonds, subordinated bonds, short-term corporate bonds, short-term financing bills, margin loans receivable backed repurchase agreement, asset-backed securities, refinancing, borrowings from the group and equity financing. In accordance with relevant laws and regulations, the Company may utilize financing of different terms based on its own funding needs to support its business development.

(2) Structure of long- and short-term liabilities of the Company

Item	June 30, 2019	December 31, 2018
Loans and borrowings	1,585,856	1,369,671
Short-term debt instruments issued	10,399,598	13,568,269
Placements from other financial institutions	11,714,302	11,694,003
Long-term bonds (including long-term bonds due within one year)	96,589,840	89,508,336
Total	120,289,596	116,140,279

Unit: RMB'000

Section IV Operation Discussion and Analysis (continued)

In addition to borrowings and debt financing instruments, the Company also raised funds through repurchase in stock exchanges, inter-bank market and OTC market. The balance of financial assets sold under repurchase agreements at the end of the Reporting Period was RMB72,927 million, of which, RMB67,096 million had a financing period of more than one year while RMB126,121 million less than one year, accounting for 34.73% and 65.27% of the aforesaid debt, respectively. As of the end of the Reporting Period, the Company had no outstanding debts overdue, and it had sound overall solvency and its liquidity risks were controllable.

(3) *Liquidity management policies and measures of the Company*

The Company has established a comprehensive risk management system and liquidity risk management mechanism based on the management goal of “strengthening the self-owned funds management, safeguarding the security of self-owned funds, improving the efficiency of using self-owned funds and controlling the risk of using self-owned funds”. The Company has also continuously improved its liquidity reserve management system and focused on the matching of assets and liabilities in terms of scale, duration and structure to enhance the diversity of financing channels and conducted emergency drills for liquidity risk, effectively preventing liquidity risks. During the Reporting Period, the Company maintained sufficient liquidity reserve, and the regulatory indicators such as liquidity coverage ratio and net stable funding ratio were in compliance with regulatory standards.

(4) *Analysis of financing capabilities of the Company*

The Company has formed an integrated financing system comprising various financing methods, such as interbank lending in the interbank market, bond repurchase in the interbank market and exchange market, issuance of corporate bonds, issuance of short-term financing bills, issuance of subordinated bonds, issuance of asset-backed securities and margin loans receivable backed repurchase agreement, placements from China Securities Finance Corporation Limited and issuance of structured notes. The Company operates in a compliant manner with a good reputation and credit record, and it also maintains good cooperative relations with commercial banks and has sufficient bank credit limits and strong profitability and solvency. Therefore, the Company has robust short-term and long-term financing capabilities.

(5) *Material contingent liabilities*

As of June 30, 2019, the Company did not have any material contingent liabilities.

Section IV Operation Discussion and Analysis (continued)

(IV) Changes in the Basis of Consolidation of Financial Statements

During the Reporting Period, the subsidiaries included in the consolidation scope had not changed. During the Reporting Period, no new funds and asset management schemes were included in the consolidation scope while seven funds and asset management schemes were excluded.

(V) Changes in Significant Accounting Policies and Accounting Estimates

During the Reporting Period, except for International Financial Reporting Standard 16, the Company's accounting policies and accounting estimates had not changed. For details, please refer to Note "4. Changes in significant accounting policies" to the condensed consolidated interim financial statements. There was no significant accounting errors requiring rectification occurred in the Company.

(VI) Restricted Asset Rights as of the End of the Reporting Period

For assets with restricted ownership or use rights as of the end of the Reporting Period, please refer to Note 17, 22, 23, 29 and 33 to the condensed consolidated financial statements.

IV. ANALYSIS OF INVESTMENTS

(I) Interest in Associates and Joint Ventures

Unit: RMB'000

Investment amount at the end of the Reporting Period	Investment amount at the end of last year	Change (%)
2,438,554	2,399,055	10.57

(II) Material Equity Investments

No material equity investments were acquired by the Company during the Reporting Period.

(III) Material Non-equity Investments

No material non-equity investments by the Company were in progress during the Reporting Period.

Section IV Operation Discussion and Analysis (continued)

(IV) Investments in Financial Assets

1. Investments in securities

Unit: RMB'0,000

Security type	Security code	Security abbreviation	Initial investment cost	Accounting measurement model	Beginning book value	Gains and losses from changes in fair value during the period	Accumulated fair value changes included in equity	Current purchase amount	Current sales amount	Profit and loss during the Reporting Period	Closing book value	Accounting item	Sources of funds
Wealth management account	HH0001	Income Swap Product No. 1	639,000.00	Fair value	624,152.12	—	43,212.07	—	—	—	667,364.19	Financial assets at fair value through other comprehensive income	Self-owned funds
Bonds	117125	19 Zhaochang EB	239,000.00	Fair value	—	36,072.06	—	239,000.00	—	36,107.97	275,107.97	Financial assets at fair value through profit or loss	Self-owned funds
Bonds	147695	18 Hebei 26	201,583.37	Fair value	203,475.62	1,920.88	—	1,021.30	—	5,607.09	210,118.91	Financial assets at fair value through profit or loss	Self-owned funds
Bonds	157559	19 Tianjin 09	128,000.00	Fair value	—	—	—	138,019.22	10,019.22	1,786.40	129,803.78	Financial liabilities at fair value through profit or loss	Self-owned funds
Bonds	147525	18 Shandong 15	120,199.32	Fair value	126,985.94	233.09	322.17	3,029.04	7,033.74	2,790.49	125,427.13	Financial assets at fair value through profit or loss/ Financial assets at fair value through other comprehensive income	Self-owned funds
Bonds	105161	Shandong 1901	84,189.27	Fair value	—	(762.84)	—	149,739.60	26,486.53	1,018.20	124,357.32	Financial assets at fair value through profit or loss	Self-owned funds
Bonds	190006	19 Interest-bearing Government Bonds 06	116,051.13	Fair value	—	7.92	70.08	124,153.59	8,102.46	431.64	116,880.51	Financial assets at fair value through profit or loss/ Financial assets at fair value through other comprehensive income	Self-owned funds
Money market funds	583101	Soochow Currency B	107,337.09	Fair value	115,096.59	3,256.55	—	—	5,125.37	3,256.55	111,910.70	Financial assets at fair value through profit or loss	Self-owned funds
Money market funds	004494	Huatai Baoxing Currency B	102,651.47	Fair value	—	780.94	—	102,651.47	—	780.94	103,432.41	Financial assets at fair value through profit or loss	Self-owned funds
Money market funds	001871	First Seafont Currency B	100,409.80	Fair value	58,192.77	—	—	42,217.02	—	57.02	100,409.80	Financial assets at fair value through profit or loss	Self-owned funds
Other securities investments held at the end of the period			12,387,097.21	—	12,473,543.76	(31,201.91)	85,022.51	85,445,161.17	85,617,896.82	341,755.61	12,358,056.29	—	—
Total			14,225,518.66	—	13,601,446.80	10,306.69	128,626.83	86,244,992.41	85,674,664.14	393,591.91	14,322,869.01	—	—

2. Investments in derivatives

(1) Investments in derivatives

Risk analysis and description of control measures on derivative positions during the Reporting Period (including but not limited to market risks, liquidity risks, credit risks, operation risks and legal compliance risks)

The subsidiaries of the Company have obtained qualifications to conduct relevant business. Proprietary business on derivative products mainly involves in proprietary businesses such as arbitrage, hedging and speculation of stock index futures and treasury bond futures and broker OTC business. During the Reporting Period, the investment business in derivative products undertaken by the Company fully complied with the requirements of the CSRC, the Securities Association of China and China Financial Futures Exchange. The Company has not breached any law or regulation during the standard operation and the risks are under control. In order to ensure standard operation of the proprietary business on derivatives and avoid business risks, the Company adopted rules and regulations such as the administration measures on relevant business as standards, followed business plans and commenced the business through analyzing and controlling market risks, liquidity risks, credit risks, operation risks and legal compliance risks.

The change of the market price of derivatives invested or the fair value of products during the Reporting Period. Specific usage and settings of relevant assumptions and parameters shall be disclosed when analyzing the fair value of derivatives

As of the end of the Reporting Period, the gain or losses on the fair value change of treasury bond futures contract held was RMB26.01 million; the gain or losses on the fair value change of interest rate swap was RMB69.15 million; the gain or losses on the fair value change of stock index futures was RMB-8.66 million; the gain or losses on the fair value change of Au (T+D) was RMB-6.80 million and the fair value change of commodity futures was RMB22.28 million. Derivative financial instruments were initially recognized at fair value as of the execution date of derivatives transaction contract and subsequently measured at its fair value. Derivative financial instruments are recognized as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value change of derivative financial instruments was directly credited into profit or loss. The fair value of ordinary derivative financial instruments was measured based on the valuation models generally adopted in the market. The data of valuation models shall use observable market data wherever possible. The fair value of the complex structured derivative financial instruments was mainly sourced from quotations of dealers.

Section IV Operation Discussion and Analysis (continued)

Description on whether the accounting policies and principles of audit on derivatives of the Company have any significant changes when compared with the previous reporting period

The derivatives policy remains unchanged and quotes are obtained directly from the market.

Independent directors' opinions on the Company's derivative investment and risk control

The subsidiaries of the Company have obtained relevant business qualifications and are eligible to commence relevant businesses. As of the end of the Reporting Period, the value of interest rate derivative instrument contract held was RMB70,855.66 million, representing 86.34% of the net assets of the Company as of the end of the Reporting Period; the value of equity derivative instrument contract held was RMB12,150.07 million, representing 14.80% of the net assets of the Company as of the end of the Reporting Period; the value of commodity derivative instrument contract held was RMB58,666.47 million, representing 71.48% of the net assets of the Company as of the end of the Reporting Period. The risks are under control and the operation of the subsidiaries are also in compliance with requirements of relevant regulatory indicators of the regulatory department.

Such businesses are not detrimental to the interests of the Company and its shareholders as a whole.

Section IV Operation Discussion and Analysis (continued)

(2) Positions of derivatives investments at the end of the Reporting Period

Unit: RMB'0,000

Name of derivative investment operator	Related party relationship	Related party transaction or not	Derivative investment type	Initial investment amount of derivative investment	Effective date	Expire date	Investment amount at the beginning of the Reporting Period	Purchase amount during the Reporting Period	Amount sold during the Reporting Period	Investment amount at the end of the Reporting Period	The proportion of investment amount at the end of the Reporting Period to net assets of the Company at the end of the Reporting Period	Actual profit and loss amount during the Reporting Period
Open market	N/A	No	Interest rate derivative instrument	6,112,202.60	2019/1/1	2023/6/29	6,112,202.60	4,842,244.27	3,868,880.72	7,085,566.15	86.34%	4,317.56
Banks, private equity funds, open market	N/A	No	Equity derivative instrument	1,232,948.99	2019/1/1	2020/11/11	1,232,948.99	1,382,737.10	1,400,679.33	1,215,006.76	14.80%	(5,828.40)
Open market, banks, trading companies, etc.	N/A	No	Commodity derivative instrument	1,141,923.60	2019/1/1	2019/6/30	1,141,923.60	6,076,887.59	1,352,164.40	5,866,646.79	71.48%	(5,211.74)
Total				8,487,075.19	—	—	8,487,075.19	12,301,868.96	6,621,724.45	14,167,219.70	172.62%	(6,722.58)

V. MATERIAL DISPOSAL OF ASSETS AND EQUITY INTERESTS

During the Reporting Period, the Company had no material disposal of any assets and equity interests.

Currently, the Company has no future plan for material investments or acquisition of capital assets.

Section IV Operation Discussion and Analysis (continued)

VI. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEEES

(I) Major controlling companies

Unit: RMB

Name of Companies	Type of Companies	Principal Businesses	Registered Capital	Total Assets	Net Assets	Net Profit
Shenwan Hongyuan Securities Co., Ltd.	Wholly-owned subsidiary	Securities brokerage, securities investment consulting service, margin financing and securities lending, agency sale of financial products, securities assets management, securities underwriting and sponsoring and securities proprietary business	43,000,000,000 ^{Note}	346,797,132,498.70	74,624,447,397.03	3,032,444,293.85
Shenwan Hongyuan Industrial Investment Management Company Limited	Wholly-owned subsidiary	Investment, assets management and investment consulting service. (For the special projects subject to approval according to law, they can be carried out only after approval from relevant departments)	200,000,000	156,262,705.64	148,871,828.88	(7,397,202.67)
Hongyuan Huizhi Investment Co., Ltd.	Wholly-owned subsidiary	Investment, assets management, investment management, corporate management consulting service and investment consulting service	2,000,000,000	4,630,338,976.40	2,203,653,368.29	108,462,091.67
Hongyuan Futures Co., Ltd.	Wholly-owned subsidiary	Commodity futures brokerage, financial futures brokerage and futures investment consulting service	1,000,000,000	8,554,495,957.76	1,208,484,084.81	41,047,558.48
Hongyuan Huifu Capital Co., Ltd.	Wholly-owned subsidiary	Entrepreneurship investment, entrepreneurship investment consulting service, provision of entrepreneurial management service for start-up enterprises and participation in setting up entrepreneurial investment enterprises and entrepreneurial investment management advisory institutions	500,000,000	1,092,949,809.44	567,062,867.75	249,196.23
Shenwan Hongyuan Securities (Western) Co., Ltd.	Wholly-owned subsidiary	Securities brokerage, securities investment consulting, margin financing and securities lending, agency sales of financial products and securities proprietary business	4,700,000,000	12,659,990,909.95	7,087,264,051.86	234,943,597.54
Shenwan Hongyuan Financing Services Co., Ltd.	Wholly-owned subsidiary	Securities underwriting and sponsoring and financial advisory	1,000,000,000	1,657,621,696.48	1,467,146,305.49	69,406,747.08
Shenyin & Wanguo Alternative Investment Co., Ltd.	Wholly-owned subsidiary	Investment management, consulting service, advisory services and other innovative services	1,000,000,000	1,335,331,038.32	1,326,418,659.66	9,534,705.59

Section IV Operation Discussion and Analysis (continued)

Unit: RMB

Name of Companies	Type of Companies	Principal Businesses	Registered Capital	Total Assets	Net Assets	Net Profit
Shenwan Futures Co., Ltd.	Controlling subsidiary	Commodity futures brokerage, financial futures brokerage, futures investment consulting service and assets management	1,119,371,400	12,716,243,044.98	2,439,784,613.07	60,993,549.88
Shenyin & Wanguo Investment Co., Ltd.	Wholly-owned subsidiary	Use proprietary funds for equity investment in domestic enterprises; provide customers with financial advisory service for equity investment to clients, set up direct investment funds, raise and manage client funds for equity investment, under the premise of effectively controlling risks and maintaining liquidity and for the cash management purpose, invest idle funds in treasury bonds, investment-level corporate bonds, monetary market funds, central bank bills and other securities publicly issued as required by law with low risk and strong liquidity, as well as securities investment funds, collective assets management schemes or special assets management schemes, and other businesses permitted by the CSRC	500,000,000	798,147,675.57	602,962,004.05	9,406,177.82
Shenwan Hongyuan (International) Holdings Limited	Controlling subsidiary	Investment holdings	HK\$2,253,398,812.18	HK\$9,179,291,221.06	HK\$4,302,205,610.05	HK\$84,177,352.17
SWS MU Fund Management Co., Ltd.	Controlling subsidiary	Fund raising, fund sales, assets management and other businesses permitted by the CSRC	150,000,000	968,609,252.29	848,082,243.45	30,800,280.51
SWS Research Co., Ltd.	Controlling subsidiary	Securities investment consulting, enterprises investment consulting, corporate planning, development and sales of information software, transfer of information results, information technology consulting services, securities talents training, information collection, processing and release, economic information services, information system integration (the special projects are operated according to the relevant licenses or approval opinions)	20,000,000	45,785,807.43	28,135,141.88	(50,966,835.18)

Note: The relevant registration procedures for industrial and commercial changes of Shenwan Hongyuan Securities Co., Ltd. are in progress.

Section IV Operation Discussion and Analysis (continued)

(II) Joint Ventures

Unit: RMB

Name of Companies	Type of Companies	Principal Businesses	Registered Capital	Total Assets	Net Assets	Net Profit
Fullgoal Fund Management Co., Ltd.	Joint venture	Fund raising, fund sales, assets management, etc.	520,000,000	4,803,067,069.81	3,535,483,417.40	383,300,528.02
Horgos Tianshan No. 1 Industrial Investment Fund Limited Partnership	Joint venture	Equity investment, industrial investment and related investment consulting and management services (for the projects subject to approval according to law, they can be carried out only after upon approval by relevant departments)	1,510,000,000	2,677,495,104.31	1,136,429,296.99	8,695,741.98

(III) Acquisition and disposal of subsidiaries, branch companies and securities branches during the Reporting Period

1. During the Reporting Period, the Company did not dispose any subsidiaries or branch companies.
2. Acquisition and disposal of subsidiaries, branch companies and securities branches by Shenwan Hongyuan Securities, a subsidiary of the Company, during the Reporting Period:

Shenyin & Wanguo Alternative Investment, a wholly-owned subsidiary of Shenwan Hongyuan Securities, transferred all its shares in Shenyin & Wanguo Innovation Capital Management Co., Ltd. to Hongyuan Huizhi. Upon completion of the share transfer, Shenyin & Wanguo Innovation Capital Management Co., Ltd. remained within the scope of consolidation of the Company and therefore had no significant impact on the operation and performance of the Company.

3. During the Reporting Period, the establishment and cancellation of the branch companies and securities branches Shenwan Hongyuan Securities are as follows:
 - (1) During the Reporting Period, Shenwan Hongyuan Securities did not establish or cancel any branch companies.
 - (2) During the Reporting Period, Shenwan Hongyuan Securities established a total of three new securities branches: Guangzhou Zengcheng Xintang Fenghuang North Road Securities Branch (廣州增城新塘鳳凰北路營業部), Zhangjiagang Renmin East Road Securities Branch (張家港人民東路營業部) and Changsha Xiangjiang New District Chazishan Road Securities Branch (長沙湘江新區茶子山路營業部).
 - (3) During the Reporting Period, Shenwan Hongyuan Securities closed down a securities branch: Hangzhou Wenyi West Road Securities Branch (杭州文一西路證券營業部).

VII. THE STRUCTURED ENTITIES UNDER CONTROL OF THE COMPANY

The Company manages or invests in a number of structured entities, mainly including funds, the wealth management products of banks, asset management schemes and trust schemes. In order to assess whether the Company has control over the structured entities, it mainly considers the activities that are included in the purpose and design of the structured entities, the aggregated economic interest (including the gain from holding a direct investment and expected remuneration) set out in the contractual arrangement, as well as the scope of decision making authority over the structured entities. If the Company determined that it has power over, has exposure to variable returns from its involvement with, and has ability to use its power to affect the amount of its returns from the structured entities, it will include the structured entities in the consolidated financial statement as the Company has control over the structured entities.

As at 30 June 2019 and 31 December 2018, the net assets of the consolidated asset management products are RMB15,498,388 thousand and RMB13,641,596 thousand respectively. As of June 30, 2019 and December 31, 2018, the Company considered that the above structured entities were controlled by the Company, and included them into its consolidated financial statements.

VIII. USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE

In order to meet the Company's business development needs and further enhance its corporate governance and core competitiveness, the Company issued H Shares and such H Shares were listed and traded on the Main Board of the Hong Kong Stock Exchange on April 26, 2019, as approved by the "Reply Regarding Approval for Issuance of Overseas Listed Foreign Shares by Shenwan Hongyuan Group Co., Ltd." (Zheng Jian Xu Ke [2019] No. 393) issued by the CSRC in March 2019 and by the Hong Kong Stock Exchange. The total number of the H Shares issued under the public offering and the international offering was 2,504,000,000 shares, the offer price was HK\$3.63 per share. The total amount of proceeds actually raised (the total share subscription amount less the issuance fee) was HK\$8.8699 billion. The closing price of H Shares on the first listing day (April 26, 2019) was HK\$3.20 per share.

According to the H Share prospectus of the Company, approximately 50% of the net proceeds from issuance of the H Shares will be used for the development of securities businesses, approximately 30% for principal investments and approximately 20% for further development of international business. As of June 30, 2019, the use of proceeds raised by issuance of the H Shares is as follows: the Company made an exchange settlement of HK\$7,023,200,000.00 (equivalent to RMB6,163,153,360.00). According to the intended use of approximately 50% of the net proceeds from issuance of H Shares for the development of securities businesses, the relevant matter on injecting RMB4 billion into the registered capital of its securities subsidiary Shenwan Hongyuan Securities was considered and approved at the 41st meeting of the fourth session of the Board of Directors of the Company. Upon completion of such capital increase, the registered capital of Shenwan Hongyuan Securities was increased from RMB43 billion to RMB47 billion. At present, the relevant registration procedures for industrial and commercial changes are in progress. The use of proceeds under the Company's H Share proceeds plan was consistent with the disclosures in the prospectus during the Reporting Period. The Company will continue to use the proceeds raised from the issuance of H Shares in accordance with its development strategy, the market conditions and H Share proceeds utilization plan.

Section IV Operation Discussion and Analysis (continued)

IX. ESTIMATION OF OPERATING RESULTS FOR THE PERIOD FROM JANUARY TO SEPTEMBER 2019

At present, Shenwan Hongyuan carries out its securities business through its subsidiary Shenwan Hongyuan Securities and its subordinates Shenwan Hongyuan Securities (Western) and Shenwan Hongyuan Financing Services. As the securities business is greatly vulnerable to market impacts, it is therefore impractical to accurately predict the Company's operating results for the next reporting period. The Company will make timely disclosures after the end of the next reporting period.

X. RISKS FACED BY THE COMPANY AND ITS COUNTERMEASURES

(I) Risk Factors Faced by the Company During the Reporting Period

In the first half of 2019, due to the continuing downward pressure on the domestic macro-economy, the complicated and changeable international situation, the tightening financing environment and accumulating credit risk, the business pattern in the industry has undergone certain changes, and the supervision of the securities industry continued to intensify. In this context, the operation and management risks faced by the Company became more complicated. Combined with the macroeconomic situation, industry development trend, regulatory environment and its own conditions, the Company's major risk factors are mainly legal compliance risk, market risk, credit risk, liquidity risk and operational risk.

1. Legal compliance risk

The Company generally has a low tolerance for legal compliance risk. In the first half of 2019, the Company actively monitored the regulatory changes, conscientiously implemented various new regulatory requirements, improved the legal compliance management system, strengthened the construction of a legal compliance personnel team and the compliance culture. On the other hand, the Company actively strengthened the legal compliance review on various processes of business operations, earnestly carried out such legal compliance work including compliance consulting, compliance monitoring, compliance inspection, compliance promotion and training, anti-money laundering, Chinese Wall, litigation and arbitration, so as to ensure the legal and compliant operation of its businesses. During the Reporting Period, the legal compliance risk was generally controllable.

In response to the current regulatory situation and market environment, considering its business characteristics, the Company has taken and intends to take various measures, including but not limited to: (1) improving the construction of legal compliance personnel team; (2) strengthening compliance propaganda and training to standardize employee practices; (3) strictly implementing new regulatory requirements to further strengthen compliance inspections and risk prevention in key areas, and paying close attention to anti-money laundering work; and (4) properly responding to and dealing with complaints and disputes.

2. Market risk

The Company generally has a medium-plus tolerance for market risk. The market risk exposure is mainly concentrated in the proprietary investment business, assets management business with self-owned funds and other businesses.

Section IV Operation Discussion and Analysis (continued)

In response to the market risk, the Company has established a risk limit grading and authorization mechanism. The Board of Directors has set its risk tolerance, the size limit for large-scale asset business and the loss limit for market risk. The management has refined and formulated the implementation plan in respect of the above risk tolerance rules. The compliance risk control department of the Company conducted the comprehensive risk assessment and monitoring of the overall market risk of the Company.

At the end of the Reporting Period, the VaR (95% for one day) of the proprietary investment business of Shenwan Hongyuan Securities was RMB136 million as a whole. Among which, the VaR (95% for one day) of the equity proprietary business (excluding the return swaps entered into with the China Securities Finance Corporation Limited) was RMB90 million, while the VaR (95% for one day) of the fixed income proprietary business was RMB63 million.

In the second half of 2019, it is predicted that there will be high uncertainty in the domestic and international economic situation, the interest rate and exchange rate of major economies and the securities markets, and the Company's market risk management will face greater challenges. In response to this, the countermeasures taken and to be taken by the Company include: (1) formulating a clear corporate risk appetite and risk tolerance transmission mechanism, and strictly implementing the risk tolerance requirements of proprietary investments, assets management with self-owned funds and other businesses; (2) establishing a quantitative risk indicator assessment system, including risk measurement indicators such as VaR, beta, volatility, interest rate basis point value, duration and investment concentration, and utilizing a combination of various methods or tools such as stress test and sensitivity analysis for measurement and assessment; (3) conducting dynamic monitoring and graded pre-warning of risk control indicators and taking effective countermeasures on a timely basis; (4) actively expanding OTC derivatives trading, strategic trading and other businesses, and utilizing the derivative financial instruments such as stock index futures, commodity futures, interest rate swaps and options for risk hedging; and (5) prior to the launch of major investment projects, strictly carrying out the project feasibility analysis, and having the compliance risk control department to issue risk assessment reports independently.

3. Credit risk

The Company generally has a medium tolerance for credit risk. Credit risk exposure mainly existed in the areas of financing business (margin financing and securities lending, stock repurchases and stock-backed lending), fixed-income proprietary business, OTC derivatives trading business and bond investment.

Financing business: with the increasing downward pressure on the macro-economy and the further implementation of the financial deleveraging policy, the credit risk would continue to accumulate and be exposed, and certain stock-backed lending projects also underwent substantive default. During the Reporting Period, the Company actively adjusted and scaled back its stock-backed lending business to contract the credit risk exposure. As a result, the main regulatory indicators and important internal control indicators of our financing business satisfied the prescribed standards.

Section IV Operation Discussion and Analysis (continued)

Fixed-income proprietary business: the credit rating and the bond issuers' rating of the fixed income proprietary bond investment carried out by the Company met the internal risk limit indicators, and the Company increased the proportion of its positions in high-grade credit bonds. The Company effectively prevented the bond default risk by continuously tracking the corporate credit rating and debt rating and strengthening its risk monitoring capability.

OTC derivatives trading business: the Company's OTC derivatives trading risk exposure was small. The Company set the deposit ratio and trading size limit for its trading counterparties, and controlled its trading counterparties' credit risk exposure through daily mark-to-market, margin calls and other means.

Bond investment business: the Company earnestly conducted due diligence investigation on projects to obtain first-hand information for materials review and data calculation, set out requirements on the credit rating of borrowers or guarantors, the security and pledge rate of collaterals and the rating agencies and assessment agencies and set the concentration limit of the same trading counterparty, same industry and same geographic area. The Company strictly followed the project grading assessment mechanism to assess various risk factors diligently, and strictly adhered to the threshold criteria. The Company continued to monitor the post-investment projects, regularly classified risks and took effective measures against potential risks on a timely basis.

In the second half of 2019, with the increasing downward pressure on the macro-economy and the further implementation of the financial deleveraging policy, the credit risk would continue to accumulate and be exposed, and the probability of credit default may increase. In this regard, the countermeasures taken and to be taken by the Company include: (1) actively promoting the "same customer" management, establishing a credit risk internal rating system and strengthening the customer credit risk management and control; (2) further improving the risk assessment and analysis of financing entities and collaterals, strengthening the project duration management, and continuously optimizing the credit risk management system, while promoting the negative information management of credit risk and standardizing the unified negative information management mechanism of financing entities and trading counterparties to improve the capability of credit risk management and control; (3) strictly setting the threshold criteria such as debt rating and corporate credit rating for the bond proprietary business, and conducting the pre-verification of the transaction method, the credit grade and type of bonds, the size of single bond and trading concentration; (4) improving the establishment of the OTC derivatives business system, setting the rating and threshold criteria for trading counterparties and improving the risk limit indicators and pre-approval criteria; (5) continuously strengthening the review and duration management of asset securitization and other non-standard projects, closely tracking project status and timely taking countermeasures when identifying potential risks; and (6) for the credit risk occurred in individual projects, establishing a risk project disposal team to closely monitor its development, and actively studying and formulating countermeasures to manage such risk properly, so as to ensure that the credit risk is under control.

4. Liquidity risk

The Company generally has a medium-minus tolerance for liquidity risk. For the liquidity risk, on the one hand, the Company continuously improved its liquidity reserve management system, strengthened

Section IV Operation Discussion and Analysis (continued)

the total amount and structure management of high-quality liquidity assets and had relatively sufficient liquidity reserve; on the other hand, taking into consideration the macro market environment, the Company reasonably adjusted the proportion of assets with various maturity periods, balanced the distribution of debt maturities, increased the diversity of financing channels, optimized the structure of liability maturities and carried out the liquidity risk emergency plan drills, thus effectively preventing the occurrence of liquidity risk. During the Reporting Period, the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) of the liquidity regulatory indicators of Shenwan Hongyuan Securities met the regulatory standards.

In the second half of 2019, considering that PBOC will continue to implement its prudent monetary policy, the credit stratification of financial institutions may be intensified and the structural liquidity risk in the market is more likely to be triggered, the Company's liquidity risk management work will face certain challenges. In response, the countermeasures taken and to be taken by the Company include: (1) making comprehensive capital planning and maintaining sufficient liquidity reserve; (2) actively expanding the scope of cooperative financial institutions, enriching liquidity management tools and improving the management capabilities of quality liquidity assets and debt financing; (3) strengthening the dynamic monitoring of liquidity risk status, continuously tracking and evaluating the information including liquidity regulatory indicators, cash flow gap, liquidity reserve and corporate financing capability, and carrying out liquidity risk pre-warning work; (4) increasing the frequency of stress test of liquidity risk, improving and optimizing situation setting, and improving the capability to measure and deal with liquidity impact; and (5) improving the Company's capabilities to report and handle liquidity risk emergency and respond to liquidity crisis by conducting liquidity risk emergency drills.

5. Operational risk

The Company generally has a medium-minus tolerance for operational risk. Operational risk exists in the Company's various business processes and operation management, mainly due to factors such as ineffective internal implementation, imperfect procedures, personnel errors, system defects or external events. During the Reporting Period, certain operational risk events were triggered in the Company due to external events, personnel errors and system defects, and individual incidents triggered customer complaints and claims. Upon the occurrence of the risk events, the Company actively took countermeasures and endeavored to defuse the risk, well ensuring the normal business operation of the Company. At the same time, the Company adopted the measures including optimization of business processes, improvement of system defects, business training and enhancement of review management, to prevent the reoccurrence of similar risk incidents.

In the second half of 2019, with the launch of the STAR Market and its listing and trading, new regulatory policies will be continuously introduced and the business models tend to be increasingly complicated. The Company's operational risk management will still face great challenges. In this regard, the countermeasures taken and to be taken by the Company include: (1) continuing to improve the three defence lines of "business control, risk monitoring and internal audit", and continuously strengthening the capability of each risk management defence line; (2) perfecting the operational risk assessment mechanism, and continuously improving the operational risk management level;

Section IV Operation Discussion and Analysis (continued)

(3) strengthening the analysis of the causes of operational risk events, and formulating the effective rectification plans to avoid the reoccurrence of risk events; (4) strengthening employee business training, improve business review mechanism, clarifying job responsibilities, and continuously improving employee business capabilities; and (5) strengthening the information system risk assessment and properly conducting daily monitoring of information systems, while strengthening system upgrading test and effectiveness verification to avoid the operational risk events caused by inadequate system upgrading test.

(II) Countermeasures for New Risk Factors during the Reporting Period

With the deepening of financial reforms and the continuous launch of financial innovation businesses, the product/business innovation risk became more apparent as innovations in the capital market accelerated. The innovative businesses are totally new and unique. The Company should obtain a comprehensive understanding and improve business processes, strengthen risk management and professional staffing, and take into consideration both business development and risk control, so as to ensure that the innovation risk is within a tolerable range.

In January 2019, Shenwan Hongyuan Securities established a new product and innovation business committee, and formulated the relevant work rules to regulate the verification of the Company's innovative businesses and coordinate the operation of cross-line innovative businesses. All innovative businesses need to be equipped with corresponding rules, systems and personnel, and can be carried out only after being reviewed and approved by the committee. The Company added the risk monitoring and pre-warning of innovative businesses to the daily risk management work, and dynamically adjusted the control threshold based on business operation situation. At the initial development stage of new products and businesses, the risk management department was simultaneously involved in the development of new products and businesses.

XI. OPERATING PLAN AND THE RELEVANT MEASURES FOR THE NEXT REPORTING PERIOD

During the second half of 2019, by following closely the state's major reform measures such as the Guangdong-Hong Kong-Macao Greater Bay Area and the pilot registration system of the STAR market, the Company will further optimize the top-down design and the overall business layout, and effectively improve the professional and market-oriented business and management systems to spare no efforts to achieve the target of the whole year and promote the continuous improvement of the Company's operating ability. Firstly, the Company will expand and strengthen the development strength of its principal business lines, and make Shenwan Hongyuan a stronger and better brand, so as to enhance its position in the industry and market influence. Secondly, the Company will put emphasis on improving its customer system, product system and operation system in order to create more favorable conditions for the Company's comprehensive high-quality development. Thirdly, the Company will accelerate the construction of a high-quality and professional team and fully arouse the enthusiasm, initiative and creativity of the majority of cadres and employees. Fourthly, the Company will further consolidate the foundation of compliance risk control, actively adapt itself to the new trend of financial supervision and industry development, and take the initiative to build a risk management system at group level with full coverage and high penetration.

Section V Significant Events

I. CORPORATE GOVERNANCE

The Company has completed the initial public offering of H Shares on April 26, 2019 and became listed on the Main Board of the Hong Kong Stock Exchange. As an “A+H” listed company, the Company continuously adheres to standard operation as its value. It has improved from time to time its corporate governance structure in strict compliance with laws, regulations and regulatory documents applicable in places where the shares of the Company are listed. The general meeting, Board of Directors, Board of Supervisors and the management of the Company perform their respective duties, and have fully fulfilled their obligations and responsibilities. Compliance operation of the Company has been continuously enhanced to ensure business development in a sustainable and normative manner. Such operations include, among others, the establishment and improvement of the corresponding systems, optimization and improvement of internal organizational structure and authorization management system. Currently, the Company has formulated the Rules of Procedure of the General Meeting, the Rules of Procedure of the Board of Directors, the Rules of Procedure of the Board of Supervisors, the Management Policy of Related Party Transactions, the Internal Control Policy, the Internal Control Evaluation Policy, the Internal Audit Policy, the Finance Management Policy, the Accounting Policy and the working rules of the committees of the Board of Directors as the foundation of compliance operation, pursuant to relevant laws and regulations, such as the Company Law, the Securities Law and regulations of the places in which the shares of the Company are listed and the Articles of Association. During the Reporting Period, the Company has strictly followed all the provisions under the CG Code, and satisfied the requirements of most of the recommended best practices set out in the CG Code. The Model Code has been adopted by the Company as the code of conduct regarding the security transactions of the directors and the supervisors. As of the end of the Reporting Period, after making specific enquiries, the Company confirmed that each of the directors and supervisors of the Company has complied with the standards set out in the Model Code throughout the Reporting Period.

II. GENERAL MEETINGS HELD DURING THE REPORTING PERIOD

(I) On January 14, 2019, the Company convened the first A Shares extraordinary general meeting of 2019 to consider and approve the following resolutions:

1. The Resolution Regarding the Election of Non-independent Director (the appointment of Mr. Wang Fengchao);
2. The Resolution Regarding the Non-public Issuance of Corporate Bonds by Shenwan Hongyuan Group Co., Ltd. (voted item by item).

For details of the resolutions considered at the meeting, please refer to the information disclosed in China Securities Journal, Securities Times, Shanghai Securities News dated January 15, 2019 as well as the website of Cninfo at www.cninfo.com.cn.

(II) On February 20, 2019, the Company convened the second A Shares extraordinary general meeting of 2019 to consider and approve the following resolutions:

1. The Resolution Regarding the Election of Independent Director (the appointment of Ms. Yang Qiumei);
2. The Resolution Regarding the Amendment to the Rules of the Independent Non-executive Directors of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares;

Section V Significant Events (continued)

3. The Resolution Regarding the Amendment to the Management Rules of the Raised Proceeds of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares;
4. The Resolution Regarding the Amendment to the Management Rules of Related Party Transactions of Shenwan Hongyuan Group Co., Ltd. Applicable upon Issuance of H Shares;
5. The Resolution Regarding the Amendment to the Management Rules of External Guarantee of Shenwan Hongyuan Group Co., Ltd. Applicable upon the Issuance of H Shares.

For details of the resolutions considered at the meeting, please refer to the information disclosed in China Securities Journal, Securities Times and Shanghai Securities News dated February 21, 2019, as well as the website of Cninfo at www.cninfo.com.cn.

(III) On March 21, 2019, the Company convened the A Shares annual general meeting of 2018 to consider and approve the following resolutions:

1. The Resolution of Considering the 2018 Working Report of the Board of Directors of the Company;
2. The Resolution of Considering the 2018 Working Report of the Board of Supervisors of the Company;
3. The Resolution of Considering the 2018 Annual Financial Report of the Company;
4. The Resolution of Considering the 2018 Profit Distribution Plan of the Company;
5. The Resolution of Considering the 2018 Annual Report of the Company and the Summary Thereof;
6. The Resolution of Considering the Plan of Granting Authorization by the General Meeting to the Board of Directors of Shenwan Hongyuan Group Co., Ltd. (2019);
7. The Resolution Regarding the Forecast of the Related Party Transactions in the Ordinary Course of Business in 2019;
8. The Resolution Regarding the Conclusion of the Frame Agreement with China Jianyin Investment Ltd. (中國建銀投資有限責任公司) in Relation to Securities, Financial Products, Transactions and Service;
9. The Resolution Regarding the Provision of Guarantee for Hongyuan Hengli (Shanghai) Industrial Co., Ltd. (宏源恆利(上海)實業有限公司);
10. The Resolution Regarding the Election of Non-independent Directors (the appointments of Ms. Ge Rongrong, Mr. Ren Xiaotao and Mr. Yang Wenqing).

For details of the resolutions considered at the meeting, please refer to the information disclosed in China Securities Journal, Securities Times and Shanghai Securities News dated March 22, 2019, as well as the website of Cninfo at www.cninfo.com.cn.

III. PROFIT DISTRIBUTION PLAN AND PLAN FOR CONVERSION OF CAPITAL RESERVE INTO SHARE CAPITAL DURING THE REPORTING PERIOD

The Company did not plan to distribute cash dividend, issue bonus shares or convert any capital reserve into share capital for the interim period.

IV. UNDERTAKINGS

(I) Undertakings Overdue and Unaccomplished

There is no undertaking that exceeded the time limit and unaccomplished by the actual controller, shareholders, related parties, acquirers and the Company and other related parties as of the end of the Reporting Period.

(II) Undertakings Accomplished

On February 14, 2019, 2,506,295,012 A Shares subject to selling restrictions held by six A shareholders of the Company were unlocked in circulation, accounting for 11.1213% of the total issued A Shares of the Company.

The shareholders applying for unlocking the aforesaid A Shares subject to selling restrictions have strictly performed the relevant undertakings. For details, please refer to the Announcement Regarding the Release of Certain Lock-up Shares published in China Securities Journal, Securities Times and Shanghai Securities News dated February 12, 2019, as well as the website of Cinfo at www.cninfo.com.cn.

V. APPROPRIATION OF NON-BUSINESS CAPITAL ON THE COMPANY BY THE CONTROLLING SHAREHOLDER AND RELATED PARTIES

During the Reporting Period, the controlling shareholder and its related parties did not have any appropriation of non-business capital on the Company.

VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

There is no dismissal of accounting firms by the Company during the Reporting Period.

VII. MATERIAL LITIGATION AND ARBITRATION

(I) Overall Situation

During the Reporting Period, the Company had no material litigation or arbitration of which the respective amount exceeds 10% of the absolute value of the latest audited net assets of the Company, and the aggregated amount of the litigation and arbitration in the past twelve months does not exceed 10% of the absolute value of the latest audited net assets of the Company.

(II) Relevant litigation and arbitration of the Company and its subsidiaries (excluding Shenwan Hongyuan Securities) during the Reporting Period

The case of liquidation liability dispute raised by Shanghai Metallurgical Engineering Construction Co., Ltd. (上海冶金工程建設有限公司) (“Shanghai Metallurgical”) against the Company

On October 13, 2015, the Company received the subpoena and civil complaint from the People’s Court of Pudong New District of Shanghai. The plaintiff, Shanghai Metallurgical, alleged that the case of the entrusted investment dispute with Shanghai Wanguo Investment Consultancy Service Co., Ltd. (上海萬國投資諮詢服務有限公司) (“Wanguo Company”) had reached a civil judgment coded (1997) Hu Yizhong Jing Chu Zi Order No. 514 (滬一中經初字第514號民事判決書) and issued by Shanghai No. 1 Intermediate People’s Court,

Section V Significant Events (continued)

pursuant to which, Wanguo Company shall refund the amount of RMB5.50 million and compensate the relevant interest accrued thereon to the plaintiff. After the entry into force of the judgment, Wanguo Company refused to execute the judgment. The plaintiff therefore applied for mandatory enforcement to Shanghai No. 1 Intermediate People's Court which decided to terminate the enforcement procedure. On May 5, 1999, the business license of Wanguo Company was revoked. Since the defendant was a shareholder of Wanguo Company, the plaintiff repeatedly required the defendant to make the liquidation but failed. As a result, the plaintiff believed that the defendant, as the shareholder of Wanguo Company, was reluctant to perform the liquidation obligation after the business license of Wanguo Company had been revoked, and shall bear joint and several liability in respect of the amount owed by Wanguo Company. The plaintiff requested the court to order the defendant to pay RMB7,182,778.4 as compensation, together with the interest accrued based on the amount of compensation at the default interest rate on overdue loan for the concurrent period of People's Bank of China from April 18, 1998 to the actual payment date, which aggregated to approximately RMB15.40 million. The People's Court of Pudong New District of Shanghai heard the case and made the first instance ruling on February 18, 2016, which rejected the action filed by Shanghai Metallurgical. Later, the plaintiff made an appeal for the case and the Shanghai No. 1 Intermediate People's Court issued the second instance ruling which rescinded the first instance ruling and the People's Court of Pudong New District of Shanghai was asked to hold a hearing for this case. In February 2017, the People's Court of Pudong New District ruled that the plaintiff was permitted to apply for withdrawal. The Company received another complaint from Shanghai Metallurgical requesting the Court to order the Company to assume the relevant debt principal of RMB7,182,778.4, the interest of RMB29,020,642.25 and the liquidation and publication fees of RMB12,400, which amounted to approximately RMB36,215,820 in total. In July 2017, as Shanghai Metallurgical failed to prepay the litigation fee as scheduled, the People's Court of Pudong New District of Shanghai ruled that the case was deemed as withdrawal of the action.

In 2018, the Company received a further complaint from Shanghai Metallurgical, which required the People's Court of Xinshi District of Urumqi to order the Company to bear the liability including the debt principal of RMB7,182,778.4, the relevant interest accrued thereon and the liquidation and publication fee of RMB12,400. This case was heard in March 2018. After the hearing, the Court made a ruling to reject the claim by Shanghai Metallurgical Engineering Construction Co., Ltd. at last. Not convinced by the first instance judgment, Shanghai Metallurgical appealed. In October 2018, as Shanghai Metallurgical failed to prepay the case acceptance fee as scheduled, the Intermediate People's Court of Urumqi ruled that the case was deemed as withdrawal of the action.

In July 2019, Shanghai Metallurgical applied for retrial at the Intermediate People's Court of Urumqi, requesting the Court to revoke the original civil judgment, bring the case to trial or revert for retrial by laws, and change the order as follows: the Company shall bear the relevant debt principal of RMB7,182,778.4, the liquidation and publication fees of RMB12,400 and the relevant litigation costs. Urumqi Intermediate People's Court rejected the appeal of Shanghai Metallurgical Engineering Construction Co., Ltd. in August.

(III) Relevant litigation and arbitration of Shenwan Hongyuan Securities (a subsidiary of the Company) and its subsidiaries during the Reporting Period

The case of a sales contract dispute raised by Shanghai Zhuxin Industrial Co., Ltd. (上海築欣實業有限公司) against Shenyin & Wanguo Zhifu Investment Co., Ltd. (申銀萬國智富投資有限公司)

Shanghai Zhuxin Industrial Co., Ltd. and Shenyin & Wanguo Zhifu Investment Co., Ltd. entered into two Entrusted Procurement Agreements on December 30, 2014 and January 12, 2015, respectively, pursuant to which, Shanghai Zhuxin Industrial Co., Ltd. entrusted Shenyin & Wanguo Zhifu Investment Co., Ltd. to purchase 30,000 tons of coke through the method of exchange for physicals. During the performance of the agreements, the two parties disagreed in respect of whether Shenyin & Wanguo Zhifu Investment Co., Ltd. had performed the obligation to transfer the title of goods according to the agreements. In August 2018, Shenyin & Wanguo Zhifu Investment Co., Ltd. received a complaint and a subpoena from the Court, in which Shanghai Zhuxin Industrial Co., Ltd. demanded Shenyin & Wanguo Zhifu Investment Co., Ltd. to deliver 30,000 tons of coke and assume the relevant default liability. On June 14, 2019, Shenyin & Wanguo Zhifu Investment Co., Ltd. received the first instance judgment issued by the Court dated June 5, 2019, which ordered the defendant to deliver 30,000 tons of coke to Shanghai Zhuxin Industrial Co., Ltd. within 30 days commencing from the date when the judgment came into effect. Shenyin & Wanguo Zhifu Investment Co., Ltd. had already appealed to Shanghai No. 1 Intermediate People's Court on June 27, 2019. As of now, the second instance of this case has not yet been in session.

(IV) The latest development of the historical cases of Shenwan Hongyuan Securities (a subsidiary of the Company, which is referred to as the “company” in this sub-section for the purpose of being clear and concise) during the Reporting Period

1. The case of the dispute over pledged securities repurchase raised by the company against Hunan High-tech Chuangtou Fortune Management Co., Ltd. (湖南高新創投財富管理有限公司)

In July 2016, the company entered into an agreement on pledged securities repurchase with Hunan High-tech Chuangtou Fortune Management Co., Ltd. (“Hunan High-Tech Chuangtou”), pursuant to which, the two parties would proceed pledged securities repurchase transaction with the company being the lender and Hunan High-Tech Chuangtou being the borrower, respectively. Pursuant to the provisions of the agreement, Hunan High-Tech Chuangtou was financed by the company with an aggregated amount of RMB250 million in five instalments with 72,340,000 shares of “New Wellful” (listed on the Shanghai Stock Exchange with the stock code of 600975) held by Hunan High-Tech Chuangtou as the subject of the pledge. On May 2, 2018, the collateral coverage ratio of Hunan High-Tech Chuangtou fell to 138.01% which was lower than the agreed lowest collateral coverage ratio of 140%, and Hunan High-Tech Chuangtou failed to perform the obligation to raise the collateral coverage ratio above minimum level; it also failed to pay the interest due in full as scheduled, and the pledged stocks were judicially frozen, which constituted an event of default by Hunan High-Tech Chuangtou. Therefore, the company filed a complaint with Shanghai Financial Court in August 2018, requesting Hunan High-Tech Chuangtou to bear the default liability. The principal of the subject matter under this litigation was RMB230,912,511.69. The company received from Hunan High-Tech Chuangtou the Application for Objection to the Jurisdiction in October 2018, and received the first instance decision in December 2018 in respect of the jurisdiction objection, under which the defendant's objection to the jurisdiction was rejected. On April 30, 2019, the two parties concerned reached an agreement of settlement outside of the Court, pursuant to which Hunan High-Tech Chuangtou had repaid the principal and interest to the company under the agreement. The company applied for withdrawal of the case with Shanghai Financial Court on May 8, 2019, and it received the decision from Shanghai Financial Court on May 21, 2019 granting the withdrawal by the plaintiff. The case was closed.

Section V Significant Events (continued)

2. The case of the dispute over the pledged securities repurchase raised by the company against Jiangyin Zhongnan Heavy Industry Group Co., Ltd. (江陰中南重工集團有限公司)

In March 2017, the company entered into a pledged securities repurchase agreement with Jiangyin Zhongnan Heavy Industry Group Co., Ltd. (“Zhongnan Heavy Industry”), pursuant to which, the two parties would proceed stock-pledged repurchase transaction with the company and Zhongnan Heavy Industry as the lender and borrower respectively. Pursuant to the agreement, Zhongnan Heavy Industry intended to be financed by the company at an amount of RMB50.0 million with 5,850,000 shares of “Zhongnan Culture” (listed on the Shenzhen Stock Exchange with the stock code of 002445) held by Zhongnan Heavy Industry as the subject of the pledge. Later, Zhongnan Heavy Industry provided the company with 2,150,000 shares additionally as the supplemental pledge, which increased the total number of “Zhongnan Culture” pledged by Zhongnan Heavy Industry to the company to 8,000,000 shares (which was then increased to 13,600,000 shares after implementation of stock dividend and conversion), and these shares all had pledge registration. On June 12, 2018, the collateral coverage ratio of Zhongnan Heavy Industry fell to 133% which was lower than the agreed lowest collateral coverage ratio of 140%. Zhongnan Heavy Industry failed to perform the obligation to raise the collateral coverage ratio above the minimum level, and it also failed to pay the interest due in full as scheduled, which constituted an event of default.

The company filed a complaint against Zhongnan Heavy Industry with Shanghai Financial Court in August 2018, requesting the defendant to bear the default liability. The principal of the subject matter under this litigation was RMB50,000,000. Shanghai Financial Court issued the first instance judgment on February 28, 2019, which determined as follows: (1) Zhongnan Heavy Industry shall pay the company the principal of RMB50,000,000, the relevant interests accrued thereon and liquidated damages within ten days from the date when the judgment came into effect; (2) where Zhongnan Heavy Industry fails to perform the payment obligation under the aforesaid item (1), the company may negotiate with Zhongnan Heavy Industry whether to discount the 13,600,000 shares of “Zhongnan Culture” and the cash dividends, or to indemnify itself in priority with the consideration acquired through auction or sales of the pledged property. For discount, auction or sales of the pledged property, the amount exceeding the payment obligation mentioned in item (1) above shall belong to Zhongnan Heavy Industry, while the shortfall shall be supplemented by Zhongnan Heavy Industry. Though the first instance judgment had come into effect, Zhongnan Heavy Industry did not perform the relevant obligation of payment, thus the company turned to the Court applying for enforcement. As of the end of the Reporting Period, the case is in the procedure of mandatory enforcement.

3. The case of the dispute over pledged securities repurchase raised by the company against Peng Peng and Wei Yueping

From August to September 2016, the company entered into a pledged securities repurchase agreement with Peng Peng, pursuant to which, the two parties would proceed stock-pledged repurchase transaction with the company and Peng Peng as the lender and borrower, respectively. Pursuant to the provisions of the agreement, Peng Peng was financed by the company with an aggregated amount of RMB130 million in two instalments with a total of 26,000,000 shares of “OTMC” listed on the Shenzhen Stock Exchange, (stock code: 002175) held by Peng Peng as the subject of the pledge. Wei Yueping, as the spouse of Peng Peng, consented in writing to the above transaction of

Section V Significant Events (continued)

Peng Peng in advance in August 2016, and she indicated in writing that she was willing to assume the relevant financing liability together with Peng Peng in 2017. Later, Peng Peng provided the company with supplemental pledges of a total of 5,000,000 shares of “OTMC” additionally as supplemental pledges. After the release of the pledge of part of the shares, the company was still entitled to the right of pledge over 30,999,990 shares of “OTMC” held by Peng Peng. On April 17, 2018, the closing price of “OTMC” declined to RMB5.6 per share, which caused the collateral coverage ratios of two transactions under the agreement to be lower than the agreed lowest collateral coverage ratio. Besides, Peng Peng and Wei Yueping failed to perform the obligation of raise the collateral coverage ratio above the minimum level, and they also failed to pay the interest due in full as scheduled, which constituted an event of default. The company filed a complaint with the Shanghai Financial Court in August 2018, requesting Peng Peng and Wei Yueping to bear the default liability. The principal of the subject matter under this litigation was RMB91,460,000. The first instance hearing of this case was held on March 22, 2019. The company received the first instance judgment on July 18, 2019, which determined as follows: (1) Peng Peng and Wei Yueping, as the defendants, shall jointly repay the company the repurchase amount of RMB91,460,000 and the relevant interests accrued thereon and liquidated damages within ten days from the date when the judgment came into effect; (2) where the defendants fail to perform the payment obligation under the aforesaid item (1), the company may negotiate with Peng Peng whether to discount the 30,999,990 shares of “OTMC” pledged, or to indemnify itself in priority with the consideration acquired through auction or sales of the pledged shares. For auction or sales of the pledged shares, the amount exceeding the creditor’s right shall belong to Peng Peng and Wei Yueping, while the shortfall shall be repaid by Peng Peng and Wei Yueping on an ongoing basis.

4. The case of the dispute over trust loan default raised by Shenyin & Wanguo Alternative Investment Co., Ltd. (申銀萬國創新證券投資有限公司) against Zhongke Construction and Development Corporation (中科建設開發總公司) and others

Shenyin & Wanguo Alternative Investment (as the trustor and beneficiary) entered into a trust contract with China Everbright Xinglong Trust Co., Ltd. (“Everbright Trust”, as the trustee) in 2016, pursuant to which, Shenyin & Wanguo Alternative Investment agreed to deliver to Everbright Trust the trust capital in the aggregated amount of RMB300 million and instructed the latter to grant trust loan to Zhongke Construction and Development Corporation. Zhongke Longxuan Engineering Project Management (Hai’an) Co., Ltd. (中科龍軒工程項目管理海安有限公司) (“Zhongke Longxuan”), as the pledgor, pledged to Everbright Trust its entitlement to every installment of accounts receivables from the Management Committee of Hai’an Economy and Technology Development Zone under the 2013 Hai’an Economy and Technology Development Zone Infrastructure Financing Construction Project Contract (《海安經濟技術開發區2013年基礎設施融資建設項目合同書》, hereinafter referred to as the “Contract”). Zhongke Construction and Development Corporation later failed to pay the relevant interest after being notified repeatedly, constituting an event of default. In September 2018, Everbright Trust issued the Early Loan Repayment Notice, declaring that all the principal and interest of the loan constituted acceleration on September 13, 2018. On the same day, Everbright Trust and Shenyin & Wanguo Alternative Investment agreed to terminate the trust contract, and Everbright Trust assigned to Shenyin & Wanguo Alternative Investment all of its rights under the creditor’s right and guarantee right.

Section V Significant Events (continued)

On September 18, 2018, Shenyin & Wanguo Alternative Investment filed a civil complaint to the Gansu High People's Court requesting the following judgments: (1) Zhongke Construction and Development Corporation shall repay Shenyin & Wanguo Alternative Investment a loan principal of RMB300 million and the accrued interest, the penalty interest and the attorney fee, and Zhongke Longxuan shall be jointly liable for the aforesaid petition; (2) Shenyin & Wanguo Alternative Investment shall be entitled to exercise the pledge right over the trade receivables, and entitled to be indemnified in priority by the trade receivables from the Management Committee of Hai'an Economy and Technology Development Zone pledged by Zhongke Longxuan to Shenyin & Wanguo Alternative Investment; (3) Zhongke Construction and Development Corporation, Zhongke Longxuan and the Management Committee of Hai'an Economy and Technology Development Zone shall be jointly responsible for all the litigation and preservation fees.

As of the end of the Reporting Period, the session of the case has not yet been commenced.

5. The case of the dispute over a housing demolition and relocation compensation agreement raised by the company against Shanghai Zhouxian Property Development Co., Ltd. (上海周賢房產開發有限公司) ("Zhouxian Property")

The company entered into a housing demolition and relocation compensation agreement with Zhouxian Property in May 2011, pursuant to which, Zhouxian Property was obliged to pull down the company's housing and to deliver the resettlement housing in 2014. However, up to October 2017, Zhouxian Property had repeatedly delayed the deliver of the resettlement housing, and got into operation difficulty due to poor management and the principles being suspected of committing a crime.

On October 27, 2017, the company filed a lawsuit against Zhouxian Property with the People's Court of Pudong New District of Shanghai and applied for property preservation, under which, it requested Zhouxian Property: (1) to deliver the resettlement housing as agreed in the contract, or to compensate RMB91,680,000 for the housing by reference to the market price; (2) to continuously provide the transitional housing; (3) to pay the liquidated damages of RMB1,583,214.2; (4) to bear the litigation fee of this case. On December 21, 2017, the company received the property preservation notice from the People's Court of Pudong New District of Shanghai, and was advised that the Court had sealed up part of the lands, properties and bank accounts under the name of the defendant according to the property preservation application submitted by the company. On January 11, 2018, the evidence exchange was completed for this case, and the first instance hearing was held on December 4, 2018. On January 7, 2019, the company received the first instance judgment. All the litigation claims made by the company were supported by the People's Court of Pudong New District of Shanghai, including: (1) termination of the Demolition and Relocation of Housing and Economic Compensation Agreement and the Supplemental Agreement entered into between the company and Zhouxian Property; (2) Zhouxian Property shall pay the company economic loss of RMB60,331,552 (calculated based on the evaluated unit price of the relevant housing) within ten days from the effective date of the judgment; (3) Zhouxian Property shall pay the company, within ten days from the effective date of the judgment, the rent of the transitional housing at the standard of RMB214,410.33 per month for the period from April 1, 2018 to the date when Zhouxian Property performs the main provision of judgment under the above said item (2); (4) Zhouxian Property shall pay the company, within ten days from the effective date of the judgment, the property management fee for the transitional housing based on the standard

Section V Significant Events (continued)

of RMB6,316 per month for the period from April 1, 2018 to the date when Zhouxian Property performs the main provision of the judgment under the above said item (2); and (5) Zhouxian Property shall pay the company, within ten days from the effective date of the judgment, the liquidated damages of RMB1,583,214.20. Besides, Zhouxian Property is liable for the acceptance fee, preservation fee and evaluation cost in connection with this case. The first instance judgment came into effect in February 2019, and the company applied to the People's Court of Pudong New District of Shanghai for mandatory enforcement on March 29, 2019.

As of the end of the Reporting Period, the case is in the procedure of mandatory enforcement.

6. The case of the corporate bonds dispute raised by the company (acted as manager of asset management plan) against Shandong Shanshui Cement Group Company Limited (山東山水水泥集團有限公司) (“Shanshui Cement”)

On May 18, 2016, the company, as manager of Hongyuan Securities Guanghong No. 4 Targeted Asset Management Scheme (宏源證券光宏4號定向資產管理計劃) and entrusted by its client, filed a lawsuit with the Intermediate People's Court of Jinan, Shandong against Shanshui Cement to claim the bond default of the latter. Shanshui Cement was demanded to repay the bonds principal of RMB50,000,000, an interest of RMB2,720,000 and the liquidated damage of RMB1,306,401.60, and to bear the relevant legal service fee and litigation cost. The hearing of the case was held on July 25, 2016. The company received the first instance judgment from the Intermediate People's Court of Jinan, Shandong in September 2017 in which Shanshui Cement was ordered to repay the principal of RMB50,000,000, an interest of RMB2,720,000 and the liquidated damages of RMB5,945,234.40 for overdue redemption and the relevant litigation cost. The first instance judgment Lu (01) Min Chu No. 1160 (2016) ((2016)魯01民初1160號) came into force since Shanshui Cement did not appeal. The client and Shanshui Cement conducted a settlement negotiation and concluded a settlement agreement. In March 2019, the case was closed along with the completion of performance under the settlement agreement.

Since the company acted as manager of Hongyuan Securities Guanghong No. 4 Targeted Asset Management Scheme, it only handled affairs in relation to the asset management scheme under the client's instruction as agreed in the asset management contract. The interest in the creditors' right under the asset management scheme over Shanshui Cement actually belonged to the client, the final litigation results of this case shall be borne by the client in fact.

VIII. INVOLVEMENT OF THE COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER IN INVESTIGATION BY COMPETENT AUTHORITIES DURING THE REPORTING PERIOD

During the Reporting Period, neither the Company, nor any of its directors, supervisors, senior management, controlling shareholder or actual controller was investigated by competent authorities, imposed coercive measures by a judiciary authority or disciplinary department, transferred to a judiciary authority or held criminally liable, investigated or imposed administrative penalties by the CSRC, prohibited from access to market, identified as an unsuitable person, punished by other administrative departments, or publicly condemned by a stock exchange.

Section V Significant Events (continued)

IX. THE CREDITWORTHINESS OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER

None of the Company, JIC (the controlling shareholder) or Central Huijin (the actual controller) failed to perform any effective judgments of a court or repay outstanding debts with relatively material amounts.

X. RELATED PARTY TRANSACTIONS DURING THE REPORTING PERIOD

(I) Related party transactions in the ordinary course of business of the Company during the Reporting Period

Unit: RMB'0,000

Related Party	Related Party Relationship	Type of Related party Transaction	Subject of Related Party Transaction	Pricing Principle of the Related Party Transaction	Price of Related Party Transaction	Amount of Related Party Transaction	Exceeding the Approved Transaction Amount Cap or Not	Settlement Method of Related Party Transaction	Market Price of Similar Transactions Available
JIC Trust Co., Ltd.* (中建投信託股份有限公司)	Other companies under common control by the same party	Related party transactions in the ordinary course of business	Trust management	Negotiation-based	—	33.79	No	Interest payment on a half-year basis	Nil
JIC Trust Co., Ltd.	Other companies under common control by the same party	Related party transaction in the ordinary course of business	Trust management	Negotiation-based	—	28.34	No	Interest payment on a half-year basis	Nil
JIC Trust Co., Ltd.	Other companies under common control by the same party	Related party transactions in the ordinary course of business	Trust management	Negotiation-based	—	42.92	No	Interest payment on a half-year basis	Nil
JIC Trust Co., Ltd.	Other companies under common control by the same party	Related party transactions in the ordinary course of business	Trust management	Negotiation-based	—	90.50	No	Interest payment on a half-year basis	Nil

(II) Related party transactions in the ordinary course of business of the Company's subsidiaries during the Reporting Period

Unit: RMB'0,000

Related Party	Related Party Relationship	Subject of Related Party Transaction	Pricing Principle of the Related Party Transaction	Price of Related Party Transaction	Amount of Related Party Transaction	Exceeding the Approved Transaction Amount Cap or Not	Settlement Method of Related Party Transaction	Market Price of Similar Transactions Available
Shanghai Jiushi (Group) Co., Ltd. (上海久事(集團)有限公司)	A shareholder holding over 5% of the shares of the Company during the past twelve months	Commission income from securities brokerage service	Market-based	—	70.47	—	Trading clearing	—
JIC Trust Co., Ltd.	Other companies under common control by the same party	Principal of management fee of new custodian assets	Negotiation-based	—	3,000.00	—	Bank Transfer	—
JIC Trust Co., Ltd.	Other companies under common control by the same party	Management fee income from assets management business	Negotiation-based	—	23.43	—	Transfer for every half a year	—

Section V Significant Events (continued)

Related Party	Related Party Relationship	Subject of Related Party Transaction	Pricing Principle of the Related Party Transaction	Price of Related Party Transaction	Amount of Related Party Transaction	Exceeding the Approved Transaction Amount Cap or Not	Settlement Method of Related Party Transaction	Market Price of Similar Transactions Available
JIC Trust Co., Ltd.	Other companies under common control by the same party	Principal of repurchase	Market inquiry	—	7,000.00	—	Delivery versus payment	—
JIC Trust Co., Ltd.	Other companies under common control by the same party	Interest expense of repurchase	Market inquiry	—	1.29	—	Delivery versus payment	—
Guotai Asset Management Co., Ltd.	Other companies under common control by the same party	Transaction commission income from leasing marketing unit	Market-based	—	524.72	—	Bank transfer	—
Guotai Asset Management Co., Ltd.	Other companies under common control by the same party	Fee from proxy sales of financial products, sales service fee and income from client maintenance fee	—	—	17.96	—	—	—
Guotai Asset Management Co., Ltd.	Other companies under common control by the same party	Principal of management fee of new custodian	Market-based	—	10,000.00	—	—	—
Guotai Asset Management Co., Ltd.	Other companies under common control by the same party	Assets management fee expense	Market-based	—	100.00	—	—	—
Guotai Asset Management Co., Ltd.	Other companies under common control by the same party	Fund management service fee for asset management	Market-based	—	4.18	—	Monthly payment	—
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Interest income from deposit of own capital	Referring to market rate	—	1,391.18	—	Quarterly settlement of interest/Repay principal and interest upon maturity	—
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Income from proxy sales of financial products	Negotiation-based	—	38.36	—	Remittance	—
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Principal borrowed via inter-bank lending	Market inquiry	—	20,000.00	—	—	—
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Interest expense arising from borrowing via inter-bank lending	Market inquiry	—	3.00	—	—	—
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Assets management fee income	Negotiation-based	—	1,137.13	—	Fund transfer on a quarterly basis	—
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Cash outflow upon buy-in of bonds	Market inquiry	—	2,242,193.26	—	Delivery versus payment	—

Section V Significant Events (continued)

Related Party	Related Party Relationship	Subject of Related Party Transaction	Pricing Principle of the Related Party Transaction	Price of Related Party Transaction	Amount of Related Party Transaction	Exceeding the Approved Transaction Amount Cap or Not	Settlement Method of Related Party Transaction	Market Price of Similar Transactions Available
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Cash inflow upon selling-out of bonds	Market inquiry	—	1,422,507.23	—	Delivery versus payment	—
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Principal of reverse repurchase	Market inquiry	—	20,980.00	—	Delivery versus payment	—
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Interest income of reverse repurchase	Market inquiry	—	12.30	—	Delivery versus payment	—
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Principal of repurchase	Market inquiry	—	6,783,773.30	—	Delivery versus payment	—
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Interest expense of repurchase	Market inquiry	—	642.08	—	Delivery versus payment	—
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Financial advisor fee for assets management	Negotiation-based	—	6.89	—	Payment transfer in a lump sum	—
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Assets management custody fee	Negotiation-based	—	597.26	—	Fund transfer on a quarterly basis	—
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Cash outflow upon buy-in of assets management bonds	Negotiation-based	—	11,951.33	—	Delivery versus payment	—
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Cash inflow upon selling-out of assets management bonds	Market-based/ Negotiation-based	—	15,506.31	—	Delivery versus payment	—
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Principal of asset management repurchase	Market-based/ Negotiation-based	—	2,482,569.40	—	Delivery versus payment	—
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Interest expense of asset management repurchase	Market-based/ Negotiation-based	—	1,558.76	—	Delivery versus payment	—

Section V Significant Events (continued)

Related Party	Related Party Relationship	Subject of Related Party Transaction	Pricing Principle of the Related Party Transaction	Price of Related Party Transaction	Amount of Related Party Transaction	Exceeding the Approved Transaction Amount Cap or Not	Settlement Method of Related Party Transaction	Market Price of Similar Transactions Available
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Principal of asset management reverse repurchase	Market-based	—	174,462.00	—	Delivery versus payment	—
China Everbright Bank Company Limited	Independent director(s) of the Company serve(s) as independent director in this company	Interest income of asset management reverse repurchase	Market-based	—	96.02	—	Delivery versus payment	—
DBS Bank (China) Limited	Independent director(s) of the Company serve(s) as independent director in this company	Cash outflow upon buy-in of bonds	Market inquiry	—	1,032.50	—	Delivery versus payment	—
DBS Bank (China) Limited	Independent director(s) of the Company serve(s) as independent director in this company	Cash inflow upon selling-out of bonds	Market inquiry	—	22,449.13	—	Delivery versus payment	—
Shanghai International Trust Co., Ltd.	Independent director(s) of the Company serve(s) as independent director in this company	Cash inflow upon selling out of bonds	Market inquiry	—	35,031.33	—	Delivery versus payment	—
Shanghai International Trust Co., Ltd.	Independent director(s) of the Company serve(s) as independent director in this company	Principal of repurchase	Market inquiry	—	1,902,445.00	—	Delivery versus payment	—
Shanghai International Trust Co., Ltd.	Independent director(s) of the Company serve(s) as independent director in this company	Interest expense of repurchase	Market inquiry	—	215.59	—	Delivery versus payment	—
Shanghai International Trust Co., Ltd.	Independent director(s) of the Company serve(s) as independent director in this company	ABS underwriting fee income	Negotiation-based	—	665.20	—	—	—
Shanghai International Trust Co., Ltd.	Independent director(s) of the Company serve(s) this company as independent director(s)	Financial advisory fee income	Negotiation-based	—	59.60	—	—	—
SAIC-GMAC Automotive Finance Co., Ltd.	Supervisor(s) of the Company serve(s) as supervisor in this company	Bonds underwriting fee income	Negotiation-based	—	345.00	—	—	—
SAIC Finance Corporation Limited (上海汽車集團財務有限責任公司)	Supervisor(s) of the Company serve(s) as supervisor in this company	Management fee income from assets management business	Negotiation-based	—	16.46	—	Transfer on a quarterly basis	—

Section V Significant Events (continued)

Related Party	Related Party Relationship	Subject of Related Party Transaction	Pricing Principle of the Related Party Transaction	Price of Related Party Transaction	Amount of Related Party Transaction	Exceeding the Approved Transaction Amount Cap or Not	Settlement Method of Related Party Transaction	Market Price of Similar Transactions Available
SAIC Finance Corporation Limited	Supervisor(s) of the Company serve(s) as supervisor in this company	Commission income from securities brokerage service	Market-based	—	16.46	—	Trading clearing	—
Sichuan Development Holding Co., Ltd.	Director(s) of the Company serve(s) as director in this company	Investment bank service income	Market-based/ Negotiation-based	—	478.53	—	—	—
ICBC Credit Suisse Asset Management Co., Ltd.	Director(s) of the Company serve(s) as director in this company	Commission income from leasing marketing unit	Market-based	—	248.23	—	Bank transfer	—
ICBC Credit Suisse Asset Management Co., Ltd.	Director(s) of the Company serve(s) as director in this company	Fee from proxy sales of financial products, sales service fee and client maintenance fee income	—	—	32.82	—	—	—
ICBC Credit Suisse Asset Management Co., Ltd.	Director(s) of the Company serve(s) as director in this company	Cash outflow upon buy-in of bonds	Market inquiry	—	35,418.33	—	Delivery versus payment	—
ICBC Credit Suisse Asset Management Co., Ltd.	Director(s) of the Company serve(s) as director in this company	Cash inflow upon selling-out of bonds	Market inquiry	—	182,148.97	—	Delivery versus payment	—
ICBC Credit Suisse Asset Management Co., Ltd.	Director(s) of the Company serve(s) as director in this company	Principal of reverse repurchase	Market inquiry	—	31,668.40	—	Delivery versus payment	—
ICBC Credit Suisse Asset Management Co., Ltd.	Director(s) of the Company serve(s) as director in this company	Interest income of reverse repurchase	Market inquiry	—	17.20	—	Delivery versus payment	—
ICBC Credit Suisse Asset Management Co., Ltd.	Director(s) of the Company serve(s) as director in this company	Principal of repurchase	Market inquiry	—	308,852.00	—	Delivery versus payment	—
ICBC Credit Suisse Asset Management Co., Ltd.	Director(s) of the Company serve(s) as director in this company	Interest expense of repurchase	Market inquiry	—	59.78	—	Delivery versus payment	—
ICBC Credit Suisse Asset Management Co., Ltd.	Director(s) of the Company serve(s) as director in this company	Principal of asset management reverse repurchase	Market-based	—	10,788.00	—	Delivery versus payment	—
ICBC Credit Suisse Asset Management Co., Ltd.	Director(s) of the Company serve(s) as director in this company	Interest income of asset management reverse repurchase	Market-based	—	22.34	—	Delivery versus payment	—
ICBC Credit Suisse Asset Management Co., Ltd.	Director(s) of the Company serve(s) as director in this company	Principal of asset management repurchase	Market-based/ Market inquiry	—	177,936.35	—	Delivery versus payment	—
ICBC Credit Suisse Asset Management Co., Ltd.	Director(s) of the Company serve(s) as director in this company	Interest expense of asset management repurchase	Market-based/ Market inquiry	—	245.33	—	Delivery versus payment	—

XI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

(I) Material holding in custody, contracting or leasing

The Company has no material holding in custody, contracting or leasing during the Reporting Period.

(II) Material Guarantees of the Company

On February 26, 2019, the 38th meeting of the fourth session of the Board considered and approved the Proposal Regarding the Provision of Guarantee for Hongyuan Hengli (Shanghai) Industrial Co., Ltd.* (“Hongyuan Hengli”) (關於為宏源恒利（上海）實業有限公司提供擔保的議案), pursuant to which, the Company was permitted to provide guarantee for the external financing of its wholly-owned subsidiary Hongyuan Hengli subject to the maximum amount of RMB1.0 billion within two years commencing from the date when the proposal was approved at the general meeting. Besides, the management of the Company was authorized to determine the specific implementation and to proceed execution of the relevant legal documents in connection with the guarantee based on the application from Hongyuan Hengli and its major business operation. This transaction has been considered and approved at the 2018 A Shares annual general meeting of the Company. During the Reporting Period, no guarantee has been provided by the Company for the external financing of Hongyuan Hengli, and there is no guarantee accumulated from previous periods.

According to resolutions of the Board and the general meeting of the Company, on August 20, 2019, the Company entered into the Maximum Guarantee Contract with China Minsheng Banking Co., Ltd. Shanghai Branch for the comprehensive credit granting business of Hongyuan Hengli, to provide irrevocable joint liability guarantee of RMB100 million for Hongyuan Hengli. (For details, please refer to the Company’s announcements published on China Securities Journal, Securities Times, Shanghai Securities News and the website of Cinfo at www.cninfo.com.cn on August 22, 2019)

(III) Entrusting others to conduct cash asset management accumulated from previous periods or occurred during the Period

During the Reporting Period, the Company has not entrusted others to conduct cash asset management (neither accumulated from previous periods nor occurred during the Reporting Period).

XII. SOCIAL RESPONSIBILITY

(I) Major environmental issues

The Company and its subsidiaries are not listed as key pollutant discharging units by the environmental protection authorities.

(II) Fulfillment of social responsibility in respect of Targeted Poverty Alleviation

1. Plan on Targeted Poverty Alleviation

Under the guidance of the CSRC, the Company formulated Poverty Alleviation Plan from 2017 to 2020 in accordance with the overall deployment of China Investment Corporation as a proactive response to the “One Company for One County” paired assistance initiative of the Securities Association of China, and continued to conduct targeted poverty alleviation in “six counties, one district and one village”, i.e. Huining County in Gansu Province, Maigaiti County and Jimunai County in Xinjiang, Xi County in Shanxi Province, Baiyu County and Jinyang County in Sichuan Province, Qianjiang District in Chongqing, and Gaobei Village in Shibing County of Guizhou Province.

Section V Significant Events (continued)

2. Overview of Targeted Poverty Alleviation

In the first half of 2019, Shenwan Hongyuan proactively participated in the national overall strategy of poverty alleviation and development and earnestly carried out the decisions and deployment of China Investment Corporation. Upholding the working strategy of “one focus, efforts on four aspects”, the Company, placing the focus on the vertical driving effects of poverty alleviation through industrial development, exerted great efforts on four aspects, i.e. organization personnel, funds, projects and assessment, to comprehensively boost the poverty alleviation in multiple levels for “six counties, one district and one village”, i.e. Huining County in Gansu Province, Maigaiti County and Jimunai County in Xinjiang, Baiyu County and Jinyang County in Sichuan Province, Xi County in Shanxi Province, Qianjiang District in Chongqing, and Gaobei Village in Shibing County of Guizhou Province. In the first half of 2019, the Company accumulatively invested more than RMB36.70 million of various assistance funds in the abovementioned regions.

(1) *Proactive engagement in poverty alleviation through Party building*

In April 2019, the Company allocated RMB18 million of supplementary Party membership fees to the organization department of Huining County, to be used for the following purposes: investment of RMB10.20 million of supplementary Party membership fees in further helping Huining County to increase the collective economic income of villages; investment of RMB7.50 million of supplementary Party membership fees in helping Party branches in poverty-stricken villages implement the standard subsidization and construction and maintenance project of village-level stations; investment of RMB300,000 of supplementary Party membership fees in training for secretaries of the Party branches, cadres in villages and professional technicians.

(2) *Full efforts on poverty alleviation through industrial development*

In addition to investment of funds for poverty alleviation through Party building in the development of collective economy of villages, the Company also invested its own funds for the following purposes: investment of RMB10,429,500 in the industrial water project of villages to help build local reservoirs, field drip irrigation and other infrastructures to solve the problem of drinking water in poverty-stricken areas and drive the development of the vegetable production, which is expected to benefit 1,533 households and 6,290 people; investment of RMB1.5 million in support of villages’ standardized breeding and reproduction housing construction projects which can directly help 144 poor households to get rid of poverty; investment of RMB131,000 in the planning and design, evaluation and demonstration, inspection and acceptance, results publicity, file management, printing and other aspects of local projects of poverty alleviation through industrial development; to better develop agricultural commodity futures and insurance, the Company made a contribution of RMB1.5 million in insuring the futures of over 47,700 tons of local corns to guarantee the basic income of over 10,000 poor households. In addition, in May this year, Shenwan Futures, a subsidiary of the Company, invested RMB500,000 in building solar greenhouses for the poor households in Kumukusar Village, Kumukusar Township and Maigaiti County in Xinjiang.

Section V Significant Events (continued)

(3) *Focus on “No Worry About Food and Clothing with Compulsory Education, Basic Medical Care, and Housing Guaranteed”*

In terms of housing safety, the Company invested RMB439,500 of own funds as subsidies for the renovation of dilapidated houses for 19 registered poor households, to improve the housing conditions of poor households. In respect of compulsory education, the Company further donated RMB300,000 raised from employees to carry out “big hand holding small hand” paired assistance activity with students from poor families in Huining County. Hongyuan Futures, a subsidiary of the Company, invested RMB400,000 in solving the “No Worry About Food and Clothing with Compulsory Education, Basic Medical Care, and Housing Guaranteed” including medical security and assistance for widowers and widows in Jimunai County in Xinjiang, including: investment of RMB100,000 in support of the reconstruction of toilets, purchase of children’s books, among others, for the Wenming Road Community in Jimunai County; investment of RMB300,000 in support of the establishment of major illness turnover funds, strengthened construction of village-level cultural rooms, among others, for Buerhesitai Village in Jimunai County.

(4) *Engagement in poverty alleviation through finance business*

On the basis of six investigations in 2018, the Company successively dispatched teams to Huining County to investigate poverty alleviation for six times in 2019. Following the working strategy of “one company, one policy”, the Company has formulated targeted support plans and proactively coordinated the Company’s internal and external enterprises to carry out investment and financing services for the leading industrial enterprises in Huining County to build local pillar industries with demonstration effects.

(5) *Practical engagement in poverty alleviation through e-commerce and consumption*

The Company has promoted the technical team of Jingdong to solve problems in business and smoothly realized the interconnection between the China Investment Corporation Ecosphere and the China Investment Corporation poverty alleviation e-commerce platform, to facilitate the consumption and procurement of thousands of employees of China Investment Corporation. Since the launch of the e-commerce platform at the end of November 2018 to June 30, 2019, the accumulative sales amounted to more than RMB16.70 million, of which the sales of agricultural products of Huining County exceeded RMB9.75 million. In addition, in the first half of 2019, the labor union of the Company purchased agricultural products in an aggregate amount of RMB3.50 million from Huining County.

(6) *Intensified efforts on poverty alleviation through the talented and training*

The three cadres dispatched by the Company to Huining County continued to deeply and practically proceed with the assistance provided by China Investment Corporation for Huining in 2019; in May 2019, Shenwan Futures and China Continent Insurance provided trainings on “futures + insurance” for over 40 local township and town cadres, resident cadres in charge of assistance and poor households to broaden the knowledge and strengthen business capabilities of local cadres; in May of the same year, the Company’s research institute and the operating experts from Benlai.com went to Huining County to hold the “Special Training on Marketing of Agricultural and Sideline Products” for over 100 local entrepreneurs, which effectively improved the understanding and awareness of local entrepreneurs on the marketing of agricultural products.

Section V Significant Events (continued)

3. Achievements of targeted poverty alleviation

Indicator	Unit of measurement	Quantity/status of implementation
I. Overall situation	—	—
Including: 1. Funds	RMB'0,000	3,674.8
2. Amount of money converted from materials	RMB'0,000	
3. Number of the people on poverty record assisted to be lifted out of poverty	Person	
II. Itemized investments	—	—
1. Lifting the poor out of poverty through industrial development	—	—
Including: 1.1 Types of projects for lifting the poor out of poverty through industrial development	—	Construction of village collective economy, industrial water use, vegetable planting industry, standardized construction of cooperative, agricultural products + insurance + futures
1.2 Number of projects for lifting the poor out of poverty through industrial development	Project	5
1.3 Amount invested in projects for lifting the poor out of poverty through industrial development	RMB'0,000	2,470
1.4 Number of the people on poverty record who assisted to be lifted out of poverty	Person	
2. Lifting the poor out of poverty through transfer of the labour force	—	—
Including: 2.1 Amount invested in vocational skills training	RMB'0,000	30
2.2 Number of the people who have received vocational skills training	Person-time	
2.3 Number of the people on poverty record assisted to get employed	Person	
3. Lifting the poor out of poverty through relocation	—	—
Including: 3.1 Number of the relocated people assisted to get employed	Person	
4. Poverty alleviation through education	—	—
Including: 4.1 Amount invested in helping the poor students	RMB'0,000	30

Section V Significant Events (continued)

Indicator	Unit of measurement	Quantity/status of implementation
4.2 Number of the poor students funded	Person	225
4.3 Amount invested in improving educational resources in poor areas	RMB'0,000	
5. Poverty alleviation through health care	—	—
Including: 5.1 Amount invested in medical and health resources in poverty-stricken areas	RMB'0,000	
6. Poverty alleviation through ecological protection	—	—
Including: 6.1 Type of project	—	Innovation and exploration of poverty alleviation through “carbon sink trade”
6.2 Amount invested	RMB'0,000	
7. Guaranteed basic living standard for people unable to work	—	—
Including: 7.1 Amount invested in left-behind children, women and the elderly	RMB'0,000	
7.2 Number of left-behind children, women and the elderly assisted	Person	
7.3 Amount invested in poor people with physical disabilities	RMB'0,000	
7.4 Number of poor people with physical disabilities assisted	Person	
8. Social poverty alleviation	—	—
Including: 8.1 Amount invested in coordinated poverty alleviation in eastern and western China	RMB'0,000	
8.2 Amount invested in targeted poverty alleviation programs	RMB'0,000	1,144.8
8.3 Amount invested in charity funds for poverty alleviation	RMB'0,000	
9. Other projects	—	—
Including: 9.1 Number of projects	Project	
9.2. Amount invested	RMB'0,000	
9.3. Number of people on poverty record assisted to be lifted out of poverty	Person	
III. Honors (contents and levels)	—	—

Section V Significant Events (continued)

4. Subsequent Targeted Poverty Alleviation Plan

There is a little more than one year left to realize the goal of building a moderately prosperous society in all aspects before 2020 and lifting the poverty-stricken population out of the poverty as scheduled as proposed by the CPC Central Committee with Comrade Xi Jinping at its core, the situation is pressing and poverty alleviation has ushered in a sprint period of cracking hard nut and storming a castle. In the next stage, the Company will continue to focus on the vertical driving effects of poverty alleviation through industrial development and exert great efforts on four aspects, i.e. organizational personnel, funds, project and assessment, to boost the poverty alleviation in six counties, one district and one village, especially in Huining County, Gansu Province.

- (1) In strict accordance with the Company's poverty alleviation plan for 2019, the Company will proactively implement targeted poverty alleviation through industrial development, consolidate and deepen the effects of targeted poverty alleviation while further promoting poverty alleviation through education and consumption and driving all employees of the Company to proactively participate in poverty alleviation.
- (2) The Company will ensure the timely provision of assistance funds. As it is urgent and arduous to conduct poverty alleviation, following the instructions of China Investment Corporation on increase in investment of poverty alleviation funds in 2019, the Company will ensure the provision of assistance funds to Huining County in a timely manner in the second half of 2019.
- (3) More efforts will be placed on publicity for poverty alleviation to establish the targeted poverty alleviation brand of Shenwan Hongyuan. First, the Company will collect relevant information on characteristic agricultural products of poverty-stricken areas and promote the Company's poverty alleviation work. Second, through company newspaper, internal magazines, WeChat groups and other channels, the Company will promote agricultural and sideline products from paired assisting poverty-stricken counties to the Company's employees and customers to expand product influence.

XIII. ACQUISITION OR DISPOSAL OF ASSETS OR BUSINESS MERGER BY THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company did not conduct any acquisition or disposal of assets or business merger.

XIV. IMPLEMENTATION OF THE COMPANY'S EQUITY INCENTIVE PLAN, EMPLOYEE SHARE PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES

During the Reporting Period, the Company did not implement equity incentive plan, employee share plan or other employee incentive measures.

XV. CHANGES IN THE BUSINESS QUALIFICATIONS OF THE COMPANY IN THE FIRST HALF OF 2019

During the Reporting Period, Shenwan Hongyuan Securities, a subsidiary of the Company, was approved by the regulatory authorities to carry out business operations including the market making business for treasury bond futures, credit risk mitigation instruments in the inter-bank market, credit risk mitigation instruments in the exchange market and sales of other credit derivatives.

Section V Significant Events (continued)

XVI. DECISION OF ADMINISTRATIVE LICENSE ON THE COMPANY BY REGULATORY AUTHORITIES DURING THE REPORTING PERIOD

No.	Date	Regulatory authority	Document name	Document No.
1	2019.1.21	PBOC	Notice from the People's Bank of China on Verifying the Maximum Outstanding Balance of Short-term Financing Bonds of Shenwan Hongyuan Securities Co., Ltd.	Yin Fa [2019] No. 21
2	2019.1.30	Shenzhen Stock Exchange	No-objection Letter Regarding the Compliance with Transfer Conditions of Shenzhen Stock Exchange about the Non-public Offering of Corporate Bonds for 2019 of Shenwan Hongyuan Group Co., Ltd.	Shen Zheng Han [2019] No. 62
3	2019.2.28	CSRC	Regulatory Opinions on the Application for Credit Derivatives Business by Shenwan Hongyuan Securities	Ji Gou Bu Han [2019] No. 471
4	2019.3.15	CSRC	Approval for the Issuance of Overseas Listed Foreign Shares by Shenwan Hongyuan Group Co., Ltd.	Zheng Jian Xu Ke [2019] No. 393
5	2019.3.28	SAFE	Approval of State Administration of Foreign Exchange for Foreign Exchange Purchase and Payment in Relation to the Acquisition of H Shares of Shenwan Hongyuan Group Co., Ltd. by Domestic Investors	Hui Fu [2019] No. 5
6	2019.5.6	CSRC	Approval for Relevant Opinions on Market — Making Business for Treasury Bond Futures by Shenwan Hongyuan Securities Co., Ltd.	Ji Gou Bu Han [2019] No. 1026
7	2019.5.23	Xinjiang Branch of CSRC	Approval for the Qualifications of Wang Mingxi as a Member of Senior Management in Securities Company	Xin Zheng Jian Fa [2019] No. 75
8	2019.5.30	Shanghai Branch of CSRC	Approval for the Qualifications of Ge Rongrong as a Director of Securities Company	Hu Zheng Jian Xu Ke [2019] No. 26
9	2019.5.31	Shanghai Branch of CSRC	Approval for the Qualifications of Ren Xiaotao as a Director of Securities Company	Hu Zheng Jian Xu Ke [2019] No. 29
10	2019.6.14	Shanghai Branch of CSRC	Approval for the Modification of Important Clauses of the Articles of Association by Shenwan Hongyuan Securities Co., Ltd.	Hu Zheng Jian Xu Ke [2019] No. 39
11	2019.6.20	Financial Market Management Department of PBOC	Notice from the Financial Market Management Department of PBOC on Relevant Matters in Relation to the Maximum Outstanding Balance of Short-term Financing Bonds of Shenwan Hongyuan Securities Co., Ltd.	Yin Shi Chang [2019] No. 133
12	2019.6.24	Department of Fund and Intermediary Supervision of CSRC	Regulatory Opinions on Issuance of Financial Bonds by Shenwan Hongyuan Securities Co., Ltd.	Ji Gou Bu Han [2019] No. 1582

Section V Significant Events (continued)

XVII. CLASSIFIED EVALUATION RESULTS

According to the results of classified evaluation of securities companies in 2019 as published by the CSRC, Shenwan Hongyuan Securities was rated as Class A Grade A.

XVIII. RISK CONTROL INDICATORS OF SECURITIES COMPANIES

During the Reporting Period, all of the risk control indicators of Shenwan Hongyuan Securities, among which the net capital and liquidity are the core, meet the regulatory standards. However, two concentration risk control indicators, i.e. the “ratio between the size of one type of non-equity securities held and the total size thereof” and the “ratio between the size of one type of equity securities held and the total size thereof”, once exceeded the warning standards. In particular, one type of exchangeable bond was converted into shares, thus, the ratio of the size of the bonds held against the total size thereof exceeded the warning standard; the net redemption of one non-equity fund resulted in that the ratio of the size of the non-equity fund held against the total size thereof exceeded the warning standard; the transfer method for two stocks listed on the NEEQ was compulsively changed into bidding transaction since there were less than two market makers. Shenwan Hongyuan Securities transferred the stocks from market making account to proprietary account, thus, the ratio of the size of equity securities held against the total size thereof exceeded the warning standard. Regarding the above circumstances, Shenwan Hongyuan Securities has made reports to the regulatory authorities in a timely manner.

XIX. RECEPTION OF RESEARCH AND INTERVIEW BY THE COMPANY

During the Reporting Period, the Company did not receive research or interviews. At the end of the Reporting Period and up to the disclosure date of this interim report, the research and interview received by the Company are as follows:

Reception time	Reception location	Reception method	Type of reception object	Reception object	Main content discussed and information provided
July 19, 2019	The Company	Telephone communication	Specific object research	Analysts from ICBC International Research	Operations of the Company, etc.
July 12, 2019	Meeting room of the Company	Field research	Specific object research	Analysts from China Galaxy Securities Co., Ltd.	Business development of the Company, etc.

XX. OTHER SIGNIFICANT EVENTS

(I) Issuance and listing of H shares

As approved by the CSRC on “Reply Regarding the Approval for the Issuance of Offshore Listed Foreign Shares by Shenwan Hongyuan Group Co., Ltd. (Zheng Jian Xu Ke No. [2019]393) and by the Hong Kong Stock Exchange, on April 26, 2019, the overseas listed foreign shares (H shares) issued by the Company were listed and traded on the main board of the Hong Kong Stock Exchange. The offer price of the H Shares was HK\$3.63 per share and a total of 2,504,000,000 H Shares was issued. The Chinese and English abbreviations of the Company’s H Shares are “申萬宏源” and “SWHY”, respectively, and the stock code of H Shares is “6806”. (For details of relevant information, please refer to the announcement published by the

Section V Significant Events (continued)

Company on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.swwhygh.com) on April 25, 2019 and on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website (www.cninfo.com.cn) on April 27, 2019).

(II) Profit distribution plan implemented during the Reporting Period

The Company's 2018 profit distribution plan is as follows: based on the total share capital of 22,535,944,560 A Shares as of December 31, 2018, a cash dividend of RMB0.50 (tax inclusive) for every 10 shares was distributed to all A shareholders. During the Reporting Period, the Company completed the implementation of the 2018 profit distribution plan with May 16, 2019 as the equity registration date and May 17, 2019 as the ex-dividend date. (For details, please refer to the Announcement on Implementation of the 2018 Profit Distribution Plan of the Company published by the Company on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website at www.cninfo.com.cn on May 10, 2019).

(III) Capital injection to subsidiaries

As approved by the CSRC on "Reply Regarding the Approval for the Issuance of Offshore Listed Foreign Shares by Shenwan Hongyuan Group Co., Ltd. (Zheng Jian Xu Ke No. [2019]393) and by the Hong Kong Stock Exchange, on April 26, 2019, the 2,504,000,000 overseas listed foreign shares (H shares) issued by the Company were listed on the main board of the Hong Kong Stock Exchange. According to the use of proceeds as disclosed in the Company's H Share prospectus, approximately 50% of the proceeds from the issuance of H Shares will be used to develop securities business. On June 10, 2019, the Company convened the 41th meeting of the fourth session of the Board at which the Proposal Regarding Increase in the Registered Capital of Shenwan Hongyuan Securities Co., Ltd. was considered and approved, the Company was approved to increase the registered capital of Shenwan Hongyuan Securities by RMB4 billion with the proceeds from issuance of H Shares and the management of the Company was authorized to deal with the specific matters in relation to the capital increase. Upon completion of the capital increase, the registered capital of Shenwan Hongyuan Securities was increased from RMB43 billion to RMB47 billion. At present, relevant procedures for industrial and commercial registration of changes are under progress. (For details, please refer to the announcement of the Company published on Securities Times, China Securities Journal, Shanghai Securities News and the Cninfo website (www.cninfo.com.cn) on June 11, 2019).

Section V Significant Events (continued)

XXI. INDEX OF IMPORTANT INFORMATION DISCLOSED DURING THE REPORTING PERIOD

In the first half of 2019, the Company fulfilled its information disclosure obligations in accordance with the regulations. During the Reporting Period, the information regarding A Shares as disclosed by the Company in China Securities Journal, Securities Times, Shanghai Securities News and at the Cninfo website (www.cninfo.com.cn) (excluding announcements of H Shares) is as follows:

No.	Announcements	Date of publication
1	Indicative Announcement on Convening the 2019 First Extraordinary General Meeting	2019-01-07
2	Announcement on the Briefing of Financial Data for December 2018 of Shenwan Hongyuan Securities Co., Ltd.	2019-01-10
3	Announcement on the Acceptance of the Application for the Initial Public Offering of Overseas Listed Foreign Shares (H Shares) by China Securities Regulatory Commission	2019-01-10
4	Announcement on Resolutions of the 37th Meeting of the Fourth Session of the Board of Directors	2019-01-11
5	Announcement on Resolutions of the 2019 First Extraordinary General Meeting	2019-01-15
6	Announcement on the Results of the Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-01-17
7	Announcement on the Material Litigation Involving a Subsidiary	2019-01-17
8	Announcement on Submission of Application for Listing of Overseas Listed Foreign Shares (H Shares) to the Hong Kong Stock Exchange and Publication of the Application Proof Information Pack	2019-01-21
9	Announcement on Listing of the Corporate Bonds (First Tranche) Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 on the Shenzhen Stock Exchange	2019-01-22
10	Announcement on Repayment of Principal and Payment of Interest and Delisting of the Short-term Corporate Bonds (First Tranche) of Securities Company of Shenwan Hongyuan Securities Co., Ltd. in 2018	2019-01-29
11	Announcement on Receipt of the Notice from the People's Bank of China on Filing the Offering of Short-Term Financing Bonds by Shenwan Hongyuan Securities Co., Ltd.	2019-01-29
12	Shenwan Hongyuan: Announcement on Preliminary Financial Data for 2018	2019-02-02
13	Announcement on No-Objection Letter from the Shenzhen Stock Exchange Regarding the Non-public Issuance of Corporate Bonds in 2019	2019-02-02
14	Notice on Convening the 2019 Second Extraordinary General Meeting	2019-02-02
15	Announcement on the Accrual of the Allowance for Assets Impairment	2019-02-02
16	Indicative Announcement relating to the Partial Lifting on Shares Subject to Selling Restrictions	2019-02-12

Section V Significant Events (continued)

No.	Announcements	Date of publication
17	Verification Opinions of Huatai United Securities Co., Ltd. on Listing and Circulation of the Shares Subject to Selling Restrictions of the Company	2019-02-12
18	Verification Opinions of Shenwan Hongyuan Financing Services Co., Ltd. on Listing and Circulation of the Shares Subject to Selling Restrictions of the Company	2019-02-12
19	Announcement on Preliminary Financial Data of Shenwan Hongyuan Securities Co., Ltd. for January 2019	2019-02-14
20	Announcement on Resolutions of the 2019 Second Extraordinary General Meeting	2019-02-21
21	Announcement on Entering into of the Framework Agreement in Relation to Securities and Financial Products, Transactions and Services with China Jianyin Investment Ltd.	2019-02-28
22	Announcement on Provision of Guarantee for a Wholly-owned Subsidiary	2019-02-28
23	Notice on Convening the 2018 Annual General Meeting	2019-02-28
24	Announcement on the Expected Daily Connected Transactions for 2019	2019-02-28
25	Announcement on Resolutions of the 25th Meeting of the Fourth Session of the Board of Supervisors	2019-02-28
26	Announcement on Resolutions of the 38th Meeting of the Fourth Session of the Board of Directors	2019-02-28
27	Notice on Convening the 2018 Annual General Meeting (updated)	2019-03-07
28	Clarification Announcement on the Notice on Convening the 2018 Annual General Meeting	2019-03-07
29	Announcement on Preliminary Financial Data of Shenwan Hongyuan Securities Co., Ltd. for February 2019	2019-03-07
30	Announcement on Progress of the Material Litigation Involving the Subsidiary Shenwan Hongyuan Securities Co., Ltd.	2019-03-08
31	Announcement on the Results of the Non-public Issuance of Corporate Bonds (First Tranche) in 2019	2019-03-13
32	Announcement on the Results of the Public Issuance of Corporate Bonds (Second Tranche) to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-03-13
33	Announcement on Approval of China Securities Regulatory Commission for Issuance of Overseas Listed Foreign Shares	2019-03-19
34	Announcement on Resignation of Director	2019-03-20
35	Announcement on Resolutions of the 2018 Annual General Meeting	2019-03-22
36	Announcement on Repayment of Principal and Payment of Interest and Delisting of the Subordinated Bonds (First Tranche) of Shenwan Hongyuan Securities Co., Ltd. in 2016	2019-03-27

Section V Significant Events (continued)

No.	Announcements	Date of publication
37	Announcement on Listing of the Corporate Bonds (Second Tranche) Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 on the Shenzhen Stock Exchange	2019-03-27
38	First Indicative Announcement on Adjustment to the Coupon Rate of “16 ShenHong 01” and the Implementation Measures of Put-back by Investors	2019-03-27
39	Second Indicative Announcement on Adjustment to the Coupon Rate of “16 ShenHong 01” and the Implementation Measures of Put-back by Investors	2019-03-28
40	Third Indicative Announcement on Adjustment to the Coupon Rate of “16 ShenHong 01” and the Measures for Implementation Measures of Put-back by Investors	2019-03-29
41	Announcement on Consideration of the Company’s Overseas Issuance and Listing of Foreign Shares by the Stock Exchange of Hong Kong Limited	2019-03-30
42	Announcement on Resolutions of the 39th Meeting of the Fourth Session of the Board of Directors	2019-03-30
43	Announcement on Publication of the Post Hearing Information Pack for the Issuance of H Shares	2019-04-01
44	Announcement on the Put-back Declaration for “16 ShenHong 01”	2019-04-08
45	Announcement on Preliminary Financial Data of Shenwan Hongyuan Securities Co., Ltd. for March 2019	2019-04-09
46	Announcement on Publication of the Updated Post Hearing Information Pack for the Issuance of H Shares	2019-04-11
47	Announcement on Publication of the H-share Prospectus, H-share Offer Price Range, Hong Kong Public Offering of H Shares, and Other Matters	2019-04-12
48	Announcement on the Results of the Non-public Issuance of Corporate Bonds (Second Tranche) in 2019	2019-04-16
49	Announcement on the Public Offer Price of Overseas Listed Foreign Shares (H Shares)	2019-04-19
50	Announcement on Payment of Interests for 2019 for the Corporate Bonds (First Tranche) Issued Publicly to Qualified Investors in 2016	2019-04-24
51	Announcement on the Put-back Results of “16 ShenHong 01”	2019-04-24
52	Announcement on the Allotment Results of Overseas Listed Foreign Shares (H Shares)	2019-04-25
53	Announcement on the Results of Issuance of the First Tranche of Short-term Financing Bonds by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-04-26
54	Announcement on the Listing and Trading of Overseas Listed Foreign Shares (H Shares)	2019-04-26

Section V Significant Events (continued)

No.	Announcements	Date of publication
55	2019 First Quarterly Report	2019-04-30
56	Announcement on Preliminary Financial Data of Shenwan Hongyuan Securities Co., Ltd. for April 2019	2019-05-09
57	Announcement on Implementation of Profit Distribution for 2018	2019-05-10
58	Announcement on the Results of the Public Issuance of Corporate Bonds (Third Tranche) to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-05-11
59	Announcement on Listing of the Corporate Bonds (Third Tranche) Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 on the Shenzhen Stock Exchange	2019-05-17
60	Announcement on Stabilizing Actions, End of Stabilization Period and Lapse of Over-Allotment Option	2019-05-21
61	Announcement on Progress of the Material Litigation Involving Shenwan Hongyuan Securities Co., Ltd., a Subsidiary of the Company	2019-05-28
62	Announcement on the Results of Issuance of the Second Tranche of Short-term Financing Bonds by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-05-29
63	Announcement on Preliminary Financial Data of Shenwan Hongyuan Securities Co., Ltd. for May 2019	2019-06-07
64	Announcement on Increase in the Registered Capital of Shenwan Hongyuan Securities Co., Ltd.	2019-06-11
65	Announcement on Change of the General Manager of a Subsidiary	2019-06-11
66	Announcement on Resignation of Director and General Manager	2019-06-11
67	Announcement on Resolutions of the 41st Meeting of the Fourth Session of the Board of Directors	2019-06-11
68	Announcement on the Results of the Non-public Issuance of Corporate Bonds (First Tranche) by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-06-18
69	Announcement on the Results of Issuance of the Third Tranche of Short-term Financing Bonds by Shenwan Hongyuan Securities Co., Ltd. in 2019	2019-06-22
70	Announcement on Changes to the Registered Capital and Articles of Association	2019-06-25
71	Announcement on Receipt of the Notice from the People's Bank of China on Issuance of Short-term Financing Bonds by Shenwan Hongyuan Securities Co., Ltd.	2019-06-25
72	Announcement on Receipt of Regulatory Opinions on the Issuance of Financial Bonds by Shenwan Hongyuan Securities Co., Ltd.	2019-06-26
73	Announcement on the Material Litigation Involving a Subsidiary	2019-06-27

Section V Significant Events (continued)

During the Reporting Period, the information regarding H Shares as disclosed by the Company on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) is as follows (excluding overseas regulatory announcements):

No.	Announcements	Date of publication
1	Price Determination	2019-04-18
2	Announcement of Offer Price and Allotment Results	2019-04-25
3	Articles of Association	2019-04-26
4	Working Rules of the Remuneration and Nomination Committee of the Board of Directors	2019-04-26
5	Working Rules of the Audit Committee of the Board of Directors	2019-04-26
6	Working Rules of the Strategy Committee of the Board of Directors	2019-04-26
7	Working Rules of the Risk Control Committee of the Board of Directors	2019-04-26
8	List of Directors and their Role and Function	2019-04-26
9	Date of Board Meeting	2019-04-26
10	2019 First Quarterly Report	2019-04-30
11	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended April 30, 2019	2019-05-07
12	Announcement on the Key Financial Data of Shenwan Hongyuan Securities Co., Ltd. for April 2019	2019-05-08
13	Stabilizing Actions, End of Stabilization Period and Lapse of Over-Allotment Option	2019-05-20
14	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended May 31, 2019	2019-06-06
15	Announcement on the Key Financial Data of Shenwan Hongyuan Securities Co., Ltd. for May 2019	2019-06-06
16	Resignation of Director and General Manager	2019-06-10
17	List of Directors and their Role and Function	2019-06-10
18	Voluntary Announcement	2019-06-17
19	Voluntary Announcement	2019-06-24
20	Changes to the Registered Capital and Articles of Association	2019-06-24

XXII. OTHER SIGNIFICANT MATTERS OF SUBSIDIARIES OF THE COMPANY

(I) Corporate bonds of Shenwan Hongyuan Securities, a subsidiary of the Company (hereinafter referred to as the “company” in this sub-section)

1. Basic Information

Name of bond	Abbreviation of bond	Bond code	Issuance date	Maturity date	Outstanding amount (RMB'0,000)	Interest rate	Method of repayment of principal and payment of interests
2017 Corporate Bonds Issued Publicly by Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (Type 1)	17 ShenZheng 01	136980	2017/2/17	2022/2/17	750,000.00	4.40%	
2017 Corporate Bonds Issued Publicly by Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (Type 2)	17 ShenZheng 02	136981	2017/2/17	2024/2/17	50,000.00	4.50%	The interest of these bond is calculated at simple interest on an annual basis with no compound interest counted, and paid once a year. The principal will be returned upon maturity. The interest of the last tranche will be paid together with the principal.
Corporate Bonds Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2018 (First Tranche) (Type 1)	18 ShenZheng 03	112812	2018/12/10	2023/12/10	150,000.00	4.08%	
Corporate Bonds Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 (First Tranche) (Type 1)	19 ShenZheng 01	112840	2019/1/16	2022/1/16	220,000.00	3.55%	

Section V Significant Events (continued)

Name of bond	Abbreviation of bond	Bond code	Issuance date	Maturity date	Outstanding amount (RMB'0,000)	Interest rate	Method of repayment of principal and payment of interests
Corporate Bonds Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 (Second Tranche) (Type 1)	19 ShenZheng 03	112864	2019/3/11	2022/3/11	620,000.00	3.68%	
Corporate Bonds Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 (Third Tranche) (Type 1)	19 ShenZheng 05	112901	2019/5/9	2022/5/9	810,000.00	3.88%	
2012 Corporate Bonds of Shenyin & Wanguo Securities Co., Ltd.	12 Shenwan Bonds	123459	2013/7/29	2019/7/29	0.00	5.20%	The interest of these bond is calculated at simple interest on an annual basis with no compound interest counted, and paid once a year. The principal will be returned upon maturity. The interest of the last tranche will be paid together with the principal.
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2018 (First Tranche) (Type 1)	18 ShenZheng 01	114390	2018/11/19	2020/11/19	200,000.00	4.10%	
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2018 (First Tranche) (Type 2)	18 ShenZheng 02	114406	2018/11/19	2021/11/19	300,000.00	4.20%	
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2019 (First Tranche) (Type 1)	19 ShenZheng 07	114499	2019/6/14	2021/6/14	100,000.00	3.90%	

Section V Significant Events (continued)

Name of bond	Abbreviation of bond	Bond code	Issuance date	Maturity date	Outstanding amount (RMB'0,000)	Interest rate	Method of repayment of principal and payment of interests
2018 Short-term Corporate Bonds of Securities Company of Shenwan Hongyuan Securities Co., Ltd. (First Tranche)	ShenZheng 1801	117579	2018/1/29	2019/1/29	0.00	5.50%	The interest of this bond is calculated at simple interest on an annual basis with no compound interest counted. Repayment of principal and payment of interest shall be made upon maturity.
2016 Subordinated Bonds of Shenwan Hongyuan Securities Co., Ltd. (First Tranche)	16 ShenZheng C1	135083	2016/3/25	2019/3/25	0.00	3.62%	
2016 Subordinated Bonds of Shenwan Hongyuan Securities Co., Ltd. (Second Tranche) (Type 2)	16 ShenZheng C3	145031	2016/10/19	2019/10/19	500,000.00	3.28%	The interest of these bond is calculated at simple interest on an annual basis with no compound
2017 Subordinated Bonds of Securities Company of Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (Type 1)	17 ShenZheng C1	118972	2017/11/16	2019/11/16	40,000.00	5.20%	interest counted, and paid once a year. The principal will be returned upon maturity. The interest of the last tranche
2017 Subordinated Bonds of Securities Company of Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (Type 2)	17 ShenZheng C2	118973	2017/11/16	2020/11/16	430,000.00	5.30%	will be paid together with the principal.

Section V Significant Events (continued)

Name of bond	Abbreviation of bond	Bond code	Issuance date	Maturity date	Outstanding amount (RMB'0,000)	Interest rate	Method of repayment of principal and payment of interests
2018 Subordinated Bonds of Securities Company of Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (Type 1)	18 ShenZheng C1	118976	2018/4/12	2020/4/12	140,000.00	5.25%	
2018 Subordinated Bonds of Securities Company of Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (Type 2)	18 ShenZheng C2	118977	2018/4/12	2023/4/12	460,000.00	5.35%	The interest of these bond is calculated at simple interest on an annual basis with no compound interest counted, and paid once a year. The principal will be returned upon maturity. The interest of the last tranche will be paid together with the principal.
2018 Subordinated Bonds of Securities Company of Shenwan Hongyuan Securities Co., Ltd. (Second Tranche) (Type 1)	18 ShenZheng C3	118978	2018/5/21	2020/5/21	420,000.00	5.38%	
2018 Subordinated Bonds of Securities Company of Shenwan Hongyuan Securities Co., Ltd. (Third Tranche) (Type 1)	18 ShenZheng C5	118984	2018/9/17	2020/9/17	510,000.00	4.69%	

Section V Significant Events (continued)

Stock exchange on which corporate bonds are listed or transferred	<p>Shanghai Stock Exchange (17 ShenZheng 01, 17 ShenZheng 02, 12 Shenwan Bonds, 16 ShenZheng C1, 16 ShenZheng C3);</p> <p>Shenzhen Stock Exchange (18 ShenZheng 03, 19 ShenZheng 01, 19 ShenZheng 03, 19 ShenZheng 05, 18 ShenZheng 01, 18 ShenZheng 02, 19 ShenZheng 07, ShenZheng 1801, 17 ShenZheng C1, 17 ShenZheng C2, 18 ShenZheng C1, 18 ShenZheng C2, 18 ShenZheng C3, 18 ShenZheng C5)</p>
Investor eligibility arrangement	<p>The abovementioned publicly issued corporate bonds were all issued to qualified investors.</p> <p>The abovementioned other bonds were issued to qualified institutional investors.</p>
Payment of interests and repayment of principal of corporate bonds during the Reporting Period	<p>On January 29, 2019, the company repaid the principal and paid interests of ShenZheng 1801 which became due in an amount of principal (interest) of RMB105.50 (tax inclusive) per bond.</p> <p>On February 18, 2019, the company paid interests of 17 ShenZheng 01 and 17 ShenZheng 02 in an amount of RMB4.40 (tax inclusive) per bond and RMB4.50 (tax inclusive) per bond.</p> <p>On March 25, 2019, the company repaid the principal and paid interests of 16 ShenZheng C1 which became due in an amount of principal (interest) of RMB103.62 (tax inclusive) per bond.</p> <p>On April 12, 2019, the company paid interests of 18 ShenZheng C1 and 18 ShenZheng C2 in an amount of RMB5.25 (tax inclusive) per bond and RMB5.35 (tax inclusive) per bond.</p> <p>On May 21, 2019, the company paid interests of 18 ShenZheng C3 in an amount of RMB5.38 (tax inclusive) per bond.</p> <p>On July 29, 2019, the company repaid the principal and paid interests of 12 ShenWan which became due at an amount of principal (interest) of RMB105.20 (tax included) per bond.</p>
Performance of relevant special terms during the Reporting Period, such as corporate bonds issuer or investor option and exchangeable terms (if applicable).	<p>16 ShenZheng C1 is subject to the redemption option of the issuer and coupon rate adjustment option. On February 11, 2019, the company published the Announcement on Exercise of the Redemption Option of the Issuer of the 16 ShenZheng C1 Subordinated Bonds of Shenwan Hongyuan Securities Co., Ltd., pursuant to which the company decided to exercise the redemption option of the issuer of the “16 ShenZheng C1” subordinated bonds and redeemed all the registered “16 ShenZheng C1” subordinated bonds as of the registration date of redemption. Therefore, 16 ShenZheng C1 was deemed to be fully become due in the third year.</p> <p>18 ShenZheng C2 is subject to the redemption option of the issuer and put-back option of investors. Such options were not implemented during the Reporting Period.</p>

Section V Significant Events (continued)

2. Information of bond trustee and credit rating agency

17 ShenZheng 01, 17 ShenZheng 02, 17 ShenZheng C1, 17 ShenZheng C2, 18 ShenZheng C1, 18 ShenZheng C2, 18 ShenZheng C3, 18 ShenZheng C5, ShenZheng 1801, 18 ShenZheng 01, 18 ShenZheng 02, 18 ShenZheng 03, 19 ShenZheng 01, 19 ShenZheng 03, 19 ShenZheng 05, 19 ShenZheng 07

Bond trustee:							
Name	Huatai United Securities Co., Ltd.	Office address	20/F, Block E, Poly Plaza, No. 18 Dongfang Road, Shanghai	Contact person	Feng Yulan	Telephone of contact person	021-38966558
Credit rating agency(ies) which conducted rating on corporate bonds during the Reporting Period:							
Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.		Office address	14/F, Huasheng Building, No. 398 Hankou Road, Shanghai			

16 ShenZheng C1, 16 ShenZheng C3

Bond trustee:							
Name	Shenwan Hongyuan Financing Services Co., Ltd.	Office address	Room 3901, No. 989 Changle Road, Xuhui District, Shanghai	Contact person	Liu Wenchi	Telephone of contact person	021-33389853
Credit rating agency(ies) which conducted rating on corporate bonds during the Reporting Period:							
Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.		Office address	14/F, Huasheng Bulding, No. 398 Hankou Road, Shanghai			

12 Shenwan Bonds

Bond trustee:							
Name	Fangda Partners	Office address	20/F, No. 1515 Nanjing West Road, Shanghai	Contact person	Zhu Zhu	Telephone of contact person	021-22081166
Credit rating agency(ies) which conducted rating on corporate bonds during the Reporting Period:							
Name	China Chengxin Securities Rating Co., Ltd.		Office address	8/F, Anji Building, 760 Xizang South Road, Huangpu District, Shanghai			

Section V Significant Events (continued)

3. Use of proceeds from corporate bonds

17 ShenZheng 01, 17 ShenZheng 02

Use of proceeds from corporate bonds and implementation procedures	The proceeds have been used, and all of the proceeds were used to replenish the company's working capital, support business development, and meet the company's strategic development needs.
Ending Balance (RMB'0,000)	0.00
Operation of special account for proceeds	The special account for proceeds is opened with Shanghai Huangpu Sub-branch of Agricultural Bank of China Limited. During the Reporting Period, the account was used to complete the payment of interest for bonds.
Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreements in the prospectus	Yes

18 ShenZheng 03

Use of proceeds from corporate bonds and implementation procedures	The proceeds have been used, and all of the proceeds were used to replenish the company's working capital, support business development, and meet the company's strategic development needs.
Ending Balance (RMB'0,000)	0.00
Operation of special account for proceeds	The special account for proceeds is opened with the Shanghai Branch of China Minsheng Banking Corp., Ltd. During the Reporting Period, the account was in standard operation in accordance with requirements.
Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreements in the prospectus	Yes

19 ShenZheng 01

Use of proceeds from corporate bonds and implementation procedures	The proceeds have been used, and all of the proceeds were used to repay matured debts.
Ending Balance (RMB'0,000)	0.00
Operation of special account for proceeds	The special account for proceeds is opened with the Shanghai Branch of Bank of China Limited. During the Reporting Period, the account was used to complete the receipt and use of proceeds.
Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreement	Yes

Section V Significant Events (continued)

19 ShenZheng 03

Use of proceeds from corporate bonds and implementation procedures	The proceeds have been used, and all of the proceeds were used to repay matured debts.
Ending Balance (RMB'0,000)	0.00
Operation of special account for proceeds	The special account for proceeds is opened with the Shanghai Bund Sub-branch of China Merchants Bank Co., Ltd. During the Reporting Period, the account was used to complete the receipt and use of proceeds.
Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreement	Yes

19 ShenZheng 05

Use of proceeds from corporate bonds and implementation procedures	The proceeds have been used, and all of the proceeds were used to repay the matured debts and replenish the working capital.
Ending Balance (RMB'0,000)	0.00
Operation of special account for proceeds	The special account for proceeds is opened with the Fuzhou Branch of China Merchants Bank Co., Ltd. During the Reporting Period, the account was used to complete the receipt and use of proceeds.
Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreement	Yes

12 Shenwan Bonds

Use of proceeds from corporate bonds and implementation procedures	The proceeds have been used, and all of the proceeds were used to replenish the company's working capital.
Ending Balance (RMB'0,000)	0.00
Operation of special account for proceeds	The special account for proceeds is opened with the Jing'an Sub-branch of Shanghai Pudong Development Bank. During the Reporting Period, the account was in standard operation in accordance with requirements.
Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreement	Yes

Section V Significant Events (continued)

18 ShenZheng 01, 18 ShenZheng 02

Use of proceeds from corporate bonds and implementation procedures	The proceeds have been used, and all of the proceeds were used to repay matured debts.
Ending Balance (RMB'0,000)	0.00
Operation of special account for proceeds	The special account for proceeds is opened with the Shanghai Branch of Industrial and Commercial Bank of China Limited. During the Reporting Period, the account was in standard operation in accordance with requirements.
Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreement	Yes

19 ShenZheng 07

Use of proceeds from corporate bonds and implementation procedures	The proceeds have been used, and all of the proceeds were used to repay matured debts.
Ending Balance (RMB'0,000)	0.00
Operation of special account for proceeds	The special account for proceeds is opened with the Fuzhou Branch of China Merchants Bank Co., Ltd. During the Reporting Period, the account was used to complete the receipt and use of proceeds.
Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreement	Yes

ShenZheng 1801

Use of proceeds from corporate bonds and implementation procedures	The proceeds have been used, and all of the proceeds were used to replenish the company's working capital.
Ending Balance (RMB'0,000)	0.00
Operation of special account for proceeds	The special account for proceeds is opened with the Shanghai Second Sub-branch of China Construction Bank Corporation. During the Reporting Period, the account was used to complete payment of interest and repayment of principal of bonds.
Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreement	Yes

Section V Significant Events (continued)

16 ShenZheng C1, 16 ShenZheng C3

Use of proceeds from corporate bonds and implementation procedures	The proceeds have been used, and all of the proceeds were used to replenish the company's working capital.
Ending Balance (RMB'0,000)	0.00
Operation of special account for proceeds	The special account for proceeds is opened with the Shanghai Bund Sub-branch of China CITIC Bank Corporation Limited. During the Reporting Period, the account was used to complete payment of interest and repayment of principal of 16 ShenZheng C1.
Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreement	Yes

17 ShenZheng C1, 17 ShenZheng C2

Use of proceeds from corporate bonds and implementation procedures	The proceeds have been used, and all of the proceeds were used to replenish the company's working capital.
Ending Balance (RMB'0,000)	0.00
Operation of special account for proceeds	The special account for proceeds is opened with the Shanghai Branch of Industrial and Commercial Bank of China Limited. During the Reporting Period, the account was in standard operation in accordance with requirements.
Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreement	Yes

18 ShenZheng C1, 18 ShenZheng C2

Use of proceeds from corporate bonds and implementation procedures	The proceeds have been used, and all of the proceeds were used to replenish the company's working capital.
Ending Balance (RMB'0,000)	0.00
Operation of special account for proceeds	The special account for proceeds is opened with the Shanghai Branch of Bank of China Limited. During the Reporting Period, the account was used to complete the payment of interest for bonds.
Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreement	Yes

Section V Significant Events (continued)

18 ShenZheng C3

Use of proceeds from corporate bonds and implementation procedures	The proceeds have been used, and all of the proceeds were used to replenish the company's working capital.
Ending Balance (RMB'0,000)	0.00
Operation of special account for proceeds	The special account for proceeds is opened with the Shanghai Branch of Industrial Bank Co., Ltd. During the Reporting Period, the account was used to complete the payment of interest for bonds.
Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreement	Yes

18 ShenZheng C5

Use of proceeds from corporate bonds and implementation procedures	The proceeds have been used, and all of the proceeds were used to replenish the company's working capital.
Ending Balance (RMB'0,000)	0.00
Operation of special account for proceeds	The special account for proceeds is opened with Jing'an Sub-branch of Shanghai Pudong Development Bank. During the Reporting Period, the account was in standard operation subject to requirements.
Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreement	Yes

4. Credit rating of corporate bonds

Shenwan Hongyuan Securities engaged Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (the "Shanghai Brilliance") to conduct rating on 16 ShenZheng C1, 16 ShenZheng C3, 17 ShenZheng C1, 17 ShenZheng C2, 18 ShenZheng C1, 18 ShenZheng C2, 18 ShenZheng C3, 18 ShenZheng C5, ShenZheng 1801, 17 ShenZheng 01, 17 ShenZheng 02, 18 ShenZheng 01, 18 ShenZheng 02, 18 ShenZheng 03, 19 ShenZheng 01, 19 ShenZheng 03, 19 ShenZheng 05 and 19 ShenZheng 07 of Shenwan Hongyuan Securities. According to the Ongoing Credit Rating Report issued by Shanghai Brilliance on May 24, 2019, the credit rating of Shenwan Hongyuan Securities is AAA, indicating that Shenwan Hongyuan Securities has a strong ability to repay debts, will basically not be affected by unfavorable economic environment, and has a very low risk of default; the credit rating of 17 ShenZheng 01, 17 ShenZheng 02, 18 ShenZheng 01, 18 ShenZheng 02, 18 ShenZheng 03, 19 ShenZheng 01 and 19 ShenZheng 03 is AAA, indicating that the bonds have an extremely strong repayment security, will basically not be affected by the unfavorable economic environment, and have a very low risk of default; the credit rating of 16 ShenZheng C3, 17 ShenZheng C1, 17 ShenZheng C2, 18 ShenZheng

Section V Significant Events (continued)

C1, 18 ShenZheng C2, 18 ShenZheng C3 and 18 ShenZheng C5 is AA+; the outlook of ratings of bonds per tranche is stable; the issuer credit rating, the credit rating of bonds and rating outlook are the same as the results of the previous rating; it is not required to issue an ongoing credit rating report for 16 ShenZheng C1, ShenZheng 1801, 19 ShenZheng 05 and 19 ShenZheng 07.

On April 10, 2019, Shanghai Brilliance issued the Credit Rating Report of Shenwan Hongyuan Securities Co., Ltd. The Company's issuer credit rating is AAA with a stable rating outlook and there is no rating difference.

Shenwan Hongyuan Securities engaged China Chengxin Securities Rating Co., Ltd. ("China Chengxin") to conduct rating on the 12 Shenwan Bonds of Shenwan Hongyuan Securities. According to Ongoing Credit Rating Report on the 2012 Corporate Bonds of Shenyin & Wanguo Securities Co., Ltd. (2019) issued by China Chengxin on April 26, 2019, the company's issuer crediting is AAA indicating that the company has an extremely strong ability to repay debts, will basically not be affected by the unfavorable economic environment and has an extremely low risk of default; the debt rating is AAA, indicating that the bond is extremely secure, and basically will not be affected by the unfavorable economic environment, and has an extremely low risk of default; the rating outlook is stable, indicating that the rating will not change substantially; the issuer rating, debt rating and rating outlook are the same as the results of the previous rating.

5. Credit enhancement mechanism, debt repayment plan and other debt repayment safeguard measures for corporate bonds

During the Reporting Period, there was no credit enhancement arrangement for the issued bonds of the company, and the repayment plan and other repayment safeguard measures were consistent with the relevant commitments in the prospectus without major changes. The company was able to implement the debt repayment plan and debt repayment safeguard measures in accordance with relevant agreements, to effectively safeguard the interests of bondholders.

The company set up special repayment accounts for the issued bonds. The withdrawal of funds from the special repayment accounts during the Reporting Period was consistent with the relevant commitments in the prospectus.

6. Meeting of bond holders during the Reporting Period

During the Reporting Period, no bondholder meeting was held by the company.

7. Performance of bond trustee during the Reporting Period

The company engaged Huatai United Securities Co., Ltd. ("Huatai United") as the bond trustee of 17 ShenZheng 01, 17 ShenZheng 02, 17 ShenZheng C1, 17 ShenZheng C2, ShenZheng 1801, 18 ShenZheng C1, 18 ShenZheng C2, 18 ShenZheng C3, 18 ShenZheng C5, 18 ShenZheng 01, 18 ShenZheng 02, 18 ShenZheng 03, 19 ShenZheng 01, 19 ShenZheng 03, 19 ShenZheng 05 and 19 ShenZheng 07. As Huatai United is the sponsor performing continuous supervision duty for the company's shareholders in respect of the non-public issuance of A shares in 2017, the relevant risk prevention mechanism for the possible conflict of interest when the trustee performs its duties has been disclosed in the prospectus of the abovementioned bonds. According to the Entrusted Management

Section V Significant Events (continued)

Agreement entered into between both parties, on June 24, 2019, Huatai United issued the Report on Entrusted Management of 2017 Corporate Bonds Offered Publicly by Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (2018) and the Report on Entrusted Management of Corporate Bonds Offered Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2018 (First Tranche) (2018), the Report on Entrusted Management of Corporate Bonds Offered Non-publicly by Shenwan Hongyuan Securities Co., Ltd. in 2018 (First Tranche) (2018), and the Report on Entrusted Management of 2017 Subordinated Bonds of Securities Company (First Tranche), 2018 Subordinated Bonds of Securities Company (First Tranche), 2018 Subordinated Bonds of Securities Company (Second Tranche) and 2018 Subordinated Bonds of Securities Company (Third Tranche) of Shenwan Hongyuan Securities Co., Ltd.; it is not required to issue the 2018 report on entrusted management for 19 ShenZheng 01, 19 ShenZheng 03, 19 ShenZheng 05 and 19 ShenZheng 07. In addition, Huatai United issued a corresponding interim entrusted report based on the Company's interim announcement during the Reporting Period. For details, please refer to the websites of the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

The company engaged Shenwan Hongyuan Financing Services as the bond trustee for 16 ShenZheng C1 and 16 ShenZheng C3. Since Shenwan Hongyuan Financing Services is a subsidiary of the company, the relevant risk prevention mechanism for the possible conflict of interest when the trustee performs its duties has been disclosed in the prospectus of the abovementioned bonds. According to the Entrusted Management Agreement entered into between both parties, Shenwan Hongyuan Financing Services Co., Ltd. issued the Report on Entrusted Management of 2016 Subordinated Bonds of Shenwan Hongyuan Securities Co., Ltd. (2018) on June 28, 2019. In addition, Shenwan Hongyuan Financing Services issued a corresponding interim entrusted report based on the Company's interim announcement during the Reporting Period. For details, please refer to the website of the Shanghai Stock Exchange.

The company engaged Fangda Partners as the debt agency of 12 Shenwan Bonds. According to the Debt Agency Agreement entered into between both parties, Fangda Partners issued the 2018 Report on Debt Agency for 2012 Corporate Bonds of Shenyin & Wanguo Securities Co., Ltd. on June 21, 2019.

8. Outstanding debts overdue of the company

During the Reporting Period, the company had no outstanding overdue debts.

Section V Significant Events (continued)

9. Interest payment and repayment of principal of other bonds and debt financing instruments during the Reporting Period

Other debt financing instruments of the company include deposits and placements with, and loans to banks and non-bank institutions, short selling and refinancing, transfer of claims and incomes rights of financing business, structured note, etc. During the Reporting Period, the repayment of principal and payment of interest of all financing were implemented in a timely manner.

Name of bond	Abbreviation of bond	Bond code	Date of issuance	Payment of interest and repayment of principal during the Reporting Period
AXA SPDB Assets Management — No. 1 asset-backed plan backed by margin account debts of Shenwan Hongyuan Securities (priority)	ShenZheng 1A01	116643	2017/8/24	Repayment of principal of RMB1,900 million and payment of interests of RMB63,379,835.62 upon maturity
AXA SPDB Assets Management — No. 2 asset-backed plan backed by margin account debts of Shenwan Hongyuan Securities (priority)	ShenZheng 2A01	116723	2017/11/17	Repayment of principal of RMB2,850 million and payment of interests of RMB58,210,110.00 upon maturity
AXA SPDB Assets Management — No. 3 asset-backed plan backed by margin account debts of Shenwan Hongyuan Securities (priority)	ShenZheng 3A01	116819	2018/2/1	No payment of interests or repayment of principal
AXA SPDB Assets Management — No. 4 asset-backed plan backed by margin account debts of Shenwan Hongyuan Securities (priority)	ShenZheng 4A01	116874	2018/3/16	No payment of interests or repayment of principal
Southwest Securities — No. 1 asset-backed plan backed by margin account debts of Shenwan Hongyuan (priority)	18 ShenWan 01	116902	2018/3/29	Payment of interests of RMB54,647,121.70

Section V Significant Events (continued)

Name of bond	Abbreviation of bond	Bond code	Date of issuance	Payment of interest and repayment of principal during the Reporting Period
Huafu — No. 1 asset-backed plan backed by margin account debts of Shenwan Hongyuan Securities (priority)	ShenWan 1A01	116924	2018/4/27	Payment of interests of RMB50,212,054.30
2019 First Tranche of Short-term Financing Bonds of Shenwan Hongyuan Securities Co., Ltd.	19 Shenwan Hongyuan CP001	071900029	2019/4/25	No payment of interests or repayment of principal
2019 Second Tranche of Short-term Financing Bonds of Shenwan Hongyuan Securities Co., Ltd.	19 Shenwan Hongyuan CP002	071900042	2019/5/27	No payment of interests or repayment of principal
2019 Third Tranche of Short-term Financing Bonds of Shenwan Hongyuan Securities Co., Ltd.	19 Shenwan Hongyuan CP003	071900054	2019/6/21	No payment of interests or repayment of principal

On July 25, 2019, the company cleared 19 Shenwan Hongyuan CP001 with principal and interests totaling RMB3,022,288,767.12; On August 1, 2019, the company cleared the third tranche of AXA SPDB (priority) with principal of RMB2.85 billion and interests of RMB95,322,525.00; On August 25, 2019, the company cleared 19 Shenwan Hongyuan CP002 with principal and interests totaling RMB3,022,438,356.16. On August 29, 2019, the company issued 19 Shenwan Hongyuan CP004 with an issue size of RMB3.0 billion.

Section V Significant Events (continued)

10. Bank facilities obtained, the use thereof and repayment of bank loans during the Reporting Period

As of June 30, 2019, the company was granted bank facilities in a total amount of approximately RMB415.0 billion by over 100 banks, among which, the size of bank facilities granted by the top 10 banks amounted to RMB200.7 billion and approximately RMB64.0 billion had been used.

During the Reporting Period, the company's interest-bearing debts were repaid on time without default, extension or remission.

11. Performance of relevant agreements or commitments in the prospectus of corporate bonds during the Reporting Period

During the Reporting Period, the company stringently performed the relevant stipulations or commitments in the prospectus of corporate bonds, the usage of the proceeds was consistent with the stipulations in the prospectus; the company stringently performed its duty for information disclosure, and paid the bond interest on time to protect the legitimate rights and interests of investors. During the Reporting Period, the company did not default on the repayment of principal or payment of interest of the issued bonds. The company operated stably with satisfactory profitability, detecting no risk of failing to make payments as scheduled in the future.

12. Significant matters during the Reporting Period

- (1) On January 14, 2019, the company disclosed the Announcement on Progress of the Material Litigation (Arbitration) Involving Shenwan Hongyuan Securities Co., Ltd. on the Shenzhen Stock Exchange and the Shanghai Stock Exchange.
- (2) On March 1, 2019, the company disclosed the Announcement on Progress of the Material Litigation Involving Shenwan Hongyuan Securities Co., Ltd. on the Shenzhen Stock Exchange and the Shanghai Stock Exchange.
- (3) On May 22, 2019, the company disclosed the Announcement on Progress of the Material Litigation Involving Shenwan Hongyuan Securities Co., Ltd. on the Shenzhen Stock Exchange and the Shanghai Stock Exchange.
- (4) On June 10, 2019, the company disclosed the Announcement on Change of General Manager of Shenwan Hongyuan Securities Co., Ltd. and the Announcement on Change of Director of Shenwan Hongyuan Securities Co., Ltd. on the Shenzhen Stock Exchange and the Shanghai Stock Exchange.
- (5) On June 24, 2019, the company disclosed the Announcement on Relevant Information of the Material Litigation Involving a Sub-subsidiary of Shenwan Hongyuan Securities Co., Ltd. on the Shenzhen Stock Exchange and the Shanghai Stock Exchange.
- (6) On July 19, 2019, the company disclosed the Announcement of Updates on Major Litigation Involved by Shenwan Hongyuan Securities Co., Ltd. (《申萬宏源證券有限公司涉及重大訴訟的進展公告》) based on the first-instance judgment it received regarding the pledged securities repurchase dispute filed by the company against Peng Peng and Wei Yueping.

Section V Significant Events (continued)

- (7) On August 2, 2019, the Company disclosed the Announcement of Updates on Changes of the Director and General Manager of Shenwan Hongyuan Securities Co., Ltd. (《申萬宏源證券有限公司董事和總經理發生變動的進展公告》), announcing that Mr. Yang Yucheng acted as director and the general manager of Shenwan Hongyuan Securities Co., Ltd. from August 1, 2019.
- (8) On August 22, 2019, the Company disclosed the Announcement on Arbitration Involving Shenwan Hongyuan Securities Co., Ltd. on the Shenzhen Stock Exchange and the Shanghai Stock Exchange.

The abovementioned matters, will not have material adverse effects on the company's operating activities and solvency.

13. Guarantor for corporate bonds

During the Reporting Period, there was no guarantor for corporate bonds.

(II) Relevant regulatory measures

1. In June 2019, Hubei Branch of the company and its principal were imposed administrative penalty by Wuhan Branch of the People's Bank of China.

On June 27, 2019, Wuhan Branch of the People's Bank of China issued the administrative penalty decision to Hubei Branch of Shenwan Hongyuan Securities and its principal Liu Dan. The main contents are as follows: in the inspection of the branch from August 27, 2018 to September 21, 2018, Wuhan Branch of the People's Bank of China found that the branch failed to perform client identification as required and failed to submit reports on large-value and suspicious transactions as required, which was in violation of relevant provisions under the Anti-Money Laundering Law of the People's Republic of China and the Administrative Measures for the Reporting of Large-value and Suspicious Transactions by Financial Institutions, and thus fined the Branch RMB150,000. Meanwhile, Liu Dan, as the general manager of the branch and the leader of the anti-money laundering leading group, shall assume direct leadership responsibility and was imposed a fine of RMB9,000.

Upon receipt of the letter, Hubei Branch of the company proactively implemented the rectification requirements, communicated with and provided feedback to the regulatory authorities in a timely manner, reflected on this event and apply the lesson learned to others, and intensified the management of the basic work of anti-money laundering, to effectively improve the effectiveness of anti-money laundering work.

2. In June 2019, Jiangxi Branch of the company and its principal were imposed administrative penalty by Anti-money Laundering Division of Nanchang Central Sub-branch of the People's Bank of China.

On June 28, 2019, the Anti-Money Laundering Division of Nanchang Central Sub-branch of the People's Bank of China issued an administrative penalty decision against Jiangxi Branch of the company and its principal Zhan Lineng. The main contents are as follows: there were problems of varying degrees with Jiangxi Branch in client identification, client identities and preservation of transaction records, suspicious transaction reporting, etc. The abovementioned problems were "serious circumstances" and thus Jiangxi Branch of the company was ordered to make rectification within six

Section V Significant Events (continued)

months and imposed a fine of RMB780,000. Meanwhile, Zhan Lineng, the general manager of Jiangxi Branch of the company and the leader of the anti-money laundering work leading group, shall assume direct leadership responsibility and was imposed a fine of RMB24,000.

Upon receipt of the letter, Jiangxi Branch of the company proactively implemented the rectification requirements, intensified anti-money laundering training and assessment, and strengthened accountability.

3. In June 2019, a former employee of Shenwan Hongyuan Financing Services received a written decision on self-regulatory measures from the Securities Association of China

On June 19, 2019, the Securities Association of China issued the Decision on Taking Self-regulatory Measures against Zhou Le [2019] No. 5 to Zhou Le, a former employee of Shenwan Hongyuan Financing Services, affirming that Zhou Le, as the co-organizer and contractor of the 2016 non-public issuance project of Yabaite, was found to conduct falsification and make up false information during the on-site verification process of the project and failed to be honest and trustworthy and perform duties diligently, and thus the Securities Association of China decided to implement disciplinary punishments against Zhou Le including cancellation of the practice certificate (for general securities business) and no acceptance of application for practice registration within three years. So far, Zhou Le has left office.

Upon receipt of the letter, Shenwan Hongyuan Financing Services strengthened the management of the project papers by the project team, business department and capital market department, the acceptance of working papers by the quality control department, and the professional training for employees to enhance employees' compliance awareness and effectively prevented the occurrence of similar incidents.

4. In June 2019, Shanghai Stock Exchange imposed disciplinary punishment on the signatories from Shenwan Hongyuan Financing Services as the financial consultant

On June 24, 2019, the Shanghai Stock Exchange issued the Decision on Criticism Against the Signatories of the Financial Consultant, the Accounting Firm for Annual Audit and the Certified Public Accountants for the Material Asset Restructuring Project of Guizhou Salvage Pharmaceutical Co., Ltd., maintaining that while Shenwan Hongyuan Financing Services was the financial consultant to the material asset restructuring of Guizhou Salvage Pharmaceutical Co., Ltd., Zhao Rui and Luo Xiao, the then project signatories from Shenwan Hongyuan Financing Services, failed to perform their duties diligently, fulfill the obligation of continuous supervision effectively and identify and correct major errors in the financial report, and prudently issue verification opinions, and thus they were accountable for the violations of disciplines and regulations conducted by Guizhou Salvage Pharmaceutical Co., Ltd. Therefore, a notice of criticism against Zhao Rui and Luo Xiao, the then project signatories, was circulated.

Upon receipt of the letter, Shenwan Hongyuan Financing Services proactively communicated with Guizhou Salvage Pharmaceutical Co., Ltd., to urge it to regulate the company's operation, strictly perform the relevant commitments concerning restructuring, standardize the use of proceeds, and implement risk identification for all ongoing supervision projects and substantive financial verification for key projects.

XXIII. EVENTS AFTER THE BALANCE SHEET DATE

(I) Issuance of short-term financing bills and structured notes

From July 1, 2019 to the date of publication of financial statements, the Group issued short-term financing bills and a number of structured notes with coupon rate of fixed rate 0.50% to 0.50% plus floating rate and in the total amount of RMB7.132 billion.

(II) Repayment of long-term bonds, short-term bonds and structured notes

From July 1, 2019 to the date of publication of the financial statements, the Company repaid a number of long-term bonds, short-term bonds and structured notes bearing fixed coupon rate of 0.50% to 0.50% plus floating rate and in the total amount of RMB14.077 billion.

(III) Guarantees

From July 1, 2019 to the date of publication of the financial statements, the Company and the Shanghai branch of China Minsheng Banking Corp., Ltd. signed the Maximum Guarantee Contract in respect of the facilities granted to Hongyuan Hengli (Shanghai) Industrial Co., Ltd. (宏源恒利(上海)實業有限公司), a wholly-owned subsidiary of the Company, pursuant to which the Company provided an irrevocable guarantee with joint and several liability of RMB100 million to Hongyuan Hengli (Shanghai) Industrial Co., Ltd. (宏源恒利(上海)實業有限公司).

Section VI Changes in Shares and Shareholders

I. CHANGES IN SHARES

(I) Table of changes in shares

Unit: Share

	Before this change		Increase or decrease (+, -) of this change					After this change	
	Number	Percentage	New shares issued	Bonus issue	Reserves capitalized	Others	Sub-total	Number	Percentage
I. Shares subject to selling restrictions	2,507,825,367	11.13%	0	0	0	-2,506,295,012	-2,506,295,012	1,530,355	0.01%
1. State-owned shares	0	0	0	0	0	0	0	0	0
2. Shares held by state-owned legal persons	1,770,613,059	7.86%	0	0	0	-1,770,613,059	-1,770,613,059	0	0
3. Other domestic shares	737,212,308	3.27%	0	0	0	-735,681,953	-735,681,953	1,530,355	0.01%
Including: shares held by domestic legal persons	735,681,953	3.26%	0	0	0	-735,681,953	-735,681,953	0	0
shares held by domestic natural persons	1,530,355	0	0	0	0	0	0	1,530,355	0.01%
4. Shares held by foreign capital	0	0	0	0	0	0	0	0	0
Including: shares held by overseas legal persons	0	0	0	0	0	0	0	0	0
shares held by overseas natural persons	0	0	0	0	0	0	0	0	0
II. Shares without selling restrictions	20,028,119,193	88.87%	2,504,000,000	0	0	2,506,295,012	5,010,295,012	25,038,414,205	99.99%
1. RMB-denominated ordinary shares	20,028,119,193	88.87%	0	0	0	2,506,295,012	2,506,295,012	22,534,414,205	89.99%
2. Domestic listed foreign shares	0	0	0	0	0	0	0	0	0

Section VI Changes in Shares and Shareholders (continued)

Unit: Share

	Before this change		Increase or decrease (+, -) of this change					After this change	
	Number	Percentage	New shares issued	Bonus issue	Reserves capitalized	Others	Sub-total	Number	Percentage
3. Overseas listed foreign shares	0	0	2,504,000,000	0	0	0	2,504,000,000	2,504,000,000	10.00%
4. Others	0	0	0	0	0	0	0	0	0
III. Total number of shares	22,535,944,560	100%	2,504,000,000	0	0	0	2,504,000,000	25,039,944,560	100%

Notes: 1. As approved by the "Reply Regarding Approval for Issuance of Overseas Listed Foreign Shares by Shenwan Hongyuan Group Co., Ltd." issued by the CSRC and the Company was approved to non-publicly issue no more than 2.5 billion new shares. On January 30, 2018, 2,479,338,842 new shares issued in non-public issuance were listed on the Shenzhen Stock Exchange. According to the commitments, 2,479,338,842 shares subscribed by four investors are subject to 12-month restricted trading period. On February 14, 2019, the restricted trading period for such shares held by the four investors expired and such shares went public.

2. As approved by the "Reply Regarding Approval for Issuance of Overseas Listed Foreign Shares by Shenwan Hongyuan Group Co., Ltd." issued by the CSRC and the Hong Kong Stock Exchange, on April 26, 2019, the overseas listed foreign shares (H shares) issued by the Company were listed and traded on the Main Board of the Hong Kong Stock Exchange. The issue price was HK\$3.63 per share with a total of 2,504,000,000 H Shares issued. Among them, 1,724,775,200 H Shares subscribed by the cornerstone investors under the relevant cornerstone investment agreements shall not be directly or indirectly disposed of during the six-month period from the date of listing.

Section VI Changes in Shares and Shareholders (continued)

(II) Changes in A Shares Subject to selling restrictions

Unit: Share

Name of shareholder	Number of shares subject to selling restrictions at the beginning of the period	Number of shares released from selling restrictions during this period	Increased number of shares subject to selling restrictions during this period	Number of shares subject to selling restrictions at the end of the period	Reason for selling restrictions	Date of release from selling restrictions
China Life Investment Holding Company Limited	26,234,716	26,234,716	0	0	Shares subject to selling restrictions in the merger and reorganization	February 14, 2019
Shanghai Shangshen Trading Company	721,454	721,454	0	0	Shares subject to selling restrictions in the merger and reorganization	February 14, 2019
Sichuan Development Holding Co., Ltd.	1,124,543,633	1,124,543,633	0	0	Same as note 1 above	February 14, 2019
Xinjiang Financial Investment Co., Ltd.	619,834,710	619,834,710	0	0	Same as note 1 above	February 14, 2019
Taiping Life Insurance Co., Ltd – traditional – ordinary insurance product – 022L – CT001Shen (太平人壽保險有限公司 – 傳統 – 普通保險產品 – 022L – CT001深)	239,092,731	239,092,731	0	0	Same as note 1 above	February 14, 2019
China Life Insurance Company Ltd. – traditional – ordinary insurance product – 005L – CT001Shen (中國人壽保險股份有限公司 – 傳統 – 普通保險產品 – 005L – CT001深)	495,867,768	495,867,768	0	0	Same as note 1 above	February 14, 2019

Section VI Changes in Shares and Shareholders (continued)

Unit: Share

Name of shareholder	Number of shares subject to selling restrictions at the beginning of the period	Number of shares released from selling restrictions during this period	Increased number of shares subject to selling restrictions during this period	Number of shares subject to selling restrictions at the end of the period	Reason for selling restrictions	Date of release from selling restrictions
The Special Account of Shenzhen Branch of the Special account of China Securities and Clearing Corporation for the remaining shares of listed company pending confirmation	1,530,355	0	0	1,530,355.00	Shares subject to selling restrictions in the merger and reorganization	January 26, 2016
Total	2,507,825,367	2,506,295,012	0	1,530,355.00	—	—

II. ISSUANCE AND LISTING OF SECURITIES

- (I) As approved by the CSRC on “Reply Regarding the Approval for the Issuance of Offshore Listed Foreign Shares by Shenwan Hongyuan Group Co., Ltd. (Zheng Jian Xu Ke No. [2019]393) and the Hong Kong Stock Exchange, on April 26, 2019. the overseas listed foreign shares (H Shares) issued by the Company were listed and traded on the Main Board of the Hong Kong Stock Exchange. The issue price of these H shares was HK\$3.63 per share. The aggregate number of H Shares issued amounted to 2,504,000,000. The abbreviation for the H shares of the Company in Chinese is “申萬宏源” and the abbreviation in English is “SWHY”. The stock code of the H shares is “6806”. (For details, please refer to the announcements published on the HKEXnews website of Hong Kong Stock Exchange News (<https://www.hkexnews.hk>) and the website of the Company (www.swhygh.com) on April 25, 2019 as well as the announcements published on China Securities Journal, Securities Times, Shanghai Securities News and www.cninfo.com.cn on April 27, 2019 by the Company, respectively)
- (II) For the non-public issuance of corporate bonds during the Reporting Period, please refer to “Section VIII Corporate Bonds” in this report.

Section VI Changes in Shares and Shareholders (continued)

III. NUMBER OF SHAREHOLDERS AND THEIR SHAREHOLDINGS

(I) Number of shareholders and their shareholdings as of June 30, 2019

Unit: Share

Total number of ordinary shareholders as of the end of the Reporting Period	317,168 A shareholders and 76 registered H shareholders	Total number of preferred shareholders whose voting rights were resumed at the end of the Reporting Period (if any)	None
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Shareholdings of the top ten ordinary shareholders

Name of shareholder	Capacity of shareholder	Shareholding percentage (%)	Number of ordinary shares held at the end of the Reporting Period	Increase or decrease during the Reporting Period	Number of ordinary shares subject to selling restrictions	Number of ordinary shares without selling restrictions	Pledged or frozen Status	Number
China Jianyin Investment Limited	State-owned legal person	26.34	6,596,306,947	0	0	6,596,306,947	—	0
Central Huijin Investment Ltd.	State shares	20.05	5,020,606,527	0	0	5,020,606,527	—	0
HKSCC Nominees Limited	Overseas legal person	10.00	2,503,755,380	2,503,755,380	0	2,503,755,380	—	0
Shanghai Jiushi (Group) Co., Ltd.	State-owned legal person	4.84	1,212,810,389	0	0	1,212,810,389	—	0
Sichuan Development Holding Co., Ltd.	State-owned legal person	4.49	1,124,543,633	0	0	1,124,543,633	Pledged	562,271,816
China Everbright Group Ltd.	State-owned legal person	3.99	999,000,000	0	0	999,000,000	Pledged	67,500,000
China Securities Finance Corporation Limited	Domestic general legal person	2.54	635,215,426	0	0	635,215,426	—	0
Xinjiang Financial Investment Co., Ltd.	State-owned legal person	2.28	570,854,440	-48,980,270	0	570,854,440	Pledged	309,917,355

Section VI Changes in Shares and Shareholders (continued)

Shareholdings of the top ten ordinary shareholders

Name of shareholder	Capacity of shareholder	Shareholding percentage (%)	Number of	Increase or	Number of	Number of ordinary shares without selling restrictions	Pledged or frozen	
			ordinary shares held at the end of the Reporting Period	decrease during the Reporting Period	ordinary shares subject to selling restrictions		Status	Number
China Life Insurance Company Ltd. — traditional — ordinary insurance product — 005L — CT001Shen (中國人壽保險股份有限公司 — 傳統 — 普通保險產品 — 005L — CT001深)	Other	0.99	248,720,000	-247,147,768	0	248,720,000	—	0
Central Huijin Asset Management Ltd.	State-owned legal person	0.79	197,390,385	0	0	197,390,385	—	0

Strategic investors or general legal persons becoming the top 10 holders of ordinary shares by placing of new shares None

Description on the related relationship or parties acting-in-concert arrangements among the Shareholders above

Central Huijin Investment Ltd. holds the entire equity interest in China Jianyin Investment Ltd., and holds the entire equity interest in Central Huijin Asset Management Ltd. and 55.67% of equity interest in China Everbright Group Ltd.

Section VI Changes in Shares and Shareholders (continued)

Shareholdings of the top ten ordinary shareholders without selling restrictions

Name of shareholder	Number of ordinary shares without selling restrictions at the end of the Reporting Period	Class of share	Number
China Jiayin Investment Ltd.	6,596,306,947	RMB-denominated ordinary shares	6,596,306,947
Central Huijin Investment Ltd.	5,020,606,527	RMB-denominated ordinary shares	5,020,606,527
HKSCC Nominees Limited	2,503,755,380	Overseas listed foreign shares	2,503,755,380
Shanghai Jiushi (Group) Co., Ltd.	1,212,810,389	RMB-denominated ordinary shares	1,212,810,389
Sichuan Development Holding Co., Ltd.	1,124,543,633	RMB-denominated ordinary shares	1,124,543,633
China Everbright Group Ltd.	999,000,000	RMB-denominated ordinary shares	999,000,000
China Securities Finance Corporation Limited	635,215,426	RMB-denominated ordinary shares	635,215,426
Xinjiang Financial Investment Co., Ltd.	570,854,440	RMB-denominated ordinary shares	570,854,440
China Life Insurance Company Ltd. — traditional — ordinary insurance product — 005L — CT001Shen (中國人壽保險股份有限公司—傳統—普通保險產品—005L—CT001深)	248,720,000	RMB-denominated ordinary shares	248,720,000
Central Huijin Asset Management Ltd.	197,390,385	RMB-denominated ordinary shares	197,390,385

Description on the related relationship or parties acting-in-concert among the top ten ordinary shareholders without selling restrictions and between the top ten ordinary shareholders without selling restrictions and the top ten ordinary shareholders

Central Huijin Investment Ltd. holds the entire equity interest in China Jiayin Investment Ltd., the entire equity interest in Central Huijin Asset Management Ltd. and 55.67% of equity interest in China Everbright Group Ltd.

Description on any of the top ten ordinary shareholders participating in the margin financing and securities lending business

None

Notes: 1. Among the H shareholders of the Company, HKSCC Nominees Limited holds the H Shares on behalf of the non-registered shareholders;

2. In the above table, the shares held by HKSCC Nominees Limited are overseas listed foreign shares (H shares) and shares held by other shareholders are RMB-denominated ordinary shares (A shares).

Section VI Changes in Shares and Shareholders (continued)

IV. CHANGES IN CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLERS AS OF THE END OF THE REPORTING PERIOD

As of the end of the Reporting Period, there were no changes in controlling shareholders and actual controllers of the Company.

V. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As of June 30, 2019, none of the directors, supervisors or chief executives of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (defined in the Part XV of the Securities and Futures Ordinance) which were required, pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register maintained by the Company, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

As of June 30, 2019, the Company, its holding company, its subsidiaries or fellow subsidiaries within the same group did not made any arrangement during the Reporting Period that would enable any director, supervisor or chief executive of the Company (including their spouses and children under the age of 18) to acquire benefits by means of acquisition of shares or debentures of the Company or any other associated corporations.

VI. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As of June 30, 2019, to the best knowledge of the Company after having made all reasonable enquiries, the following persons (other than directors, supervisors or chief executives of the Company) have interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance and were required to be recorded, in the register that is required to be kept by the Company under Section 336 of the Securities and Futures Ordinance:

	Name of substantial shareholders	Class of share	Nature of interest	Number of shares held (share) ^{Note 7}	Percentage of the total number of issued shares of the Company	Percentage of the total number of issued A shares/H shares of the Company	Long ^{(Note 1)/} short ^(Note 2) positions
					(%) ^{Note 6}	(%)	
1	Central Huijin Investment Ltd. ^{Note 3}	A shares	Beneficial owner	5,020,606,527	20.05	22.28	Long positions
		A shares	Interest in controlled corporations	7,792,697,332	31.12	34.58	Long positions
		H shares	Interest in controlled corporations	756,472,000	3.02	30.21	Long positions

Section VI Changes in Shares and Shareholders (continued)

	Name of substantial shareholders	Class of share	Nature of interest	Number of shares held (share) ^{Note 7}	Percentage of the total number of issued shares of the Company	Percentage of the total number of issued A shares/H shares of the Company	Long ^{(Note 1)/} short ^(Note 2) positions
					(%) ^{Note 6}	(%)	
2	China Jianyin Investment Ltd.	A shares	Beneficial owner	6,596,306,947	26.34	29.27	Long positions
3	Industrial and Commercial Bank of China Limited	H shares	Beneficial owner	648,404,800	2.59	25.89	Long positions
4	Everbright PGIM Fund Management Co., Ltd. (on behalf of EPF — Huaxia Life SMA One (光大保德信 — 華夏人壽1號單 — 資產管理計劃)) ^{Note 4}	H shares	Trustee	216,134,400	0.86	8.63	Long positions
5	Huaxia Life Insurance Co., Ltd. ^{Note 4}	H shares	Beneficial owner	216,134,000	0.86	8.63	Long positions
6	China Life Insurance (Group) Company	H shares	Beneficial owner	172,907,200	0.69	6.91	Long positions
7	Endo Shoji ^{Note 5}	H shares	Interest in controlled corporations	128,000,000	0.51	5.11	Long positions
8	3A Co., Ltd. ^{Note 5}	H shares	Interest in controlled corporations	128,000,000	0.51	5.11	Long positions
9	IS Holdings Co., Ltd. ^{Note 5}	H shares	Interest in controlled corporations	128,000,000	0.51	5.11	Long positions
10	Rheos Capital Works Inc. ^{Note 5}	H shares	Beneficial owner	128,000,000	0.51	5.11	Long positions

Note 1: A shareholder has a "long position" if he/she has an interest in shares, including interests through holding, selling or issuing financial instruments (including derivatives) under which such shareholder has the following obligations and liabilities: (i) it has a right to buy the related shares; (ii) it is under an obligation to buy the related shares; (iii) it has a right to receive money if the price of the related shares increases; or (iv) it has a right to avoid or reduce a loss if the price of the related shares increases;

Section VI Changes in Shares and Shareholders (continued)

- Note 2: A shareholder has a “short position” if he/she borrows shares under a securities borrowing and lending agreement, or holds, sells or issues financial instruments (including derivatives) under which such shareholder has the following obligations and liabilities: (i) it has a right to require another person to buy the related shares; (ii) it is under an obligation to deliver the related shares; (iii) it has a right to receive money if the price of the underlying shares decreases; or (iv) it has a right to avoid or reduce a loss if the price of the underlying shares decreases.
- Note 3: Central Huijin holds the entire equity interest in JIC, the entire equity interest in Central Huijin Asset Management Ltd., and 55.67% of equity interest in China Everbright Group Ltd. The total number of A shares of the Company held by JIC, Central Huijin Asset Management Ltd. and China Everbright Group Ltd. is 7,792,697,332. Central Huijin indirectly held 756,472,000 H shares of the Company through its controlled corporations including Industrial and Commercial Bank of China Limited, and China Reinsurance (Group) Corporation.
- Note 4: Huaxia Life Insurance Co., Ltd. has engaged Everbright PGIM Fund Management Co., Ltd. (光大保德信基金管理有限公司), a qualified domestic institutional investor as approved by the relevant PRC authority, as the asset manager, in the name of EPF — HuaXia Life SMA One (光大保德信 — 华夏人壽1號單一資產管理計劃), to subscribe and hold the H shares of the Company on behalf Huaxia Life Insurance Co., Ltd.
- Note 5: Endo Shoji holds the entire equity interest in 3A Co., Ltd. which in turn holds 85.36% of equity interest in IS Holdings Co., Ltd. and 12.1% of equity interest in Rheos Capital Works Inc., while IS Holdings Co., Ltd. holds 53.55% of equity interest in Rheos Capital Works Inc. Therefore, pursuant to the Securities and Futures Ordinance, Endo Shoji, 3A Co., Ltd. and IS Holdings Co., Ltd. are deemed to hold equity interest in the 128,000,000 H shares held by Rheos Capital Works Inc..
- Note 6: As of June 30, 2019, the Company has issued a total of 22,535,944,566 A Shares and 2,504,000,000 H Shares, totaling 25,039,944,560 shares.
- Note 7: According to Part XV of the Securities and Futures Ordinance, shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. If the shareholders have not filed disclosure of interests forms as required under the Securities and Futures Ordinance, the actual shareholdings of the shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange as of the end of the Reporting Period. When the shareholdings of shareholders in the Company change, it is not necessary for such shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the actual shareholdings of substantial shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange as of the end of the Reporting Period.

Save as disclosed above, as of June 30, 2019, the Company was not aware of any other person (other than directors, supervisors and chief executives of the Company) having any interests or short positions in the shares or underlying shares of the Company which are required, pursuant to Section 336 of the SFO, to be recorded in the register.

VII. SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the knowledge of the directors of the Company, 10% of the Company’s total issued shares were held by the public as of the date of this report, which meets the requirements as set out in the waiver letter on the public float obtained by the Company upon listing. For details, please refer to the H Shares prospectus of the Company dated April 12, 2019 and the announcement dated May 20, 2019 in relation to stabilizing actions, end of stabilization period and lapse of over-allotment option.

VIII. REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, there was no repurchase, sale or redemption by the Company and any of its subsidiaries of the Company’s listed securities.

Section VII Directors, Supervisors and Senior Management

I. COMPOSITION OF THE BOARD OF DIRECTORS OF THE COMPANY

The fourth session of the Board of Directors of the Company comprises the following 11 directors:

Executive Directors: Mr. Chu Xiaoming (Chairman) and Mr. Yang Wenqing (Vice Chairman);

Non-executive Directors: Mr. Chen Jianmin, Mr. Wang Honggang, Mr. Wang Fengchao, Ms. Ge Rongrong and Mr. Ren Xiaotao;

Independent Non-executive Directors: Ms. Ye Mei, Mr. Xie Rong, Ms. Huang Danhan and Ms. Yang Qiumei.

II. CHANGES IN THE SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, the directors, supervisors and senior management of the Company did not hold any shares of the Company.

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Category	Date	Reason
Wang Fengchao	Director	Appointment	January 14, 2019	Election at the general meeting
Yang Qiumei	Independent director	Appointment	February 20, 2019	Election at the general meeting
Ge Rongrong	Director	Appointment	March 21, 2019	Election at the general meeting
Ren Xiaotao	Director	Appointment	March 21, 2019	Election at the general meeting
Yang Wenqing	Director	Appointment	March 21, 2019	Election at the general meeting
	Vice chairman of the Board of Directors	Appointment	March 29, 2019	Director election
Feng Rong	Vice chairman of the Board of Directors	Resignation	March 19, 2019	Work arrangement
Qu Yanping	Director	Resignation	March 19, 2019	Work arrangement
Chen Liang	Director and general manager	Resignation	June 9, 2019	Work arrangement
Yang Yucheng	Chairman of the Board of Supervisors	Resignation	July 18, 2019	Work arrangement

Section VII Directors, Supervisors and Senior Management (continued)

On January 14, 2019, the Company held the first A Share extraordinary general meeting for the year 2019 and elected Mr. Wang Fengchao as the non-independent director of the fourth session of the Board of Directors. On February 20, 2019, the Company held the second A Share extraordinary general meeting for the year 2019 and elected Ms. Yang Qiumei as the independent director of the fourth session of the Board of Directors. Ms. Yang Qiumei has obtained her qualification as an independent director. After Ms. Yang Qiumei took office as the independent director, she was further appointed as the member of the Remuneration and Nomination Committee. On March 21, 2019, the Company held the 2018 A Share annual general meeting and elected Ms. Ge Rongrong, Mr. Ren Xiaotao and Mr. Yang Wenqing as the non-independent directors of the fourth session of the Board of Directors. On March 29, 2019, the Company held the 39th meeting of the fourth session of the Board of Directors and elected director Yang Wenqing as Vice chairman of the fourth session of the Board of Directors. For detailed information including biography of each of Mr. Wang Fengchao, Ms. Yang Qiumei, Ms. Ge Rongrong, Mr. Ren Xiaotao and Mr. Yang Wenqing, please refer to the Company's announcements published on December 29, 2018, January 11, February 28 and March 30, 2019 on China Securities Journal (《中國證券報》), Securities Times(《證券時報》), Shanghai Securities News (《上海證券報》) and Cninfo website (www.cninfo.com.cn).

On March 19, 2019, Mr. Feng Rong and Ms. Qu Yanping, both being directors of the Company, submitted resignation in writing to the Board of Directors due to work arrangement. Mr. Feng Rong resigned his positions as vice chairman of the fourth session of the Board of Directors, director and the member of the Strategic Committee of the Board of Directors. Ms. Qu Yanping resigned her positions as the director of the fourth session of the Board of Directors and the member of the Remuneration and Nomination Committee as well as the Risk Control Committee of the Board of Directors. The resignation of Mr. Feng Rong and Ms. Qu Yanping will neither cause the number of the Board of Directors to be lower than the quorum nor affect the normal operation of the Board of Directors. The resignation of Mr. Feng Rong and Ms. Qu Yanping has become effective when their written resignations were delivered to the Board of Directors.

On June 9, 2019, Mr. Chen Liang, being the director and general manager of the Company, submitted resignation in writing to the Board of Directors due to work arrangement. Mr. Chen Liang resigned his positions as the director of the fourth session of the Board of Directors, the member of the Strategy Committee of the Board of Directors as well as the general manager. The resignation of Mr. Chen Liang will neither cause the number of the Board of Directors to be lower than the quorum nor affect the normal operation of the Board of Directors. The resignation of Mr. Chen Liang has become effective when his written resignations was delivered to the Board of Directors. Before the new general manager takes his office, Mr. Chu Xiaoming, being the chairman of the Board of Directors, will act as general manager of the Company.

On July 18, 2019, Mr. Yang Yucheng, being the chairman of the Board of Supervisors of the Company, submitted resignation in writing to the Board of Supervisors due to work arrangement. Mr. Yang Yucheng resigned his positions as the chairman and supervisor of the fourth session of the Board of Supervisors and the chairman of the Performance Supervision and Inspection Committee under the Board of Supervisors. The resignation of Mr. Yang Yucheng will neither cause the number of the Board of Supervisors to be lower than the quorum nor affect the normal operation of the Board of Supervisors. The resignation of Mr. Yang Yucheng has become effective upon delivery of resignation report to the Board of Supervisors. According to the relevant requirements of the Articles of Association, supervisor Huang Qi as selected by more than one half of the supervisors shall convene and preside over the meeting of the Board of Supervisors before the new chairman of the Board of Supervisors is elected.

Section VII Directors, Supervisors and Senior Management (continued)

IV. MATERIAL CHANGES IN INFORMATION RELATED TO DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Ge Rongrong, a director of the Company, has been a director of Shenwan Hongyuan Securities since June 3, 2019 and has resigned as an independent director of ICBC Credit Suisse Asset Management Co. Ltd. since June 28, 2019. Mr. Ren Xiaotao, a director of the Company, has been a director of Shenwan Hongyuan Securities since June 3, 2019.

Mr. Xie Kun, an employee representative supervisor of the Company, has been serving as the general manager of the internal review and appraisal headquarter (內核評審總部) and a manager of the appraisal department of Shenwan Hongyuan Securities and ceased to be deputy director of the compliance and risk management center and general manager of the legal and compliance headquarter of Shenwan Hongyuan Securities since May 16, 2019.

Except for those relevant disclosures in this section, there were no other changes in information related to Directors, supervisors and senior management during the Reporting Period that need to be disclosed in this report in accordance with Rule 13.51B(1) of the Listing Rules.

V. EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2019, the Group had a total of 13,455 employees (including 3,710 securities brokerage agents), of which 105, 12,816 and 534 were employees of Shenwan Hongyuan Group, Shenwan Hongyuan Securities and other subsidiaries, respectively.

The Company has established its remuneration system with both fairness and competitiveness according to the business development strategy, as well as the principal of marketization. The remuneration provided by the Company includes basic salary, annual performance-based remuneration, benefits, and special allowances. The basic remuneration system of the Company is based on the employee's experience and capabilities. The Company also links the employee's remuneration with performance of the Company, the business departments, as well as the employee. The Company adjusts its remuneration policies based on the results of operations from time to time.

The Company has established a comprehensive and multi-tier training system for all of its employees. The regular trainings cover all material aspects of their daily work, as well as legal and compliance, and are available both online and offline. For middle to high level management, the Company's training programs focus on enhancing their leadership and management capabilities. For new employees, the Company provides introduction and guidance.

Section VIII Profile of Corporate Bonds

Pursuant to the “Reply on Approval for Shenwan Hongyuan Group Co., Ltd. to Publicly Offer Corporate Bonds to Qualified Investors” (Zheng Jian Xu Ke [2016] No. 813) from the CSRC, the Company was approved to publicly offer corporate bonds with total nominal value of not more than RMB12.50 billion to qualified investors (hereafter referred to as “2016 Corporate Bonds”). These corporate bonds of the Company were offered in tranches, of which the offering of the first tranche would be completed within 12 months from the approval date of the CSRC, while the offering of the remaining tranches of bonds was completed within 24 months from the approval date of the CSRC.

In 2016, the Company has offered two tranches of bonds in total, among which, the first tranche of bonds commenced to be placed to off-line qualified investors from April 26, 2016, with the basic offering size of RMB5.00 billion, subject to an over-allotment of not more than RMB2.00 billion (including RMB2.00 billion), with the nominal value of RMB100.00 each and the offer price of RMB100.00/piece. The first tranche of bonds are referred to as “16 ShenHong 01” with the code of 112386. The offering of the first tranche of bonds was completed on April 27, 2016, with the final offering size of RMB5.00 billion and coupon rate of 3.45%. As of April 28, 2016, the offering expense of RMB20.00 million has been paid and the net of the proceeds received was RMB4.98 billion. The above proceeds have been verified by KPMG Huazhen LLP with the capital verification report of KPMG Huazhen Yan Zi No. 1600562.

The offering of the second tranche of corporate bonds was completed on September 12, 2016, with the final offering size of RMB7.50 billion, among which, type I was three-year term, with the offering size of RMB2.00 billion and coupon rate of 2.90%; and type II was five-year term, with the offering size of RMB5.50 billion and coupon rate of 3.20%. As of September 13, 2016, the offering expense of RMB15.00 million has been paid and the net proceeds received was RMB7.485 billion. The above proceeds have been verified by KPMG Huazhen LLP with the capital verification report of KPMG Huazhen Yan Zi No. 1600944.

As of June 30, 2019, the Company has utilized RMB12,474,361,059.41 (including interests from bank deposits) of the proceeds in aggregate to replenish the Company’s operating capital, which was in consistent with the use of proceeds undertaken upon offering the corporate bonds and there was no change in the use of proceeds.

Pursuant to the “Reply on Approval for Shenwan Hongyuan Group Co., Ltd. to Publicly Offer Corporate Bonds to Qualified Investors” (Zheng Jian Xu Ke [2018] No. 979) from the CSRC, the Company was approved to publicly offer corporate bonds with total nominal value of not more than RMB7.00 billion to qualified investors (hereafter referred to as “2018 Corporate Bonds”). These corporate bonds of the Company were offered in tranches, of which the offering of the first tranche would be completed within 12 months from the approval date of the CSRC, while the offering of the remaining tranches of bonds was completed within 24 months from the approval date of the CSRC.

In 2018, the Company has offered one tranche of bonds in total, the offering of bonds was completed on July 17, 2018, with the final offering size of RMB7.00 billion. Type I was a fixed-rate bond with a five-year term, and the issuer should have the option to adjust the coupon rate and the investors should have the option to sell back the bonds at the end of the 3rd year term, with the offering size of RMB0.50 billion and coupon rate of 4.40%; type II was a fixed-rate bonds with a five-year term, with the offering size of RMB6.50 billion and coupon rate of 4.80%. As of July 17, 2018, the offering expense of RMB8.40 million has been paid and the net proceeds received was RMB6.992 billion. The above proceeds have been verified by KPMG Huazhen LLP with the capital verification report of KPMG Huazhen Yan Zi No. 1800351.

Section VIII Profile of Corporate Bonds (continued)

As of June 30, 2019, the Company has utilized RMB6,996,822,593.05 (including interests from bank deposits) of the proceeds in aggregate to replenish the Company's working capital, which was in consistent with the use of proceeds undertaken upon offering corporate bonds and there were no changes in the use of the proceeds.

Pursuant to the "No-Objection Letter Regarding the Compliance with Transfer Conditions of Shenzhen Stock Exchange by the Non-Public Offering of Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. in 2019" (Shen Zheng Han [2019] No. 62) (《關於申萬宏源集團股份有限公司2019年非公開發行公司債券符合深交所轉讓條件的無異議函》(深證函[2019]62號)) from the Shenzhen Stock Exchange, the Company was approved to non-publicly offer corporate bonds of Shenwan Hongyuan Group Co., Ltd. in 2019 with total nominal value of not more than RMB10.00 billion. No-Objection Letter has valid term of 12 months from the date of its issuance.

As of June 30, 2019, the Company has offered two tranches of bonds in total. The offering of the first tranche of bonds was completed on March 8, 2019, with the offering size of RMB1.00 billion, a three-year term and a coupon rate of 4.18%. As of March 8, 2019, the offering expense of RMB1.20 million has been paid and the net proceeds received was RMB998.8 million.

The offering of the second tranche of bonds was completed on April 12, 2019, with the offering size of RMB3.20 billion, a three-year term and a coupon rate of 4.27%. As of April 12, 2019, the offering expense of RMB3.84 million has been paid and the net proceeds received was RMB3,196.16 million.

I. BASIC INFORMATION OF THE CORPORATE BONDS

(I) Public Offering of Corporate Bonds in 2016

Name of bond	Abbreviation of bond	Code of bond	Offering date	Maturity date	Balance of bond (RMB'0,000)	Coupon rate	Payment of principal and interest
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2016 (first tranche)	16 ShenHong 01	112386	2016-4-26	2021-4-26	202,080	3.45%/3.70%	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2016 (second tranche) (type I)	16 ShenHong 02	112445	2016-9-9	2019-9-9	200,000	2.90%	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2016 (second tranche) (type II)	16 ShenHong 03	112446	2016-9-9	2021-9-9	550,000	3.20%	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.

Section VIII Profile of Corporate Bonds (continued)

Trading places for the listing or transfer of the corporate bonds	Shenzhen Stock Exchange
Suitability arrangement of investors	<p>Targeted to qualified investors who have maintained A share securities accounts in the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited and in compliance with the requirements under the “Administrative Measures on Corporate Bonds Offering and Trading” (《公司債券發行與交易管理辦法》) and related laws and regulations (excluding subscribers prohibited by laws and regulations).</p> <p>Investors shall not subscribe by illegally making use of accounts or funds of others, or illegally financing or financing for others. Investors subscribing these bonds shall observe relevant laws and regulations and the relevant provisions of the CSRC and assume corresponding legal responsibilities on their own.</p>
Interest payment and repayment of principal of corporate bonds during the Reporting Period	<p>On April 26, 2019, the Company paid the interest of RMB34.50 (with tax)/lot for Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2016 (first tranche) from April 26, 2018 to April 25, 2019.</p>
Performance of relevant articles during the Reporting Period, if special articles such as issuer or investor option articles and interchangeable articles for corporate bonds (if applicable)	<p>The term of Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2016 (first tranche) is five years, and the issuer shall have the option to adjust the coupon rate and the investors shall have the option to sell back the bonds at the end of the 3rd interest-bearing year.</p> <p>The coupon rate of these bonds was 3.45% in the first three years within the duration (April 26, 2016 to April 25, 2019), while at the end of the third year within the duration, the issuer decided to increase the coupon rate of these bonds by 25 basis points, meaning that the coupon rate of these bonds will be 3.70% in the last two years within the duration (April 26, 2019 to April 25, 2021). If the investors choose to sell back parts of their “16 ShenHong 01” to the Company, in this case, the sell back price would be RMB100/piece (without interest), the sell back number would be 29,792,000 pieces, the put-back consideration price would be RMB3,081,982,400.00 (with interest) and the number of bonds remained in custody would be 20,208,000 pieces.</p>

Section VIII Profile of Corporate Bonds (continued)

(II) Public Offering of Corporate Bonds in 2018

Name of bond	Abbreviation of bond	Code of bond	Offering date	Maturity date	Balance of bond (RMB'0,000)	Coupon rate	Payment of principal and interest
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2018 (first tranche) (type I)	18 ShenHong 01	112728	2018-7-17	2023-7-16	50,000	4.40%	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2018 (first tranche) (type II)	18 ShenHong 02	112729	2018-7-17	2023-7-16	650,000	4.80%	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.
Trading places for the listing or transfer of corporate bonds	Shenzhen Stock Exchange						
Suitability arrangement of investors	<p>Targeted to qualified investors who have maintained A share securities accounts in the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited and in compliance with the requirements under the "Administrative Measures on Corporate Bonds Offering and Trading" (《公司債券發行與交易管理辦法》) and related laws and regulations (excluding subscribers prohibited by laws and regulations).</p> <p>Investors shall not subscribe by illegally making use of accounts or funds of others, or illegally financing or financing for others. Investors subscribing these bonds shall observe relevant laws and regulations and the relevant provisions of the CSRC and assume corresponding legal responsibilities on their own.</p>						
Interest payment and repayment of principal of corporate bonds during the Reporting Period	<p>The interest of Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2018 (first tranche) shall be calculated annually, while the principal shall be fully repaid upon maturity. As of the end of the Reporting Period, the interest on corporate bonds has not yet been due to pay and no payment of interest for corporate bonds has been made.</p>						
Performance of relevant articles during the Reporting Period, if special articles such as issuer or investor option articles and interchangeable articles for corporate bonds (if applicable)	<p>The term of Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2018 (first tranche) is five years, and the issuer shall have the option to adjust the coupon rate and the investors shall have the option to sell back the bonds at the end of the third interest-bearing year. As of the date of this report, none of such terms were implemented.</p>						

Section VIII Profile of Corporate Bonds (continued)

(III) Non-public Offering of Corporate Bonds in 2019

Name of bond	Abbreviation of bond	Code of bond	Offering date	Maturity date	Balance of bond (RMB'0,000)	Coupon rate	Payment of principal and interest
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Non-publicly Offered in 2019 (first tranche)	19 ShenHong 01	114443	2019-3-8	2022-3-7	100,000	4.18%	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Non-publicly Offered in 2019 (second tranche)	19 ShenHong 02	114461	2019-4-12	2022-4-11	320,000	4.27%	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.
Trading places for the listing or transfer of corporate bonds	Shenzhen Stock Exchange						
Suitability arrangement of investors	These bonds will be non-publicly offered to qualified investors and targeted to qualified investors who satisfied the relevant requirements under the "Administrative Measures for the Offering and Trading of Corporate Bonds" (《公司債券發行與交易管理辦法》) and "Administrative Measures of the Shenzhen Stock Exchange for the Suitability of Investors in the Bond Market" (《深圳證券交易所債券市場投資者適當性管理辦法》) and maintain A share securities accounts with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (except those subscribers prohibited by the relevant laws and regulations) and the total number of qualified investors for each tranche of bonds shall be no more than 200. The corporate bonds will be placed through off-line price consultations to qualified investors. Subscriptions off-line will be processed by the lead underwriter and allotment will be based on the results of book-building records. The particular offering arrangement shall be conducted under the relevant requirements of Shenzhen Stock Exchange.						
Interest payment and repayment of principal of corporate bonds during the Reporting Period	The interest on Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Non-publicly Offered in 2019 shall be calculated annually, while the principal shall be fully repaid upon maturity. As of the end of the Reporting Period, the interest on corporate bonds has not yet due to pay and no payment of interest for corporate bonds has been made.						
Performance of relevant articles during the Reporting Period, if special articles such as issuer or investor option articles and interchangeable articles for corporate bonds (if applicable)	N/A						

Section VIII Profile of Corporate Bonds (continued)

II. INFORMATION ABOUT BOND TRUSTEE AND CREDIT RATING AGENCY

Bond trustee for Corporate Bonds Publicly Offered in 2016, Corporate Bonds Publicly Offered in 2018 and Corporate Bonds Non-publicly Offered in 2019							
Name	Huatai United Securities Co., Ltd.	Business address	4th floor, Block 1, Huatai Plaza, No. 228 Middle Jiangdong Road, Nanjing City, Jiangsu Province	Contact person	Hu Shuya (胡淑雅)	Tel of the contact person	025-83389454
Credit rating agency for tracking rating of corporate bonds during the Reporting Period:							
Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.			Business address	K-22, Room 103, Tower A, 1555 Kong Jiang Road, Yang Pu District, Shanghai		
Reason of change, procedures to be conducted and influence on benefits of investors, etc. in case the bond trustee and credit rating agency hired by the Company during the Reporting Period have changed (if applicable)				There were no changes in the bond trustee and credit rating agency.			

III. USE OF PROCEEDS OF CORPORATE BONDS OFFERING

(I) Public Offering of Corporate Bonds in 2016

Use of proceeds from corporate bonds offering and its implementation procedure	The proceeds from corporate bonds offering, after deducting the offering expenses, have been fully used to replenish the Company's operating capital and improve the Company's capital situation.
Period-end balance (RMB'0,000)	0.00
Operation of special account for proceeds raised	At the time of offering the 2016 Corporate Bonds, the Company designated a special account for collecting funds raised under the requirements in the prospectus; as of the end of the Reporting Period, the proceeds have been fully used to replenish the Company's operating capital according to the utilization schedule set forth in the prospectus. Such special account had been cancelled.
Whether the use of proceeds is in consistent with the committed purpose, the utilization schedule and other agreements in the prospectus	The use of proceeds was in consistent with the committed purpose, the utilization schedule and other agreements in the prospectus.

Section VIII Profile of Corporate Bonds (continued)

(II) Public Offering of Corporate Bonds in 2018

Use of proceeds from corporate bonds offering and its implementation procedure	The proceeds from corporate bonds offering, after deducting the offering expenses, have been fully used to replenish the Company's operating capital and improve the Company's capital situation.
Period-end balance (RMB'0,000)	0.00
Operation of special account for proceeds raised	At the time of offering the 2018 Corporate Bonds, the Company designated a special account for collecting funds raised under the requirements in the prospectus; as of the end of the Reporting Period, the proceeds have been fully used to replenish the Company's operating capital according to the utilization schedule set forth in the prospectus. Such special account had been cancelled.
Whether the use of proceeds is in consistent with the committed purpose, the utilization schedule and other agreements in the prospectus	The use of proceeds was in consistent with the committed purpose, the utilization schedule and other agreements in the prospectus.

(III) Non-public Offering of Corporate Bonds in 2019

Use of proceeds from corporate bonds offering and its implementation procedure	The proceeds from corporate bonds offering, after deducting the offering expenses, have been used to replenish the Company's operating capital of RMB4.187 billion and improve the Company's cash position.
Period-end balance (RMB'0,000)	1,066.28
Operation of special account for proceeds raised	At the time of offering the 2019 Corporate Bonds, the Company designated a special account for collecting funds raised under the requirements in the prospectus; as of the end of the Reporting Period, the proceeds of RMB4,187,486,782.78 have been used to replenish the Company's operating capital in aggregate according to the schedule set forth in the prospectus.
Whether the use of proceeds is in consistent with the committed purpose, the utilization schedule and other agreements in the prospectus	The use of proceeds was in consistent with the committed purpose, the utilization schedule and other agreements in the prospectus.

Section VIII Profile of Corporate Bonds (continued)

IV. CREDIT RATING FOR CORPORATE BONDS

(I) Public Offering of Corporate Bonds in 2016

At the time of the offering of 2016 Corporate Bonds, the Company engaged Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (hereinafter referred to as “Brilliance Credit Rating”) to provide a credit rating for the offered corporate bonds. On March 11, 2016, Brilliance Credit Rating issued a credit rating report (Brilliance Bond Rating (2016) 010163) on the public offering of corporate bonds (first tranche) by Shenwan Hongyuan Group Co., Ltd. to the qualified investors in 2016. Brilliance Credit Rating gave the Company an AAA credit rating as an issuer, with a stable rating outlook. Brilliance Credit Rating also considered the tranche of bonds safe and secure in terms of repayment of its principal and payment of interest, and gave the bonds an AAA credit rating. The ratings indicated that the issuer had a strong ability to repay its debts and was basically not affected by the adverse economic conditions, with an extremely low risk of default. During the valid period of the credit rating and the term of the abovementioned corporate bonds, Brilliance Credit Rating continued to monitor the changes in the Company’s external business environment, its operating results or financial conditions and the guarantees for the bonds, keeping track of its credit risks. On June 24, 2016, Brilliance Credit Rating issued a follow-up credit rating report (Brilliance Follow-up (2016) 100323) on the public offering of corporate bonds (first tranche) by Shenwan Hongyuan Group Co., Ltd. to the qualified investors in 2016. Brilliance Credit Rating maintained the AAA credit rating for the Company as an issuer, and the AAA credit rating for the tranche of corporate bonds, with a stable rating outlook.

On September 1, 2016, Brilliance Credit Rating issued a credit rating report (Brilliance Bond Rating (2016) 010763) on the public offering of corporate bonds (second tranche) by Shenwan Hongyuan Group Co., Ltd. to the qualified investors in 2016. Brilliance Credit Rating gave the Company an AAA credit rating as an issuer, with a stable rating outlook. Brilliance Credit Rating also considered the tranche of bonds safe and secure in terms of repayment of its principal and payment of interest, and gave the bonds an AAA credit rating. The rating indicated that the issuer had a strong ability to repay its debts and was basically not affected by the adverse economic conditions, with an extremely low risk of default. During the valid period of the credit rating and the term of the above-mentioned corporate bonds, Brilliance Credit Rating continued to monitor the changes in the Company’s external business environment, its operating results or financial conditions and the guarantees for the bonds, keeping track of its credit risks.

On May 24, 2017, Brilliance Credit Rating issued a follow-up credit rating report (Brilliance Follow-up (2017) 100124) on the public offering of corporate bonds (first tranche) and (second tranche) by Shenwan Hongyuan Group Co., Ltd. to the qualified investors in 2016. Brilliance Credit Rating maintained the AAA credit rating for the Company as an issuer, and the AAA credit rating for the corporate bonds “16 ShenHong 01, 16 ShenHong 02 and 16 ShenHong 03”, with a stable rating outlook. (For details, please refer to the Follow-up Credit Rating Report on the Public Offering of Corporate Bonds (First Tranche) and (Second Tranche) by Shenwan Hongyuan Group Co., Ltd. to the Qualified Investors in 2016 published on the Cninfo website (www.cninfo.com.cn) on May 26, 2017).

On June 13, 2018, Brilliance Credit Rating issued a follow-up credit rating report (Brilliance Follow-up (2018) 100158) on the public offering of corporate bonds (first tranche) and (second tranche) by Shenwan Hongyuan Group Co., Ltd. to the qualified investors in 2016. Brilliance Credit Rating maintained the AAA credit rating for the Company as an issuer, and the AAA credit rating for the corporate bonds “16 ShenHong 01, 16

Section VIII Profile of Corporate Bonds (continued)

ShenHong 02 and 16 ShenHong 03”, with a stable rating outlook. (For details, please refer to the Follow-up Credit Rating Report on the Public Offering of Corporate Bonds (First Tranche) and (Second Tranche) by Shenwan Hongyuan Group Co., Ltd. to the Qualified Investors in 2016 published on www.cninfo.com.cn on June 19, 2018).

On April 26, 2019, Brilliance Credit Rating issued a follow-up credit rating report (Brilliance Follow-up (2019) 100032) on the public offering of corporate bonds (first tranche) and (second tranche) by Shenwan Hongyuan Group Co., Ltd. to the qualified investors in 2016. Brilliance Credit Rating maintained the AAA credit rating for the Company as an issuer, and the AAA credit rating for the corporate bonds “16 ShenHong 01, 16 ShenHong 02 and 16 ShenHong 03”, with a stable rating outlook. (For details, please refer to the Follow-up Credit Rating Report on 16 ShenHong 01, 16 ShenHong 02 and 16 ShenHong 03 Issued by Shenwan Hongyuan Group Co., Ltd. published on the Cninfo website (www.cninfo.com.cn) on April 26, 2019).

Brilliance Credit Rating has published follow-up credit ratings for the bonds on the media designated by the regulatory authorities as well as its own website.

The follow-up credit rating arrangement involves regular follow-up, with the follow-up rating report issued annually, within 2 months following the publication of the Company’s annual report. In case of material events that may affect the issuer’s credit quality, Brilliance Credit Rating will initiate irregular tracking procedures.

(II) Public Offering of Corporate Bonds in 2018

At the time of the offering of 2018 Corporate Bonds, the Company engaged Brilliance Credit Rating to provide a credit rating for the offered corporate bonds. On May 14, 2018, Brilliance Credit Rating issued a credit rating report (Brilliance Bond Rating (2018) 010337) on the public offering of corporate bonds by Shenwan Hongyuan Group Co., Ltd. to the qualified investors in 2018. Brilliance Credit Rating gave the Company an AAA credit rating as an issuer, with a stable rating outlook, and considered the tranche of bonds safe and secure in terms of repayment of its principal and interest, and gave the bonds an AAA credit rating. The ratings indicated that the issuer had a strong ability to repay its debts and was basically not affected by the adverse economic conditions, with an extremely low risk of default. During the valid period of the credit rating and the term of the above-mentioned corporate bonds, Brilliance Credit Rating continued to monitor the changes in the Company’s external business environment, its operating results or financial conditions and the guarantees for the bonds, keeping track of its credit risks.

On April 26, 2019, Brilliance Credit Rating issued a follow-up credit rating report (Brilliance Follow-up (2019) 100032) on the public offering of corporate bonds (first tranche) and (second tranche) by Shenwan Hongyuan Group Co., Ltd. to the qualified investors in 2018. Brilliance Credit Rating maintained the AAA credit rating for the Company as an issuer, and the AAA credit rating for the corporate bonds “18 ShenHong 01 and 18 ShenHong 02”, with a stable rating outlook. (For details, please refer to the Follow-up Credit Rating Report on the Corporate Bonds 18 ShenHong 01 and 18 ShenHong 02 Issued by Shenwan Hongyuan Group Co., Ltd. published on the Cninfo website (www.cninfo.com.cn) on April 26, 2019).

Section VIII Profile of Corporate Bonds (continued)

V. CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT PLAN AND OTHER DEBT REPAYMENT GUARANTEE MEASURES FOR THE CORPORATE BONDS

(I) Public Offering of Corporate Bonds in 2016

In order to adequately and effectively protect the interests of bondholders, the Company has made a series of arrangements to ensure the timely and full repayment of the 2016 Corporate Bonds, including designation of dedicated departments and personnel, preparation of debt repayment funds, formulation and strict implementation of the fund management plan with proper organization and coordination, and strict compliance with the information disclosure obligations, etc., which constituted a complete set of approaches to guarantee the payment of interest and redemption of the bonds. The Company has adopted a series of measures to guarantee the repayment of its debts, including formulating of the “Rules of The Bondholders Meetings”, setting up a special working group for the repayment of debts, formulating and strictly implementing the fund management plan, entrusting bond manager and making timely information disclosure.

During the Reporting Period, there were no changes in the credit enhancement mechanism, debt repayment plan and other debt repayment guarantee measures for the above corporate bonds.

The Company has set up a special debt repayment account and paid out of it in April 2017 the interest payable of “16 ShenHong 01” for the period from April 26, 2016 to April 25, 2017. In September 2017, the Company paid out of the special account the interest payable for “16 ShenHong 02” and “16 ShenHong 03” for the period from September 9, 2016 to September 8, 2017. In April 2018, the Company paid out of the special account the interest payable for “16 ShenHong 01” for the period from April 26, 2017 to April 25, 2018. In September 2018, the Company paid out of the special account the interest payable for “16 ShenHong 02” and “16 ShenHong 03” for the period from September 9, 2017 to September 8, 2018. In April 2019, the Company paid out of the special account the interest payable for “16 ShenHong 01” for the period from April 26, 2018 to April 25, 2019 (For details, please refer to the Company’s announcements published on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website (www.cninfo.com.cn) on April 20, 2017, September 5, 2017, April 20, 2018, September 4, 2018 and April 24, 2019, respectively).

(II) Public Offering of Corporate Bonds in 2018

In order to adequately and effectively protect the interests of bondholders, the Company has made a series of arrangements to ensure the timely and full repayment of the 2018 Corporate Bonds, including designation of dedicated departments and personnel, preparation of debt repayment funds, formulation and strict implementation of the fund management plan with proper organization and coordination, and strict compliance with the information disclosure obligations, etc., which constituted a complete set of approaches to guarantee the payment of interest and redemption of the bonds. The Company has adopted a series of measures to guarantee the repayment of its debts, including formulation of the “Rules for Meeting of Bondholders”, setting up a special working group for the repayment of debts, formulating and strictly implementing the fund management plan, entrusting bond manager and making timely information disclosure.

(III) Non-public offering of corporate bonds in 2019

In order to adequately and effectively protect the interests of bondholders, the Company has made a series of arrangements to ensure the timely and full repayment of the 2019 Corporate Bonds, including designation of dedicated departments and personnel, preparation of debt repayment funds, formulation and strict implementation of the fund management plan with proper organization and coordination, and

Section VIII Profile of Corporate Bonds (continued)

strict compliance with the information disclosure obligations, etc., which constituted a complete set of approaches to guarantee the payment of interest and redemption of the bonds. The Company has adopted a series of measures to guarantee the repayment of its debts, including formulation of the “Rules for Meeting of Bondholders”, setting up a special working group for the repayment of debts, formulating and strictly implementing the fund management plan, entrusting bond manager and making timely information disclosure.

VI. CONVENING OF THE BONDHOLDERS MEETINGS DURING THE REPORTING PERIOD

During the Reporting Period, the Company did not hold any bondholders meeting.

VII. PERFORMANCE OF THE DUTY OF THE ENTRUSTED BOND MANAGER DURING THE REPORTING PERIOD

Huatai United Securities Co., Ltd. has been appointed as the entrusted bond manager of the corporate bonds “16 ShenHong 01”, “16 ShenHong 02”, “16 ShenHong 03”, “18 ShenHong 01”, “18 ShenHong 02”, “19 ShenHong 01” and “19 ShenHong 02”. During the Reporting Period, Huatai United Securities Co., Ltd. diligently performed its duties in accordance with the Agreement of the Entrusted Bond Manager and continued to track and oversee the Company. It continuously observed and probed into the Company’s operating conditions, financial conditions, credit status, use of proceeds and major issues that may affect the rights and interests of bondholders.

As the board of directors of the Company underwent changes in its composition that involved more than one-third of the board members in 2019, on April 10, 2019, Huatai United Securities Co., Ltd. issued the The Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding the Public Offering of Corporate Bonds by the Company to Qualified Investors in 2016, Public Offering of Corporate Bonds by the Company to Qualified Investors in 2018 and Non-public Offering of Corporate Bonds (First Tranche) in 2019. (For details, please refer to the Company’s announcement published on April 10, 2019 on the Cninfo website (www.cninfo.com.cn)).

On June 27, 2019, Huatai United Securities Co., Ltd. issued The Entrusted Management Report (for 2018) on the Public Offering of Corporate Bonds (First Tranche) to Qualified Investors in 2016, The Entrusted Management Report (for 2018) on the Public Offering of Corporate Bonds (Second Tranche) to Qualified Investors in 2016 and The Entrusted Management Report (for 2018) on the Public Offering of Corporate Bonds (First Tranche) to Qualified Investors in 2018. (For details, please refer to the Company’s announcement published on June 27, 2019 on the Cninfo website (www.cninfo.com.cn)).

VIII. THE MAIN ACCOUNTING INFORMATION AND FINANCIAL INDICATORS OF THE COMPANY AS OF THE END OF THE REPORTING PERIOD AND THE END OF THE PREVIOUS YEAR OR THE REPORTING PERIOD AND THE CORRESPONDING PERIOD OF LAST YEAR

Item	As of the end of the Reporting Period	As of the end of last year	Increase/decrease as compared with the end of last year
Current ratio	1.73	1.64	Increase of 0.09
Gearing ratio	72.52%	75.23%	Decrease of 2.71 percentage points
Quick ratio	1.72	1.64	Increase of 0.08

Section VIII Profile of Corporate Bonds (continued)

Item	For the Reporting Period	For the corresponding period of last year	Increase/decrease of the Reporting Period compared with corresponding period of last year
EBITDA interest coverage multiple	2.14	1.72	Increase of 0.42
Borrowing repayment ratio	100.00%	100.00%	—
Interest coverage ratio	100.00%	100.00%	—

IX. OVERDUE DEBTS

The Company did not have any overdue debts.

X. PAYMENT OF INTEREST ON OTHER BONDS AND DEBT FINANCING INSTRUMENTS DURING THE REPORTING PERIOD

Other than the abovementioned corporate bonds, the Company did not offer any other bonds or debt financing instruments during the Reporting Period.

Please refer to “Section V, XXII Other Significant Matters of Subsidiaries of the Company” in this report for the information about the bonds of the Company’s subsidiaries.

XI. THE BANK CREDIT OBTAINED, USE OF SUCH CREDIT AND REPAYMENT OF BANK LOANS DURING THE REPORTING PERIOD

The Company operates compliantly with strong profitability and solvency as well as a clean credit history. It maintains agreeable cooperative relations with a number of banks and other financial institutions and obtains credit facilities from them, demonstrating its strong financing capabilities. As of the end of June 2019, the total credit obtained by the Company from the banks and other financial institutions amounted to approximately RMB433.4 billion, of which approximately RMB66.7 billion has been used. The Company will carry out financing activities within the credit line so as to support the development of its businesses.

During the Reporting Period, the Company used the funds in strict accordance with the requirements of the loans and repaid the principal and interest of the loans from the banks and other financial institutions on time and in full.

XII. PERFORMANCE OF THE RELEVANT AGREEMENTS OR COMMITMENTS OF THE COMPANY UNDER THE BOND OFFERING PROSPECTUS DURING THE REPORTING PERIOD

During the Reporting Period, the Company diligently performed its agreements and commitments as provided in the abovementioned corporate bond offering prospectus, and did not have any negative impact on the bond investors due to poor performance of the relevant agreements or commitments provided by the corporate bond offering prospectus of the Company.

XIII. MAJOR EVENTS DURING THE REPORTING PERIOD

During the Reporting Period, the Company as the bond issuer did not incur any major events listed in Article 45 of the Administration Measures on Corporate Bond Offering and Trading (《公司債券發行與交易管理辦法》); for the major events arising from subsidiaries within the scope of the Company’s consolidated statements, please refer to “Section V, XXII. Other Significant Matters of Subsidiaries of the Company” in this report.

XIV. GUARANTOR

There is no guarantor for the corporate bonds during the Reporting Period.

Section IX Financial Statements

Report on review of interim financial report

To the board of directors of Shenwan Hongyuan Group Co., Ltd.

Introduction

We have reviewed the accompanying interim financial report set out on pages 116 to 189, which comprises the condensed consolidated statements of financial position of Shenwan Hongyuan Group Co., Ltd. (the “Company”) and its subsidiaries (collectively the “Group”) as at 30 June 2019 and the related condensed consolidated income statements, the condensed consolidated statements of profit or loss and other comprehensive income, the condensed consolidated statements of changes in equity and the condensed consolidated cash flow statements for the six-month period ended at 30 June 2019 and explanatory notes. The management are responsible for the preparation and presentation of interim financial report in accordance with International Accounting Standards 34, “Interim Financial Reporting” (“IAS 34”), issued by the International Accounting Standards Board.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

KPMG

Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong
30 August 2019

Unaudited condensed consolidated income statements

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2019	2018 (Note)
Revenue			
Fee and commission income	5	4,080,583	3,669,022
Interest income	6	5,319,159	4,762,274
Net investment gains	7	2,862,350	2,094,005
Total revenue		12,262,092	10,525,301
Other income and gains	8	2,776,571	83,926
Total revenue and other income		15,038,663	10,609,227
<hr/>			
Fee and commission expenses	9	741,641	607,825
Interest expenses	10	3,918,107	3,996,936
Staff costs	11	2,776,971	2,411,778
Depreciation and amortisation expenses	12	311,090	178,130
Tax and surcharges		72,464	77,233
Other operating expenses	13	3,086,586	698,359
Net provision for impairment losses	14	239,083	93,988
Total expenses		11,145,942	8,064,249

The accompanying notes form part of this interim financial report.

Unaudited condensed consolidated income statements (continued)

For the six months ended 30 June 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2019	2018 (Note)
Operating profit		3,892,721	2,544,978
Share of profit of associates and joint ventures		109,994	72,355
Profit before income tax		4,002,715	2,617,333
Income tax expense	15	770,138	502,149
Profit for the period		3,232,577	2,115,184
Attributable to:			
Shareholders of the Company		3,201,521	2,065,566
Non-controlling interests		31,056	49,618
		3,232,577	2,115,184
Basic and diluted earnings per share (in Renminbi per share)	16	0.1370	0.0934

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 4.

The accompanying notes form part of this interim financial report.

Unaudited condensed consolidated statements of profit or loss and other comprehensive income

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2019	2018 (Note)
Profit for the period	3,232,577	2,115,184
Other comprehensive income for the period		
Items that will not be reclassified to profit or loss:		
Equity investment at fair value through other comprehensive income		
— Net change in fair value	1,468,521	(777,251)
Income tax impact	(329,606)	194,313
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
— Net changes in fair value	184,297	(2,092)
— Reclassified to profit or loss	(167,012)	(68,217)
Share of other comprehensive income of associates and joint ventures	5,171	(631)
Exchange differences on translation of financial statements in foreign currencies	14,588	18,977
Income tax impact	(2,969)	17,979
Total other comprehensive income for the period, net of tax	1,172,990	(616,922)
Total comprehensive income for the period	4,405,567	1,498,262
Attributable to:		
Shareholders of the Company	4,374,053	1,437,137
Non-controlling interests	31,514	61,125
Total	4,405,567	1,498,262

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 4.

The accompanying notes form part of this interim financial report.

Unaudited condensed consolidated statements of financial position

As at 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2019	As at 31 December 2018 (Note)
Non-current assets			
Property and equipment	17	1,327,041	1,373,939
Right-of-use assets	18	758,154	—
Investment properties		65,617	66,683
Other intangible assets	19	136,431	148,749
Interest in associates and joint ventures	20	2,438,554	2,399,055
Financial assets measured at amortized cost	21	4,499,177	5,710,839
Financial assets at fair value through other comprehensive income	22	9,517,694	9,115,967
Financial assets held under resale agreements		11,441,047	20,992,802
Financial assets at fair value through profit or loss	23	3,292,042	3,419,715
Refundable deposits	24	9,404,551	5,830,612
Deferred tax assets	25	1,413,644	1,800,675
Other non-current assets	26	166,099	176,706
Total non-current assets		44,460,051	51,035,742
Current assets			
Accounts receivable	27	1,465,516	1,237,590
Other receivables and prepayments	28	2,043,981	1,839,251
Margin accounts receivable	29	49,680,197	44,147,977
Financial assets measured at amortized cost	21	6,237,346	4,481,242
Financial assets held under resale agreements		36,177,496	45,275,398
Financial assets at fair value through profit or loss	23	95,940,492	90,850,184
Financial assets at fair value through other comprehensive income	22	23,741,939	22,436,522
Derivative financial assets	30	447,113	453,915
Clearing settlement funds	31	3,910,808	3,095,507
Cash held on behalf of brokerage clients	32	74,148,314	57,521,637
Cash and bank balances	33	40,793,568	25,350,070
Total current assets		334,586,770	296,689,293
Total assets		379,046,821	347,725,035

The accompanying notes form part of this interim financial report.

Unaudited condensed consolidated statements of financial position (continued)

As at 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2019	As at 31 December 2018 (Note)
Current liabilities			
Loans and borrowings	35	934,050	718,871
Short-term debt instruments issued	36	10,399,598	13,568,269
Placements from other financial institutions	37	11,201,634	11,694,003
Accounts payable to brokerage clients	38	80,382,387	60,275,347
Employee benefits payable		1,602,303	1,450,173
Other payables and accruals	39	17,150,495	13,396,280
Contract liabilities		108,653	86,750
Current tax liabilities		233,090	778,704
Financial assets sold under repurchase agreements		72,927,467	75,062,474
Lease liabilities	40	275,957	—
Financial liabilities at fair value through profit or loss	41	1,588,743	2,787,870
Derivative financial liabilities	30	498,469	456,300
Long-term bonds due within one year	42	30,145,186	23,940,520
Total current liabilities		227,448,032	204,215,561
Net current assets			
		107,138,738	92,473,732
Total assets less current liabilities			
		151,598,789	143,509,474
Non-current liabilities			
Loans and borrowings	35	651,806	650,800
Placements from other financial institutions	37	512,668	—
Long-term bonds	42	66,444,654	65,567,816
Non-current employee benefits payable		1,128,232	1,287,638
Deferred tax liabilities	25	217,999	242,110
Financial assets sold under repurchase agreements		—	4,300,000
Lease liabilities	40	494,823	—
Financial liabilities at fair value through profit or loss	41	—	44,017
Other non-current liabilities		80,197	221,164
Total non-current liabilities		69,530,379	72,313,545
Net assets			
		82,068,410	71,195,929

The accompanying notes form part of this interim financial report.

Unaudited condensed consolidated statements of financial position (continued)

As at 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2019	As at 31 December 2018 (Note)
Equity			
Share capital	43	25,039,945	22,535,945
Reserves	44	33,113,832	26,721,215
Retained profits	45	22,359,504	20,142,165
Total equity attributable to shareholders of the Company		80,513,281	69,399,325
Non-controlling interests		1,555,129	1,796,604
Total equity		82,068,410	71,195,929

Approved and authorised for issue by the board of directors on 30 August 2019.

Chu Xiaoming

Executive Director, Chairman

Yang Wenqing

Executive Director, Vice Chairman

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 4.

The Group has restated comparative figures to conform to changes in presentation in the current period.

The accompanying notes form part of this interim financial report.

Unaudited condensed consolidated statements of changes in equity

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company									Non-controlling interests	Total equity
	Reserves							Sub-total			
	Share capital (Note 43)	Capital reserve (Note 44)	Surplus reserve (Note 44)	General reserve (Note 44)	Fair value reserve (Note 44)	Translation reserve (Note 44)	Retained profits (Note 45)				
As at 1 January 2019	22,535,945	13,939,710	3,184,382	11,076,984	(1,479,434)	(427)	20,142,165	69,399,325	1,796,604	71,195,929	
Changes in equity for the period											
Profit for the period	–	–	–	–	–	–	3,201,521	3,201,521	31,056	3,232,577	
Other comprehensive income	–	–	–	–	1,158,402	14,130	–	1,172,532	458	1,172,990	
Total comprehensive income	–	–	–	–	1,158,402	14,130	3,201,521	4,374,053	31,514	4,405,567	
Issuance of ordinary shares	2,504,000	5,099,918	–	–	–	–	–	7,603,918	–	7,603,918	
Appropriation to general reserve	–	–	–	7,481	–	–	(7,481)	–	–	–	
Dividends declared for the period	–	–	–	–	–	–	(1,126,797)	(1,126,797)	(6,755)	(1,133,552)	
Other comprehensive income that has been reclassified to retained profits	–	–	–	–	(150,096)	–	150,096	–	–	–	
Acquisition of non-controlling interests in subsidiaries	–	262,782	–	–	–	–	–	262,782	(266,234)	(3,452)	
As at 30 June 2019	25,039,945	19,302,410	3,184,382	11,084,465	(471,128)	13,703	22,359,504	80,513,281	1,555,129	82,068,410	

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 4.

The accompanying notes form part of this interim financial report.

Unaudited condensed consolidated statements of changes in equity (continued)

For the six months ended 30 June 2018
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company									Total equity
	Reserves							Sub-total	Non-controlling interests	
	Share capital (Note 43)	Capital reserve (Note 44)	Surplus reserve (Note 44)	General reserve (Note 44)	Fair value reserve (Note 44)	Translation reserve (Note 44)	Retained profits (Note 45)			
As at 31 December 2017	20,056,606	4,436,714	3,017,174	9,860,962	(295,204)	(52,459)	18,173,404	55,197,197	1,808,581	57,005,778
Impact on initial application of IFRS 9	—	—	204	67,321	(332,548)	—	251,074	(13,949)	(113)	(14,062)
Adjusted balance at 1 January 2018	20,056,606	4,436,714	3,017,378	9,928,283	(627,752)	(52,459)	18,424,478	55,183,248	1,808,468	56,991,716
Changes in equity for the period										
Profit for the period	—	—	—	—	—	—	2,065,566	2,065,566	49,618	2,115,184
Other comprehensive income	—	—	—	—	(635,889)	7,460	—	(628,429)	11,507	(616,922)
Total comprehensive income	—	—	—	—	(635,889)	7,460	2,065,566	1,437,137	61,125	1,498,262
Issuance of ordinary shares	2,479,339	9,502,996	—	—	—	—	—	11,982,335	5,880	11,988,215
Appropriation to general reserve	—	—	—	10,220	—	—	(10,220)	—	—	—
Dividends declared for the period	—	—	—	—	—	—	(1,126,797)	(1,126,797)	(180,568)	(1,307,365)
As at 30 June 2018	22,535,945	13,939,710	3,017,378	9,938,503	(1,263,641)	(44,999)	19,353,027	67,475,923	1,694,905	69,170,828

The accompanying notes form part of this interim financial report.

Unaudited condensed consolidated cash flow statements

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
Cash flows from operating activities:		
Profit before income tax	4,002,715	2,617,333
Adjustments for:		
Interest expenses	3,918,107	3,996,936
Share of profit of associates and joint ventures	(109,994)	(72,355)
Depreciation and amortisation expenses	311,090	178,130
Net provision for impairment losses	239,083	93,988
Gains on disposal of property and equipment and other intangible assets	(18)	(257)
Foreign exchange gains	(172,591)	(7,012)
Net investment gains from financial assets at fair value through other comprehensive income	(854,422)	(798,265)
Interest income from financial assets measured at amortized cost	(347,187)	(465,158)
Unrealised fair value changes of financial instruments at fair value through profit or loss	(107,510)	14,226
Unrealised fair value changes of derivative financial instruments	(74,322)	47,482
Operating cash flows before movements in working capital	6,804,951	5,605,048
Cash flows from operating activities:		
Increase in refundable deposits	(3,573,938)	(1,276,351)
(Increase)/decrease in margin accounts receivable	(5,692,845)	6,606,933
Increase in accounts receivable, other receivables and prepayments	(794,347)	(594,045)
Decrease/(increase) in financial assets held under resale agreements	9,427,359	(33,551,970)
Increase in financial instruments at fair value through profit or loss	(5,096,945)	(7,250,734)
Decrease/(increase) in derivative financial instruments	123,293	(49,069)
(Increase)/decrease in cash held on behalf of brokerage clients	(12,711,875)	2,369,874
Increase in accounts payable to brokerage clients	20,111,825	1,007,279
Increase in other payables and accruals and other non-current liabilities	3,596,554	225,253
Decrease in employee benefits payable	(7,276)	(683,552)
(Decrease)/increase in financial assets sold under repurchase agreements	(6,501,608)	6,977,645
Increase in placements from other financial institutions	8,958	400,000
Cash generated from/(used in) operations	5,694,106	(20,213,689)
Income taxes paid	(1,285,408)	(645,980)
Interest paid	(1,637,263)	(1,962,208)
Net cash generated from/(used in) operating activities	2,771,435	(22,821,877)

The accompanying notes form part of this interim financial report.

Unaudited condensed consolidated cash flow statements (continued)

For the six months ended 30 June 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2019	2018
Cash flows from investing activities:			
Proceeds from disposal of property and equipment and other intangible assets		3,442	1,986
Dividends received from associates and joint ventures		11,451	467
Interest income from financial assets measured at amortized cost		290,662	450,682
Net investment gains from financial assets at fair value through other comprehensive income		1,062,640	327,205
(Purchase of)/proceeds on disposal of financial assets measured at amortized cost		(509,490)	834,774
Purchases of property and equipment, other intangible assets and other non-current assets		(78,987)	(115,076)
Purchases of associates and joint ventures		(8,000)	(305,124)
Purchases of financial assets at fair value through other comprehensive income		(478,998)	(11,288,957)
Decrease in restricted bank deposits		975,319	741,394
Net cash generated from/(used in) investing activities		1,268,039	(9,352,649)
Cash flows from financing activities:			
Capital injection from issuance of ordinary shares		7,603,918	11,988,215
Proceeds from issuance of long-term bonds		21,717,560	18,759,778
Proceeds from issuance of short-term debt instruments		16,239,009	23,643,796
Proceeds from loans and borrowings		629,115	927,354
Long-term bonds repaid		(15,210,864)	(7,368,720)
Short-term debt instruments repaid		(19,101,845)	(20,120,571)
Loans and borrowings repaid		(412,844)	(1,206,444)
Loans, bonds and debt instruments interest paid		(1,942,281)	(1,478,858)
Dividends paid		(1,133,553)	(1,307,365)
Payment of lease liabilities		(164,374)	—
Net cash generated from financing activities		8,223,841	23,837,185
Net increase/(decrease) in cash and cash equivalents		12,263,315	(8,337,341)
Cash and cash equivalents at the beginning of the period		39,786,707	26,991,092
Effect of foreign exchange rate changes		172,591	7,012
Cash and cash equivalents at the end of the period	34	52,222,613	18,660,763

The accompanying notes form part of this interim financial report.

Notes to the unaudited condensed consolidated financial statements

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

1 General information

Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司) (the “Company”), formerly known as Shenyin Wanguo Securities Co., Ltd., had its origin in a merger of Shanghai Shenyin Securities Co., Ltd. and Shanghai Wanguo Securities Co., Ltd. in 1996 with the approval of the People’s Bank of China. On 16 January 2015, the Company changed its name to Shenwan Hongyuan Group Co., Ltd., when Shenyin Wanguo Securities Co., Ltd. and Hongyuan Securities Co., Ltd. merged through share issuance and swap as approved by the China Securities Regulatory Commission (“CSRC”) (CSRC Xu Ke [2014] No. 1279).

On 26 January 2015, the common shares issued by the Company were listed on the Shenzhen Stock Exchange. The stock name was “Shenwan Hongyuan” and the stock code was “000166”.

On 6 July 2016, on the basis of the total outstanding shares of 14,856,744,977 shares as at 31 December 2015, the Company distributed 3.50 shares per 10 shares as stock dividends to shareholders, thus increasing its registered capital by RMB5,199,860,741 and increasing its total outstanding shares to 20,056,605,718 shares as at 31 December 2016 and 31 December 2017.

As of 16 January 2018, the Company raised a total of RMB11,972,900,760 from the non-public offering of shares, of which paid-in capital was RMB2,479,338,842 and share premium totaled RMB9,493,561,918, thus increasing the accumulated total outstanding shares of the Company to 22,535,944,560 shares as at 31 December 2018.

As of 26 April 2019, the Company issued 2,504,000,000 H shares on the main board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), thus increasing the accumulated total outstanding shares of the Company to 25,039,944,560 shares as at 30 June 2019.

The Company is registered in the Xinjiang Uygur Autonomous Region. The Company and its subsidiaries are principally engaged in securities brokerage, margin financing and securities lending, securities-backed lending, proprietary securities business, securities underwriting and sponsoring, securities asset management, fund management, stock option market making, futures brokerage, direct investment, innovative investment etc.

2 Basis of preparation

The interim financial report has been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, issued by the International Accounting Standards Board, and shall be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2018 (“last annual financial statements”).

The interim financial report has been prepared in accordance with the same accounting policies in the Group’s last 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 4.

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

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Use of judgements and estimates

In preparing these interim financial report, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. 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 estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and estimates related to lessee accounting under IFRS 16, which are described in Note 4.

Measurement of fair value

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

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

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

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

Further information about the assumptions made in measuring fair values is included in Note 51.

4 Changes in significant accounting policies

Except for IFRS 16 as described below, the accounting policies applied in the interim financial report are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

The Group has initially adopted IFRS 16 *Leases* from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated — i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Changes in significant accounting policies (continued)

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement Contains Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as lease under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of the irrelative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(b) As a lessee

The Group leases many assets, most of which are properties.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases- i.e. these leases are on-balance sheet.

However, the Group has selected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment). The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The carrying amounts of right-of-use assets are as below.

	Property and equipment
Balance at 1 January 2019	866,295
Balance at 30 June 2019	758,154

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Changes in significant accounting policies (continued)

(b) As a lessee (continued)

(i) Significant accounting policies

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

(ii) Transition

Previously, the Group classified property leases as operating leases under IAS 17. The leases typically run for a period of 1 to 10 years.

At transition, for leases classified as operating lease under IAS 17, lease liabilities were remeasured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Other than the recognition of lease liabilities and right-of-use assets, the adoption of IFRS 16 does not result in any impact on the Group's equity as at 1 January 2019.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Changes in significant accounting policies (continued)

(c) As a lessor

The Group leases out its investment property. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, when the Group is an intermediate lessor, the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Group has applied IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

(d) Impacts on financial statements

(i) Impacts on transition

On transition to IFRS 16, the Group recognized additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	1 January 2019
Right-of-use assets	866,295
Lease liabilities	866,295
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	951,030
Discounted using the incremental borrowing rate at 1 January 2019	866,295
Lease liabilities recognized at 1 January 2019	866,295

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The incremental borrowing rates range from 3.55%–4.08%.

(ii) Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized RMB758,154 thousand of right-of-use assets and RMB770,780 thousand of lease liabilities as at 30 June 2019.

Also, in relation to those leases under IFRS 16, the Group has recognized depreciation and interest expenses, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognized RMB164,455 thousand of depreciation charges and RMB12,544 thousand of interest costs from these leases.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

5 Fee and commission income

	Six months ended 30 June	
	2019	2018
Income from securities brokerage business	2,688,811	2,229,568
Income from asset management business	578,596	729,660
Income from futures brokerage business	269,243	299,019
Income from underwriting and sponsorship business	410,452	271,743
Income from financial advisory business	133,481	139,032
Total	4,080,583	3,669,022

6 Interest income

	Six months ended 30 June	
	2019	2018
Interest income from margin financing and securities lending	1,729,232	1,971,097
Interest income from financial institutions	1,169,378	1,259,673
Interest income from securities-backed lending	1,155,190	1,280,660
Interest income from financial instruments at fair value through other comprehensive income	626,537	—
Interest income from financial assets measured at amortized cost	347,187	—
Interest income from other financial assets held under resale agreements	291,635	250,844
Total	5,319,159	4,762,274

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

7 Net investment gains

	Six months ended 30 June	
	2019	2018
Dividend income and interest income from financial instruments at fair value through profit or loss	2,156,789	1,249,783
Dividend income and interest income from financial instruments at fair value through other comprehensive income	11,430	722,887
Net realised gains from disposal of financial instruments at fair value through other comprehensive income	216,454	75,378
Net realised losses from disposal of derivative financial instruments	(141,548)	(53,770)
Net realised gains/(losses) from disposal of financial instruments at fair value through profit or loss	437,393	(303,723)
Interest income from financial assets measured at amortized cost	—	465,158
Unrealised fair value changes of derivative financial instruments	74,322	(47,482)
Unrealised fair value changes of financial instruments at fair value through profit or loss	107,510	(14,226)
Total	2,862,350	2,094,005

8 Other income and gains

	Six months ended 30 June	
	2019	2018
Income from commodity trading business	2,537,818	16,177
Foreign exchange gains	172,591	7,012
Government grants ⁽¹⁾	28,766	37,169
Income from futures market-making	18,009	5,168
Rental income	5,784	10,016
Compensation received	4,309	1,362
Income from tax authorities for individual income tax withheld	1,119	3,380
Income from disposal of property and equipment	45	277
Miscellaneous ⁽²⁾	8,130	3,365
Total	2,776,571	83,926

(1) The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

(2) Miscellaneous comprise a number of items with small amounts and various natures arising from the Group's daily business operation.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

9 Fee and commission expenses

	Six months ended 30 June	
	2019	2018
Expenses for securities brokerage business	550,052	463,000
Expenses for underwriting and sponsorship business	6,286	7,888
Expenses for futures brokerage business	154,074	126,112
Expenses for asset management business	31,213	10,783
Expenses for financial advisory business	16	42
Total	741,641	607,825

10 Interest expenses

	Six months ended 30 June	
	2019	2018
Interest expenses for		
— Long-term bonds	2,020,881	1,446,230
— Financial assets sold under repurchase agreements	1,252,734	1,371,055
— Placements from other financial institutions	176,166	205,805
— Short-term debt instruments issued	152,123	467,003
— Accounts payable to brokerage clients	137,384	126,603
— Other structured entities' holders	127,675	281,896
— Loans and borrowings	38,164	59,562
— Lease liabilities	12,544	—
— Others	436	38,782
Total	3,918,107	3,996,936

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

11 Staff costs

	Six months ended 30 June	
	2019	2018
Salaries, bonuses and allowances	2,219,243	1,905,210
Contribution to pension schemes	160,194	150,663
Other social welfare	397,534	355,905
Total	2,776,971	2,411,778

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

12 Depreciation and amortisation expenses

	Six months ended 30 June	
	2019	2018
Depreciation of right-of-use assets	164,455	—
Depreciation of property and equipment	83,293	115,111
Amortisation of other intangible assets	37,781	32,380
Amortisation of long-term deferred expenses	23,359	28,436
Depreciation of investment properties	2,202	2,203
Total	311,090	178,130

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

13 Other operating expenses

	Six months ended 30 June	
	2019	2018
Cost of commodity trading business	2,520,278	—
Administrative and office operating expenses	120,691	117,156
Rental expenses and utilities	58,935	217,913
Postal and communication expenses	55,663	36,061
IT expenses	42,990	50,284
Business travel expenses	42,769	45,255
Stock exchanges management fees	39,649	28,953
Investor protection funds and risk reserves for futures business	39,607	34,555
Consulting and professional services	36,852	30,409
Promotion and entertainment expenses	34,190	39,418
Funds and asset management plans distribution expenses	23,910	24,789
Donation and sponsorship	15,006	7,283
Transaction cost of structured entities	10,533	9,748
Auditors' remuneration	4,594	4,048
Labor protection fee	1,777	4,215
Losses on disposal of property and equipment	941	20
Compensation paid	311	731
Miscellaneous ⁽¹⁾	37,890	47,521
Total	3,086,586	698,359

(1) Miscellaneous comprise a number of items with small amounts and various natures arising from the Group's daily business operation.

14 Net provision for impairment losses

	Six months ended 30 June	
	2019	2018
Provision for impairment losses against financial assets held under resale agreements	195,637	99,337
Provision for/(reversal of) impairment losses against margin accounts receivable	108,655	(12,006)
Reversal of impairment losses against accounts receivable	(90,455)	—
Reversal of impairment losses against other receivables and prepayments	(44,263)	(6)
Reversal of impairment losses against cash and bank balances	(276)	(1,241)
Provision for impairment losses against financial assets measured at amortized cost	20,343	684
Provision for impairment losses against financial assets at fair value through other comprehensive income	49,442	7,220
Total	239,083	93,988

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

15 Income tax expense

(a) Taxation in the condensed consolidated income statements represents:

	Six months ended 30 June	
	2019	2018
Current tax		
– PRC income tax	761,161	563,332
– Hong Kong profits tax	5,929	4,762
	767,090	568,094
Adjustment in respect of prior years		
– PRC income tax	(27,297)	(34,384)
Deferred tax		
– Origination and reversal of temporary differences	30,345	(31,561)
Total	770,138	502,149

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

	Six months ended 30 June	
	2019	2018
Profit before income tax	4,002,715	2,617,333
Notional tax calculated using the PRC statutory tax rate	1,000,679	654,333
Tax effect of non-deductible expenses	3,926	2,871
Tax effect of non-taxable income	(240,724)	(158,075)
Effect of different tax rates of subsidiaries	(7,643)	(4,007)
Temporary differences in deferred income tax not recognized in the current period	14,436	4,515
Tax effect of recognition of previously unrecognized temporary differences	26,761	36,896
Adjustment for prior years	(27,297)	(34,384)
Actual income tax expense	770,138	502,149

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

16 Basic and diluted earnings per share

	Note	Six months ended 30 June	
		2019	2018
Weighted average number of ordinary shares (in thousands)	16(a)	23,370,611	22,122,721
Net profit attributable to equity shareholders of the Company (in RMB thousands)		3,201,521	2,065,566
Basic and diluted earnings per share attributable to equity shareholders of the Company (in RMB per share)		0.1370	0.0934

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

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

	Six months ended 30 June	
	2019	2018
Number of ordinary shares as at 1 January	22,535,945	20,056,606
Increase in weighted average number of ordinary shares	834,666	2,066,115
Weighted average number of ordinary shares	23,370,611	22,122,721

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

17 Property and equipment

	Buildings	Motor vehicles	Machinery	Electronic equipment	Furniture and fixtures	Renovation	Construction in progress	Total
Cost								
As at 1 January 2019	1,682,132	102,951	21,640	1,109,232	70,890	93,118	110,464	3,190,427
Additions	—	2,313	106	26,522	351	—	131,989	161,281
Transfer during the period	(3,375)	515	—	4,891	—	264	(125,615)	(123,320)
Disposals	—	(5,204)	(384)	(20,688)	(948)	(890)	—	(28,114)
As at 30 June 2019	1,678,757	100,575	21,362	1,119,957	70,293	92,492	116,838	3,200,274
Accumulated depreciation								
As at 1 January 2019	(677,086)	(88,558)	(16,821)	(883,953)	(63,521)	(68,396)	—	(1,798,335)
Transfer during the period	1,927	(353)	—	(29)	—	—	—	1,545
Charge for the period	(26,861)	(3,161)	(477)	(45,883)	(2,418)	(4,493)	—	(83,293)
Disposals	—	4,784	310	18,119	907	883	—	25,003
As at 30 June 2019	(702,020)	(87,288)	(16,988)	(911,746)	(65,032)	(72,006)	—	(1,855,080)
Impairment								
As at 1 January 2019	(18,153)	—	—	—	—	—	—	(18,153)
As at 30 June 2019	(18,153)	—	—	—	—	—	—	(18,153)
Carrying amount								
As at 30 June 2019	958,584	13,287	4,374	208,211	5,261	20,486	116,838	1,327,041

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

17 Property and equipment (continued)

	Buildings	Motor vehicles	Machinery	Electronic equipment	Furniture and fixtures	Renovation	Construction in progress	Total
Cost								
As at 1 January 2018	1,658,492	109,921	22,260	1,088,923	71,344	93,470	68,211	3,112,621
Additions	—	4,010	41	81,683	3,257	183	130,773	219,947
Transfer during the year	23,640	522	—	13,867	344	634	(88,520)	(49,513)
Disposals	—	(11,502)	(661)	(75,241)	(4,055)	(1,169)	—	(92,628)
As at 31 December 2018	1,682,132	102,951	21,640	1,109,232	70,890	93,118	110,464	3,190,427
Accumulated depreciation								
As at 1 January 2018	(612,655)	(93,560)	(16,266)	(856,519)	(60,813)	(58,585)	—	(1,698,398)
Transfer during the year	(10,292)	—	—	—	—	—	—	(10,292)
Charge for the year	(54,139)	(5,741)	(1,069)	(98,366)	(6,338)	(10,968)	—	(176,621)
Disposals	—	10,743	514	70,932	3,630	1,157	—	86,976
As at 31 December 2018	(677,086)	(88,558)	(16,821)	(883,953)	(63,521)	(68,396)	—	(1,798,335)
Impairment								
As at 1 January 2018	(18,153)	—	—	—	—	—	—	(18,153)
As at 31 December 2018	(18,153)	—	—	—	—	—	—	(18,153)
Carrying amount								
As at 31 December 2018	986,893	14,393	4,819	225,279	7,369	24,722	110,464	1,373,939

As at 30 June 2019 and 31 December 2018, included in buildings, there is a carrying amount of RMB21,039 thousand and RMB21,424 thousand respectively, for which the Group has yet to obtain the relevant land or building certificates.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Right-of-use assets

	Right-of-use assets
Cost	
As at 1 January 2019	866,295
Increases	56,314
Decreases	(16,882)
As at 30 June 2019	905,727
Accumulated depreciation	
As at 1 January 2019	—
Charge for the period	(164,455)
Decreases	16,882
As at 30 June 2019	(147,573)
Carrying amount	
As at 30 June 2019	758,154

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Other intangible assets

	Software	Others ⁽¹⁾	Total
Cost			
As at 1 January 2019	455,013	330,097	785,110
Additions	25,341	122	25,463
Disposals	(28)	—	(28)
As at 30 June 2019	480,326	330,219	810,545
Accumulated amortisation			
As at 1 January 2019	(331,124)	(304,561)	(635,685)
Charge for the period	(34,685)	(3,096)	(37,781)
Disposals	28	—	28
As at 30 June 2019	(365,781)	(307,657)	(673,438)
Impairment			
As at 1 January 2019	—	(676)	(676)
As at 30 June 2019	—	(676)	(676)
Carrying amount			
As at 30 June 2019	114,545	21,886	136,431
Cost			
As at 1 January 2018	381,858	329,511	711,369
Additions	73,922	586	74,508
Disposals	(767)	—	(767)
As at 31 December 2018	455,013	330,097	785,110
Accumulated amortisation			
As at 1 January 2018	(271,766)	(296,920)	(568,686)
Charge for the year	(59,512)	(7,641)	(67,153)
Disposals	154	—	154
As at 31 December 2018	(331,124)	(304,561)	(635,685)
Impairment			
As at 1 January 2018	—	(676)	(676)
As at 31 December 2018	—	(676)	(676)
Carrying amount			
As at 31 December 2018	123,889	24,860	148,749

(1) The carrying amount of others includes trading seats rights, which have indefinite useful life and are not amortized. Trading seats rights were not tested for impairment because there were no impairment indicator at 30 June 2019.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Interest in associates and joint ventures

	As at 30 June 2019	As at 31 December 2018
Share of net assets	2,438,554	2,399,055

The following list contains the particulars of material associates and joint ventures, all of which are unlisted enterprises whose quoted market prices are not available:

Name of associates and joint ventures	Place of incorporation	Paid-up capital (in thousands)	Effective equity interest held		Principal activity
			30 June 2019	31 December 2018	
Fullgoal Fund Management Co., Ltd.* 富國基金管理有限公司	Shanghai	RMB520,000	27.775%	27.775%	Fund management
Beijing Urban Construction (Wuhu) Equity Investment management Co., Ltd.* 北京城建(蕪湖)股權投資管理有限公司	Wuhu	RMB100,000	30.00%	30.00%	Investment management
Xinjiang Tianshan Industrial Investment Fund Management Co., Ltd.* 新疆天山產業投資基金管理有限公司	Urumchi	RMB50,000	30.00%	30.00%	Investment management
Horgos Tianshan No. 1 Industrial Investment Fund Limited Partnership* 霍爾果斯天山一號產業投資基金有限合夥企業	Horgos	RMB1,510,000	33.11%	33.11%	Equity management
Xinjiang Financial Investment Asset Management Co., Ltd.* ⁽¹⁾ 新疆金投資產管理股份有限公司	Urumchi	RMB1,000,000	18.00%	18.00%	Assets management
Shenwan & Hongyuan Asset Management (Shanghai) Co., Ltd.* 申萬宏源資本管理(上海)有限公司	Shanghai	RMB10,000	40.00%	40.00%	Assets management
Henan Guochuang Mixed Reform Fund Management Co., Ltd.* 河南省國創混改基金管理有限公司	Zhengzhou	RMB10,000	30.00%	30.00%	Investment management
Jiaxing Mingmao Investment Partnership (Limited Partnership)* 嘉興明茂投資合夥企業(有限合夥)	Jiaxing	RMB721,000	49.93%	49.93%	Equity management

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Interest in associates and joint ventures (continued)

Name of associates and joint ventures	Place of incorporation	Paid-up capital (in thousands)	Effective equity interest held		Principal activity
			30 June 2019	31 December 2018	
Shenzhen Shenwan Jiaotou West Growth No. 1 Equity Investment Fund Partnership (Limited Partnership) ^{*(1)} 深圳申萬交投西部成長一號股權投資基金合夥企業 (有限合夥)	Shenzhen	RMB88,000	17.54%	17.54%	Equity management
Shanghai Shenwan & Hongyuan Jiashi Equity Investment Partnership (Limited partnership)* 上海申萬宏源 嘉實股權投資合夥企業 (有限合夥)	Shanghai	RMB55,000	31.00%	31.00%	Equity management
Xiamen Xiangyu Hongding Modern Logistics Partnership (Limited Partnership)* 廈門市象嶼泓鼎現代物流合夥企業 (有限合夥)	Xiamen	RMB40,000	50.00%	50.00%	Equity management
Sichuan Shenwan & Hongyuan Changhong Equity Investment Fund Partnership (Limited Partnership) ^{*(2)} 四川申萬宏源長虹股權投資基金合夥企業 (有限合夥)	Mianyang	RMB310,000	51.61%	51.61%	Equity management
Sichuan Development Shenwan & Hongyuan Equity Investment Fund Partnership (Limited Partnership)* 四川發展申萬宏源股權投資基金合夥企業 (有限合夥)	Chengdu	RMB300,000	34.00%	34.00%	Equity management
Liaoning Guoxin Industrial Investment Fund Management Co., Ltd.* 遼寧國鑫產業投資基金管理有限公司	Shenyang	RMB10,000	26.00%	26.00%	Investment management
Sichuan Development Securities Investment Fund Management Co., Ltd.* 四川發展證券投資基金管理有限公司	Chengdu	RMB20,000	40.00%	—	Fund management

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

(1) The Group's shareholding of this investee is lower than 20%, however the Group has significant influence or joint control over this investee as a result of relevant arrangements stipulated in the Articles of Association, the Limited Partnership Agreement and other corporate governance documents.

(2) The Group's shareholding of this investee is higher than 50%, however the Group only has significant influence or joint control over this investee as a result of relevant arrangements stipulated in the Limited Partnership Agreement and other corporate governance documents.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Interest in associates and joint ventures (continued)

All of the above associates and joint ventures are accounted for using equity method in the interim financial report.

Summarised financial information of the Group's material associates and joint ventures, and reconciliation to the carrying amounts at the end of the period/year, are disclosed below:

Fullgoal Fund Management Co., Ltd.

	As at 30 June 2019	As at 31 December 2018
Gross amounts of the associate:		
Assets	4,803,067	4,701,753
Liabilities	(1,267,584)	(1,308,774)
Net assets	3,535,483	3,392,979
Revenue	1,274,816	2,381,397
Profit for the period/year	383,301	703,983
Other comprehensive income	19,204	(5,385)
Other adjustments	(1,294)	8,036
Total comprehensive income	401,211	706,634
Dividend received from the associate	72,215	41,663
Reconciled to the Group's interest in the associate:		
Net assets	3,535,483	3,392,979
The Group's effective interest	27.775%	27.775%
The Group's share of net assets of the associate	981,981	942,400
Other adjustments	—	359
Carrying amount in the interim financial report	981,981	942,759

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Interest in associates and joint ventures (continued)

Horgos Tianshan No. 1 Industrial Investment Fund Limited Partnership

	As at 30 June 2019	As at 31 December 2018
Gross amounts of the associate:		
Assets	2,677,495	2,550,397
Liabilities	(1,541,066)	(1,396,214)
Net assets	1,136,429	1,154,183
Revenue	—	—
Loss for the period/year	(16,946)	(26,448)
Other comprehensive income	—	—
Other adjustments	25,641	60,495
Total comprehensive income	8,695	34,047
Dividend received from the associate	—	—
Reconciled to the Group's interest in the associate:		
Net assets	1,136,429	1,154,183
The Group's effective interest	33.11%	33.11%
The Group's share of net assets of the associate	376,272	382,150
Other adjustments	156,336	147,579
Carrying amount in the interim financial report	532,608	529,729

Aggregated information of associates and joint ventures that are not individually material:

	As at 30 June 2019	As at 31 December 2018
Aggregate carrying amount of individually immaterial associates and joint ventures in the interim financial report	923,965	926,567
Aggregate amounts of the Group's share of those associates and joint ventures' profits	850	3,301
Other comprehensive income	—	1,121
Total comprehensive income	850	4,422

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Financial assets measured at amortized cost

(a) Analysed by nature:

Non-current

	As at 30 June 2019	As at 31 December 2018
Wealth management products and others	3,798,325	4,995,465
Investments classified as receivables	900,926	900,126
Less: provision for impairment losses	(200,074)	(184,752)
Total	4,499,177	5,710,839
Analysed as:		
Listed outside Hong Kong	48,466	135,911
Unlisted	4,450,711	5,574,928
Total	4,499,177	5,710,839

Current

	As at 30 June 2019	As at 31 December 2018
Wealth management products and others	5,414,187	4,483,797
Debt securities	830,735	—
Less: provision for impairment losses	(7,576)	(2,555)
Total	6,237,346	4,481,242
Analysed as:		
Listed inside Hong Kong	210,742	—
Listed outside Hong Kong	56,493	—
Unlisted	5,970,111	4,481,242
Total	6,237,346	4,481,242

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

	As at 30 June 2019	As at 31 December 2018
At the beginning of the period/year	187,307	—
Impact on initial adoption of IFRS 9 on 1 January 2018	—	164,141
Charge for the period/year	20,343	23,166
At the end of the period/year	207,650	187,307

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Financial assets at fair value through other comprehensive income

Non-current

	As at 30 June 2019	As at 31 December 2018
Designated at FVOCI		
Equity securities not held for trading ⁽¹⁾⁽²⁾	9,517,694	9,115,967
Analysed as:		
Unlisted	6,933,642	6,501,521
Listed outside Hong Kong	2,584,052	2,614,446
Total	9,517,694	9,115,967

Current

	As at 30 June 2019	As at 31 December 2018
Debt securities	23,741,939	22,436,522
Analysed as:		
Listed outside Hong Kong	5,206,131	5,244,203
Listed inside Hong Kong	311,066	—
Unlisted	18,224,742	17,192,319
Total	23,741,939	22,436,522

(1) As at 30 June 2019 and 31 December 2018, the above non-current financial assets at fair value through other comprehensive income include the Group's contributed fund, with various PRC securities firms, to designated accounts managed by China Securities Finance Corporation Limited (CSF). Risk and reward arising from the investment shall be shared by the relevant securities firms according to the proportion of their respective contribution. As at 30 June 2019 and 31 December 2018, the fair value of the Group's contribution recognized by the Group was RMB6,674 million and RMB6,242 million respectively, based on the investment account statement provided by CSF. The Group designated the specific investment at financial assets at fair value through other comprehensive income (non-recycling) as the investment is not held for trading.

(2) For the period ended 30 June 2019, the Group disposed some of the equity instruments at fair value through other comprehensive income resulting from adjustment in its investment strategy. The accumulated net realized gain of the equity instrument disposed of were RMB150,096 thousand.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Financial assets at fair value through other comprehensive income (continued)

As at 30 June 2019 and 31 December 2018, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through other comprehensive income with total fair value of RMB424,354 thousand and RMB137,061 thousand to external clients. These have not resulted in the derecognition of the financial assets in accordance with the Group's accounting policy. The fair value of collaterals for the securities lending business is analysed in Note 29(c) together with the fair value of collaterals of margin financing business.

As at 30 June 2019 and 31 December 2018, the Group has pledged financial assets at fair value through other comprehensive income with a total fair value of RMB1,648,922 thousand and RMB1,525,408 thousand to CSF for the purpose of placement. The fair values of these securities have taken into account the relevant features including the restrictions.

As at 30 June 2019 and 31 December 2018, the Group has pledged financial assets at fair value through other comprehensive income with a total fair value of RMB14,067,738 thousand and RMB15,402,719 thousand for the purpose of repurchase agreement business and bond lending business.

23 Financial assets at fair value through profit or loss

Non-current

	As at 30 June 2019	As at 31 December 2018
Equity securities	158,690	405,265
Funds	14,676	14,644
Hybrid instrument	301,266	300,000
Wealth management products and others	2,817,410	2,699,806
Total	3,292,042	3,419,715
Analysed as:		
Listed outside Hong Kong	—	66,387
Unlisted	3,292,042	3,353,328
Total	3,292,042	3,419,715

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

23 Financial assets at fair value through profit or loss (continued)

Current

	As at 30 June 2019	As at 31 December 2018
Debt securities	54,440,505	60,997,010
Funds	21,731,788	16,179,493
Equity securities	1,443,794	1,512,060
Hybrid instrument	4,951,260	1,868,645
Wealth management products and others	13,373,145	10,292,976
Total	95,940,492	90,850,184
Analysed as:		
Listed		
— outside Hong Kong	32,338,477	28,099,445
— inside Hong Kong	234,422	10,587
Unlisted	63,367,593	62,740,152
Total	95,940,492	90,850,184

As at 30 June 2019 and 31 December 2018, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss with total fair value of RMB134,413 thousand and RMB326,934 thousand to external clients. These have not resulted in the derecognition of the financial assets in accordance with the accounting policy. The fair value of collaterals for the securities lending business is analysed in Note 29(c) together with the fair value of collaterals of margin financing business.

As at 30 June 2019 and 31 December 2018, the Group has pledged financial assets at fair value through profit or loss with a total fair value of RMB41,310,744 thousand and RMB40,516,687 thousand for the purpose of repurchase agreement business and bond lending business.

As at 30 June 2019 and 31 December 2018, the equity securities in the financial assets at fair value through profit or loss with lock-up periods held by the Group were RMB nil and RMB132,773 thousand respectively.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

24 Refundable deposits

	As at 30 June 2019	As at 31 December 2018
Deposits with stock exchanges		
— China Securities Depository and Clearing Corporation Limited	498,750	399,529
— Hong Kong Securities Clearing Company Limited	11,214	8,085
— The Stock Exchange of Hong Kong Limited	440	438
	510,404	408,052
Deposits with futures and commodity exchanges		
— China Financial Futures Exchange	2,386,494	1,346,104
— Shanghai Futures Exchange	1,673,006	1,136,555
— Dalian Commodity Exchange	2,138,690	1,107,956
— Zhengzhou Commodity Exchange	1,094,523	758,114
— Shanghai International Energy Exchange	347,056	139,123
— Hong Kong Futures Exchange	6,369	1,314
	7,646,138	4,489,166
Deposits with other institutions		
— China Securities Finance Corporation Limited	828,223	572,899
— Shanghai Clearing House	353,239	342,571
— Shanghai Gold Exchange	20	—
— The SEHK Options Clearing House Limited	—	2,487
— Monetary Authority of Singapore	508	502
— Other financial institutions	66,019	14,935
	1,248,009	933,394
Total	9,404,551	5,830,612

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Deferred taxation

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

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments at fair value through profit or loss	Changes in fair value of derivative financial instruments	Changes in fair value of available-for-sale financial assets	Changes in fair value of other comprehensive income	Business combination	Others	Total
As at 31 December 2017	250,974	420,606	41,651	12,850	97,925	—	13,420	21,843	859,269
Impact on initial application of IFRS9	(128,379)	—	(3,666)	—	(97,925)	233,308	—	—	3,338
As at 1 January 2018	122,595	420,606	37,985	12,850	—	233,308	13,420	21,843	862,607
Recognized in profit or loss	144,581	(33,744)	(8,093)	44,991	—	20,562	225,372	18,158	411,827
Recognized in reserves	—	—	—	—	—	284,131	—	—	284,131
As at 31 December 2018	267,176	386,862	29,892	57,841	—	538,001	238,792	40,001	1,558,565
As at 1 January 2019	267,176	386,862	29,892	57,841	—	538,001	238,792	40,001	1,558,565
Recognized in profit or loss	36,621	(43,836)	(10,870)	(23,539)	—	9,248	—	2,031	(30,345)
Recognized in reserves	—	—	—	—	—	(332,575)	—	—	(332,575)
As at 30 June 2019	303,797	343,026	19,022	34,302	—	214,674	238,792	42,032	1,195,645

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Deferred taxation (continued)

(b) Reconciliation to the condensed consolidated statements of financial position

	As at 30 June 2019	As at 31 December 2018
Net deferred tax assets recognized in the condensed consolidated statement of financial position	1,413,644	1,800,675
Net deferred tax liabilities recognized in the condensed consolidated statement of financial position	(217,999)	(242,110)
Total	1,195,645	1,558,565

(c) Recognized in other comprehensive income

	As at 30 June 2019		
	Before tax	Tax (expense)/ benefit	Net of tax
Financial assets at fair value through other comprehensive income			
— Net changes in fair value	184,297	(47,833)	136,464
— Reclassified to profit or loss	(167,012)	44,864	(122,148)
Share of other comprehensive income of associates	5,171	—	5,171
Exchange differences on translation of financial statements in foreign currencies	14,588	—	14,588
Equity investment at fair value through other comprehensive income			
— Net changes in fair value	1,468,521	(329,606)	1,138,915
Total	1,505,565	(332,575)	1,172,990

	As at 31 December 2018		
	Before tax	Tax (expense)/ benefit	Net of tax
Financial assets at fair value through other comprehensive income			
— Net changes in fair value	539,374	(134,758)	404,616
— Reclassified to profit or loss	(234,834)	58,709	(176,125)
Share of other comprehensive income of associates	367	—	367
Exchange differences on translation of financial statements in foreign currencies	115,256	—	115,256
Equity investment at fair value through other comprehensive income			
— Net changes in fair value	(1,440,720)	360,180	(1,080,540)
Total	(1,020,557)	284,131	(736,426)

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Deferred taxation (continued)

(d) Deferred tax assets not recognized

As at 30 June 2019 and 31 December 2018, in accordance with the accounting policy, the Group has not recognized deferred tax assets in respect of cumulative tax losses, and provision for bad debts with timing difference amounting to RMB119,851 thousand and RMB63,374 thousand respectively, mainly as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity.

26 Other non-current assets

(a) Analysed by nature:

	As at 30 June 2019	As at 31 December 2018
Long-term deferred expenses	100,297	111,086
Other ⁽¹⁾	65,802	65,620
Total	166,099	176,706

(1) As at 30 June 2019, the other non-current assets include goodwill amounted to RMB65,802 thousand, which is resulted from the acquisition of Shenwan Hongyuan (International) Holdings Limited, Hongyuan Futures Co., Ltd. and Shenyin & Wanguo Futures Company Limited.

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

	As at 30 June 2019	As at 31 December 2018
At the beginning of the period/year	111,086	120,121
Additions	6,230	10,950
Transfer in from property and equipment	6,340	29,055
Amortisation	(23,359)	(49,040)
At the end of the period/year	100,297	111,086

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

27 Accounts receivable

(a) Analysed by nature:

	As at 30 June 2019	As at 31 December 2018
Accounts receivable of:		
— Settlement	679,344	642,120
— Fee and commission	817,520	618,643
— Overdue	37,031	135,661
Less: Provision for impairment losses	(68,379)	(158,834)
Total	1,465,516	1,237,590

(b) Analysed by ageing:

As at 30 June 2019 and 31 December 2018, the ageing analysis of accounts receivable, based on the trade date, is as follows:

	As at 30 June 2019	As at 31 December 2018
Within 1 year	1,377,642	1,101,611
1 to 2 years	57,323	109,292
2 to 3 years	18,293	16,835
Over 3 years	12,258	9,852
Total	1,465,516	1,237,590

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

	As at 30 June 2019	As at 31 December 2018
At the beginning of the period/year	158,834	90,500
Charge for the period/year	—	68,334
Reversal of impairment	(90,455)	—
At the end of the period/year	68,379	158,834

(d) Accounts receivable that is not impaired

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

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

28 Other receivables and prepayments

(a) Analysed by nature:

	As at 30 June 2019	As at 31 December 2018
Inventory	669,474	775,149
Receivables from commodity business customers	468,923	296,571
Receivables from asset management plans	241,422	228,862
Current tax assets	213,818	170,007
Prepayments ⁽¹⁾	195,712	134,553
Overdue and fully impaired receivables	184,872	183,197
Deposits	78,159	73,559
Dividend receivables	72,215	—
Interest receivables	67,096	111,125
Receivables from bond issuers	19,177	82,871
Others ⁽¹⁾	47,659	47,752
Less: Provision for impairment losses	(214,546)	(264,395)
Total	2,043,981	1,839,251

(1) The balance of prepayments and others mainly represents receivables from sundry receivables and prepayments arising from the Group's daily business operation.

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

	As at 30 June 2019	As at 31 December 2018
At the beginning of the period/year	264,395	196,632
Charge for the period/year	—	67,757
Reversal of impairment	(44,263)	—
Recoveries of accounts receivable previously written-off	—	6
Others	(5,586)	—
At the end of the period/year	214,546	264,395

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

29 Margin accounts receivable

(a) Analysed by nature:

	As at 30 June 2019	As at 31 December 2018
Individuals	43,363,292	39,304,464
Institutions	6,509,825	4,927,778
Less: Provision for impairment losses	(192,920)	(84,265)
Total	49,680,197	44,147,977

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

	As at 30 June 2019	As at 31 December 2018
At the beginning of the period/year	84,265	135,808
Charge for the period/year	108,655	—
Reversal of impairment	—	(51,512)
Amounts written-off	—	(31)
At the end of the period/year	192,920	84,265

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

	As at 30 June 2019	As at 31 December 2018
Fair value of collaterals:		
— Stocks	148,450,329	116,050,302
— Cash	12,089,311	8,800,183
— Funds	1,672,229	1,555,229
— Bonds	44,505	23,102
Total	162,256,374	126,428,816

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

30 Derivative financial instruments

	As at 30 June 2019		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
— Treasury bond futures	5,395,661	3,630	—
— Interest rate swaps	64,460,000	—	(145,176)
— OTC options	1,000,000	—	(16,611)
Equity derivatives			
— Stock index futures	845,064	292	—
— Structured notes	427,086	—	(1,191)
— Stock options	393,890	—	(11,917)
— OTC options	10,484,027	440,856	(441,148)
Commodity derivatives			
— Au (T+D)	1,575	—	(2,957)
— Other commodity futures	4,802,484	47,145	(3,661)
— OTC options	53,862,408	6,257	(27,602)
Total	141,672,195	498,180	(650,263)
Less: Cash (received)/paid as settlement		(51,067)	151,794
Net position		447,113	(498,469)

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

30 Derivative financial instruments (continued)

	As at 31 December 2018		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
— Treasury bond futures	2,672,026	—	(22,380)
— Interest rate swaps	58,450,000	—	(214,330)
Equity derivatives			
— Stock index futures	508,409	8,948	—
— Structured notes	3,700	—	(10)
— Stock options	420,183	3,211	(5,466)
— OTC options	11,397,198	449,278	(443,053)
Commodity derivatives			
— Au (T+D)	142,472	3,840	—
— Other commodity futures	2,595,107	36,766	(15,562)
— OTC options	8,681,657	1,426	(7,771)
Total	84,870,752	503,469	(708,572)
Less: Cash (received)/paid as settlement		(49,554)	252,272
Net position		453,915	(456,300)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settled in Shanghai Clearing House, stock index futures, treasury bond futures and commodity futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds".

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

31 Clearing settlement funds

	As at 30 June 2019	As at 31 December 2018
Deposits with stock exchanges		
— China Securities Depository and Clearing Corporation Limited	3,791,830	3,035,195
— Shanghai Gold Exchange	5,434	17,789
— Other institutions	113,544	38,065
Interest receivables	—	4,458
Total	3,910,808	3,095,507

32 Cash held on behalf of brokerage clients

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

33 Cash and bank balances

(a) Analysed by nature:

	As at 30 June 2019	As at 31 December 2018
Cash on hand	174	599
Bank balances	40,799,273	25,355,626
Less: Provision for impairment losses	(5,879)	(6,155)
Total	40,793,568	25,350,070

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

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

33 Cash and bank balances (continued)

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

	As at 30 June 2019	As at 31 December 2018
At the beginning of the period/year	6,155	—
Impact on initial adoption of IFRS 9 on 1 January 2018	—	8,043
Reversal of impairment	(276)	(1,888)
At the end of the period/year	5,879	6,155

34 Cash and cash equivalents

	As at 30 June 2019	As at 31 December 2018
Cash on hand	174	599
Bank balances	40,778,971	25,291,970
Clearing settlement funds	3,910,808	3,091,049
Bond investment within 3 months original maturity	244,999	—
Financial assets held under resale agreements within 3 months original maturity	13,930,243	22,923,054
Less: restricted bank deposits	(6,642,582)	(11,519,965)
Total	52,222,613	39,786,707

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

35 Loans and borrowings

Current

	As at 30 June 2019	As at 31 December 2018
Unsecured bank loans	305,075	413,030
Secured bank loans	199,362	—
Secured borrowing from commodity exchanges	429,613	304,841
Unsecured loans from other financial institutions	—	1,000
Total	934,050	718,871

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

35 Loans and borrowings (continued)

Non-current

	As at 30 June 2019	As at 31 December 2018
Unsecured loans from other financial institutions	651,806	650,800

36 Short-term debt instruments issued

As at 30 June 2019

Name	Nominal Interest rate	Book value as at 1 January 2019	Issuance	Redemption	Book value as at 30 June 2019
Short-term corporate bonds	5.50%	6,000,000	—	(6,000,000)	—
Short-term financing bills payable	Fixed rate 2.70%–3.00%	—	8,999,366	—	8,999,366
Structured notes	Fixed rate 2.55%–6.80%	7,220,147	7,239,643	(13,101,845)	1,357,945
Interest payables		348,122	152,644	(458,479)	42,287
Total		13,568,269	16,391,653	(19,560,324)	10,399,598

As at 31 December 2018

Name	Nominal Interest rate	Book value as at 1 January 2018	Issuance	Redemption	Book value as at 31 December 2018
Short-term corporate bonds	5.50%	5,700,000	6,000,000	(5,700,000)	6,000,000
Structured notes	Fixed rate 2.00%–8.00%	9,545,333	33,607,528	(35,932,714)	7,220,147
Interest payables		314,529	805,008	(771,415)	348,122
Total		15,559,862	40,412,536	(42,404,129)	13,568,269

For the half year ended 30 June 2019, the Group has issued 597 tranches of structured notes, and repaid 398 tranches of structured notes during the period. The outstanding balance bears interest rate ranging from fixed rate 2.55% to 6.80% per annum, repayable within 1 year.

In 2018, the Group has issued 550 tranches of structured notes, and repaid 505 tranches of structured notes during the year. The outstanding balance bears interest rate ranging from fixed rate 2.00% to 8.00% per annum, repayable within 1 year.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Placements from other financial institutions

Current

	As at 30 June 2019	As at 31 December 2018
Placements from banks	10,317,897	7,818,941
Placements from China Securities Finance Co., Ltd.	800,000	3,800,000
Interest payable	83,737	75,062
Total	11,201,634	11,694,003

As at 30 June 2019, the placements from banks are unsecured and bear interest rate ranging from 1.53% to 3.95% per annum, with maturities ranging from 1 days to 365 days. As at 31 December 2018, the placements from banks are unsecured and bear interest rate ranging from 2.86% to 5.70% per annum, with maturities ranging from 7 days to 365 days.

As at 30 June 2019, the placements from CSF bear interest rate at 4.30% per annum, with original maturities within 172 days. As at 31 December 2018, the placements from CSF bear interest rate ranging from 4.30% to 5.10% per annum respectively, with original maturities within 182 days.

Non-current

	As at 30 June 2019	As at 31 December 2018
Placements from banks	510,002	—
Interest payable	2,666	—
Total	512,668	—

As at 30 June 2019, the placement from banks is unsecured and bears interest rate at 3.90% per annum, with maturity of 550 days.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Accounts payable to brokerage clients

	As at 30 June 2019	As at 31 December 2018
Clients' deposits for other brokerage trading	68,293,076	51,470,379
Clients' deposits for margin financing and securities lending	12,089,311	8,800,183
Interest payable	—	4,785
Total	80,382,387	60,275,347

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

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage clients represent monies received from clients for their margin financing activities under normal course of business, such as margin financing and securities lending. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

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

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Other payables and accruals

	As at 30 June 2019	As at 31 December 2018
Payables to interest holders of consolidated structured entities	14,261,685	11,995,527
Deposits	1,108,669	46,004
Trade payables	265,714	4,146
Payables on behalf of staff	244,859	82,687
Fee and commission payable	209,384	28,805
Business tax and other tax payables	196,866	337,127
Risk reserve for futures brokerage business	169,853	162,980
Dividend payables	135,052	135,201
Long-term payables	133,463	133,494
Distribution expenses payables	94,529	83,957
Accrued expenses	60,199	13,237
Settlement payables	46,425	190,058
Payables to the securities and futures investor protection fund	34,362	35,795
Interest and dividend received on behalf of brokerage clients	23,410	23,274
Interest payables	22,809	29,406
Account executive commission payables	14,472	14,918
Others ⁽¹⁾	128,744	79,664
Total	17,150,495	13,396,280

(1) The balance of others mainly represents sundry payables arising from the Group's daily business operation.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

40 Lease liabilities

Non-current

	As at 30 June 2019
Lease liabilities	494,823

Current

	As at 30 June 2019
Lease liabilities	275,957

41 Financial liabilities at fair value through profit or loss

Non-current

	As at 30 June 2019	As at 31 December 2018
Financial liabilities designated at fair value through profit or loss ⁽¹⁾	—	44,017

Current

	As at 30 June 2019	As at 31 December 2018
Financial liabilities held for trading		
— Gold	—	142,330
— Debt securities	1,586,564	2,642,185
Financial liabilities designated at fair value through profit or loss ⁽¹⁾	2,179	3,355
Total	1,588,743	2,787,870

(1) The financial liabilities arising from consolidation of structured entities are designated at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors upon maturity dates of the structured entities based on relevant terms of these structured entities.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Long-term bonds

As at 30 June 2019

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
12 ShenWan ⁽¹⁾	6,000,000	2013/07/29	2019/07/29	5,987,700	5.20%
16 ShenZheng C1 ⁽²⁾	10,000,000	2016/03/25	2021/03/25	10,000,000	3.62%
16 ShenHong 01 ⁽³⁾	2,020,800	2016/04/26	2021/04/26	2,020,800	3.70%
16 ShenHong 02 ⁽⁴⁾	2,000,000	2016/09/09	2019/09/09	2,000,000	2.90%
16 ShenHong 03 ⁽⁵⁾	5,500,000	2016/09/09	2021/09/09	5,500,000	3.20%
16 ShenZheng C3 ⁽⁷⁾	5,000,000	2016/10/19	2019/10/19	5,000,000	3.28%
17 ShenZheng 01 ⁽⁸⁾	7,500,000	2017/02/17	2022/02/17	7,500,000	4.40%
17 ShenZheng 02 ⁽⁹⁾	500,000	2017/02/17	2024/02/17	500,000	4.50%
17 ShenZheng C1 ⁽¹⁰⁾	400,000	2017/11/16	2019/11/16	400,000	5.20%
17 ShenZheng C2 ⁽¹¹⁾	4,300,000	2017/11/16	2020/11/16	4,300,000	5.30%
18 ShenZheng C1 ⁽¹²⁾	1,400,000	2018/04/12	2020/04/12	1,400,000	5.25%
18 ShenZheng C2 ⁽¹³⁾	4,600,000	2018/04/12	2023/04/12	4,600,000	5.35%
18 ShenZheng C3 ⁽¹⁴⁾	4,200,000	2018/05/21	2020/05/21	4,200,000	5.38%
18 ShenHong 01 ⁽¹⁵⁾	500,000	2018/07/17	2023/07/17	499,997	4.40%
18 ShenHong 02 ⁽¹⁶⁾	6,500,000	2018/07/17	2023/07/17	6,499,956	4.80%
18 ShenZheng C5 ⁽¹⁷⁾	5,100,000	2018/09/17	2020/09/17	5,100,000	4.69%
18 ShenZheng 01 ⁽¹⁸⁾	2,000,000	2018/11/19	2020/11/19	2,000,000	4.10%
18 ShenZheng 02 ⁽¹⁹⁾	3,000,000	2018/11/19	2021/11/19	3,000,000	4.20%
18 ShenZheng 03 ⁽²⁰⁾	1,500,000	2018/12/10	2023/12/10	1,500,000	4.08%
19 ShenZheng 01 ⁽²¹⁾	2,200,000	2019/01/16	2022/01/16	2,200,000	3.55%
19 ShenHong 01 ⁽²²⁾	1,000,000	2019/03/08	2022/03/07	999,950	4.18%
19 ShenZheng 03 ⁽²³⁾	6,200,000	2019/03/11	2022/03/11	6,200,000	3.68%
19 ShenHong 02 ⁽²⁴⁾	3,200,000	2019/04/12	2022/04/12	3,200,000	4.27%
19 ShenZheng 05 ⁽²⁵⁾	8,100,000	2019/05/09	2022/05/09	8,100,000	3.88%
19 ShenZheng 07 ⁽²⁶⁾	1,000,000	2019/06/14	2021/06/14	1,000,000	3.90%
Structured notes ⁽²⁸⁾	11,019,749	Note ⁽²⁸⁾	Note ⁽²⁸⁾	11,019,749	3.40%–5.80%

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Long-term bonds (continued)

Name	Book value as at 1 January 2019	Increase	Amount of amortisation	Decrease	Book value as at 30 June 2019
12 ShenWan ⁽¹⁾	5,998,826	—	1,016	—	5,999,842
16 ShenZheng C1 ⁽²⁾	10,000,000	—	—	(10,000,000)	—
16 ShenHong 01 ⁽³⁾	5,000,000	—	—	(2,979,200)	2,020,800
16 ShenHong 02 ⁽⁴⁾	2,000,000	—	—	—	2,000,000
16 ShenHong 03 ⁽⁵⁾	5,500,000	—	—	—	5,500,000
16 ShenZheng C3 ⁽⁷⁾	5,000,000	—	—	—	5,000,000
17 ShenZheng 01 ⁽⁸⁾	7,500,000	—	—	—	7,500,000
17 ShenZheng 02 ⁽⁹⁾	500,000	—	—	—	500,000
17 ShenZheng C1 ⁽¹⁰⁾	400,000	—	—	—	400,000
17 ShenZheng C2 ⁽¹¹⁾	4,300,000	—	—	—	4,300,000
18 ShenZheng C1 ⁽¹²⁾	1,400,000	—	—	—	1,400,000
18 ShenZheng C2 ⁽¹³⁾	4,600,000	—	—	—	4,600,000
18 ShenZheng C3 ⁽¹⁴⁾	4,200,000	—	—	—	4,200,000
18 ShenHong 01 ⁽¹⁵⁾	499,997	—	—	—	499,997
18 ShenHong 02 ⁽¹⁶⁾	6,499,960	—	4	—	6,499,964
18 ShenZheng C5 ⁽¹⁷⁾	5,100,000	—	—	—	5,100,000
18 ShenZheng 01 ⁽¹⁸⁾	2,000,000	—	—	—	2,000,000
18 ShenZheng 02 ⁽¹⁹⁾	3,000,000	—	—	—	3,000,000
18 ShenZheng 03 ⁽²⁰⁾	1,500,000	—	—	—	1,500,000
19 ShenZheng 01 ⁽²¹⁾	—	2,200,000	—	—	2,200,000
19 ShenHong 01 ⁽²²⁾	—	999,950	7	—	999,957
19 ShenZheng 03 ⁽²³⁾	—	6,200,000	—	—	6,200,000
19 ShenHong 02 ⁽²⁴⁾	—	3,200,000	—	—	3,200,000
19 ShenZheng 05 ⁽²⁵⁾	—	8,100,000	—	—	8,100,000
19 ShenZheng 07 ⁽²⁶⁾	—	1,000,000	—	—	1,000,000
Structured notes ⁽²⁸⁾	12,900,391	351,021	1	(2,231,664)	11,019,749
Interest payables	1,609,162	2,018,460	—	(1,778,091)	1,849,531
Total	89,508,336	24,069,431	1,028	(16,988,955)	96,589,840

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Long-term bonds (continued)

As at 31 December 2018

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
12 ShenWan ⁽¹⁾	6,000,000	2013/07/29	2019/07/29	5,987,700	5.20%
16 ShenZheng C1 ⁽²⁾	10,000,000	2016/03/25	2021/03/25	10,000,000	3.62%
16 ShenHong 01 ⁽³⁾	5,000,000	2016/04/26	2021/04/26	5,000,000	3.45%
16 ShenHong 02 ⁽⁴⁾	2,000,000	2016/09/09	2019/09/09	2,000,000	2.90%
16 ShenHong 03 ⁽⁵⁾	5,500,000	2016/09/09	2021/09/09	5,500,000	3.20%
16 ShenZheng C2 ⁽⁶⁾	5,000,000	2016/10/19	2018/10/19	5,000,000	3.17%
16 ShenZheng C3 ⁽⁷⁾	5,000,000	2016/10/19	2019/10/19	5,000,000	3.28%
17 ShenZheng 01 ⁽⁸⁾	7,500,000	2017/02/17	2022/02/17	7,500,000	4.40%
17 ShenZheng 02 ⁽⁹⁾	500,000	2017/02/17	2024/02/17	500,000	4.50%
17 ShenZheng C1 ⁽¹⁰⁾	400,000	2017/11/16	2019/11/16	400,000	5.20%
17 ShenZheng C2 ⁽¹¹⁾	4,300,000	2017/11/16	2020/11/16	4,300,000	5.30%
18 ShenZheng C1 ⁽¹²⁾	1,400,000	2018/04/12	2020/04/12	1,400,000	5.25%
18 ShenZheng C2 ⁽¹³⁾	4,600,000	2018/04/12	2023/04/12	4,600,000	5.35%
18 ShenZheng C3 ⁽¹⁴⁾	4,200,000	2018/05/21	2020/05/21	4,200,000	5.38%
18 ShenHong 01 ⁽¹⁵⁾	500,000	2018/07/17	2023/07/17	499,997	4.40%
18 ShenHong 02 ⁽¹⁶⁾	6,500,000	2018/07/17	2023/07/17	6,499,956	4.80%
18 ShenZheng C5 ⁽¹⁷⁾	5,100,000	2018/09/17	2020/09/17	5,100,000	4.69%
18 ShenZheng 01 ⁽¹⁸⁾	2,000,000	2018/11/19	2020/11/19	2,000,000	4.10%
18 ShenZheng 02 ⁽¹⁹⁾	3,000,000	2018/11/19	2021/11/19	3,000,000	4.20%
18 ShenZheng 03 ⁽²⁰⁾	1,500,000	2018/12/10	2023/12/10	1,500,000	4.08%
Structured notes ⁽²⁷⁾	12,900,391	Note ⁽²⁷⁾	Note ⁽²⁷⁾	12,900,391	3.00%–5.80%

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Long-term bonds (continued)

Name	Book value as at 1 January 2018	Increase	Amount of amortisation	Decrease	Book value as at 31 December 2018
12 ShenWan ⁽¹⁾	5,996,778	—	2,048	—	5,998,826
16 ShenZheng C1 ⁽²⁾	10,000,000	—	—	—	10,000,000
16 ShenHong 01 ⁽³⁾	5,000,000	—	—	—	5,000,000
16 ShenHong 02 ⁽⁴⁾	2,000,000	—	—	—	2,000,000
16 ShenHong 03 ⁽⁵⁾	5,500,000	—	—	—	5,500,000
16 ShenZheng C2 ⁽⁶⁾	5,000,000	—	—	(5,000,000)	—
16 ShenZheng C3 ⁽⁷⁾	5,000,000	—	—	—	5,000,000
17 ShenZheng 01 ⁽⁸⁾	7,500,000	—	—	—	7,500,000
17 ShenZheng 02 ⁽⁹⁾	500,000	—	—	—	500,000
17 ShenZheng C1 ⁽¹⁰⁾	400,000	—	—	—	400,000
17 ShenZheng C2 ⁽¹¹⁾	4,300,000	—	—	—	4,300,000
18 ShenZheng C1 ⁽¹²⁾	—	1,400,000	—	—	1,400,000
18 ShenZheng C2 ⁽¹³⁾	—	4,600,000	—	—	4,600,000
18 ShenZheng C3 ⁽¹⁴⁾	—	4,200,000	—	—	4,200,000
18 ShenHong 01 ⁽¹⁵⁾	—	499,997	—	—	499,997
18 ShenHong 02 ⁽¹⁶⁾	—	6,499,956	4	—	6,499,960
18 ShenZheng C5 ⁽¹⁷⁾	—	5,100,000	—	—	5,100,000
18 ShenZheng 01 ⁽¹⁸⁾	—	2,000,000	—	—	2,000,000
18 ShenZheng 02 ⁽¹⁹⁾	—	3,000,000	—	—	3,000,000
18 ShenZheng 03 ⁽²⁰⁾	—	1,500,000	—	—	1,500,000
Structured notes ⁽²⁷⁾	14,470,224	10,679,866	1	(12,249,700)	12,900,391
Interest payables	1,019,455	2,565,956	—	(1,976,249)	1,609,162
Total	66,686,457	42,045,775	2,053	(19,225,949)	89,508,336

	As at 30 June 2019	As at 31 December 2018
Long-term bonds due within one year	30,145,186	23,940,520
Long-term bonds due after one year	66,444,654	65,567,816
Total	96,589,840	89,508,336

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Long-term bonds (continued)

As approved by the Board and related regulatory authorities, the Group has issued the following bonds:

- (1) 6-year corporation bond amounting to RMB6 billion on 29 July 2013 with early redemption right on 29 July 2016.
- (2) 5-year subordinated bond amounting to RMB10 billion on 25 March 2016 with early redemption right on 25 March 2019.
- (3) 5-year corporation bond amounting to RMB5 billion on 26 April 2016 with early redemption right on 26 April 2019. 16 ShenHong 01 was early redeemed for RMB2,979,200 thousand on 26 June 2019.
- (4) 3-year corporation bond amounting to RMB2 billion on 09 September 2016.
- (5) 5-year corporation bond amounting to RMB5.5 billion on 09 September 2016.
- (6) 2-year subordinated bond amounting to RMB5 billion on 19 October 2016.
- (7) 3-year subordinated bond amounting to RMB5 billion on 19 October 2016.
- (8) 5-year corporation bond amounting to RMB7.5 billion on 17 February 2017.
- (9) 7-year corporation bond amounting to RMB0.5 billion on 17 February 2017.
- (10) 2-year subordinated bond amounting to RMB0.4 billion on 16 November 2017.
- (11) 3-year subordinated bond amounting to RMB4.3 billion on 16 November 2017.
- (12) 2-year subordinated bond amounting to RMB1.4 billion on 12 April 2018.
- (13) 5-year subordinated bond amounting to RMB4.6 billion on 12 April 2018 with early redemption right on 12 April 2021.
- (14) 2-year subordinated bond amounting to RMB4.2 billion on 21 May 2018.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Long-term bonds (continued)

- (15) 5-year corporation bond amounting to RMB0.5 billion on 17 July 2018 with early redemption right on 17 July 2021.
- (16) 5-year corporation bond amounting to RMB6.5 billion on 17 July 2018.
- (17) 2-year subordinated bond amounting to RMB5.1 billion on 17 September 2018.
- (18) 2-year corporation bond amounting to RMB2 billion on 19 November 2018.
- (19) 3-year corporation bond amounting to RMB3 billion on 19 November 2018.
- (20) 5-year corporation bond amounting to RMB1.5 billion on 10 December 2018.
- (21) 3-year corporation bond amounting to RMB2.2 billion on 16 January 2019.
- (22) 3-year corporation bond amounting to RMB1 billion on 8 March 2019.
- (23) 3-year corporation bond amounting to RMB6.2 billion on 11 March 2019.
- (24) 3-year corporation bond amounting to RMB3.2 billion on 12 April 2019.
- (25) 3-year corporation bond amounting to RMB8.1 billion on 9 May 2019.
- (26) 2-year corporation bond amounting to RMB1 billion on 14 June 2019.
- (27) In 2018, the Group has issued 121 tranches of structured notes over one year. The outstanding balance bears interest rate ranging from 3.00%–5.80% per annum.
- (28) In the first half of 2019, the Group has issued 38 tranches of structured notes over one year. The outstanding balance bears interest rate ranging from 3.40%–5.80% per annum.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Share capital

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	As at 30 June 2019		As at 31 December 2018	
	Number of shares (Thousands)	Nominal value	Number of shares (Thousands)	Nominal value
Registered, issued and fully paid:				
A shares of RMB1 each	22,535,945	22,535,945	22,535,945	22,535,945
H shares of RMB1 each	2,504,000	2,504,000	—	—
Total	25,039,945	25,039,945	22,535,945	22,535,945

On 26 April 2019, the Company completed its initial public offering of 2,504,000,000 H shares on the Main Board of the Hong Kong Stock Exchange. As at 30 June 2019 and 31 December 2018, the number of non-trade restricted A shares of the Company was 1,530,355 and 2,507,825,367 respectively.

44 Reserves

(a) Capital reserve

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

(b) Surplus reserve

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

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

(c) General reserve

General reserve includes general risk reserve and transaction risk reserve.

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

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Reserves (continued)

(c) General reserve (continued)

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

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

(d) Fair value reserve

The fair value reserve comprises:

- the cumulative net changes in the fair value of equity securities designated at FVOCI; and
- the cumulative net changes in fair values of debt securities at FVOCI until the assets are derecognized or impaired. This amount is reduced by the amount of loss allowance.

(e) Translation reserve

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

45 Retained profits

As at 30 June 2019 and 31 December 2018, the consolidated retained profits attributable to the Company included an appropriation of RMB3,304 million and RMB3,304 million to surplus reserve made by the subsidiaries respectively, and RMB2,185 million and RMB2,185 million enjoyed by shareholders arising from the merger of Hongyuan Securities under the same control.

Pursuant to the resolution of the general meeting of the shareholders dated 11 May 2018, the Company was approved to distribute cash dividends of RMB0.50 (tax inclusive) per 10 shares to shareholders based on the total share capital of 22,535,945 thousand shares, with total dividends amounting to RMB1,126,797 thousand.

Pursuant to the resolution of the general meeting of the shareholders dated 21 March 2019, the Company was approved to distribute cash dividends of RMB0.50 (tax inclusive) per 10 shares to shareholders based on the total outstanding shares of 22,535,945 thousand shares, with total dividends amounting to RMB1,126,797 thousand.

46 Transferred financial assets

In the ordinary course of business, the Group transfers recognized financial assets to third parties or clients during some transactions, but retains the risks and rewards of the transferred financial assets. Therefore, the Group does not derecognize such financial assets in the balance sheet.

The Group receives payments for the transfer of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income to counterparties and has signed agreements to repurchase such assets. According to the agreements, the counterparties have the right to receive contractual cash flows during the term of the agreements and use such securities again as collateral, and is obliged to return such securities to the Group on the due date specified in the agreements. The Group believes that the risks and rewards of such financial assets are not transferred and therefore it does not derecognize such financial assets in the balance sheet.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Transferred financial assets (continued)

The Group receives payments for the transfer of the income right of margin financing and securities lending to counterparties and has signed agreements to repurchase such assets. According to the repurchase agreements, the income right transferred to the counterparties by the Group includes any other income that the Group may obtain under the contract of margin financing and securities lending, and the counterparties shall return the income right to the Group after the end of the repurchase period. The Group believes that the risks and rewards of such financial assets are not transferred and therefore it does not derecognize such financial assets in the balance sheet.

	As at 30 June 2019		As at 31 December 2018	
	Carrying amount of transferred assets	Carrying amount of related liabilities	Carrying amount of transferred assets	Carrying amount of related liabilities
Repurchase agreements	10,090,633	(9,491,000)	17,768,176	(16,802,192)
Securities lending	558,767	—	463,994	—

47 Interests in structured entities

(a) Interests in structured entities consolidated by the Group

The Group had consolidated certain structured entities, mainly wealth management products. For those structured entities where the Group is involved as manager or as investor, the Group assesses the controlling power according to its accounting policies.

As at 30 June 2019 and 31 December 2018, the net assets of the consolidated asset management products are RMB15,498,388 thousand and RMB13,641,596 thousand respectively, and the carrying amount of interests held by the Group in the consolidated structured entities are RMB1,234,524 thousand and RMB1,459,183 thousand respectively.

Interests held by other investors in these consolidated structured entities were classified as net investment gains or interest expenses of the consolidated statements of profit or loss, financial liabilities at fair value through profit or loss, other payables and accruals or other non-current liabilities of the consolidated statements of financial position.

As at 30 June 2019 and 31 December 2018, the Group reassessed the control of structured entities and decided whether the Group is still a principal.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

47 Interests in structured entities (continued)

(b) Structured entities sponsored by third party institutions which the Group does not consolidate but holds an interest in

The types of structured entities that the Group does not consolidate but in which it holds an interest include funds and wealth management products.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 30 June 2019 and 31 December 2018, which are listed as below:

	As at 30 June 2019			Total
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets measured at amortized cost	
Funds	—	20,680,023	—	20,680,023
Wealth management products and others	6,673,642	14,035,067	8,011,642	28,720,351
Total	6,673,642	34,715,090	8,011,642	49,400,374

	As at 31 December 2018			Total
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets measured at amortized cost	
Funds	—	15,599,287	—	15,599,287
Wealth management products and others	6,241,521	11,034,693	8,899,295	26,175,509
Total	6,241,521	26,633,980	8,899,295	41,774,796

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

47 Interests in structured entities (continued)

(c) Structured entities sponsored by the Group which the Group does not consolidate

The types of structured entities sponsored by the Group which the Group does not consolidate but in which it holds an interest include funds and asset management products.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by the Group as at 30 June 2019 and 31 December 2018, which are listed as below:

	As at 30 June 2019		Total
	Financial assets at fair value through profit or loss	Financial assets measured at amortized cost	
Funds	1,066,441	—	1,066,441
Wealth management products and others	2,155,488	997,713	3,153,201
Total	3,221,929	997,713	4,219,642

	As at 31 December 2018		Total
	Financial assets at fair value through profit or loss	Financial assets measured at amortized cost	
Funds	594,850	—	594,850
Wealth management products and others	1,967,790	363,172	2,330,962
Total	2,562,640	363,172	2,925,812

As at 30 June 2019 and 31 December 2018, the net assets of these unconsolidated structured entities in which the Group acted as asset manager amounted to RMB652,794,223 thousand and RMB725,896,545 thousand, respectively.

During 30 June 2019 and the year ended 31 December 2018, the Group recognized the net income from asset management business of RMB547,383 thousand and RMB1,198,656 thousand, respectively. As at 30 June 2019 and 31 December 2018, the corresponding remuneration receivables totaled RMB578,845 thousand and RMB410,145 thousand, respectively.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Contingencies

As at 30 June 2019, Shenyin & Wanguo Fortune Investment Co., Ltd., a subsidiary of the Company was being sued in relation to a dispute over sales and purchase contract for 30,000 tons of coke. The subsidiary was not satisfied with the verdict in the first instance and filed an appeal, and is currently waiting for the appeal verdict. As of the date of approval of the financial statements, there has been no new progress in the aforementioned case. The Company is of the opinion that the lawsuit will not have any significant negative impact on the Group's financial position nor operations. Except for the aforementioned lawsuit case, as at 30 June 2019, the Group was not involved in any other material lawsuit, arbitration or administrative proceedings that if adversely determined, the Group expect would materially and adversely affect its financial position or results of operations.

49 Related party relationships and transactions

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Company with 5% or above ownership. Share percentage in the Company:

	As at 30 June 2019	As at 31 December 2018
China Jianyin Investment Ltd.	26.34%	29.27%
Central Huijin Investment Ltd.	20.05%	22.28%
Shanghai Jiushi (Group) Co., Ltd.	4.84%	5.38%

(ii) Associates and joint ventures of the Group

The detailed information of the Group's associates and joint ventures is set out in Note 20.

(iii) Other related parties

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

(b) Related parties transactions and balances

(i) Transactions between the Group and major shareholders:

	As at 30 June 2019	As at 31 December 2018
Balances at the end of the period/year:		
Financial assets at fair value through profit or loss	50,372	—

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Related party relationships and transactions (continued)

(b) Related parties transactions and balances (continued)

(i) Transactions between the Group and major shareholders: (continued)

	Six months ended 30 June	
	2019	2018
Transactions during the period:		
Fee and commission income	28	814
Net investment gains	801	2,192

(ii) Transactions between the Group with associates, joint ventures and other related parties:

	As at 30 June 2019	As at 31 December 2018
Balances at the end of the period/year:		
Cash and bank balances	50,054,524	30,606,701
Financial assets sold under repurchase agreements	9,578,336	5,272,430
Other receivables and prepayments	34,672	46,924
Accounts receivable	15,085	12,270

	Six months ended 30 June	
	2019	2018
Transactions during the period:		
Interest income	521,185	466,529
Fee and commission income	73,378	72,556
Interest expenses	72,039	89,703
Fee and commission expenses	50,466	65,116
Other income and gains	4,479	3,749
Other operating expenses	3,988	1,418
Net investment gains	—	1,241

For the six months ended 30 June 2019 and 30 June 2018, the capital injection made by the Group into the associates and joint are RMB8,000 thousand and RMB305,124 thousand, respectively.

For the six months ended 30 June 2019 and 30 June 2018, the dividend received from associates and joint are RMB83,666 thousand and RMB41,663 thousand, respectively.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Related party relationships and transactions (continued)

(c) Key management personnel remuneration

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

	As at 30 June 2019	As at 30 June 2018
Short-term employee benefits		
– Fees, salaries, allowances and bonuses	20,336	12,548
Post-employment benefits		
– Contributions to pension scheme	1,605	1,077
Total	21,941	13,625

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

50 Segment reporting

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

- Enterprise finance segment includes investment banking and principal investment services to the corporate clients: investment banking business primarily includes equity underwriting and sponsorship, debt underwriting and financial advisory services; principal investment business primarily includes the Group's equity investment in unlisted companies and debt investment primarily through various financial instruments;
- Personal finance segment primarily includes securities and futures brokerage, margin financing and securities lending, stock-backed lending, sales of financial products and investment advisory provided to individuals and non-professional institutional investors;
- Institutional services and trading segment primarily includes prime brokerage and research services for professional institutional clients, as well as equity and Fixed Income Currencies and Commodities (FICC) proprietary trading to provide sales, market-making, hedging and OTC derivatives services to institutional clients;
- Investment management segment primarily includes asset management, mutual fund management, private equity fund management services to clients.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Segment reporting (continued)

Business segments

For the six months ended 30 June 2019

	Enterprise finance		Personal finance	Institutional services and trading	Investment management	Segment total
	Investment banking	Principal investment				
Fee and commission income	540,506	104,260	2,446,549	386,396	602,872	4,080,583
Interest income	13,806	378,433	3,478,162	1,180,221	268,537	5,319,159
Net investment gains	27,036	118,761	116,797	2,516,596	83,160	2,862,350
Other income and gains	292	191,592	35,625	2,539,832	9,230	2,776,571
Total revenue and other income	581,640	793,046	6,077,133	6,623,045	963,799	15,038,663
Segment expenses	386,304	501,616	4,518,355	5,197,587	542,080	11,145,942
Including: Interest expenses	—	324,152	1,662,870	1,773,459	157,626	3,918,107
(Reversal of)/provision for impairment losses	(204)	16,233	196,647	26,407	—	239,083
Share of profit of associates and joint ventures	—	109,994	—	—	—	109,994
Profit before income tax	195,336	401,424	1,558,778	1,425,458	421,719	4,002,715
Other segment information:						
Depreciation and amortisation expenses	15,675	20,574	156,514	87,101	31,226	311,090
Capital expenditure paid	3,421	30,789	38,371	5,213	1,193	78,987
As at 30 June 2019						
Segment assets	1,866,019	29,139,035	158,297,189	168,030,636	20,300,298	377,633,177
Deferred tax assets						1,413,644
Segment total assets						379,046,821
Segment liabilities	307,187	17,956,032	138,660,056	124,143,076	15,694,061	296,760,412
Deferred tax liabilities						217,999
Segment total liabilities						296,978,411

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Segment reporting (continued)

Business segments (continued)

For the six months ended 30 June 2018

	Enterprise finance		Personal finance	Institutional services and trading	Investment management	Segment total
	Investment banking	Principal investment				
Fee and commission income	406,695	26,433	2,070,893	427,775	737,226	3,669,022
Interest income	19,640	37,520	3,894,028	547,458	263,628	4,762,274
Net investment gains/(losses)	12,984	483,194	(19,618)	1,567,605	49,840	2,094,005
Other income and gains	2,696	17,655	17,956	21,686	23,933	83,926
Total revenue and other income	442,015	564,802	5,963,259	2,564,524	1,074,627	10,609,227
Segment expenses	298,533	375,472	4,611,924	2,108,110	670,210	8,064,249
Including: Interest expenses	—	234,721	1,936,282	1,481,779	344,154	3,996,936
(Reversal of)/provision for impairment losses	(257)	2,822	86,419	5,004	—	93,988
Share of profit of associates and joint ventures	—	72,355	—	—	—	72,355
Profit before income tax	143,482	261,685	1,351,335	456,414	404,417	2,617,333
Other segment information:						
Depreciation and amortisation expenses	7,056	22,665	105,051	27,469	15,889	178,130
Capital expenditure paid	700	58,564	46,799	5,396	3,617	115,076

The Group's non-current assets are mainly located in mainland China. The Group's revenue are substantially derived from its operations in mainland China.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Fair value information

(a) Fair value of financial instruments

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

- (i) Financial assets including cash and bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, and financial liabilities including placements from other financial institutions, short-term debt instruments issued, loans and borrowings under current liabilities and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair values.
- (ii) Financial assets and liabilities at fair value through profit or loss, derivatives and financial assets at fair value through other comprehensive income are stated at fair value. For the financial instruments traded in active open markets, the Group uses market prices or market rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.
- (iii) The fair value of non-current debt investment at amortized cost and long-term bonds are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as credit risk and maturity, to estimate the fair value using pricing models or discounted cash flow.
- (iv) Accounts receivable, other receivables and prepayments, margin accounts receivable, and accounts payable to brokerage clients are mainly within one year. Accordingly, the carrying amounts approximate the fair values.

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

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at 30 June 2019 and 31 December 2018, except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

Carrying amount

	As at 30 June 2019	As at 31 December 2018
Financial liability		
— Long-term bonds	96,589,840	89,508,336

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Fair value information (continued)

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

Fair value

	As at 30 June 2019			
	Level I	Level II	Level III	Total
Financial liability				
— Long-term bonds	—	86,241,556	11,019,748	97,261,304

	As at 31 December 2018			
	Level I	Level II	Level III	Total
Financial liability				
— Long-term bonds	—	77,045,845	12,900,391	89,946,236

The fair value of the financial liabilities included in the level II above have been determined in accordance with generally accepted pricing models including discounted cash flow etc.

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

(c) Fair value hierarchy

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.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Fair value information (continued)

(c) Fair value hierarchy (continued)

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

The table below analyses financial instruments, measured at fair value at 30 June 2019 and 31 December 2018, by the level in the fair value hierarchy into which the fair value measurement is categorized. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	As at 30 June 2019			Total
	Level I	Level II	Level III	
Assets				
Financial assets at fair value through profit or loss				
– Debt securities	22,188,131	32,252,374	–	54,440,505
– Equity securities	476,221	805,327	320,936	1,602,484
– Funds	21,622,915	123,549	–	21,746,464
– Hybrid instrument	1,576,271	–	3,676,255	5,252,526
– Wealth management products and others	7,902,409	6,027,521	2,260,625	16,190,555
Financial assets at fair value through other comprehensive income				
– Debt securities	5,517,197	18,224,742	–	23,741,939
– Equity securities	2,584,052	–	260,000	2,844,052
– Wealth management products and others	–	6,673,642	–	6,673,642
Derivative financial assets	–	447,113	–	447,113
Margin accounts receivable	–	1,118,162	–	1,118,162
Total	61,867,196	65,672,430	6,517,816	134,057,442
Liabilities				
Financial liabilities at fair value through profit or loss	–	(1,588,743)	–	(1,588,743)
Derivative financial liabilities	–	(498,469)	–	(498,469)
Total	–	(2,087,212)	–	(2,087,212)

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Fair value information (continued)

(c) Fair value hierarchy (continued)

	As at 31 December 2018			Total
	Level I	Level II	Level III	
Assets				
Financial assets at fair value through profit or loss				
– Debt securities	20,853,790	40,143,220	–	60,997,010
– Equity securities	666,861	923,390	327,074	1,917,325
– Funds	16,049,861	144,276	–	16,194,137
– Hybrid instrument	1,047,875	9,701	1,111,069	2,168,645
– Wealth management products and others	5,123,510	5,798,520	2,070,752	12,992,782
Financial assets at fair value through other comprehensive income				
– Debt securities	5,244,203	17,192,319	–	22,436,522
– Equity securities	1,719,007	895,439	260,000	2,874,446
– Wealth management products and others	–	6,241,521	–	6,241,521
Derivative financial assets	–	453,915	–	453,915
Margin accounts receivable	–	1,058,601	–	1,058,601
Total	50,705,107	72,860,902	3,768,895	127,334,904
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	–	(456,300)	–	(456,300)
Total	(142,330)	(3,145,857)	–	(3,288,187)

For the six months ended 30 June 2019 and for the year ended 31 December 2018, there was no significant transfer between level I and level II.

For the six months ended 30 June 2019 and for the year ended 31 December 2018, there were transfers into and out of level III due to the delisting of equity securities and the lifting of restricted stocks respectively. The Group's policy is to recognize transfer between levels of fair value hierarchy at the end of the period/year in which they occur.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Fair value information (continued)

(c) Fair value hierarchy (continued)

(i) Financial instruments in Level I

The fair value of financial instruments traded in active markets is based on quoted market prices at 30 June 2019 and 31 December 2018. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level I. Instruments included in Level I comprise primarily securities traded on exchanges and fund investments traded through exchanges or fund management companies.

(ii) Financial instruments in Level II

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

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

(iii) Valuation methods for specific investments

As at 30 June 2019 and 31 December 2018, the Group's valuation methods for specific investments are as follows:

- (1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at 30 June 2019 and 31 December 2018 within bid-ask spread. If there is no quoted market price as at 30 June 2019 and 31 December 2018, valuation techniques are used to determine the fair value.
- (2) For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at 30 June 2019 and 31 December 2018 or the most recent trading date. For unlisted open-end funds and wealth management products, fair value is determined by quoted price which is based on the net asset value as at 30 June 2019 and 31 December 2018.
- (3) For debt securities listed through exchanges, fair values are determined based on the closing price within bid-ask spread of the debt securities as at 30 June 2019 and 31 December 2018.
- (4) For debt securities traded through the inter-bank bond market and the OTC market, fair values are determined by valuation techniques.
- (5) For futures traded through exchanges, fair value is determined based on the closing price of the futures as at 30 June 2019 and 31 December 2018.

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Fair value information (continued)

(c) Fair value hierarchy (continued)

(iv) Financial instruments in Level III

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

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
As at 31 December 2018	3,508,895	260,000	3,768,895
Transfer in	21,090	—	21,090
Transfer out	(98,064)	—	(98,064)
Gains or losses for the period	417,475	—	417,475
Changes in fair value recognized in other comprehensive income	—	—	—
Purchases	3,239,673	—	3,239,673
Sales and settlements	(831,253)	—	(831,253)
As at 30 June 2019	6,257,816	260,000	6,517,816
Total gains or losses for the period included in profit or loss for assets held at 30 June 2019	420,890	—	420,890

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial assets at fair value through other comprehensive income	Total
As at 31 December 2017	803,097	12,895,270	—	13,698,367
Impact on initial application of IFRS 9	3,665,930	(12,895,270)	260,000	(8,969,340)
As at 1 January 2018	4,469,027	—	260,000	4,729,027
Transfer out	(124,575)	—	—	(124,575)
Gains or losses for the year	173,838	—	—	173,838
Changes in fair value recognized in other comprehensive income	—	—	—	—
Purchases	2,181,871	—	—	2,181,871
Sales and settlements	(3,191,266)	—	—	(3,191,266)
As at 31 December 2018	3,508,895	—	260,000	3,768,895
Total gains or losses for the year included in profit or loss for assets held at 31 December 2018	108,373	—	—	108,373

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Fair value information (continued)

(c) Fair value hierarchy (continued)

(iv) Financial instruments in Level III (continued)

For financial instruments in Level III, prices are determined using valuation techniques 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 assets and liabilities	Fair value hierarchy	Key valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Stock with disposal restriction within a specific period and hybrid instrument	Level III	Option pricing model	Volatility	The higher the volatility, the greater the impact on the fair value
Wealth management products, structured entities, and preferred shares	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Unlisted equity investment with limited marketability	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value

The fair value of the financial instruments in level III is not significantly sensitive to a reasonable change in these unobservable inputs during the 6 months period ended 30 June 2019 and the year ended 31 December 2018.

52 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 June 2019

A number of new standards and amendments to standards are effective for annual periods beginning after 30 June 2019 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated interim financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021
Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption/effective date deferred indefinitely

Notes to the unaudited condensed consolidated financial statements (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

52 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 June 2019 (continued)

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

53 Events after the reporting date

Issuance of structured notes

From 1 July 2019 to the reporting date, the Group issued a number of structured notes, which borne coupon rate of fixed rate 0.50% to 0.50% plus floating rate. The issuance amount was approximate RMB7.1 billion in total.

Repayment of short-term bond, long-term bond and structured notes

From 1 July 2019 to the reporting date, the Group repaid short-term bond, long-term bond and a number of structured notes, which borne coupon rate of fixed rate 0.50% to 0.50% plus floating rate. The repayment amount was approximate RMB14.1 billion in total.

Guarantees

From July 1, 2019 to the date of the financial statements, the Company and the Shanghai branch of China Minsheng Banking Corp., Ltd. signed the Maximum Guarantee Contract in respect of the facilities granted to Hongyuan Hengli (Shanghai) Industrial Co., Ltd. (宏源恒利(上海)實業有限公司), a wholly-owned subsidiary of the Company, pursuant to which the Company provided an irrevocable guarantee with joint and several liability of RMB100 million to Hongyuan Hengli (Shanghai) Industrial Co., Ltd. (宏源恒利(上海)實業有限公司).

Section X Documents Available for Inspection

1. Financial statements affixed with the signatures and stamps of the person in charge of the Company, the person in charge of the accounting work of the Company and the person in charge of the accounting organization.
2. Originals of all the Company's documents and announcements publicly disclosed on the newspapers and periodicals designated by the CRSC during the Reporting Period.

The Board of Directors
Shenwan Hongyuan Group Co., Ltd.

Chu Xiaoming

Chairman

August 30, 2019



申萬宏源集團股份有限公司
SHENWAN HONGYUAN GROUP CO., LTD.

