



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

2020

Interim Report

中期報告

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 53rd meeting of the fourth session of the Board. 12 directors shall participate in the poll of the meeting and the actual number of directors participated was 12. 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 2020 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 2020.
5. Mr. Xu Zhibin, the legal representative, executive director and general manager 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

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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
“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” or “Articles”	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 Listing Rules
“Company” or “Shenwan Hongyuan Group”	Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司)
“Company Law”	the Company Law of the People’s Republic of China (中華人民共和國公司法)
“controlling shareholder” or “JIC”	China Jiayin 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
“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

Section I Definitions and Important Notice (continued)

Term	Definition
“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
“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 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
“PB System”	prime brokerage system
“Reporting Period”	the six months from January 1, 2020 to June 30, 2020
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC

Section I Definitions and Important Notice (continued)

Term	Definition
“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)
“Shenwan Hongyuan Investment”	Shenwan Hongyuan Investment Co., Ltd. (申萬宏源投資有限公司)
“Shenwan Hongyuan Securities”	Shenwan Hongyuan Securities Co., Ltd. (申萬宏源證券有限公司)
“Shenwan Hongyuan Securities (Western)”	Shenwan Hongyuan Securities (Western) Co., Ltd. (申萬宏源西部證券有限公司)
“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

Section I Definitions and Important Notice (continued)

Term	Definition
“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
“%”	per cent

In the 2020 interim report, any discrepancies between the last digit of total shown and the last digit of 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 policy risk, legal and compliance risk, market risk, credit risk, liquidity risk, operational risk, risk of innovative businesses and exchange rate 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. Xu Zhibin		
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@swwhy.com	swwhy@swwhy.com

Section II Company Profile and Key Financial Indicators (continued)

III. OTHER INFORMATION

1. 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@swhysc.com

2. 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)

3. Other Relevant Information

Share Registrars

A Share: China Securities Depository and Clearing Corporation Limited, Shenzhen Branch
22–28/F, Shenzhen Stock Exchange Building,
2012 Shennan Blvd., Futian District, Shenzhen,
Guangdong, China

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

Legal Advisors

Alliance J&S Law Firm (Domestic)
Room 1910, Tower 2, Guanghua Changan Building, No. 7
Jianguomen Inner Street, Dong Cheng District, Beijing

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

Auditors

KPMG Huazhen LLP (Domestic)
8/F, East Tower 2, East Square, 1 East Chang'an Avenue, Beijing,
China

KPMG (International)
8/F, 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 2020	January to June 2019	Increase/decrease of the Reporting Period compared with the corresponding period of last year (%)
Total revenue and other income	17,790,098	15,038,663	18.30
Profit before income tax	4,955,930	4,002,715	23.81
Profit for the period attributable to shareholders of the Company	4,034,768	3,201,521	26.03
Net cash generated from/(used in) operating activities	(7,610,668)	2,771,435	N/A
Basic earnings per share (in Renminbi per share)	0.16	0.14	14.29
Weighted average return on equity (%)	4.75	4.34	Increased by 0.41 percentage point

Items	June 30, 2020	December 31, 2019	Increase/decrease of the Reporting Period compared with the corresponding period of last year (%)
Total assets	441,633,887	388,537,268	13.67
Total liabilities	355,333,613	303,705,861	17.00
Total equity attributable to shareholders of the Company	84,633,596	83,206,190	1.72
Share capital	25,039,945	25,039,945	—
Equity per share attributable to shareholders of the Company (in Renminbi per share)	3.38	3.32	1.81
Gearing ratio (%) ^{Note}	74.88	72.77	Increased by 2.11 percentage points

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

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

There are no differences between the net profits for January to June 2020 and January to June 2019 and net assets as of June 30, 2020 and December 31, 2019 set out in the financial statements disclosed by the Company under the International Financial Reporting Standards and China Accounting Standards for Business Enterprises.

Section II Company Profile and Key Financial Indicators (continued)

VI. NET CAPITAL AND THE RELEVANT RISK CONTROL INDICATORS (CALCULATED BASED ON THE DATA OF THE PARENT COMPANY 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	56,250,758,739.61	53,848,476,091.47	4.46%
Net supplementary capital	8,400,000,000.00	2,300,000,000.00	265.22%
Net capital	64,650,758,739.61	56,148,476,091.47	15.14%
Net assets	72,619,855,448.55	70,434,032,260.20	3.10%
Total risk capital reserves	30,451,866,548.82	26,464,802,563.00	15.07%
Total on-balance sheet & off-balance sheet assets	301,426,014,003.91	271,074,765,600.01	11.20%
Risk coverage ratio	212.30%	212.16%	Increased by 0.14 percentage point
Capital leverage ratio	18.66%	19.86%	Decreased by 1.20 percentage points
Liquidity coverage ratio	208.09%	259.18%	Decreased by 51.09 percentage points
Net stable funding ratio	166.12%	137.32%	Increased by 28.80 percentage points
Net capital/net assets	89.03%	79.72%	Increased by 9.31 percentage points
Net capital/liabilities	29.98%	29.54%	Increased by 0.44 percentage point
Net assets/liabilities	33.68%	37.05%	Decreased by 3.37 percentage points
Equity securities and derivatives held/net capital	30.75%	29.67%	Increased by 1.08 percentage points
Non-equity securities and derivatives held/net capital	257.93%	277.43%	Decreased by 19.50 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, 2020, 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

The Company is an investment holding group that 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 a business model with competitive advantages. 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 and consultation 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 equity investment and debt investment of non-listed companies.

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, sales of financial products and investment advisory through the combination of online and offline channels.

3. Institutional services and trading

The Company's institutional services include prime brokerage, research and consultation services for professional institutional clients; in addition, 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. SIGNIFICANT CHANGES FOR KEY ASSETS OF THE COMPANY

(I) Status of significant changes for key assets

Key assets	Explanation for significant changes
Margin accounts receivable	Increase in customers' demand for financing and the size of margin financing and securities lending business
Financial assets held under resale agreements	Decrease in the size of stock-pledged repurchase business and bonds buyback business
Trading financial assets	Increase in the investment size of bonds
Other debt investment	Increase in the investment size of bonds

(II) Status of key assets overseas

Details of the assets	Formed reason	Assets scale	Location	Operating model	Profiting status	Assets overseas/ net asset of the Company	Whether there is significant impairment risk
Shenwan Hongyuan (International) Holdings Limited	Investment	HKD 16,237,637,066.00	Hong Kong	Wholly-owned subsidiary	HKD 307,662,834.33	17.53%	No

III. CORE COMPETITIVENESS OF THE COMPANY

In accordance with strategic requirements, the Company utilizes its established advantages to promote the coordinated 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

Due to the strong advantages in respect of shareholders, abundant capital strength and extensive brand influence, as well as rich customer resources and comprehensive outlet distribution, the Company has achieved good operating results and its comprehensive competitiveness ranked at the forefront of the securities industry. Adhering to the customer-centric development concept, the Company comprehensively promotes the development, transformation and innovation of the securities business and proactively expands the investment business centering on the securities business, which continuously consolidates and enhances its comprehensive financial service capabilities.

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

(II) Well-established business layout

Relying on the unique two-tier structure, the Company deepens its “investment + investment banking” business layout and continues to strengthen the whole industry chain business model based on the capital market. The Company has sound product lines and service lines under securities business and full licenses. With the leading business capabilities and good development momentum, the Company's position in the industry is increasingly stable. The Company proactively expands its investment layout of the capital market and securities business and effectively improves investment management capabilities through the reform of investment system, to promote the efficient and coordinated development of securities business and investment business.

(III) Favorable regional advantage

Closely following the national development strategy, the Company promotes the establishment of a regional development pattern featuring linkage and resource synergy between the eastern and western regions of China. While establishing an extensive layout in traditional advantageous areas including Shanghai and Xinjiang, the Company deeply taps the development opportunities arising from the construction of “Two Centers” and free trade zone in Shanghai, proactively cooperates with the development of the western region and the “Belt and Road”, and continues to deepen the prospective layout in the areas including Guangdong-Hong Kong-Macao Greater Bay Area, Beijing-Tianjin-Hebei Region and Great Southwest Region, to further establish important regional growth drivers.

(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, continuously improved risk policy, optimized risk identification and response, and effectively controlled operation risks, with risk control indicators of subsidiary securities firm in compliance with the regulatory requirements. 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 continuously 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 security for employee's long-term development and self-value realization.

Section IV Operation Discussion and Analysis

I. OVERVIEW

Since 2020, affected by factors such as the COVID-19 epidemic, geopolitical conflicts, and trade conflict intensification, the global financial market has been in turbulent times. In the first quarter, global stock markets slumped and the European and American stock markets recorded the largest single-quarter decline since the 2008 financial crisis. In the second quarter, the stock markets gradually recovered and many markets rebounded strongly. In the first half of 2020, with the continuously active trading in the A share market, the ChiNext Price Index and the SZSE Component Index rose by 35.60% and 14.97%, respectively, hitting a four-year high, and the average trading amount of stocks and funds in the Shanghai Stock Exchange and Shenzhen Stock Exchange reached RMB757.972 billion, representing a year-on-year increase of 17.48%.

Facing the sudden outbreak of COVID-19 and the complicated domestic and international economic situation, the Company earnestly implemented the deployment requirements of the regulatory authorities and adhered to the correct political and business directions of the enterprise, to proactively serve the real economy, prevent and control financial risks and participate in financial reforms. With “equal efforts” on both epidemic prevention and control and operation management, the Company achieved good operating results.

II. PRINCIPAL BUSINESS ANALYSIS

(I) General Condition

In the first half of 2020, the Company realized total revenue and other income of RMB17,790 million, representing an increase of 18.30% as compared to the corresponding period of last year; profit before income tax of RMB4,956 million, representing an increase of 23.81% as compared to the corresponding period of last year; net profit for the period attributable to shareholders of the Company of RMB4,035 million, representing an increase of 26.03% as compared to the corresponding period of last year; basic earnings per share of RMB0.16, representing an increase of 14.29% as compared to the corresponding period of last year; and a weighted average return on equity of 4.75%, representing an increase of 0.41 percentage point as compared to the corresponding period of last year. As of June 30, 2020, the Company has total assets of RMB441,634 million, representing an increase of 13.67% as compared to the beginning of the year, and its total equity attributable to shareholders of the Company amounted to RMB84,634 million, representing an increase of 1.72% as compared to the beginning of the year.

Section IV Operation Discussion and Analysis (continued)

(II) Principal Business Analysis

The Shenwan Hongyuan 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	1,288,650	930,545	27.79	(6.26)	4.80	(7.62)
Including: Investment banking	440,129	325,849	25.97	(24.33)	(15.65)	(7.61)
Principal investment	848,521	604,696	28.74	7.00	20.55	(8.01)
Personal finance	6,007,860	4,018,024	33.12	(1.14)	(11.07)	7.47
Institutional services and trading	9,481,904	7,408,272	21.87	43.17	42.53	0.35
Investment management	1,011,684	670,317	33.74	4.97	23.66	(10.02)
Total	17,790,098	13,027,158	26.77	18.30	16.88	(0.89)

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. During the Reporting Period, the enterprise finance business segment of the Company recorded total revenue and other income of RMB1,289 million, including RMB440 million from the investment banking business segment and RMB849 million from the principal investment business segment.

Section IV Operation Discussion and Analysis (continued)

(1) *Investment banking business*

In the first half of 2020, the Company's investment banking business proactively served the national strategy of capital market reform and technological innovation, seized the opportunities for the selective layer, refinancing, and the registration system of ChiNext Board, and seized the opportunities for mergers and acquisitions based on industrial logic, to develop a full range of fixed income financing businesses. In addition, it continuously intensified the development of new projects, enriched project reserves, and consolidated and expanded the core customer base. During the outbreak of COVID-19 epidemic, the Company proactively responded to the state's call for giving play to the role of the capital market by serving as the lead underwriter for the first domestic epidemic prevention bonds of the securities company at the critical moment of prevention and control of the epidemic and support for the fight against the "epidemic". During the Reporting Period, the Company completed 6 equity financing projects with a financing amount of RMB5.616 billion; two M&A and restructuring transactions were approved by the CSRC, ranking the fourth in the industry; the Company acted as the lead underwriter for 44 corporate bond projects with underwriting amount of RMB22.035 billion; in addition, the Company served as the lead underwriter for 22 financial bond projects, ranking the eighth in the industry, 2 rankings higher as compared with the same period of last year; the amount of projects for which the Company acted as the lead underwriter amounted to RMB33.792 billion, and the market share in respect of financial bonds increased significantly from 2.45% for the first half of 2019 to 3.85%; the Company also acted as the lead underwriter for 6 enterprise bond projects with an underwriting amount of RMB2.657 billion. We recommended two companies for listing and 38 private placement projects on the primary market under the OTC market business segment. The number of enterprises for which the Company recommended for listing on the NEEQ and the number of private placement projects ranked the first in the industry and the Company provided continuous supervision for 623 enterprises listed on the NEEQ, ranking the first in the market. In addition, 4 enterprises for which the Company applied for the selective layer passed the review by the NEEQ and were approved by the CSRC, ranking the second in the market in respect of the numbers of the passed enterprise.

Section IV Operation Discussion and Analysis (continued)

(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 accordance with the requirements on optimising and refining the principal investment business, the Company deepened the adjustment to the business structure and achieved positive progress in terms of promoting quality and efficiency enhancement for investment business and proactive provision of investment and financing services for the development of all kinds of entity enterprises. Leveraging on “research + investment + investment banking”, the Company comprehensively deepened the integrated development with securities business for key areas, key industries and key clients to vigorously improve its investment expertise.

Hongyuan Huizhi continued to consolidate its advantages in fixed-income business. Relying on the strengths of the securities company in terms of bond investment, bond underwriting, stock research, and quantitative product creation, it increased investment in standardized products and achieved diversified asset allocation. Shenyin & Wanguo Alternative Investment deepened the adjustment to asset layout and focused on promoting private equity, private securities fund investment and the follow-up investment in the STAR Market, resulting in steady increase in business scale.

2. **Personal Finance Business**

The personal finance business of the Company mainly covers securities brokerage, futures brokerage, margin financing and securities lending, stock-backed lending and sales of financial products. During the Reporting Period, the personal finance business of the Company recorded total revenue and other income of RMB6,008 million, representing a year-on-year decrease of 1.14%.

(1) *Securities brokerage business*

In the first half of 2020, the A share market was relatively active with the SZSE Component Index and the ChiNext Price Index rising by 14.97% and 35.60% respectively. In the same period, the daily average trading amount of shares and funds in the Shanghai and Shenzhen stock markets reached RMB757.972 billion, representing a year-on-year increase of 17.48%. The registration system of the ChiNext Board and the selective layer reform of the NEEQ brought about new opportunities and challenges for the securities market.

Section IV Operation Discussion and Analysis (continued)

The Company's securities brokerage business accelerated the construction of an "online and offline, on-the-exchange and OTC" integrated marketing and service system by leveraging on the opportunity of obtaining the qualification as one of the first batch of brokers for pilot engagement in investment advisory business for mutual funds. During the Reporting Period, the Company gained approximately 0.3042 million new clients, and the market share of new accounts was 3.81%; the Big Winner APP of the Company launched over 90 new businesses and experience optimizations, with monthly active users reaching 1.3429 million, representing a year-on-year increase of 28.14%. Client's securities under the custody of the Company amounted to RMB3.62 trillion, representing an increase of 13.25% from the end of last year, and the net income from agency securities trading business of the Company amounted to RMB1.955 billion, representing a market share of 4.217%, which retained the Company's leading position in the industry.

(2) *Futures brokerage business*

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

In the first half of 2020, Shenwan Futures mainly leveraged on product business, institutional business, integrated financial business, etc., to fully promote incremental sales and revenue growth, innovation and transformation, and comprehensively increase various business revenues. As of the end of the Reporting Period, it achieved a year-on-year growth of 27.02% in terms of the daily average customer equity and its market share in respect of turnover increased by 8.83% year-on-year.

Hongyuan Futures proactively responded to the impact of the market changes, adjusted business strategies in a timely manner, strengthened online business development and professional customer service capabilities. As a result, it achieved a year-on-year increase of 18% in daily average customer equity, hitting a record high; the market share of operating income was 1.02%, representing a year-on-year increase of 15.91%; the customer structure was further optimised, and the contribution of corporate clients continued to increase; the number of types of market-making businesses increased to 6, resulting in continuous increase in the size of market-making businesses; the size of OTC options "insurance + futures" increased sharply. In particular, the natural rubber "insurance + futures" project won the first prize of the Shanghai Futures Exchange; Hongyuan Hengli, a subsidiary engaged in risk management, saw continuous improvement in its operating results and its business income increased by 46% year-on-year.

(3) *Margin financing and securities lending business*

In the first half of 2020, the trading in the market was more active with an increase in clients' demand for margin financing and securities lending business. As of the end of the first half of 2020, the balance of margin financing and securities lending business was RMB1,163.768 billion, representing an increase of 14.17% over the end of last year.

Section IV Operation Discussion and Analysis (continued)

During the Reporting Period, the margin financing and securities lending business lines of the Company proactively captured market opportunities and vigorously introduced private equity quantitative team by means of securities lending to accelerate the institutional transformation of business. As of the end of the Reporting Period, the balance of the margin financing and securities lending business was RMB60,246 million, representing an increase of 16.51% over the end of the previous year, and the market share was 5.18%. In particular, the balance of financing business was RMB58,898 million, representing an increase of 15.36% over the end of the previous year; the balance of securities lending business was RMB1,348 million, representing an increase of 105.76% over the end of the previous year, and the maintenance margin ratio of the Company's margin financing and securities lending business was maintained at 274.41% on average.

(4) *Stock-backed lending business*

In light of the market environment of “downsizing and adjusting structure”, all participants in the market paid more attention to the prevention of risks of stock-backed lending projects, proactively adjusted the positioning of stock-backed lending business, and prudently developed incremental business, to reduce the scale and adjust structure.

During the reporting period, the size of the Company's stock-backed lending business continued to decline steadily, and risk control was further strengthened through measures including improving the business system, tightened project access, strengthening concentration management, and optimising project structure. As of the end of the Reporting Period, the Company's stock-backed lending business has a balance of RMB16,237 million, decreasing by 33.69% over the end of the previous year. The collateral coverage ratio of stock-backed lending contracts was 240.54% on average.

(5) *Sales of financial products business*

The sales of financial products of the Company include financial products developed by ourselves and third parties, including asset management schemes, structured notes, mutual funds, private equity funds, trust plans and other financial products.

In the first half of 2020, the sales of financial product business line of the Company strengthened coordination and cooperation in an all-round way, to proactively build a product ecosystem for the retail customers and institutional customers of the Company, and prioritised product-type customers. During the Reporting Period, the Company's total sales of our own financial products and third party products reached RMB36.942 billion and RMB38.258 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, FICC sales and trading as well as equity sales and trading business. During the Reporting Period, the Company's institutional services and trading business recorded total revenue and other income of RMB9,482 million, representing a year-on-year increase of 43.17%.

(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 2020, the Company continued to deepen its "platformization" strategy, focusing on core clients including mutual funds, private equity funds, insurance, banks, and large enterprise groups, and utilised products to coordinate and integrate internal and external resources to provide customers with a comprehensive package of financial services including research, products and transactions and increase the proportion of non-commission income from institutional business, striving to build a whole business chain of institutional business. During the Reporting Period, the market share of the Company's sub-sectors of funds was 4.81%, representing an increase of 3.39% from 4.65% for 2019, and the ranking continued to be in the first rank of the industry. In the first half of the year, the revenue generated from units leasing was RMB307 million, representing an increase of 42.30% as compared to the same period of last year, with a market share of 4.30%. As for the PB system business, as of the end of the Reporting Period, there were 530 operating institutional accounts with a total scale of approximately RMB149.883 billion. In terms of fund administration services, the Company passed ISAE 3402 international certification for three consecutive years. During the Reporting Period, the Company introduced custody of the first mutual fund LOF and the first mutual fund ETF. Currently, the Company's mutual fund custody covers a number of innovative products including ETF, LOF, and brokerage settlement models. As of the end of the Reporting Period, asset custody and outsourcing services of the Company had served 646 asset management products, representing an increase of 18.97% from the end of the previous year; the business size was RMB46.352 billion, representing an increase of 28.04% from the end of the previous year.

(2) Research and consultant business

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

In the first half of 2020, SWS Research continued to improve the quality of research and market influence with the main focus on "stabilizing fundamentals and coordinating development". During the Reporting Period, SWS Research focused on "joint development of business using the platforms built through research" to coordinate with and serve the business lines of the Company; it successfully held the online "Spring Strategy Month", "Shenwan Hongyuan • 2020 Summer Capital Market Conference" and "2020 Selective Layer Investment Prospective Strategy Conference", etc. to serve institutional investors and won unanimous praise from the market; it insisted on continuing to speak up for the healthy development of the capital market, and

Section IV Operation Discussion and Analysis (continued)

co-authored the “STAR Market White Paper 2020” in cooperation with the Central Radio and Television General Station and the Shanghai Stock Exchange and provided decision-making references for national agencies, regulatory authorities, and industry associations.

(3) *FICC sales and trading business*

In the first half of 2020, due to the impact of the COVID-19 epidemic, monetary policy returned from the “super-loose” situation in the first quarter to the “reasonably ample” equilibrium state in the second quarter. The bond market fluctuated sharply and yield showed a V-shaped reversal. The Company’s fixed-income proprietary investment business optimised its asset allocation and flexibly used interest rate derivatives to manage portfolio risk exposure, and its return on investment far exceeded the average value of market indexes and open-ended pure debt funds over the same period; while continuously improving the FICC business layout, the Company supported the common development of commodities, gold, market making, and product creation businesses, to cultivate new profit growth drivers. In the market environment with numerous sales organizations, declining distribution rates, and fierce competition, the Company’s sales of debt financing instruments of non-financial enterprises continued to maintain a leading position in the industry and ranked the first in the market.

(4) *Equity sales and trading business*

In the first half of 2020, in respect of equity sales and trading business, the Company continued to promote the transformation of traditional proprietary trading to the strategic goal of integrated trading and collaborative services. Through optimising the allocation of major assets, the Company flexibly adjusted the size of directional investment and proactively developed a portfolio investment strategy in combination of equity and derivative products. It continued to leverage the advantages of OTC derivatives business to expand client coverage, vigorously develop market-making trading business, and continuously promote the innovation and business development. During the Reporting Period, the Company was newly qualified for market-making for liquefied petroleum gas options from Dalian Commodity Futures Exchange, which further expanded the Company’s market-making product range and improved the overall comprehensive financial service capabilities.

(5) *Derivatives business*

In the first half of 2020, the Company continued to improve its derivative services for customers. Guided by customer needs, it vigorously promoted supply-side reform of products, to continuously enrich its product lines and strengthen its customer stickiness, and has formed a “product + trading + capital intermediary” profit model. At present, the Company’s derivatives trading business has covered more than 300 institutional clients including commercial banks, securities companies, fund subsidiaries, futures subsidiaries, private equity funds, and enterprises in the real economy. According to latest data released by the Securities Association of China, the Company’s market share in respect of the increase in the size of nominal principal of OTC option business was 18.66%, ranking the second in the industry.

Section IV Operation Discussion and Analysis (continued)

4. Investment Management Business

The investment management business of the Company consists of asset management, mutual fund management and private equity fund management. During the Reporting Period, the Company's investment management business segment recorded total revenue and other income of RMB1,012 million, representing a year-on-year increase of 4.97%.

(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 2020, 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 to further deepen the professionalized reform and enhance the active management capabilities. While the Company consolidated the original fixed-income business and comprehensive financial business, the asset securitization business management and issuance scale showed a growth trend and the ranking was greatly improved. The logical quantamental series of equity quantitative investment products and strategies were further enriched, continued to achieve excess earnings higher than the market, and gradually formed brand effects. As of the end of the Reporting Period, the Company's asset under management was RMB463.3 billion, ranking the seventh in the industry. The net income of asset management business was RMB623 million, representing a year-on-year increase of 10.68%.

(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.

In the first half of 2020, SWS MU achieved stable net value of funds and performance growth on the premise of effective risk control with the support of its seasoned investment research team. As of the end of the Reporting Period, the scale of assets under its management increased by 21% from the end of the previous year. The performance of SWS MU CSI 500 Index Selected Enhanced product and SWS MU Quantitative Drive product adopting 800 Index Selected Enhanced strategy of the Company ranked the first among the same kind of 500 Index Selected Enhanced products and the same kind of 800 Index Selected Enhanced products, respectively, which fully demonstrated the strong competitiveness of the Company's quantitative investment ability in the industry. The Fullgoal Fund featured proactive style and innovative mindset. At the end of the Reporting Period, the scale of assets under its management was RMB437.0 billion, representing an increase of 29% 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.

Section IV Operation Discussion and Analysis (continued)

(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.

Focusing on the positioning of serving the state's structural reform at the supply side and the development of the real economy, the Company further optimised the development model of private equity funds, and strengthened regional and industry focus; relying on the capital market, the Company continued to strengthen cooperation with key provinces, relevant listed groups, and large state-owned enterprises and vigorously developed various private equity fund businesses including industrial funds, merger and acquisition funds, and bailout funds, to comprehensively serve industrial transformation and upgrading. Hongyuan Huifu further strengthened the comprehensive financial service layout in key areas including Sichuan, intensified the development of private equity fund business, and initiated the establishment of 2 funds, resulting in an increase in the scale of paid-in fund management by RMB1.46 billion; it proactively built its strategic customer network, and continuously improved the four major product systems of consulting, financing, capital operation and investment based on customer needs. Shenyin & Wanguo Investment proactively participated in the Company's comprehensive financial service business chain. It leveraged on business collaboration to proactively exert the role of private equity fund as platform, placed the focus of development on merger and acquisition funds, industrial funds and light capital equity funds, and vigorously strengthened cooperation with large enterprise groups, governments, and financial institutions. During the Reporting Period, it cooperated with a number of institutions to develop equity investment fund business and one investee was listed.

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 2020	January to June 2019	Change (%)
Fee and commission income	4,273,827	4,080,583	4.74
Interest income	5,666,902	5,319,159	6.54
Net investment gains	3,289,342	2,862,350	14.92
Other income and gains	4,560,027	2,776,571	64.23
Total revenue and other income	17,790,098	15,038,663	18.30

From January to June of 2020, the Company achieved total revenue and other income of RMB17,790 million, representing a year-on-year increase of RMB2,751 million or 18.30%, which included:

- (1) Fee and commission income of RMB4,274 million, representing a year-on-year increase of RMB193 million or 4.74%, 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 RMB5,667 million, representing a year-on-year increase of RMB348 million or 6.54%, mainly due to an increase in the interest income from bond investment as held by the Company;

Section IV Operation Discussion and Analysis (continued)

- (3) Net investment gains of RMB3,289 million, representing a year-on-year increase of RMB427 million or 14.92%, mainly due to a year-on-year increase in the income from holding and disposal of the bond investment as held by the Company;
- (4) Other income and gains of RMB4,560 million, representing a year-on-year increase of RMB1,783 million or 64.23%, mainly due to an increase in income from commodity trading as a result of the growth of basis trading business.

2. Composition of Expenses

Unit: RMB'000

Item	January to June 2020	January to June 2019	Change (%)
Fee and commission expenses	795,678	741,641	7.29
Interest expenses	3,799,738	3,918,107	(3.02)
Staff costs	3,031,318	2,776,971	9.16
Depreciation and amortization expenses	304,851	311,090	(2.01)
Tax and surcharges	72,953	72,464	0.67
Other operating expenses	4,789,058	3,086,586	55.16
Provision for impairment losses	233,563	239,083	(2.31)
Total expenses	13,027,158	11,145,942	16.88

From January to June of 2020, the Group had total expenses of RMB13,027 million, representing a year-on-year increase of RMB1,881 million or 16.88%, mainly attributable to an increase in staff costs and other operating expenses, which included:

- (1) Other operating expenses of RMB4,789 million, representing a year-on-year increase of RMB1,702 million, mainly due to an increase in the cost of goods sold for basis trading business;
- (2) Staff costs of RMB3,031 million, representing a year-on-year increase of RMB254 million or 9.16%, mainly due to an increase in the cost of performance-based remuneration as a result of an increase in the Company's revenue;
- (3) Interest expenses of RMB3,800 million, representing a year-on-year decrease of RMB118 million or 3.02%;
- (4) Other expenses mainly included fee and commission expenses, depreciation and amortization expenses, provision for impairment losses and tax and surcharges.

Section IV Operation Discussion and Analysis (continued)

(II) Analysis of Consolidated Statements of Cash Flows

As of June 30, 2020, the Group had cash and cash equivalents of RMB31,694 million, decreasing by 39.31% as compared to RMB52,223 million for the corresponding period of 2019. From January to June of 2020, there was net cash outflow of RMB7,283 million for cash and cash equivalents, down by RMB19,546 million as compared to RMB12,263 million of the net cash inflow for the corresponding period of 2019. Among these, the net cash outflow from operating activities between January and June of 2020 amounted to RMB7,611 million, down by RMB10,382 million as compared to RMB2,771 million of the net cash inflow used for the operating activities for the corresponding period of 2019, mainly due to an increase in the cash outflow caused by the financial instruments at fair value through profit or loss and an increase in the cash held on half of brokerage clients; the net cash outflow from investing activities between January and June of 2020 amounted to RMB15,726 million, down by RMB16,994 million as compared to RMB1,268 million of the net cash inflow used for the investing activities for the corresponding period of 2019, mainly due to an increase 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 2020 amounted to RMB16,053 million, up by RMB7,829 million as compared to RMB8,224 million for the corresponding period of 2019, mainly due to an increase in the cash received for the issuance of short-term debt instruments.

Section IV Operation Discussion and Analysis (continued)

(III) Analysis of Consolidated Statements of Financial Position

Unit: RMB'000

Item	June 30, 2020		December 31, 2019		Increase/Decrease	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Non-current assets						
Property and equipment	1,289,161	0.29	1,279,391	0.33	9,770	0.76
Right-of-use assets	786,050	0.18	793,825	0.20	(7,775)	(0.98)
Investment properties	59,194	0.01	99,724	0.03	(40,530)	(40.64)
Other intangible assets	136,463	0.03	143,715	0.04	(7,252)	(5.05)
Interest in associates and joint ventures	2,557,391	0.58	2,489,250	0.64	68,141	2.74
Financial assets measured at amortized cost	2,896,388	0.66	2,006,679	0.52	889,709	44.34
Financial assets at fair value through other comprehensive income	9,082,828	2.06	9,457,210	2.43	(374,382)	(3.96)
Financial assets held under resale agreements	5,350,184	1.21	9,335,549	2.40	(3,985,365)	(42.69)
Financial assets at fair value through profit or loss	6,252,573	1.42	5,203,804	1.34	1,048,769	20.15
Refundable deposits	12,375,699	2.80	8,878,241	2.29	3,497,458	39.39
Deferred tax assets	1,989,407	0.45	1,833,395	0.47	156,012	8.51
Other non-current assets	156,387	0.04	171,645	0.04	(15,258)	(8.89)
Total non-current assets	42,931,725	9.72	41,692,428	10.73	1,239,297	2.97

Section IV Operation Discussion and Analysis (continued)

Unit: RMB'000

Item	June 30, 2020		December 31, 2019		Increase/Decrease	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Current assets						
Accounts receivable	4,150,391	0.94	1,968,153	0.51	2,182,238	110.88
Other receivables and prepayments	2,227,939	0.50	2,598,927	0.67	(370,988)	(14.27)
Margin accounts receivable	62,384,674	14.13	53,048,414	13.65	9,336,260	17.60
Financial assets measured at amortized cost	4,164,012	0.94	5,306,046	1.37	1,142,034	(21.52)
Financial assets held under resale agreements	27,296,730	6.18	29,915,390	7.70	(2,618,660)	(8.75)
Financial assets at fair value through profit or loss	125,502,760	28.42	110,024,423	28.32	15,478,337	14.07
Financial assets at fair value through other comprehensive income	62,504,299	14.15	44,017,312	11.33	18,486,987	42.00
Derivative financial assets	532,337	0.12	481,835	0.12	50,502	10.48
Clearing settlement funds	3,723,719	0.84	3,230,861	0.83	492,858	15.25
Cash held on behalf of brokerage clients	88,593,493	20.06	71,197,312	18.32	17,396,181	24.43
Cash and bank balances	17,621,808	3.99	25,056,167	6.45	(7,434,359)	(29.67)
Total current assets	398,702,162	90.28	346,844,840	89.27	51,857,322	14.95
Total assets	441,633,887	100.00	388,537,268	100.00	53,096,619	13.67

Section IV Operation Discussion and Analysis (continued)

Unit: RMB'000

Item	June 30, 2020		December 31, 2019		Increase/Decrease	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Current liabilities						
Loans and borrowings	4,871,554	1.37	1,461,734	0.48	3,409,820	233.27
Short-term debt instruments issued	17,741,780	4.99	17,065,153	5.62	676,627	3.96
Placements from other financial institutions	8,999,667	2.53	10,315,074	3.40	(1,315,407)	(12.75)
Accounts payable to brokerage clients	98,077,219	27.60	77,053,335	25.37	21,023,884	27.28
Employee benefits payable	1,736,906	0.49	1,650,821	0.54	86,085	5.21
Other payables and accruals	19,742,037	5.57	15,044,688	4.95	4,697,349	31.22
Contract liabilities	157,615	0.04	115,369	0.04	42,246	36.62
Current tax liabilities	346,833	0.10	695,722	0.23	(348,889)	(50.15)
Financial assets sold under repurchase agreements	89,441,330	25.17	83,943,834	27.64	5,497,496	6.55
Lease liabilities	352,928	0.10	286,190	0.09	66,738	23.32
Financial liabilities at fair value through profit or loss	3,912,423	1.10	383,170	0.13	3,529,253	921.07
Derivative financial liabilities	765,826	0.22	614,656	0.20	151,170	24.59
Long-term bonds due within one year	16,145,821	4.54	21,549,900	7.10	(5,404,079)	(25.08)
Total current liabilities	262,291,939	73.82	230,179,646	75.79	32,112,293	13.95

Section IV Operation Discussion and Analysis (continued)

Unit: RMB'000

Item	June 30, 2020		December 31, 2019		Increase/Decrease	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Non-current liabilities						
Placements from other financial institutions	—	—	636,000	0.21	(636,000)	(100.00)
Long-term bonds	90,081,514	25.35	70,185,304	23.11	19,896,210	28.35
Non-current employee benefits payable	2,056,478	0.58	2,025,967	0.67	30,511	1.51
Deferred tax liabilities	3,003	0.00	2,558	0.00	445	17.40
Lease liabilities	432,759	0.12	493,541	0.16	(60,782)	(12.32)
Financial liabilities at fair value through profit or loss	142,746	0.04	1,000	0.00	141,746	14,174.60
Other non-current liabilities	325,174	0.09	181,845	0.06	143,329	78.82
Total non-current liabilities	93,041,674	26.18	73,526,215	24.21	19,515,459	26.54
Total liabilities	355,333,613	100.00	303,705,861	100.00	51,627,752	17.00
Equity						
Share capital	25,039,945	29.01	25,039,945	29.52	—	—
Reserves	34,102,808	39.52	34,702,070	40.91	(599,262)	(1.73)
Retained profits	25,490,843	29.54	23,464,175	27.66	2,026,668	8.64
Total equity attributable to shareholders of the Company	84,633,596	98.07	83,206,190	98.08	1,427,406	1.72
Non-controlling interests	1,666,678	1.93	1,625,217	1.92	41,461	2.55
Total equity	86,300,274	100.00	84,831,407	100.00	1,468,867	1.73

Section IV Operation Discussion and Analysis (continued)

- As of June 30, 2020, the Group had total non-current assets of RMB42,932 million, representing an increase of RMB1,239 million from the beginning of the year, mainly due to an increase in refundable deposits of RMB3,497 million from the beginning of the year, an increase in financial assets at fair value through profit or loss of RMB1,049 million from the beginning of the year, an increase in the financial assets measured at amortized cost of RMB890 million and a decrease in financial assets held under resale agreements of RMB3,985 million. As of June 30, 2020, the Group had total non-current liabilities of RMB93,042 million, representing an increase of RMB19,515 million from the beginning of the year, mainly due to an increase in long-term bonds of RMB19,896 million.
- As of June 30, 2020, the Group had total current assets of RMB398,702 million, representing an increase of RMB51,857 million from the beginning of the year, mainly due to an increase in financial assets at fair value through other comprehensive income of RMB18,487 million, an increase in financial assets at fair value through profit or loss of RMB15,478 million, an increase in cash held on behalf of brokerage clients of RMB17,396 million, an increase in margin accounts receivable of RMB9,336 million and a decrease in cash and bank balances of RMB7,434 million. As of June 30, 2020, the Group had total current liabilities of RMB262,292 million, representing an increase of RMB32,112 million from the beginning of the year, mainly due to an increase in accounts payable to brokerage clients of RMB21,024 million, an increase in financial assets sold under repurchase agreements of RMB5,497 million and an increase in other payables and accruals of RMB4,697 million.
- 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-term and short-term liabilities of the Company*

Unit: RMB'000

Item	June 30, 2020	December 31, 2019
Loans and borrowings	4,871,554	1,461,734
Short-term debt instruments issued	17,741,780	17,065,153
Placements from other financial institutions	8,999,667	10,951,074
Long-term bonds (including long-term bonds due within one year)	106,227,335	91,735,204
Total	137,840,336	121,213,165

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 RMB89,441 million, of which, RMB90,082 million had a financing period of more than one year while RMB137,199 million less than one year, accounting for 39.63% and 60.37% 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 short-term financing bills of securities company, issuance of financial bonds, corporate bonds, issuance of subordinated bonds 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, 2020, the Company did not have any material contingent liabilities.

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

During the Reporting Period, the subsidiaries included in the consolidation scope had not changed.

(V) Changes in Significant Accounting Policies and Accounting Estimates

During the Reporting Period, the Company's accounting policies and accounting estimates had not changed. There was no significant accounting errors requiring rectification occurred in the Company.

Section IV Operation Discussion and Analysis (continued)

(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 Notes 16, 21, 22, 28 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 corresponding period of last year	Change (%)
2,557,391	2,489,250	2.74

(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.

(IV) Financial assets measured at fair value

Unit: RMB'0,000

Types of assets	Initial investment cost	Loss or profit arising from changes in fair value during the period	Accumu- lative changes in fair value included in equity interests	Amount of purchase during the Reporting Period	Amount of disposal during the Reporting Period	Accumulative investment income	Closing balance	Sources of funds
Stocks								Self- owned funds
	835,998.01	21,660.61	-25,953.08	502,161.87	281,191.75	13,906.33	696,326.42	
Funds								Self- owned funds
	2,006,096.26	11,332.68	—	4,415,314.54	4,748,370.44	16,585.88	1,995,937.88	
Bonds								Self- owned funds
	13,951,828.75	18,544.01	-46,246.17	80,456,305.33	77,974,069.25	290,739.65	14,242,491.63	
Trust products								Self- owned funds
	233,379.66	-10,862.59	—	151,273.47	72,823.52	1,884.15	221,004.59	
Financial derivative instruments								Self- owned funds
	48,183.45	31,868.89	—	73,089.69	99,908.32	7,369.16	53,233.71	
Others								Self- owned funds
	3,144,791.94	13,472.82	-19,367.85	5,170,614.64	4,424,083.27	-49,550.60	3,178,485.50	
Total	20,220,278.07	86,016.42	-91,567.10	90,768,759.54	87,600,446.55	280,934.57	20,387,479.73	—

Section IV Operation Discussion and Analysis (continued)

(V) 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	655,273.59	—	(19,367.86)	—	—	—	635,905.73	Financial assets at fair value through other comprehensive income	Self-owned funds
Bonds	117125	19 Zhaoshang EB	239,000.00	Fair value	257,407.86	(10,236.77)	—	—	—	(10,192.92)	247,171.08	Financial assets at fair value through other comprehensive income	Self-owned funds
Bonds	010007	01 Treasury Bonds 7	207,734.03	Fair value	184,679.52	(531.31)	—	60,334.66	34,145.96	3,799.50	210,911.68	Financial assets at fair value through other comprehensive income	Self-owned funds
Monetary fund	310339	SWS MU Currency B	178,470.95	Fair value	254,343.68	449.07	—	113,845.62	189,718.35	1,340.16	178,920.01	Financial assets at fair value through other comprehensive income	Self-owned funds
Bonds	200004	20 Interest-bearing Government Bonds 04	135,753.67	Fair value	—	—	(6,764.82)	525,506.20	390,527.60	(4,683.25)	130,299.81	Financial assets at fair value through other comprehensive income	Self-owned funds
Bonds	147695	18 Hebei 26	106,411.89	Fair value	207,165.88	(1,349.80)	—	—	99,568.26	3,551.13	111,148.74	Financial assets at fair value through other comprehensive income	Self-owned funds
Bonds	147525	18 Shandong 15	100,114.30	Fair value	123,608.18	(231.00)	(13.78)	—	20,509.24	2,003.77	104,650.15	Financial assets at fair value through profit or loss/financial assets at fair value through other comprehensive income	Self-owned funds
Bonds	1805101	18 Shandong Bonds 07	102,499.00	Fair value	104,584.80	763.10	—	—	—	1,771.53	103,457.90	Financial assets at fair value through other comprehensive income	Self-owned funds
Private equity fund	N/A	Sichuan Capital Market Bailout Development Securities Investment Fund Partnership (Limited Partnership)	100,000.00	Fair value	100,000.00	200.00	—	—	—	200.00	100,200.00	Financial assets at fair value through other comprehensive income	Self-owned funds
Asset management scheme	BZ17131	Ping'an Asset Management Ruiyi No. 37	100,000.00	Fair value	80,000.00	—	—	20,000.00	—	—	100,000.00	Financial assets at fair value through other comprehensive income	Self-owned funds
Other securities investments held at the end of the period			19,006,613.10	—	15,634,483.83	65,084.24	(65,420.64)	90,416,543.21	87,074,401.51	508,708.41	19,117,620.93	—	—
Total			20,915,596.98	—	17,601,547.34	54,147.53	(91,567.10)	91,136,229.69	87,808,870.92	506,498.33	21,040,286.03	—	—

- Notes: 1. This table includes financial assets including domestic and overseas shares, funds, bonds and trust products measured at fair value and amortized cost held during the Reporting Period respectively.
2. This table is sorted by the ratio of the book value at the end of the period to the total securities investment of the Company at the end of the period and only contains the top ten securities held by the Company at the end of the period.
3. Other securities investments refer to investments in other securities other than the top ten securities.

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, operational 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, operational risks and legal compliance risks.

Section IV Operation Discussion and Analysis (continued)

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 RMB52.0666 million; the gain or losses on the fair value change of interest rate swap was RMB-58.9675 million; the gain or losses on the fair value change of stock index futures was RMB88.3920 million; and the fair value change of commodity futures was RMB18.0201 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.

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.

Section IV Operation Discussion and Analysis (continued)

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. During the Reporting Period, the subsidiaries of the Company conducted derivatives investment business in accordance with the requirements of the CSRC, the Securities Association of China and China Financial Futures Exchange during the standard operations. As of the end of the Reporting Period, the value of interest rate derivative instrument contract held was RMB107,915.9415 million, representing 125.05% of the net assets of the Company as of the end of the Reporting Period; the value of equity derivative instrument contract held was RMB107,220.0562 million, representing 124.24% of the net assets of the Company as of the end of the Reporting Period; the value of commodity derivative instrument contract held was RMB26,121.5450 million, representing 30.27% of the net assets of the Company as of the end of the Reporting Period. The derivative instrument business conducted by the subsidiaries of the Company was in compliance with relevant regulatory requirements and the risks were under control.

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	Amount of provision for impairment	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	8,596,474.85	2016/4/19	2025/7/1	8,596,474.85	21,114,770.70	18,919,651.40	—	10,791,594.15	125.05%	(25,898.25)
Banks, private equity funds, open market	N/A	No	Equity derivative instrument	8,192,353.48	2019/2/20	2020/6/30	8,192,353.48	11,764,444.92	9,234,792.78	—	10,722,005.62	124.24%	17,083.54
Open market, banks, trading companies, etc.	N/A	No	Commodity derivative instrument	1,086,614.79	2019/7/16	2021/8/25	1,086,614.79	6,643,676.76	5,118,137.05	—	2,612,154.50	30.27%	(15,668.60)
Total				17,875,443.12	—	—	17,875,443.12	39,522,892.38	33,272,581.23	—	24,125,754.27	279.56%	(24,483.31)

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	47,000,000,000	404,956,380,223.51	78,751,117,417.73	3,970,025,314.61
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	482,742,002.34	178,670,274.16	3,852,337.33
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	4,678,932,942.21	2,155,955,122.92	46,746,782.64
Hongyuan Futures Co., Ltd.	Wholly-owned subsidiary	Commodity futures brokerage, financial futures brokerage and futures investment consulting service	1,000,000,000	10,822,338,883.23	1,299,819,161.86	51,329,076.08
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	619,349,135.27	595,803,414.09	41,435,527.37
Shenyin & Wanguo Investment Co., Ltd.	Wholly-owned subsidiary	Private equity fund	500,000,000	784,634,380.69	626,999,368.38	20,963,848.33
Shenyin & Wanguo Alternative Investment Co., Ltd.	Wholly-owned subsidiary	Alternative investment	2,000,000,000	2,244,530,710.81	2,231,088,556.13	34,345,267.60
Shenwan Hongyuan (International) Holdings Limited	Wholly-owned subsidiary	Investment holdings	HK\$2,253,398,812.18	HK\$16,237,637,066.00	HK\$4,431,229,697.78	HK\$83,083,061.69

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 Hongyuan Securities (Western) Co., Ltd.	Wholly-owned subsidiary	Securities brokerage, securities investment consulting, margin financing and securities lending, agency sales of financial products, agency sales of securities investment funds, provision of intermediate introduction business for futures companies, securities proprietary business, etc.	4,700,000,000.00	13,995,382,145.39	6,051,694,429.64	279,698,993.20
Shenwan Hongyuan Financing Services Co., Ltd.	Wholly-owned subsidiary	Securities underwriting and sponsoring (other than underwriting business of treasury bonds, debt financing instruments of non-financial enterprises, financial bonds of policy banks and corporate bonds), financial advisory related to securities transactions and securities investment activities	1,000,000,000.00	1,905,842,868.32	1,581,427,448.74	74,696,754.36
SWS Research Co., Ltd.	Controlling subsidiary	Investment consulting business	20,000,000	71,430,668.67	40,758,860.29	-37,881,056.85
Shenwan Futures Co., Ltd.	Controlling subsidiary	Commodity futures brokerage, financial futures brokerage, futures investment consulting service and assets management	1,119,371,400	17,003,361,326.33	2,637,927,290.69	71,916,647.09
SWS MU Fund Management Co., Ltd.	Controlling subsidiary	Fund management	150,000,000	1,075,763,629.70	926,655,965.30	46,724,768.30

(II) Investees

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	Publicly offered securities investment fund management, fund sales, assets management, etc.	520,000,000	5,849,431,883.77	4,206,625,276.47	628,484,848.95
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	1,662,241,490.54	1,630,691,794.86	(131,089.31)

Section IV Operation Discussion and Analysis (continued)

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

1. Acquisition and disposal of subsidiaries and branch companies during the Reporting Period.

During the Reporting Period, the Company established Xinjiang Shenhong New Energy Equity Investment Partnership (Limited Partnership) (新疆申宏新能源股權投資合夥企業(有限合夥)) with the paid-up capital of RMB19 million and the registered address in Urumqi. It is principally engaged in equity investment and investment consulting services.

During the Reporting Period, the Company did not dispose of any subsidiaries or acquire or dispose of any branch companies.

2. During the Reporting Period, Hongyuan Huifu, a subsidiary of the Company, withdrew from Hunan Development Shenhong Private Equity Fund Management Company (湖南發展申宏私募股權基金管理公司) by way of targeted capital reduction on April 24, 2020, and completed industrial and commercial registration of changes for the abovementioned capital reduction.

3. Acquisition and disposal of subsidiaries, branch companies and securities branches by Shenwan Hongyuan Securities, a subsidiary of the Company, during the Reporting Period:

- (1) During the Reporting Period, Shenwan Hongyuan Securities did not acquire or dispose of any subsidiaries.
- (2) During the Reporting Period, the establishment and cancellation of the branch companies and securities branches by Shenwan Hongyuan Securities are as follows:

During the Reporting Period, Shenwan Hongyuan Securities established 2 securities branches, i.e. Shenzhen Binhai Avenue Securities Branch (深圳濱海大道證券營業部) and Shenzhen Zhongxin Road Securities Branch (深圳中心路證券營業部). In addition, the establishment of 6 securities branches including two in Shenzhen City of Guangdong Province, one in Xuzhou City of Jiangsu Province, one in Weifang City of Shandong Province, one in Hetian City of Xinjiang Uygur Autonomous Region and one in Ganzhou City of Jiangxi Province has been approved by the Company and was in preparation.

During the Reporting Period, Shenwan Hongyuan Securities closed down 1 securities branch, i.e. Karamay Youyi Road South Securities Branch (克拉瑪依友誼路南證券營業部). Moreover, the cancellation of 8 securities branches, i.e. Sanmen Zhaohui Road Securities Branch (三門朝暉路證券營業部), Tongxiang Puyuan Town Gongmao Avenue Securities Branch (桐鄉濮院鎮工貿大道證券營業部), Fuyang Jiangbin West Avenue Securities Branch (富陽江濱西大道證券營業部), Guilin Zhongshan South Road Securities Branch (桂林中山南路證券營業部), Yulin Minzhu Middle Road Securities Branch (玉林民主中路證券營業部), Wuzhou Xidi Third Road Securities Branch (梧州西堤三路證券營業部), Songyuan Wulan Avenue Securities Branch (松原烏蘭大街證券營業部) and Korla Limin Road Securities Branch (庫爾勒利民路證券營業部), was in steady progress.

Section IV Operation Discussion and Analysis (continued)

VII. THE STRUCTURED ENTITIES UNDER CONTROL OF THE COMPANY

The Company manages or invests in a number of structured entities, mainly including funds, 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 extent of decision making and participation in establishing relevant 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 June 30, 2020 and December 31, 2019, the net assets of the consolidated asset management schemes are RMB26,565,576,990.52 and RMB20,542,690,874.88 respectively. As of June 30, 2020 and December 31, 2019, 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

Use of proceeds from issuance of H shares by the Company

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) (《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) 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 was HK\$9,088,746,465.99. The closing price of H Shares on the first listing day (i.e. April 26, 2019) was HK\$3.20 per share.

According to the H Share prospectus, 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, 2020, the use of proceeds raised by issuance of the H Shares is as follows: The balance of proceeds kept by the Company overseas after payment of issuance expenses amounted to HK\$119,692,121.87 and had not been used; the proceeds which were transferred to the PRC and for which exchange settlement had been made amounted to HK\$7,023,200,000.00, equivalent to RMB6,163,153,360.00, and had been used up; the proceeds which were transferred to the PRC and for which exchange settlement had not been made amounted to HK\$1,755,800,000.00, and the balance after adding interest income amounted to HK\$1,798,062,353.95 and had not been used. The use of proceeds under the Company's H Share proceeds plan was consistent with the disclosures in the prospectus during the Reporting Period, with no changes. 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. The plan on use of proceeds from offering of H Shares is set out in the table below:

Section IV Operation Discussion and Analysis (continued)

Use	Amount used as at June 30, 2020 (RMB100 million)	Balance as at June 30, 2020 (RMB100 million)	Expected time for use of the remaining proceeds from the initial public offering	Business developed
(1) Securities business:				
(i) development of enterprise finance business to satisfy the financing needs of M&A clients, and to provide one-stop investment banking service solutions for enterprise clients	4.00	0.00	—	Mainly used for investment banking business
(ii) development of personal finance business to satisfy the increasing wealth management needs of clients	20.00	0.00	—	Mainly used for credit business, institutional business, wealth management, etc.
(iii) development of institutional services and trading business to satisfy the comprehensive financial services needs of clients	10.00	0.00	—	Mainly used for securities investment business, financial derivatives business, etc.
(iv) development of investment management business to continuously improve market brand	4.00	0.00	—	Mainly used for asset management business
(v) increase in investment in financial technology to develop data mining, improve client experience, strengthen risk control and enhance operation efficiency	2.00	0.00	—	Mainly used for fintech business
(2) Principal investments				
(i) focusing on debt investment to satisfy the financing needs of high-quality corporate clients and support the transformation and development of the economy	4.40	0.00	—	Mainly used to carry out debt investment business
(ii) making direct equity investment, investing in third-party private equity funds as limited partners and injecting capital into our investment subsidiaries	17.53	0.00	—	Mainly used for direct equity investment and third-party private equity business

Section IV Operation Discussion and Analysis (continued)

Use	Amount used	Balance as at	Expected time	Business developed
	as at June 30, 2020 (RMB100 million)	June 30, 2020 (RMB100 million)	for use of the remaining proceeds from the initial public offering	
(3) Development of international businesses				
(i) providing capital for our overseas subsidiaries	— ^{Note 1}	— ^{Note 1}	Relevant approval procedures are in progress	Mainly used for development of international businesses
(ii) forming cross-border funds, cooperating with overseas institutions to develop cross border investment management business, creating cross-border products and allocate proprietary cross-border products, etc.				
Total	61.93^{Note 2}	—		

Notes: 1 The balance of HK\$1,798 million is used for further development of international businesses, and Shenwan Hongyuan Securities proposes to make a capital increase to Shenwan Hongyuan (International) Holdings Limited, which is subject to approval.

2. The used amount and balance include principal and interests.

IX. ESTIMATION OF OPERATING RESULTS FOR THE PERIOD FROM JANUARY TO SEPTEMBER 2020

At present, Shenwan Hongyuan Group 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

In the first half of 2020, the Company proactively responded to various risks. According to the analysis on the macroeconomic situation, industry development trend, regulatory environment, impact of COVID-19 and the Company's own conditions, the Company's major risk factors are mainly policy risk, legal compliance risk, market risk, credit risk, liquidity risk, operational risk, risk of innovative businesses and exchange rate risk.

(I) Policy risk

The Company's overall operations and development of businesses are greatly affected by external policies. On the one hand, changes in national macro policies and interest rate policies will affect the trend of the securities market, which will lead a direct and important influences on the operations and business development of securities operating institutions; on the other hand, securities regulatory authorities have adopted a series of regulatory policies to encourage securities operating institutions to make value investments, strictly control high-risk businesses, strengthen the standardization and normalization of the

Section IV Operation Discussion and Analysis (continued)

working paper of investment banking business, implement consolidated management of industry risk control indicators, and increase measurement indicators for classified evaluation of risk management, etc., and promote securities operating institutions to make every effort to improve their overall risk management level.

Prevention and resolution of major financial risks is the primary task of economic work at present and for a period of time in the future. The influence of various Party and government policies, national policies, and new regulations on the prevention and control of risks in the financial sector is continuous and far-reaching. In this regard, the Company has taken and intends to take various measures, including but not limited to: 1. strengthening the analysis and research on macro policies, interest rates, etc., taking the initiative to take response measures, and adjusting risk control policies and business strategies in a timely manner. 2. paying close attention to regulatory policies and industry trends, strengthening communication and contact with regulatory authorities, keeping abreast of regulatory priorities and trends in a timely manner and taking the same as the focus for optimising the risk management system.

(II) Legal compliance risk

The Company generally has a low tolerance for legal compliance risk. In the first half of 2020, the Company, on the one hand, conscientiously implemented various new regulatory requirements including the new Securities Law, improved the legal compliance management system, and strengthened the construction of a legal compliance personnel team and the compliance culture; on the other hand, the Company continued to strengthen 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.

With the continuous introduction of regulatory policies and the continuous changes in the market environment, legal compliance management work will face greater challenges. In this regard, the Company has taken and intends to take various measures, including but not limited to: strictly implementing new regulatory requirements including the new Securities Law and supporting rules; further strengthening compliance inspections and risk prevention in key areas including investment banking, bonds and asset management, paying close attention to anti-money laundering work; strengthening employee behavior management and standardizing employee practices; improving the construction of legal compliance personnel team and compliance propaganda and training; and properly responding to and dealing with complaints and disputes, etc.

(III) 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.

For market risks, the Company has established a multi-layer risk control index system of “risk appetite-risk tolerance-risk limit”. 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. The Company’s risk management department measures and monitors market risk limit-related indicators on a daily basis, and conducts a comprehensive assessment of the Company’s overall market risk. The Company uses methods including VaR and stress testing to analyse and assess market risks and regularly tests the effectiveness of the VaR model. During the Reporting Period, all investment businesses had good performance. At the end of the Reporting Period, the VaR (95% for one day) of the proprietary investment business of Shenwan Hongyuan Securities was RMB206 million.

Section IV Operation Discussion and Analysis (continued)

The current global spread of COVID-19 has not diminished, and the huge impact of the epidemic on the global capital market may continue. The internal and external situations are complex and changeable. Therefore, the Company's market risk management will still face greater challenges. In this regard, the Company has taken and intends to take various measures including: 1. keeping a close eye on the evolution of the epidemic, strengthening the follow-up analysis and research and judgment on the macroeconomic situation and market environment, intensifying the research on the risk characteristics and future change trends of large-scale assets, and making timely and proactive responses; 2. formulating a clear 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; 3. 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; 4. conducting dynamic monitoring and graded pre-warning of risk control indicators and taking effective countermeasures on a timely basis; 5. 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; 6. prior to the launch of major investment projects, strictly carrying out the project feasibility analysis, and having the risk control department issue risk assessment reports independently.

(IV) 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 pledged repurchase business), fixed-income proprietary business, OTC derivatives trading business and non-standard investment.

For credit risk, the Company has established an internal rating management mechanism to unify the internal rating model and rating process at the company level; continuously improved the same customer management and control mechanism, and implementing the same customer concentration and quota management with the actual controller as the main entity; established the same business management and control mechanism to unify the risk control standards for similar businesses carried out by different units, and to realize unified monitoring through the system; established company-level negative lists of counterparties and commercial bank access list management mechanism to strengthen credit risk monitoring; and established a classified management mechanism for project risk levels to adopt differentiated post-investment management measures for projects with different risk levels. The above risk control measures and mechanisms continuously reinforced credit risk management. For specific businesses:

Financing business: Shenwan Hongyuan Securities actively adjusted and scaled back its stock pledged business. The scale as at the end of June 2020 dropped by 33.69% as compared with the end of 2019. The credit risk exposure was contracted. As a result, the main regulatory indicators and tolerance indicators of our financing business satisfied the prescribed standards.

Fixed-income proprietary business: The Company 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 controlled trading counterparties' credit risk exposure through implementation of qualification screening of counterparties, strict access standards, establishment of deposit mechanism, and other measures.

Section IV Operation Discussion and Analysis (continued)

Non-standard investment business: The Company proactively obtained first-hand information through earnest project due diligence, well conducted material review and data calculation, carefully evaluated various risk factors in strict accordance with project grading and evaluation mechanism, and strictly adopted access standards and other measures to prevent credit default risks.

Due to the continued impact of COVID-19, it is expected that the downward pressure on the economy will increase, the credit environment will further deteriorate, and the credit risk will continue to accumulate and be exposed. In this regard, the countermeasures taken and to be taken by the Company include: 1. establishing the Company's internal rating system to achieve comprehensive coverage of domestic and overseas subsidiaries and unified rating and application within the Group. 2. implementing the unified same customer management and control mechanism for the entire group with the actual controller as the main entity. 3. monitoring negative market sentiment information across the market and applying the monitoring results to credit risk management practices such as updating of rating results, adjustment of credit lines, and restrictions on access to negative list. 4. further strengthening refined management of financing business, improving the risk assessment and analysis of financing entities and collaterals, strengthening the project duration management, and continuously optimizing the credit risk management system and improving the capability of credit risk management and control; 5. 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. 6. 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. 7. strengthening the review and duration management of non-standard projects including asset securitization, closely tracking project status and taking countermeasures on a timely basis when identifying potential risks. 8. for the projects with credit default, 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.

(V) 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 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, two liquidity regulatory indicators of Shenwan Hongyuan Securities, namely the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), met the regulatory standards.

In the second half of 2020, the central bank's prudent monetary policy may be further implemented and for liquidity risk management, the Company will practically take countermeasures in accordance with macro policies and the economic situation. The countermeasures taken and to be taken by the Company include: 1. making comprehensive capital planning, maintaining sufficient liquidity reserve and steadily carrying out operating activities. 2. actively expanding the scope of cooperative financial institutions, improving liquidity management system and enhancing 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

Section IV Operation Discussion and Analysis (continued)

measure and deal with liquidity impact. 5. improving the Company's capabilities to report and handle liquidity risk emergency and respond to liquidity crisis by conducting liquidity risk emergency drills.

(VI) 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 personnel errors, system defects, imperfect procedures and external events. During the Reporting Period, certain operational risk events were triggered in the Company due to personnel errors, system defects and external events, 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 enhancement of review management, optimization of business processes, improvement of system defects and business training, to prevent the reoccurrence of similar risk incidents.

With the continuous increase in trading volume in the securities market, the official implementation of the registration system of the ChiNext Board, the continuous introduction of new regulatory policies and the increasing complexity of business models, 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. continuing to carry out operational risk assessment and further optimising key operational risk indicators, to continuously improve operational risk management level. 3. strengthening the analysis of the causes of operational risk events, and formulating the effective rectification plans and following up the implementation thereof to avoid the reoccurrence of risk events. 4. strengthening business knowledge training for employees and publicity of typical risk cases, to constantly improve their business capabilities and risk management awareness. 5. strengthening the risk assessment and 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.

(VII) Risk of innovative businesses

With the deepening of financial reforms and the continuous launch of financial innovation businesses, the risk of innovative businesses 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 this regard, the countermeasures taken and to be taken by the Company include: 1. the Company established relevant professional committees, 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. 2. 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 relevant committee. 3. The new businesses, new models, and new products of subsidiaries were included in the Company's hierarchical review and decision-making system. Based on the first-level evaluation of subsidiaries, the Company's risk management department will conduct a second-level evaluation and review. 4. 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.

Section IV Operation Discussion and Analysis (continued)

(VIII) Exchange rate risk

The Company has a subsidiary in Hong Kong which holds assets with Hong Kong dollars as the settlement currency and has a risk limit for foreign exchange exposure. At the end of the period, the proportion of net foreign currency risk exposure to total business exposure was low, therefore, the exchange rate risk that the Company faced was not great. In the future, with the advancement of the Company's international business layout and RMB internationalization, the Company will further strengthen the study on exchange rate, and take reasonable and effective measures to hedge and control exchange rate risks in a timely manner.

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

In the second half of 2020, in light of the uncertainty and complexity of the current domestic and international macroeconomic environment, the Company will fully understand the central government's judgment on the current economic situation and grasp the development opportunities brought about by the comprehensive reform of the capital market. Centering on the positioning of "holding belief and daring to take responsibility" for a state-owned financial enterprise, the Company will accelerate the improvement of the four-beam and eight-pillar top-level design, promote the integrated development of "investment + investment banking" with two drivers, and adhere to seeking improvement in stability, to achieve long-term balance of stable growth and risk prevention. First, at the political level, the Company will earnestly accomplish the three major financial tasks and solidly proceed with "six stabilisations" and "six guarantees", to promote the integration of politics and business; second, at the strategic level, the Company continue to improve the top-level design to promote the Company's long-term, robust, balanced and innovative development; thirdly, at the asset level, the Company will further expand and strengthen the balance sheet based on the changes in market conditions, and increase the layout of high-quality assets; fourth, at the business level, the Company will hold fast to the fundamentals for business lines and proactively seize the businesses to embrace trends and grasp the development initiative; fifth, at the management level, the reform measures will be implemented steadily to stimulate the vitality of organization and the creativity of team, to achieve early results through early implementation; sixth, at the level of risk control, the Company will strictly prevent financial risks to ensure the Company's stable and long-term development.

Section V Significant Events

I. CORPORATE GOVERNANCE

As an “A+H” listed company, the Company continuously adheres to standard operation as its value. It has continuously improved 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, 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, pursuant to the Securities Law amended and adopted at the 15th session of the Standing Committee of the 13th National People’s Congress, the requirements under the Official Reply of the State Council regarding Adjusting the Application of Provisions to Matters Including the Notice Period for Convention of Shareholders’ Meeting by Overseas Listed Companies (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) and the actual situation of the Company, the Company amended relevant sections of the Articles of Association and the Rules of Procedure for the General Meeting. 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

On June 23, 2020, the Company convened the annual general meeting of 2019 to consider and approve the following resolutions:

1. The Resolution Regarding Consideration of the 2019 Work Report of the Board of Directors of the Company;
2. The Resolution Regarding Consideration of the 2019 Work Report of the Board of Supervisors of the Company;
3. The Resolution Regarding Consideration of the 2019 Annual Financial Report of the Company;
4. The Resolution Regarding the 2019 Profit Distribution Plan of the Company;
5. The Resolution Regarding Consideration of the 2019 Annual Report of the Company;
6. The Resolution Regarding the Estimated Ordinary Related Party Transactions for 2020 (voted item by item), in consideration of the resolution in relation to related party transactions, the shareholders who were interested in these related party transactions shall abstained from voting on the related matters in the resolution respectively;

Section V Significant Events (continued)

7. The Resolution Regarding the Proposed Amendments to the Annual Caps of Continuing Connected Transactions of the Company for 2020 and 2021, in consideration of the resolution in relation to related party/connected transactions, Central Huijin and JIC abstained from voting thereon;
8. The Resolution Regarding the Re-appointment of Auditors of the Company for 2020;
9. The Resolution Regarding the Election of Directors of the Company (Mr. Xu Zhibin, Mr. Zhang Yigang)
10. The Resolution Regarding the Amendments to the Articles of Association of Shenwan Hongyuan Group Co., Ltd.;
11. The Resolution Regarding the Amendments to the Rules of Procedure of the General Meeting of Shenwan Hongyuan Group Co., Ltd.;

At the meeting, the work report of independent directors was debriefed.

For details of the resolutions considered at the meeting, please refer to the announcements published by the Company on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website (www.cninfo.com.cn) on June 3, 2020 and June 24, 2020 and on the website of HKExnews (www.hkexnews.hk) on June 2, 2020 and June 23, 2020.

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

There is no undertaking that was accomplished during the Reporting Period or 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.

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

Section V Significant Events (continued)

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 a contract dispute raised by Hongyuan Huifu against Pang Pengyuan, etc.

In April 2011, 8 shareholders including Hongyuan Huifu, Luzheng Venture Capital Co., Ltd. (“Luzheng Venture Capital”) and Pang Pengyuan, and Shandong Swan Water Engineering Co., Ltd. (“Shandong Swan”) entered into the Agreement on Capital Increase in Shandong Swan Water Engineering Co. Ltd., pursuant to which Hongyuan Huifu and Luzheng Venture Capital, as strategic investors, shall subscribe capital increase in cash for this round. Upon the capital increase, the ratio of contribution by Hongyuan Huifu to Shandong Swan was 6.5%. In the same month, Hongyuan Huifu, Pang Pengyuan and Shandong Swan entered into the Supplemental Agreement to the Agreement on Capital Increase in Shandong Swan Water Engineering Co., Ltd. (the “Supplemental Agreement”), under which they reached a consensus on the performance commitments of Shandong Swan for 2011 and 2012 and the completion of IPO review for Shandong Swan prior to December 31, 2013. Subsequently, Shandong Swan actually failed to meet the financial indicators stipulated in the Supplemental Agreement and also failed to pass the IPO review within the stipulated time limit. In order to protect the legitimate rights and interests of the company, in January 2020, Hongyuan Huifu filed a lawsuit against Pang Pengyuan and Shandong Swan with the Intermediate People’s Court of Jinan City, Shandong Province, requesting an order that: (1) Pang Pengyuan and Shandong Swan jointly pay RMB8.75 million as performance compensation for 2011 and interest at an annual rate of 10% for the period from January 1, 2013 to the actual payment date; (2) Shandong Swan pay RMB10 million as performance compensation for 2012; (3) Hongyuan Huifu enjoy the priority to be compensated for the proceeds from the auction and sale of the shares of Shandong Swan in an amount of RMB7.07 million as pledged by Pang Pengyuan; (4) Pang Yuanpeng repurchase the 6.5% equity interest of Shandong Swan as held by Hongyuan Huifu at an aggregate consideration of RMB72.46 million as of December 31, 2019; (5) Shandong Swan bear joint and several guarantee for the request under clause 4; (6) The litigation costs be borne by Pang Pengyuan and Shandong Swan.

The case was heard in mid-April 2020, and as of the end of the Reporting Period, no judgment has been made yet.

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

1. The case of the dispute over pledged securities repurchase raised by Shenwan Hongyuan Securities against Weng Wuyou, Lin Yongfei and Weng Yayun

Shenwan Hongyuan Securities and Weng Wuyou entered into the Business Agreement on Pledged Securities Repurchase of the Shares of Shenwan Hongyuan Securities Co., Ltd. in June 2016 and the Agreement on Pledged Securities Repurchase of the Shares of Shenwan Hongyuan Securities Co., Ltd. in February 2018 (the “Agreements”), pursuant to which, the two parties would proceed pledged securities repurchase transaction with Shenwan Hongyuan Securities being the lender and Weng Wuyou being the borrower. Pursuant to the provisions of the Agreements, Weng Wuyou was financed by Shenwan Hongyuan Securities with an aggregate amount of RMB99 million with 12,000,000 shares of “Modern avenue” (stock code: 002656) held by Weng Wuyou as the subject of the pledge. Lin Yongfei and Shenwan Hongyuan Securities entered into the Guarantee Contract, pursuant to which Lin Yongfei shall bear joint and several liability for all debts under the Agreements. In addition, Shenwan Hongyuan Securities also entered into the Share Pledge Guarantee Contract with Weng Wuyou and Lin Yongfei, pursuant to which the company shall be the pledgee and Lin Yongfei shall bear the guarantee responsibility for the debts of Weng Wuyou under the Agreements with 18,800,000 shares of “Modern avenue” held by Lin Yongfei as the subject of the pledge. As Lin Yongfei’s spouse, Weng Yayun issued a Spouse Informed Consent Letter to Shenwan Hongyuan Securities, pursuant to which Weng Yayun agreed in writing to the Guarantee Contract signed by Lin Yongfei and confirmed Lin Yongfei’s guarantee obligations relates to all his properties. In December 2018, Weng Wuyou failed to pay the corresponding interests as stipulated in the contract, and failed to conduct the repurchase as agreed, and Lin Yongfei also failed to assume the corresponding guarantee liability as stipulated in the contract. In order to protect its legitimate rights and interests, Shenwan Hongyuan Securities filed a lawsuit with the Shanghai Financial Court. On March 25, 2020, the Shanghai Financial Court issued a notice of acceptance.

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

2. The case of the dispute over the pledged securities repurchase raised by Shenwan Hongyuan Securities against Shen Peijin and Zhu Lijing

In April 2017, Shenwan Hongyuan Securities and Shen Peijin entered into the Business Agreement on Pledged Securities Repurchase of the Shares of Shenwan Hongyuan Securities Co., Ltd. and the Agreement on Pledged Securities Repurchase of the Shares of Shenwan Hongyuan Securities Co., Ltd. (the “Agreements”), pursuant to which, the two parties would proceed pledged securities repurchase transaction with Shenwan Hongyuan Securities being the lender and Shen Peijin being the borrower. Pursuant to the provisions of the Agreements, Shen Peijin was financed by Shenwan Hongyuan Securities with an amount of RMB700 million with 174,650,000 shares of “Shenghua Biok” (stock code: 600226.SH, subsequently renamed as “Hugeleaf”) held by Shen Peijin as the subject of the pledge. As the spouse of Shen Peijin, Zhu Lijing issued a Spouse Consent Letter to Shenwan Hongyuan Securities, and promised to jointly bear the pledge financing liabilities and all legal liabilities arising therefrom with

Section V Significant Events (continued)

Shen Peijin. Subsequently, Shen Peijin repaid part of the principal in an amount of RMB5 million to Shenwan Hongyuan Securities in advance, and additionally pledged 15,666,251 shares of “Hugeleaf”. Therefore, upon the conversion into share capital, Shen Peijin pledged a total of 333,529,251 shares of “Hugeleaf” to Shenwan Hongyuan Securities. On October 17, 2018, the performance guarantee ratio of Shen Peijin fell below the agreed minimum performance guarantee ratio. Shen Peijin failed to lift the performance guarantee ratio to above the threshold value or take other performance guarantee measures, which constituted a breach of contract under the Agreements, and Shen Peijin shall bear corresponding liabilities for breach of contract in accordance with the Agreements.

In order to protect its legitimate rights and interests, Shenwan Hongyuan Securities filed a lawsuit with the Shanghai Financial Court. On April 28, 2020, the Shanghai Financial Court issued a notice of acceptance.

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

(IV) The latest development of the historical cases of Shenwan Hongyuan Securities, a subsidiary of the Company, and its subsidiaries during the Reporting Period

1. 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. (“Shenyin & Wanguo Zhifu”) entered into two Entrusted Procurement Agreements on December 30, 2014 and January 12, 2015, pursuant to which, Shanghai Zhuxin Industrial Co., Ltd. entrusted Shenyin & Wanguo Zhifu 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 had performed the obligation to transfer the title of goods according to the agreements. In August 2018, Shenyin & Wanguo Zhifu received a complaint and a subpoena from the court, in which Shanghai Zhuxin Industrial Co., Ltd. demanded Shenyin & Wanguo Zhifu to deliver 30,000 tons of coke and assume the relevant default liability. On June 14, 2019, Shenyin & Wanguo Zhifu 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 had already appealed to Shanghai No. 1 Intermediate People’s Court on June 27, 2019.

On April 13, 2020, Shenyin & Wanguo Zhifu received a civil ruling issued by Shanghai No. 1 Intermediate People’s Court on April 8, 2020, as follows: (1) the Civil Judgment ((2018) Hu 0115 Min Chu No. 48851) issued by the People’s Court of Pudong New District of Shanghai be revoked; (2) the case be sent back to the People’s Court of Pudong New District of Shanghai for retrial.

As of the end of the Reporting Period, no effective judgment has been received for this case.

2. The case of the dispute over the housing demolition and relocation compensation agreement raised by Shenwan Hongyuan Securities against Dalian Deta Holding Co., Ltd.

On January 25, 2008, the Dalian Jinma Road Securities Branch of Shenwan Hongyuan Securities (“Jinma Road Securities Branch”) and Dalian Deta Holding Co., Ltd. (“Dalian Deta”) entered into a housing demolition and relocation compensation agreement, pursuant to which Dalian Deta, as the demolisher, conducted demolition and resettlement for the houses on 1–7 floors located at No. 178 Jinma Road, Dalian Development Zone, owned by Jinma Road Securities Branch, and both parties agreed on the standards for Dalian Deta to arrange resettlement housing for Jinma Road Securities Branch. Meanwhile, Dalian Deta undertook to deliver the resettlement housing to Jinma Road Securities Branch for use by June 30, 2010. Subsequently, Dalian Deta has been unable to provide houses to Jinma Road Securities Branch as scheduled. On October 17, 2014, Dalian Deta notified Jinma Road Securities Branch to proceed with the delivery of resettlement housing. After the inspection of the resettlement housing by Jinma Road Securities Branch, it was found that the resettlement housing provided by Dalian Deta was seriously inconsistent with the relocation plan under the housing demolition and relocation compensation agreement, and there were major flaws in the various settings, which could not satisfy Jinma Road Securities Branch’s requirements on houses for the purposes of securities branch. Jinma Road Securities Branch has repeatedly communicated with Dalian Deta on resettlement to find a solution, but Dalian Deta failed to provide any reasonable solution.

On October 8, 2019, Jinma Road Securities Branch filed a lawsuit against Dalian Deta with the Intermediate People’s Court of Dalian City and applied for property preservation, under which, it requested: (1) Dalian Deta re-provide Jinma Road Securities Branch with a house with an area of 5,000 square meters and in line with the house type in the graphic design as agreed in the Compensation Agreement for the Demolition and Resettlement of Huaqing Building; (2) If Dalian Deta is unable to proceed with the resettlement, the Compensation Agreement for the Demolition and Resettlement of Huaqing Building and the Supplemental Agreement to the Compensation Agreement for the Demolition and Resettlement of Huaqing Building entered into between both parties on January 25, 2008 be cancelled according to law, and the defendant pay economic loss of RMB53.4659 million (temporarily calculated at RMB10,652 per square meter, the specific unit price is determined based on the valuation results of the resettlement housing); (3) Dalian Deta pay liquidated damages of RMB26,732.95 (tentative amount, determined based on the valuation results of the resettlement housing); (4) Dalian Deta pay rent loss of RMB2,974,750 (from July 1, 2014 to the actual delivery of the housing, based on the standard of RMB0.59495 million per year, temporarily calculated until July 1, 2019); (5) the litigation fee, evaluation cost in connection with this case and other fees be borne by Dalian Deta.

As of the end of the Reporting Period, this case has not yet been judged.

Section V Significant Events (continued)

3. The case of the dispute over the pledged securities repurchase raised by Shenwan Hongyuan Securities against Cai Xiaoru

In June 2017, Shenwan Hongyuan Securities and Cai Xiaoru entered into the Business Agreement on Pledged Securities Repurchase of the Shares of Shenwan Hongyuan Securities Co., Ltd. and the Agreement on Pledged Securities Repurchase of the Shares of Shenwan Hongyuan Securities Co., Ltd. (the “Agreements”), pursuant to which, the two parties would proceed pledged securities repurchase transaction with Shenwan Hongyuan Securities being the lender and Cai Xiaoru being the borrower. Pursuant to the provisions of the Agreements, the respondent was financed by Shenwan Hongyuan Securities with an amount of RMB91.5 million with 18,270,000 shares of “Tatwah Smartech” (listed on the Shenzhen Stock Exchange with the stock code of 002512) held by Cai Xiaoru as the subject of the pledge. Subsequently, Cai Xiaoru partially repurchased a total of RMB15.8 million and replenished the pledge with a total of 35,050,000 shares of “Tatwah Smartech”. After the partial release of the pledge, Shenwan Hongyuan Securities was still entitled to the right of pledge for the 53,319,997 shares of “Tatwah Smartech” according to law. Cai Xiaoru’s failure to fully complete the repurchase on January 25, 2019 in accordance with the Agreements constituted a breach of contract and shall bear corresponding liabilities for breach of contract in accordance with the Agreements.

In August 2019, Shenwan Hongyuan Securities filed a request for arbitration with Guangzhou Arbitration Commission, requesting the respondent to bear the default liability. The principal of the subject matter under this litigation was RMB75.7 million. In October 2019, the Guangzhou Arbitration Commission made a ruling as follows: (1) Cai Xiaoru shall return Shenwan Hongyuan Securities’ financing principal of RMB75.7 million and pay the corresponding interests and liquidated damages; (2) Cai Xiaoru shall compensate the company’s attorney fee of RMB0.49 million; (3) Shenwan Hongyuan Securities shall enjoy a preferential right to receive compensation with the proceeds from the discount or auction of the 53,319,997 shares of Tatwah Smartech or sales of the pledged shares within the scope of the creditor’s rights as determined in rulings (1) and (2); (4) The arbitration fee of RMB580,315 of this case shall be borne by Cai Xiaoru. The arbitral award is final and effective from the date on which it is made. Shenwan Hongyuan Securities has applied to the court for enforcement.

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

4. The case of the dispute over the pledged securities repurchase raised by Shenwan Hongyuan Securities against CITIC Guoan Group Corporation

In April 2018, Shenwan Hongyuan Securities and CITIC Guoan Group Corporation (“CITIC Guoan”) entered into the Business Agreement on Pledged Securities Repurchase of the Shares of Shenwan Hongyuan Securities Co., Ltd. From April to October 2018, both parties entered into a total of 5 Agreements on Pledged Securities Repurchase of the Shares of Shenwan Hongyuan Securities Co., Ltd. (the “Agreements”), pursuant to which, the two parties would proceed pledged securities repurchase transaction with Shenwan Hongyuan Securities being the lender and CITIC Guoan being the borrower. Pursuant to the provisions of the Agreements, CITIC Guoan was financed by Shenwan Hongyuan Securities with an aggregate amount of RMB460 million with 143,050,000 shares of “CITIC Guoan Wine” (listed on the Shanghai Stock Exchange with the stock code of 600084) held by CITIC Guoan as the subject of the pledge. Subsequently, CITIC Guoan further pledged 72,400,000 shares

Section V Significant Events (continued)

of CITIC Guoan Wine in total to Shenwan Hongyuan Securities. On October 18, 2018, as the closing price of the shares of “CITIC Guoan Wine” dropped to RMB3 per share, the performance guarantee ratio under the Agreements fell below the agreed minimum performance guarantee ratio. CITIC Guoan failed to lift the performance guarantee ratio to above the agreed value and to pay the due interest in full and the pledged shares were judicially frozen, which constituted a breach of contract under the Agreements, and CITIC Guoan shall bear corresponding liabilities for breach of contract in accordance with the Agreements. On December 11, 2019, Shenwan Hongyuan Securities filed a lawsuit with Shanghai Financial Court and the case was accepted. On January 7, 2020, the case was handed over to the Third Intermediate People’s Court of Beijing for trial.

As of the end of the Reporting Period, this case has not yet been judged.

5. The case of the dispute over the pledged securities repurchase raised by Shenwan Hongyuan Securities against CITIC Guoan Investment Co., Ltd. and CITIC Guoan Group Corporation

In March 2018, Shenwan Hongyuan Securities and CITIC Guoan Investment Co., Ltd. (“Guoan Investment”) entered into the Business Agreement on Pledged Securities Repurchase of the Shares of Shenwan Hongyuan Securities Co., Ltd. and the Agreement on Pledged Securities Repurchase of the Shares of Shenwan Hongyuan Securities Co., Ltd. (the “Agreements”), pursuant to which, the two parties would proceed pledged securities repurchase transaction with Shenwan Hongyuan Securities being the lender and Guoan Investment being the borrower. Pursuant to the provisions of the Agreements, Guoan Investment was financed by Shenwan Hongyuan Securities with an aggregate amount of RMB400 million with 125,523,000 shares of “CITIC Guoan Wine” (listed on the Shanghai Stock Exchange with the stock code of 600084) held by Guoan Investment as the subject of the pledge. On March 13, 2018, CITIC Guoan Group Corporation (“CITIC Guoan”) entered into the Guarantee Contract with Shenwan Hongyuan Securities and CITIC Guoan assumed joint and several liability for all debts under the Agreements. On October 11, 2018, as the closing price of the shares of “CITIC Guoan Wine” dropped to RMB3.5 per share, the performance guarantee ratio under the Agreements fell below the agreed minimum performance guarantee ratio. Guoan Investment failed to lift the performance guarantee ratio to above the agreed value and to pay the due interest in full and the pledged shares were judicially frozen, which constituted a breach of contract under the Agreements, and Guoan Investment shall bear corresponding liabilities for breach of contract in accordance with the Agreements. CITIC Guoan also failed to assume corresponding guarantee obligations as agreed in the contract. On December 11, 2019, Shenwan Hongyuan Securities filed a lawsuit with the Shanghai Financial Court and the case was accepted. On January 7, 2020, the case was handed over to the Third Intermediate People’s Court of Beijing for trial.

As of the end of the Reporting Period, this case has not yet been judged.

6. The case of the dispute over pledged securities repurchase raised by Shenwan Hongyuan Securities against Peng Peng and Wei Yueping

From August to September 2016, Shenwan Hongyuan Securities entered into a pledged securities repurchase agreement with Peng Peng, pursuant to which, the two parties would proceed with stock-pledged repurchase transaction with Shenwan Hongyuan Securities and Peng Peng as the lender and borrower, respectively. Pursuant to the provisions of the agreement, Peng Peng was financed by

Section V Significant Events (continued)

Shenwan Hongyuan Securities 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 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 Shenwan Hongyuan Securities with supplemental pledges of a total of 5,000,000 shares of “OTMC”. After the release of the pledge of part of the shares, Shenwan Hongyuan Securities 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 performance guarantee ratios of two transactions under the agreement to be lower than the agreed lowest performance guarantee ratios. Besides, Peng Peng and Wei Yueping failed to perform the obligation of raising the performance guarantee ratios above the minimum level, and they also failed to pay the interest due in full as scheduled, which constituted an event of default. Shenwan Hongyuan Securities 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. Shenwan Hongyuan Securities 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 defendant Peng Peng whether to discount the 30,999,990 pledged shares of “OTMC”, 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. The company has applied to the court for enforcement.

In July 2020, the Company received the ruling on termination of execution from the court.

7. The case of the dispute over trust loan default raised by Shenyin & Wanguo Alternative Investment 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 Construction and Development”). 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

Section V Significant Events (continued)

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 to Zhongke Construction and Development, 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.

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 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 accounts receivables, and entitled to be indemnified in priority by the accounts 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, 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 trial of the first instance of this case has commenced, and the judgment of the first instance has not yet been received.

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.

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.

Section V Significant Events (continued)

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

During the Reporting Period, the Company carried out ordinary party related transactions in strict accordance with the Resolution Regarding the Estimated Ordinary Related Party Transactions for 2020 as considered and approved at the 2019 annual general meeting. The implementation is as follows:

Unit: RMB'0,000

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2020	Proportion in Similar Businesses
Securities and financial services	China Jianyin Investment Ltd. and its subsidiaries	Income from provision of securities and financial services to the related party including securities brokerage, investment banking, asset management, agency sale and leasing trading units	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	1,349.44	0.004%
		Expenses incurred by acceptance of securities and financial services provided by the related party including fund management			101.79	100%
	Shanghai Jiushi (Group) Co., Ltd.	Income from provision of securities and financial services to the related party including securities brokerage service	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	31.83	0.012%

Section V Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2020	Proportion in Similar Businesses
	China Everbright Bank Company Limited	Income from securities and financial services including deposit interest, provision of asset management and agency sale to the related party	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	1,040.32	0.609%
		Expenses incurred by acceptance of securities and financial services provided by the related party including asset trusteeship, financial advisory and funds trusteeship			217.42	1.683%
	Shanghai International Trust Co., Ltd.	Income from provision of securities and financial services to the related party including consulting services and investment banking services	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	61.88	0.377%
	SAIC Finance Corporation Limited	Income from provision of securities and financial services to the related party including securities brokerage and asset management	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	143.39	0.048%

Section V Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2020	Proportion in Similar Businesses
	SAIC-GMAC Automotive Finance Co., Ltd.	Income from provision of securities and financial services to the related party including investment banking services	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	582.00	1.957%
	ICBC Credit Suisse Asset Management Co., Ltd.	Income from provision of securities and financial services to the related party including leasing trading units and agency sale	Determined after arm's length negotiations with reference to the market rates	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	1,327.47	3.532%
	Sichuan Development Holding Co., Ltd.	Income from provision of securities and financial services to the related party including investment banking services and training	Determined after arm's length negotiations with reference to the market prices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	108.99	0.366%
	Sichuan Financial Holding Group Co., Ltd.	Income from provision of securities and financial services to the related party including investment banking and training	Determined after arm's length negotiations with reference to the market prices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	0.00	

Section V Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2020	Proportion in Similar Businesses
	Bank of Shanghai Co., Ltd.	Income from securities and financial services including deposit interest, provision of asset management and agency sale to the related party	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	3,589.09	3.078%
		Expenses incurred by securities and financial services provided by the related party including asset trusteeship, financial advisory and funds trusteeship			60.31	0.467%
	DBS Bank (China) Limited	Income from securities and financial services including deposit interest, provision of asset management and agency sale to the related party	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	520.24	0.446%
	Other related parties of the Company except those listed above	Income or expenses in relation to mutual provision of securities and financial services with the related party	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	0.00	

Section V Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2020	Proportion in Similar Businesses
Securities and financial products and transactions	China Jianyin Investment Ltd.	Total cash inflow from securities and financial products transactions including repurchase transaction, bonds trading with the related party, and subscription of financial products under non-public issuance or management of the Company and its subsidiaries by the related party	Determined after arm's length negotiations by both parties with reference to the market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0.00	
		Total cash outflow for securities and financial products including interests of repurchase transaction, bonds trading with the related party, and subscription of financial products under non-public issuance or management of the related party			20,000.00	0.053%

Section V Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2020	Proportion in Similar Businesses
	Shanghai Jiushi (Group) Co., Ltd.	Total cash inflow from securities and financial products transactions including subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to the market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0.00	
		Total cash outflow for securities and financial products transactions including subscription of securities and financial products under non-public issuance of the related party			0.00	
	China Everbright Bank Company Limited	Total cash inflow from securities and financial products transactions including receipt of interests on repurchase transaction and interbank lending, repurchase transaction, bonds trading, interbank lending, derivatives trading with the related party and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to the market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	9,204,664.43	1.474%

Section V Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2020	Proportion in Similar Businesses
		Total cash outflow for securities and financial products transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction, interbank lending, bonds trading, derivatives trading with the related party and subscription of financial products under non-public issuance or management of the related party			1,144,356.67	1.154%
	Shanghai International Trust Co., Ltd.	Total cash inflow from securities and financial products transactions including interests on repurchase transaction and interbank lending, repurchase transaction, bonds trading, interbank lending, derivatives trading with the related party, and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to the market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	2,944,057.05	0.549%

Section V Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2020	Proportion in Similar Businesses
		Total cash outflow for securities and financial products transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction, interbank lending, bonds trading, derivatives trading with the related party, and subscription of financial products under non-public issuance or management of the related party			24,182.23	0.038%
	DBS Bank (China) Limited	Total cash inflow from securities and financial products transactions including receipt of interests on repurchase transaction and interbank lending, repurchase transaction, bonds trading, interbank lending, derivatives trading with the related party, and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to the market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	13,042.94	1.009%

Section V Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2020	Proportion in Similar Businesses
		Total cash outflow for securities and financial products transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction, interbank lending, bonds trading, derivatives trading with the related party, and subscription of financial products under non-public issuance or management of the related party			36,981.73	0.042%
	ICBC Credit Suisse Asset Management Co., Ltd.	Total cash inflow from securities and financial products transactions including receipt of interests on repurchase transaction and interbank lending, repurchase transaction, bonds trading, interbank lending, derivatives trading with the related party, and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to the market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	506,488.76	0.690%

Section V Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2020	Proportion in Similar Businesses
		Total cash outflow for securities and financial products transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction, interbank lending, bonds trading, derivatives trading, with the related party and subscription of financial products under non-public issuance or management of the related party			128,172.71	0.172%
	Bank of Shanghai Co., Ltd.	Total cash inflow from securities and financial products transactions including receipt of interests on repurchase transaction and interbank lending, repurchase transaction, bonds trading, interbank lending, derivatives trading with the related party, and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to the market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	344,777.05	0.061%

Section V Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2020	Proportion in Similar Businesses
		Total cash outflow for securities and financial products transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction, interbank lending, bonds trading, derivatives trading with the related party, and subscription of financial products under non-public issuance or management of the related party			127,091.83	0.149%
	SAIC Finance Corporation Limited	Total cash inflow from securities and financial products transactions including receipt of interests on repurchase transaction and interbank lending, repurchase transaction, bonds trading, interbank lending, derivatives trading with the related party, and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to the market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	17,027.19	0.003%

Section V Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2020	Proportion in Similar Businesses
		Total cash outflow for securities and financial products transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction, interbank lending, bonds trading, derivatives trading with the related party, and subscription of financial products under non-public issuance or management of the related party			14.00	0.018%
	Other related parties of the Company except those listed above	Total cash inflow from securities and financial products transactions including receipt of interests on repurchase transaction and interbank lending, repurchase transaction, bonds trading, interbank lending, derivatives trading with the related party, and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to the market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0.00	

Section V Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2020	Proportion in Similar Businesses
		Total cash outflow for securities and financial products transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction, interbank lending, bonds trading, derivatives trading with the related party, and subscription of financial products under non-public issuance or management of the related party			0.00	
Lease	China Jianyin Investment Ltd.	Expenses incurred by the lease of house from the related party	Determined after arm's length negotiations by both parties with reference to market rentals	280	0.00	
Comprehensive services	China Jianyin Investment Ltd.	Expenses incurred by the services provided by the related party including maintenance of computer room	Determined after arm's length negotiations by both parties with reference to market prices	874.4	874.40	19.751%

(II) Related party transactions arising from acquisition or disposal of assets or equity interests

During the Reporting Period, the Company did not conduct any related party transaction in relation to acquisition or disposal of assets or equity interests.

Section V Significant Events (continued)

(III) Related party transactions in relation to joint external investment

During the Reporting Period, the Company did not conduct any related party transaction in relation to joint external investment.

(IV) Amounts due to or from related parties

During the Reporting Period, the Company did not have any amount due to or from related parties.

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 during the Reporting Period

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. (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 (Shanghai) Industrial Co., Ltd. (“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 annual general meeting of the Company.

According to resolutions of the Board of Directors 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. On November 25, 2019, the Company and Ping An Bank Co., Ltd. Shanghai Branch entered into the Maximum Guarantee Contract for comprehensive credit granting business of Hongyuan Hengli, to provide irrevocable joint liability guarantee of RMB100 million for Hongyuan Hengli. On May 11, 2020, the Company entered into the Guarantee Contract with Bank of Communications Co., Ltd. Shanghai Putuo Sub-branch for the comprehensive credit granting business of Hongyuan Hengli, to provide irrevocable joint liability guarantee of RMB100 million for Hongyuan Hengli. On May 13, 2020, the Company entered into the Maximum Guarantee Contract with Bank of Shanghai Co., Ltd. Luwan Sub-branch for the comprehensive credit granting business of Hongyuan Hengli, to provide irrevocable joint liability guarantee of RMB120 million for Hongyuan Hengli. On May 19, 2020, the Company entered into the Maximum Principal Guarantee Contract with Shanghai Second Sub-branch of China Construction Bank Corporation for the comprehensive credit granting business of Hongyuan Hengli, to provide irrevocable joint liability guarantee of RMB100 million for Hongyuan Hengli. On August 4, 2020, the Company entered into the Maximum Guarantee Contract with China Everbright Bank 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 announcements published by the Company on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website (www.cninfo.com.cn) on August 22, and November 27, 2019 and May 12, May 13, May 21, and August 6, 2020 and on the website of HKExnews (www.hkexnews.hk) on August 21, and November 26, 2019 and May 11, May 12, May 20, and August 5, 2020)

Section V Significant Events (continued)

(III) Entrusted wealth management

During the Reporting Period, the Company did not have entrusted wealth management accumulated from previous periods or occurred during the Reporting Period.

(IV) Other material contracts

Pursuant to the requirements on connected transactions under Chapter 14A of the Listing Rules, on March 29, 2019, the Company and JIC entered into the Securities and Financial Products, Transactions and Services Framework Agreement (the “Framework Agreement”) for a term commencing from the listing date of H Shares to December 31, 2021. Pursuant to the Framework Agreement, the Company and JIC and/or their respective associates agreed to conduct securities and financial transactions with one another, and provide securities and financial products and services to one another, in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates. The Framework Agreement is in performance. The Resolution Regarding the Proposed Amendments to the Annual Caps of Continuing Connected Transactions of the Company for 2020 and 2021 was considered and approved at the 2019 annual general meeting. For details of the amendments to the annual caps, please refer to the announcements disclosed by the Company on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website (www.cninfo.com.cn) on June 3, and June 24, 2020 and on the website of HKExnews (www.hkexnews.hk) on June 2, and June 23, 2020.

XII. SOCIAL RESPONSIBILITY

(I) Environmental protection

As a financial services institution, the Company’s business has no significant impact on the environment or natural resources, but the Company proactively makes its contributions to reducing global greenhouse gas emissions. The Company complies with important laws and regulations including the Environmental Protection Law of the People’s Republic of China, the Energy Conservation Law of the People’s Republic of China, the 13th Five-Year Plan for Comprehensive Energy Conservation and Emission Reduction issued by the State Council and requirements of national policies. Therefore, the Company continuously promotes and improves relevant measures for green operation and adopts a number of means to implement energy conservation and emission reduction.

1. Green operation

The Company proactively promotes the concept of green office, and implements a variety of environmental protection measures, including saving electricity for lighting, prohibiting private power connection and changing electricity circuits, energy-saving setting for air-conditioning temperature in public areas, saving water in toilets, prohibiting private use of official cars, and promoting paperless office, etc.

(1) Saving office paper

The Company requires to set the default setting for personal computer network printing to black and white and duplex printing, encourages to use 70g printing paper, reuse single-sided printed paper and take other measures to save paper. Conference materials will no longer be printed and distributed for large-scale conferences including working conferences. Instead, electronic materials are used and can be received through tablet computers or mobile phones. Through the above measures, the Company’s paper usage has shown a downward trend.

Section V Significant Events (continued)

(2) *Promotion of video conferences*

The Company has established a telephone and video conference system covering headquarters and branches. In 2019, the Company held about 4,000 video conferences throughout the year and achieved a comprehensive intelligent conference system with access to multiple terminals including conference rooms, computer desktops, tablet computers and mobile phones, which minimized the number of on-site conferences to the greatest extent and reduced the consumption of traditional office supplies and carbon emissions from business travel.

(3) *Strengthened power management*

The Company requires the property management company to strengthen power management, including intensifying inspections, reducing the use of aisle lighting, and ensuring that employees turn off lights when leaving offices. Small household appliances are forbidden to be used without approval, and fewer large electric water heaters are used on each floor. To pay attention to energy saving setting of air conditioning temperature in public areas to effectively reduce the electricity consumption of office.

(4) *Sorting and recycling of garbage and hazardous waste*

The Company implements the local requirements on garbage sorting, strictly takes garbage sorting measures, and recycles office paper and other recyclable garbage. Hazardous office consumables including toner cartridges and ink cartridges are separately recycled and disposed of to avoid harm to the environment.

2. Green travel

The Company promotes the green travel concept. Employees are encouraged to use public transportation to travel. The Company continues to implement the relevant spirit under the Plan on Reform of Official Car Use System of Shenwan Hongyuan Group, to practice strict economy and oppose waste. In 2020, in light of the development trend of vehicle socialization, the Company further revised the Interim Measures for Vehicle Management, clarifying that the securities branches nationwide will no longer be equipped with vehicles, and the official vehicles that have reached a certain age shall be subject to auction. At present, more than 20 vehicles have been auctioned, making a positive contribution to reducing emissions.

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

1. Plan on Targeted Poverty Alleviation

Shenwan Hongyuan always regards targeted assistance and support as an important reflection of practicing the “two maintenances” and the responsibility of state-owned financial enterprises. In 2020, under the guidance of the CSRC, the Company formulated annual poverty alleviation arrangement and investment plan for 2020 in accordance with the overall deployment of China Investment Corporation (“CIC”) 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 poverty-stricken areas including 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, and Qianjiang District in Chongqing.

Section V Significant Events (continued)

2. Overview of Targeted Poverty Alleviation

In the first half of 2020, the Company provided accurate solutions to the acute problems in relation to “No Worry About Food and Clothing with Compulsory Education, Basic Medical Care, and Housing Guaranteed” in poverty-stricken areas, striving to overcome the difficulties and pain points of the people’s livelihood; it vigorously promoted poverty alleviation through industrial development and supported the local collective economy, characteristic industries and leading enterprises in the poverty-stricken areas to grow bigger and stronger, to consolidate the foundation for poverty alleviation in poverty-stricken areas; it persisted in the organic integration of poverty alleviation with the help of will and wisdom, to fundamentally strengthen the endogenous motivation of poverty-stricken areas and the subjective initiative of local cadres and masses. Throughout the year, the Company accumulatively invested more than RMB36,135,400 in the abovementioned regions (including self-owned funds of RMB33,839,400, Party fee of RMB2.04 million, employee donations of RMB176,000 and student subsidies from the trade union of RMB80,000), the trade union purchased agricultural products in an amount of RMB8.596 million and the Company trained 1,462 grassroots cadres and 439 technicians. The three cadres dispatched by the Company in 2018 continued to deeply and practically proceed with the local poverty alleviation. The main work is as follows:

(1) *Focus on the prominent problems of “No Worry About Food and Clothing with Compulsory Education, Basic Medical Care, and Housing Guaranteed”*

First, the drinking water safety in poverty-stricken area was ensured. Shenwan Hongyuan Securities invested RMB10.17 million in support of the “Rural Drinking Water Safety Consolidation and Improvement Project” of Huining, to build wells equipped with valves, reservoirs and other drinking water facilities in 26 local townships and towns to make up for shortcomings in respect of drinking water safety, benefiting nearly 14,000 poor population from 3,111 households; RMB200,000 was invested in planning and design, evaluation and demonstration, and inspection and acceptance of the project. Second, environmental remediation capacity was strengthened for poverty-stricken areas. Shenwan Hongyuan Securities invested RMB650,000 in Jinyang County to fund the construction of a sewage treatment system in Mike Village to enhance the local sewage treatment capacity and effectively improve the water quality and ecological environment of Mike Village. Third, the medical service capabilities were enhanced. In order to improve the basic medical and health facilities in Huining and solve the problem of prehospital first aid at the township level, Shenwan Hongyuan Securities invested RMB5.2 million in purchase of medical ambulances for 26 township health service centers and hospitals in the county to improve local disaster relief capabilities. Fourth, the support for people’s livelihood was improved. Shenwan Hongyuan Securities invested RMB1.74 million of Party fees in funding the maintenance of the Party branch in the poverty-stricken village of Huining, to strengthen the construction of village-level Party branches; Hongyuan Futures, a subsidiary of the Company, invested RMB100,000 in provision of consolation money and start-up funds for the registered poverty-stricken households in Wenming Road Community, Jimunai County. Fifth, more investment was made in compulsory education. In Huining, Shenwan Hongyuan Securities invested RMB6.2 million in building Xinbei Primary School in Huining County. After completion, it can accommodate 1,620 children of residents from relocation sites, shantytown reconstruction areas and surrounding areas, effectively alleviating the local education resource imbalance featured by “weak education resources in rural areas and crowded students in cities and towns”; “Shenwan Hongyuan Classes” were added to Siyuan

Section V Significant Events (continued)

Experimental School, and RMB400,000 was invested in subsidizing 100 children with excellent quality and academic performance from registered poor households of the two classes; the “one-on-one” paired assistance initiative and charity sales were further carried out to jointly build a “concentric circle” of education and assistance, and employees donated a total of RMB176,000; Shenwan Futures invested RMB80,000 of trade union student subsidies in purchase of school bags, pens, workbooks and other learning necessities for 239 primary school students in the Central Primary School of Hanjiaji Town. In Maigaiti County, Shenwan Hongyuan Group invested RMB1.55 million in filling up the shortcomings of education and training and equipping a local education base with complete infrastructure to meet the needs of subsequent teaching activities; Shenwan Futures invested RMB200,000 in improving the green environment, adding electronic display screens and building sports sheds for Lianxinqiao Kindergarten; Shenwan Hongyuan Securities (Western) invested RMB150,000 in setting up “Shenwan Hongyuan” scholarship to specifically subsidize students with excellent academic and academic performance from poor families in Maigaiti County and encourage poor students to strive for progress and develop in an all-round way. In Jinyang County, Shenwan Hongyuan Group invested RMB80,000 in setting up educational grants and purchasing teaching supplies in Deji Village and Xinjian Village. In Litang County, Sichuan Province, Shenwan Hongyuan Group invested RMB50,000 in subsidizing local primary and secondary schools to purchase educational supplies to improve teaching quality.

(2) *Cultivation of characteristic industries according to local conditions*

First, the idea of poverty alleviation through industry was clarified to support leading enterprises to become bigger and stronger. In response to the fact that Huining’s industrial foundation is weak and lack of leading enterprises, the Company implemented the “one company, one policy” precise cultivation plan, to support a group of leading enterprises with good development trends and obvious poverty alleviation effects. At present, Gansu Qunye Technology Co., Ltd. has been accepted by the NEEQ for listing and is expected to be listed on NEEQ in the year; the Company continued to deepen the integration of industry and finance, coordinate internal and external resources to carry out diversified investment and financing services for leading enterprises in the industries of steel pipe manufacturing, beef cattle, apple, etc., in Huining to create benchmarking enterprises with demonstration effects. Second, to develop characteristic industries to consolidate the foundation for stable poverty alleviation in poverty-stricken areas. In Huining, the securities company invested RMB2 million in strengthening local cooperatives in 9 villages and towns, to solve their construction funding gap and provide preferential subsidies, directly driving 381 poor households to get rid of poverty and become rich. In addition, the Company continued to enrich the mid- and long-term industrial plan of “ecological improvement as the core, development of red cultural and educational industries, green and characteristic agriculture” of Huining. Currently, it is cooperating with China Youth Travel Service to enhance the analysis on the feasibility of the implementation of red cultural and educational industries in Huining, with a view to turning Huining’s red resource advantages into economic benefits. In Jimunai County, Hongyuan Futures, a subsidiary of the Company, invested RMB300,000 in purchase of agricultural equipment such as tractors, grass trimmers, and balers for Buerhesitai Village to improve farming and grazing conditions.

Section V Significant Events (continued)

(3) *Establishment of a stable and long-term mechanism for poverty alleviation*

First, the promotion of poverty-returning prevention insurance and agricultural products “futures + insurance” builds a safety net for the poor people. Each of the Shenwan Hongyuan Securities and China CICC Wealth Management Securities Company Limited invested RMB3.4 million in purchase of the “poverty-returning prevention comprehensive insurance” for a total of 170,000 people from 39,000 households in Huining, to prevent returning to poverty due to illnesses, disasters or accidents; each of the securities company and China CICC Wealth Management Securities Company Limited contributed RMB1.5 million to purchase agricultural products “futures + insurance” for nearly 100,000 Mu of corn in 15 townships and towns, to guarantee the basic income of the poor people. Second, the engagement in poverty alleviation through e-commerce and consumption increases the income of the people in the poverty-stricken areas. In the first half of 2020, the trade union of the Company purchased agricultural products in a total amount of RMB8.596 million from poverty-stricken areas (including RMB100,000 by Shenwan Hongyuan Group, RMB6.71 million by Shenwan Hongyuan Securities, and RMB1.786 million by the remaining subsidiaries). In order to further drive the sales of the Huining Poverty Alleviation Section, the Company proactively coordinated with JD.com to help the e-commerce companies in the “three provinces and four counties” assisted by CIC to strive for preferential policies, to reduce the cost of enterprises in terms of opening store applications, logistics freight, traffic introduction and so on, improving the market competitiveness of products. In addition, the Company also cooperated with CIC to promote the launch of agricultural products from Huining on the e-commerce platforms of well-known enterprises including China Unicom, Industrial and Commercial Bank of China, and Agricultural Bank of China to expand the sales channels of agricultural products. Third, efforts were exerted for training of grassroots cadres and technicians in poverty-stricken areas. The Company invested RMB300,000 of Party fees and used a combined method of online and offline to train more than 1,462 grassroots cadres and 439 technicians in Huining, and thus cultivated a group of down-to-earth cadres who understand and know the way to conduct poverty alleviation, which promoted the formation of endogenous motivations for poverty alleviation and poverty reduction.

(4) *Overall promotion of epidemic prevention and control and poverty alleviation*

First, increase the supply of medical supplies. After the outbreak of the epidemic, medical supplies were in shortage in Huining County, Maigaiti County and many other places and medical equipment such as masks and protective clothing were in short supply. Shenwan Hongyuan Securities immediately invested RMB1 million in purchase of medical consumables including masks and disinfectants for medical institutions and primary and secondary schools in Huining; an amount of RMB299,400 was invested in promptly purchasing 100,000 masks to help Maigaiti, and all the masks were transported to the county education bureau on the day before the beginning of the school term, which solved the urgent need for students to resume classes. Second, innovative financial methods were adopted to promote epidemic prevention and control and resume work and production of enterprises. In response to a series of unexpected problems and uncertain risks caused by the epidemic, such as rising raw material prices and unsalable products, the Company thoroughly figured out the inventory and breeding feed prices of enterprises in Huining in March this year, tailored OTC options products, and successfully helped stabilize the feed price of nearly 2,000 Angus cows for the breeding enterprises in

Section V Significant Events (continued)

Jinling and helped Ganfu Fruit to withstand the price risk of nearly 300 tons of stocked apples, benefiting more than 6,000 local registered poor households. In order to reduce the impact of the epidemic, the Company organized a training course on “Price Fluctuation Risk Prevention and Control Management” for 20 business leaders in Huining to help enterprises control the price fluctuation risk of raw materials and commodities and achieve stable operations. It also prepared video materials of the Guidelines on Resumption of Work and Epidemic Prevention for Enterprises in Huining for the enterprises in Huining. The video materials were broadcast at fixed online platforms to promote the orderly resumption of work and production of enterprises. Third, utilisation of external resources to help the transfer employment of the labor in poverty-stricken areas. In response to the employment problem caused by the epidemic, the Company placed the focus of poverty alleviation for the year on employment transfer and outside working opportunities for the poor population, and proactively mobilized client resources to vigorously promote the labor recruitment of relevant enterprises in Huining to help the poor people expand employment channels to achieve stable revenue growth. Fourth, the new business form of poverty alleviation through e-commerce was made good use of to solve the problem of selling agricultural products from poverty-stricken areas. To increase the production and sales of agricultural products in Huining during the epidemic, Shenwan Hongyuan Securities used self-owned funds to purchase agricultural specialty products such as Huining apples in an amount of RMB390,000 and donated them to the frontline medical staff in Wuhan; the first “Live Broadcasting for Sales of Goods by the County Magistrate on Secondment” was held in Jingdong Mall. The first batch of agricultural specialty products for poverty alleviation in an amount of nearly RMB160,000 were sold out in two hours. It was hailed as a “down-to-earth and popular” innovative poverty alleviation activity through consumption.

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	Various funds in an aggregate amount of RMB44,731,400, including RMB33,839,400 of self-owned funds, RMB2.04 million of Party fees, RMB176,000 of donations by employees, RMB80,000 of student subsidies from the trade union and RMB8.596 million for purchase by the trade union
2. Amount of money converted from physicals	RMB'0,000	—
3. Number of people on poverty record assisted to be lifted out of poverty	Person	— (Subject to acceptance and statistics by the State)
II. Itemized investments	—	—
1. Poverty alleviation through industrial development	—	—
Including: 1.1 Types of projects for poverty alleviation through industrial development	—	Support of village collective economic development, standardized construction of cooperatives, and development of characteristic industries
1.2 Number of projects for poverty alleviation through industrial development	Project	4
1.3 Amount invested in projects for poverty alleviation through industrial development	RMB'0,000	230
1.4 Number of the people on poverty record who assisted to be lifted out of poverty	Person	— (Subject to acceptance and statistics by the State)

Section V Significant Events (continued)

Indicator	Unit of measurement	Quantity/status of implementation
2. Poverty alleviation through transfer of the labour force	—	—
Including: 2.1 Amount invested in vocational skills training	RMB'0,000	30 (Party fees)
2.2 Number of people who have received vocational skills training	Person-time	439
2.3 Number of people on poverty record assisted to get employed	Person	— (Subject to acceptance and statistics by the State)
3. Poverty alleviation through relocation	—	—
Including: 3.1 Number of 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	88.6 (including RMB630,000 of self-owned funds, RMB176,000 of donations by employees, and RMB80,000 of student subsidies from the trade union)
4.2 Number of poor students funded	Person	659
4.3 Amount invested in improving educational resources in poor areas	RMB'0,000	800
5. Poverty alleviation through health care	—	—
Including: 5.1 Amount invested in medical and health resources in poverty-stricken areas	RMB'0,000	649.94
6. Poverty alleviation through ecological protection	—	—
Including: 6.1 Type of project	—	—
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	—

Section V Significant Events (continued)

Indicator	Unit of measurement	Quantity/status of implementation
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	2,674.6 (including RMB16.41 million of self-owned funds, RMB1.74 million of Party fees, and RMB8.596 million for purchase by the trade union)
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)	—	—

4. Subsequent targeted poverty alleviation plan

Shenwan Hongyuan will strictly follow the “Four Not Removal” important instructions of the central government. On the one hand, it will continue to work hard to consolidate the results of poverty alleviation and establish a long-term mechanism for prevention of returning to poverty to prevent Huining from returning to poverty after getting rid of poverty. On the other hand, focusing on the prevention and control of the epidemic, it will effectively proceed with the key work including medical security, the transfer of employment of the poor people, and improvement of the sales capacity of agricultural products, so as to minimize the impact of the epidemic on poverty alleviation in poverty-stricken areas. Specifically, there are “three focuses and one enhancement”:

Focus on the missing projects and last project of “No Worry About Food and Clothing with Compulsory Education, Basic Medical Care, and Housing Guaranteed”, to overcome difficulties and ensure the completion of the annual goals and tasks. First, the Company will fully cooperate with the Party committees and governments of the counties in poverty-stricken areas to implement the key projects of “No Worry About Food and Clothing with Compulsory Education, Basic Medical Care, and Housing Guaranteed” including consolidation of drinking water safety, “poverty-returning prevention comprehensive insurance” and agricultural products “futures + insurance”, and construction of primary and secondary schools, to ensure that education, medical care, basic social security and other policies cover every one from all poor households in each village. Second, the Company will continue

Section V Significant Events (continued)

to strengthen communication with Party committees and governments of the counties in poverty-stricken areas, and conduct in-depth investigations to find out and fill in vacancies in the key aspects of “No Worry About Food and Clothing with Compulsory Education, Basic Medical Care, and Housing Guaranteed”. More targeted methods and measures will be taken to help local governments solve practical difficulties and problems, to promote the implementation of various policies and measures.

Focus on establishment and improvement of a long-term mechanism for preventing return to poverty. Multiple measures will be taken to consolidate the results of poverty alleviation, and lay a solid foundation for poverty alleviation. First, the Company will proceed with poverty alleviation through industry and improve the medium and long-term development plan. Based on the advantageous resource endowments of poverty-stricken areas, the Company will promote the development of key industries such as pillar industries and infrastructure in accordance with local conditions, and strive to enhance the self-development function and endogenous development momentum of poverty alleviation through industry in poverty-stricken areas; in accordance with the rural revitalization strategy proposed by General Secretary Xi, the Company will step up cooperation with the introduction of the poverty alleviation work plan for poverty-stricken areas in the next three years and form a long-term and short-term work plan which highlights key points, to effectively integrate targeted poverty alleviation with rural revitalization. Second, the Company will promote the improvement of the industrial chain and the leading enterprises to become bigger and stronger. It will proactively implement the “one company, one policy” targeted assistance, guide all kinds of funds to invest in poverty-stricken areas through NEEQ listing, introduction of strategic investors, equity and debt investment, etc., to solve the problem of “investment invitation” and “enterprises invitation” and give full play to the leading and pulling effects of leading enterprises for the local economy. Third, the Company will promote the in-depth integration of poverty alleviation with the help of will and wisdom. The focus will be placed on the key aspect of stimulating the endogenous motivation of the poor people. Poor people will learn production skills and enrichment techniques through training, so that the poor households will build up the fighting spirit and courage to get rid of poverty, which will get rid of the backward thinking of “wait for aid funds, reliance on superior appropriation and ask for poverty alleviation funds” of certain poor people.

Focus on solving the impact of the epidemic on local production and life, striving to minimize losses. First, the Company will improve online sales capabilities and proceed with operation of e-commerce platform and sales of agricultural products. It will help e-commerce companies in poverty-stricken areas improve their operating systems, to improve their e-commerce operations, sales and service capabilities, and industrial chain integration capabilities; it will organize the connection between production and sales, carry out a series of activities of poverty alleviation through consumption, and utilise the Internet to broaden the sales channels of agricultural products, striving to create a number of distinctive poverty alleviation brands. Second, more efforts will be exerted on poverty alleviation through employment and emphasis will be laid on both local and nearby employment and labor service export. Support will be mainly given to the leading enterprises and poverty alleviation workshops in poverty-stricken areas to help them become bigger and stronger, to effectively improve the ability to lead poverty alleviation and achieve stable and more employment from the source; special recruitment, labor cooperation, etc. will be adopted to strengthen the precise connection between labor export and import regions, carry out organized labor export, and fully absorb local labors. Third, the Company will pay a close eye on epidemic prevention and control to ensure orderly and effective supply of medical

Section V Significant Events (continued)

and living materials. The pioneering role of the cadres dispatched by the Company will be effectively exerted to grasp the information on the epidemic situation, public opinion, and prevention and control of COVID-19 in a real time manner, and the cadres will coordinate with the local government to ensure the uniform deployment and supply of medical supplies such as masks and disinfectants, while ensuring the supply of daily necessities for daily life of the poor.

The Company will comprehensively enhance the use and management of poverty alleviation projects and funds, and ensure that various works will be carried out with high quality according to high standards. First, it will strictly strengthen the precise investment of the Company's poverty alleviation funds, adhere to tracking the quality of projects and the flow of funds, and control the source, use, system, and implementation of the funds to ensure that all the poverty alleviation funds will be used for poverty alleviation; second, the filing for targeted poverty alleviation will be strengthened and standardized. The Company will continue to optimize the digitalised functions of its "poverty alleviation information management system", promote the refined management of poverty alleviation archives, and build the "poverty alleviation memory" of Shenwan Hongyuan in an all-round way.

(III) Full efforts on response to COVID-19

In 2020, in the face of the sudden COVID-19, the Company resolutely implemented the decision and deployment of the Party Central Committee, the State Council, and the CIC on the prevention and control of COVID-19. It proactively fulfilled the mission and responsibilities as a state-owned financial enterprise, solidly proceeded with the "six stabilizations", and proactively implemented the task of "six guarantees". Under the unified leadership of the Company's Party committee, we adhered to "strong efforts on both aspects" of the epidemic prevention and operation, comprehensively and solidly carried out epidemic prevention and control related work, and helped enterprises resume work and production.

1. Donation of money and materials to Hubei in the first instance

During the Spring Festival holiday, in light of the rapid spread of the epidemic, the Company's Party committee made urgent research and deployment. As one of the first batch of brokers to assist Hubei, it donated RMB10 million to the Hubei Charity Federation on January 26, 2020, and provided manpower and material support through its branches in Hubei to fight against the epidemic. Later, each of the three subsidiaries of the Company, i.e. Shenwan Futures, Hongyuan Futures and SWS MU, donated RMB1 million to jointly support the fight against the epidemic in Hubei. Subsequently, the Company successively donated money and materials to epidemic areas and partner assistance poverty-stricken areas through various channels including grassroots Party organizations and trade unions to boost local epidemic prevention and control and resumption of work and production. The amount of donated materials ranks among the top in the securities industry.

2. Issuance of epidemic prevention and control bonds

The Company proactively implemented various national policies on financial support for epidemic prevention and control, and had issued and underwritten a number of epidemic prevention and control themed bonds. On February 10, the Company took the lead in underwriting epidemic prevention and control bonds of Industrial Securities with an issuance size of RMB3 billion. It was the first epidemic prevention and control bonds issued by a securities company in the PRC and the first special epidemic prevention and control bonds issued on the Shanghai Stock Exchange. On February 19, the "Corporate Bonds Issued by Sichuan Commercial Investment Group in a Non-public Way (Epidemic Prevention and

Section V Significant Events (continued)

Control Bonds)” for which the Company served as the independent lead underwriter in an amount of RMB780 million was the first corporate bonds for epidemic prevention and control in Southwest China. As of July 2020, the Company has sold special epidemic prevention and control bonds in an aggregate amount of RMB9.051 billion, including RMB3.12 billion of special corporate bonds for epidemic prevention and control and RMB5.931 billion of various special short-term financing bonds, medium-term notes, PPN, ABN, etc. for epidemic prevention and control.

3. Focus on serving the real economy with “investment + investment banking”

The Company implemented the “investment + investment banking” strategy. On the one hand, the Company provided “blood transfusion and oxygen supply” for the real economy through debt and equity financing projects. On the other hand, it increased investment in government bonds and real economy enterprises to ensure market stability. From January to June, the Company completed equity financing in an amount of RMB5.62 billion, corporate debt financing in an amount of RMB73.87 billion, and local debt financing in an amount of RMB27.0 billion, which effectively supplemented the liquidity of local and key enterprises and ensured the stability of the capital market. In terms of investment, the Company completed bond investment in an amount of RMB2.25 billion through Shenhong Wenjian No. 1, which was mainly invested in local government platform bonds to support local economic development and facilitate the construction of new infrastructure. Hongyuan Huizhi invested in government platform enterprises including Xi’an Hi-tech and Jinjiang Urban Investment through trust loans and other means to help local governments ease debt pressure; Investment was made in industrial enterprises such as Chint Group, Shimao Real Estate, and Zhongmin Energy to help them ensure operations and serve the society and people’s livelihood.

4. Help small and medium-sized enterprises overcome problems and concerns

The Company focuses on inclusive finance and has established an inclusive finance headquarters, to mainly provide financial services for small and medium-sized enterprises. The Company ranked the first in the industry in terms of the accumulated number of enterprises for which the Company recommended for listing on the NEEQ, the number of issuance projects and the number of enterprises subject to supervision of the Company. It raised RMB457 million for 27 small and medium-sized enterprises listed on NEEQ. Leveraging on the opportunity of the reform of the NEEQ to add a selective layer, it helped 4 enterprises pass the review for listing. In addition, the Company fully or partially relieved the continuous supervision fees for 2020 for the listed companies in Hubei and those in the industries of advertising, tourism and agriculture which were subject to serious business difficulties due to the epidemic, and the total amount to be reduced or exempted was approximately over RMB3 million. Meanwhile, the Company proactively helped small and medium-sized enterprises and private enterprises alleviate liquidity difficulties by establishing and participating in industrial funds and bailout funds. The bailout fund in an amount of RMB5 billion as established by the Company and Sichuan Development Holding Co., Ltd. focuses on supporting local enterprises, especially small and medium-sized enterprises, to help them overcome the difficulties caused by the epidemic; the Company signed a “cloud contract” with Yibin State-Owned Assets Management Co. Ltd. in relation to provision of financing capital of no more than RMB3 billion to Yibin to support Yibin City’s resumption of work and production, revitalize the economy, and create financial products for the underlying assets and serve clients. Hongyuan Huifu and Yibin State-Owned Assets Management Co. Ltd. jointly filed the industry’s first “anti-epidemic” themed private equity fund with a size of RMB2.02 billion, and the first batch of funds was quickly invested in leading

Section V Significant Events (continued)

enterprises in the production of masks and protective clothing to help them expand production capacity. In line with the national strategy, the Company increased strategic investment in the Greater Bay Area, and jointly initiated the establishment of the Shenwan Hongyuan Greater Bay Area Science and Technology Innovation and Anti-epidemic Fund with Changhong Group and the two-level government guidance fund of Foshan City.

5. Exploration of innovative comprehensive financial services

The Company accurately implemented various national financial support policies and utilized multiple financial instruments including over-the-counter derivatives of bulk commodity in combination of spot trade and basis trade to solve unexpected problems such as slow sales of agricultural products and shortage of funds for farmers caused by the epidemic. For example, the bulk commodity sales forward contracts paid initial subsidies for 2,800 tons of agricultural products at RMB58.29 per ton for 1,200 farmers in Gansu, which effectively solved the problem of unsalable agricultural products of more than 4,200 farmers in Shandong and Gansu; the “insurance + futures” innovative model, in combination with hedging, risk management and other businesses, provided financial derivatives services for epidemic prevention materials manufacturers and farmers, helping them avoid the risk of sales price fluctuations. The FICC business division of the Company and its branches successively carried out bulk commodity price risk management training for enterprises in Zhejiang Province, Hebei Province, Jilin Province and other places, helping the enterprises learn to use financial instruments to judge market conditions and reduce risks. In addition, during the outbreak of the epidemic, the Company insisted on providing high-quality and efficient online services, strengthened online business handling capabilities, and provided online wealth management training and seminars, ensuring clients’ online account opening and transactions and enhancing wealth management capabilities.

Section V Significant Events (continued)

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 2020

During the Reporting Period, Shenwan Hongyuan Securities, a subsidiary of the Company, obtained the qualification as core dealer of credit protection contract and the qualification for pilot fund investment advisory business of the Shenzhen Stock Exchange, the pledged quotation repurchase transaction business of the Shenzhen Stock Exchange, and the qualification for market maker of liquefied petroleum gas futures and options of Dalian Commodity Exchange.

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

No.	Date	Regulatory authority	Document name	Document No.
1	2020.01.02	Xinjiang Branch of CSRC	Approval for the Qualifications of Zhou Wei as a Member of Senior Management in Securities Company	Xin Zheng Jian Xu Ke [2020] No. 1
2	2020.02.14	Xinjiang Branch of CSRC	Approval for the Cancellation of Korla Limin Road Securities Branch by Shenwan Hongyuan Securities (Western) Co., Ltd.	Xin Zheng Jian Xu Ke [2020] No. 002
3	2020.02.24	Xinjiang Branch of CSRC	Approval for the Qualifications of Xi Rui as a Member of Senior Management in Securities Company	Xin Zheng Jian Xu Ke [2020] No. 4
4	2020.02.28	CSRC	Reply for Matters in relation to Conducting Pilot Fund Investment Advisory Business by Shenwan Hongyuan Securities Co., Ltd. and Shenwan Hongyuan Securities (Western) Co., Ltd.	Ji Gou Bu Han [2020] No. 391
5	2020.05.25	CSRC	Reply on Approval of the Registration of Public Issuance of Corporate Bonds to Professional Investors by Shenwan Hongyuan Securities Co., Ltd.	Zheng Jian Xu Ke [2020] No. 931
6	2020.07.07	CSRC	Reply for Matters in relation to Conducting Pilot Cross-border Business by Shenwan Hongyuan Securities	Ji Gou Bu Han [2020] No. 1762

Section V Significant Events (continued)

XVII. CLASSIFIED EVALUATION RESULTS

According to the results of classified evaluation of securities companies as published by the CSRC, the Company was rated as Class A Grade AA in 2020.

XVIII. RISK CONTROL INDICATORS OF SECURITIES COMPANIES

During the Reporting Period, the main risk control indicators of Shenwan Hongyuan Securities, among which the net capital and liquidity are the core, all meet the regulatory requirements.

XIX. RECEPTION OF RESEARCH AND INTERVIEW BY THE COMPANY

The research and interview received by the Company during the Reporting Period are as follows:

Reception time	Reception location	Reception method	Type of reception object	Reception object	Main content discussed and information provided
January 7, 2020	Meeting room of the Company	Field research	Institution	Guotai Junan Securities Co., Ltd., CCB Principal Asset Management Co., Ltd.	Operations of the Company
January 14, 2020	—	Telephone communication	Institution	ICBC International Research Limited	Operations of the Company
March 31, 2020	—	Telephone communication	Institution	Analysts and investors invited to the Company's 2019 annual results presentation	Operations of the Company
April 3, 2020	—	Network	Individual, institution	Investors who participated in the Company's 2019 online annual results presentation	Operations of the Company
June 12, 2020	—	Telephone communication	Institution	ICBC International Research Limited	Operations of the Company
June 16, 2020	—	Telephone communication	Institution	Investors invited to the 2020 Interim Online Strategy Meeting of Kaiyuan Securities	Operations of the Company

Section V Significant Events (continued)

Reception time	Reception location	Reception method	Type of reception object	Reception object	Main content discussed and information provided
June 17, 2020	—	Telephone communication	Institution	Investors invited to the 2020 Interim Strategy Meeting of Guotai Junan	Operations of the Company
June 22, 2020	—	Telephone communication	Institution	Investors invited to the 2020 Summer Online Strategy Meeting of Huatai Securities	Operations of the Company
June 24, 2020	—	Telephone communication	Institution	Northeast Securities Co., Ltd.	Operations of the Company
June 24, 2020	—	Network	Individual, institution	Investors who participated in the collective reception day for investors of listed companies in Xinjiang in 2020	Operations of the Company

XX. OTHER SIGNIFICANT EVENTS

(I) Change of legal representative

On November 29, 2019, the Resolution Regarding the Appointment of the General Manager of the Company was considered and approved at the 47th meeting of the fourth session of the Board of Directors of the Company, pursuant to which Mr. Xu Zhibin was appointed as the general manager of the Company. According to the Articles of Association, the general manager is the legal representative of the Company. On January 20, 2020, the Company completed the procedures for the industrial and commercial registration of change of the legal representative. After the change, the legal representative is Mr. Xu Zhibin (For details, please refer to the relevant announcements published by the Company on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website (www.cninfo.com.cn) on November 30, 2019 and January 22, 2020 and on the website of HKExnews (www.hkexnews.hk) on November 29, 2019 and January 21, 2020.)

Section V Significant Events (continued)

(II) Implementation of the profit distribution plan for 2019

The profit distribution plan of the Company for 2019 is as follows: based on the total share capital of 25,039,944,560 A Shares and H Shares of the Company as of December 31, 2019, a cash dividend of RMB0.80 (tax inclusive) for every 10 shares was distributed to all A shareholders and H shareholders whose names appear on the register of members of the Company on the record date.

For A shareholders, the Company completed the implementation of the 2019 profit distribution plan on August 20, 2020 with August 19, 2020 as the equity registration date and August 20, 2020 as the ex-dividend date. (For details, please refer to the Announcement on Implementation of the 2019 Profit Distribution Plan of the Company published by the Company on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website (www.cninfo.com.cn) on August 14, 2020.)

For H shareholders, the Company distributed cash dividend for 2019 of RMB0.80 (tax inclusive) per 10 Shares to the shareholders whose names appear on the register of members of the Company on July 15, 2020. The 2019 cash dividend was distributed on August 20, 2020. The 2019 cash dividend distributed was denominated and announced in RMB and H shareholders were paid in HK dollars. The actual amount of HK dollars distributed was calculated at the average benchmark exchange rate of RMB against HK dollars (i.e. RMB0.91431 = HK\$1.00) published by the People's Bank of China for the five working days before June 23, 2020 (being the date of the annual general meeting). Accordingly, the cash dividend per 10 H Shares was HK\$0.87497 (tax inclusive). (For details, please refer to the Poll Results of the 2019 Annual General Meeting, Payment of Cash Dividend, Appointment of Directors and Approval and Effectiveness of the Articles of Association disclosed by the Company on the website of HKExnews (www.hkexnews.hk) on June 23, 2020.)

XXI. INDEX OF IMPORTANT INFORMATION DISCLOSED DURING THE REPORTING PERIOD

During the Reporting Period, the Company fulfilled its information disclosure obligations in accordance with the regulations. 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	Announcement on the Briefing of Financial Data for December 2019 of Shenwan Hongyuan Securities Co., Ltd.	2020-01-10
2	Announcement on the Results of the Non-public Issuance of Corporate Bonds (First Tranche) by Shenwan Hongyuan Securities Co., Ltd. in 2020	2020-01-17
3	Announcement on Change of Legal Representative	2020-01-22
4	Announcement on the Completion of the Repayment of the Sixth Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd. in 2019	2020-01-23
5	Announcement on the Briefing of Financial Data for January 2020 of Shenwan Hongyuan Securities Co., Ltd.	2020-02-13
6	Announcement on the Completion of the Repayment of the Seventh Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd. in 2019	2020-02-18

Section V Significant Events (continued)

No.	Announcements	Date of publication
7	Announcement on the Results of the Non-public Issuance of Corporate Bonds (Second Tranche) by Shenwan Hongyuan Securities Co., Ltd. in 2020	2020-02-22
8	Announcement on the Transfer of the Corporate Bonds (Second Tranche) Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2020 on the Integrated Negotiated Trading Platform of the Shenzhen Stock Exchange	2020-02-29
9	Announcement on Payment of Interests for 2020 for the Corporate Bonds (First Tranche) Issued in a Non-public Way in 2019	2020-03-05
10	Announcement on Receipt of Reply of the CSRC on Conducting Pilot Fund Investment Advisory Business by a Subsidiary	2020-03-06
11	Announcement on the Briefing of Financial Data for February 2020 of Shenwan Hongyuan Securities Co., Ltd.	2020-03-06
12	Announcement the Results of the Issuance of the First Tranche of Short-term Financing Bonds (Bond Connect) by Shenwan Hongyuan Securities Co., Ltd. in 2020	2020-03-10
13	Announcement on the Completion of the Repayment of the Eighth Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd. in 2019	2020-03-13
14	Announcement on Resolutions of the 49th Meeting of the Fourth Session of the Board of Directors	2020-03-14
15	2019 Annual Report and the Summary thereof	2020-03-28
16	2019 Audit Report	2020-03-28
17	Special Explanations on Appropriation of Non-business Capital and Flow of Other Related Capital in 2019	2020-03-28
18	Internal Control Audit Report	2020-03-28
19	Announcement on Estimated Ordinary Related Party Transactions for 2020	2020-03-28
20	2019 Work Report of Independent Directors	2020-03-28
21	2019 Work Report of the Board of Directors	2020-03-28
22	2019 Work Report of the Board of Supervisors	2020-03-28
23	Announcement on Re-appointment of Auditors	2020-03-28
24	Announcement on Resolutions of the 31st Meeting of the Fourth Session of the Board of Supervisors	2020-03-28
25	Announcement on Resolutions of the 50th Meeting of the Fourth Session of the Board of Directors	2020-03-28
26	Announcement on Amendments to the Annual Caps of Continuing Connected Transactions with China Jianyin Investment Ltd. for 2020 and 2021	2020-03-28
27	Announcement on the Accrual of the Allowance for Assets Impairment	2020-03-28
28	2019 Internal Control Evaluation Report	2020-03-28
29	2019 Social Responsibility Report	2020-03-28

Section V Significant Events (continued)

No.	Announcements	Date of publication
30	Independent Opinions of Independent Directors on the 2019 Internal Control Evaluation Report of Shenwan Hongyuan Group Co., Ltd.	2020-03-28
31	Announcement on Convening 2019 Online Results Presentation	2020-04-01
32	Announcement the Results of the Issuance of the Second Tranche of Short-term Financing Bonds (Bond Connect) by Shenwan Hongyuan Securities Co., Ltd. in 2020	2020-04-02
33	Announcement on the Material Litigation Involving a Subsidiary	2020-04-03
34	Entrusted Management Provisional Report on Major Issues	2020-04-03
35	Announcement on Payment of Interests for 2020 for the Corporate Bonds (Second Tranche) (Type I) Issued in a Non-public Way in 2019	2020-04-10
36	Announcement on the Key Financial Data of Shenwan Hongyuan Securities Co., Ltd. for March 2020	2020-04-10
37	Sponsorship Summary Report of Shenwan Hongyuan Financing Services Co., Ltd. on the Non-public Issuance of Shares by the Company	2020-04-13
38	Verification Opinions of Shenwan Hongyuan Financing Services Co., Ltd. on the 2019 Internal Control Evaluation Report of the Company	2020-04-13
39	Sponsorship Summary Report of Huatai United Securities Co., Ltd. on the Non-public Issuance of Shares by the Company	2020-04-13
40	Verification Opinions of Huatai United Securities Co., Ltd. on the 2019 Internal Control Evaluation Report of the Company	2020-04-13
41	Work Report of Shenwan Hongyuan Financing Services Co., Ltd. on the Sponsorship for the Company in 2019	2020-04-13
42	Work Report of Huatai United Securities Co., Ltd. on the Sponsorship for the Company in 2019	2020-04-13
43	Announcement on Repayment of Principal and Payment of Interest for 2020 and Delisting of the Subordinated Bonds (First Tranche) (Type I) of Shenwan Hongyuan Securities Co., Ltd. in 2018	2020-04-15
44	Announcement on the Results of the Issuance of the Third Tranche of Short-term Financing Bonds (Bond Connect) by Shenwan Hongyuan Securities Co., Ltd. in 2020	2020-04-15
45	Announcement on Payment of Interests for 2020 for the Corporate Bonds (First Tranche) Issued Publicly to Qualified Investors in 2016	2020-04-23
46	Announcement on the Progress of the Material Litigation Involving a Subsidiary	2020-04-24
47	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding the Corporate Bonds	2020-04-24
48	Announcement of Shenwan Hongyuan Securities Co., Ltd. on the Results of Issuance of Subordinated Bonds (First Tranche) by the Securities Company in 2020	2020-04-25
49	Announcement the Results of the Issuance of the Fourth Tranche of Short-term Financing Bonds (Bond Connect) by Shenwan Hongyuan Securities Co., Ltd. in 2020	2020-04-30

Section V Significant Events (continued)

No.	Announcements	Date of publication
50	Independent Opinions of Independent Directors on Nomination of Candidates for Non-independent Directors	2020-04-30
51	Announcement on Resolutions of the 51st Meeting of the Fourth Session of the Board of Directors	2020-04-30
52	Rules of Procedure of the General Meeting (April 2020)	2020-04-30
53	Main Text and Full Text of the 2020 First Quarterly Report	2020-04-30
54	Articles of Association (April 2020)	2020-04-30
55	Comparison Table of Amendments to the Articles of Association of Shenwan Hongyuan Group Co., Ltd.	2020-04-30
56	Comparison Table of Amendments to the Rules of Procedure of the General Meeting of Shenwan Hongyuan Group Co., Ltd.	2020-04-30
57	Announcement of Shenwan Hongyuan Securities Co., Ltd. on Transfer of the Subordinated Bonds (First Tranche) Issued by the Securities Company in 2020 on the Integrated Negotiated Trading Platform of the Shenzhen Stock Exchange	2020-05-07
58	Announcement on Resolutions of the 52nd Meeting of the Fourth Session of the Board of Directors	2020-05-09
59	Independent Opinion of Independent Directors on the Appointment of Senior Management	2020-05-09
60	Announcement on the Material Litigation Involving a Subsidiary	2020-05-11
61	Entrusted Management Provisional Report on Major Issues	2020-05-11
62	Announcement on the Briefing of Financial Data for April 2020 of Shenwan Hongyuan Securities Co., Ltd.	2020-05-12
63	Announcement on the Current Accumulated New Borrowings Exceeding 20% of the Net Assets at the End of Last Year	2020-05-12
64	Announcement on Progress of Providing Guarantee for a Wholly-owned Subsidiary	2020-05-13
65	Entrusted Management Provisional Report on Major Issues	2020-05-14
66	Announcement on Progress of Providing Guarantee for a Wholly-owned Subsidiary	2020-05-15
67	Announcement on Progress of Providing Guarantee for a Wholly-owned Subsidiary	2020-05-21
68	Announcement of Shenwan Hongyuan Securities Co., Ltd. on the Results of Issuance of Subordinated Bonds (Second Tranche) by the Securities Company in 2020	2020-05-26
69	Announcement on Repayment of Principal and Payment of Interest for 2020 and Delisting of the Subordinated Bonds (Second Tranche) of Shenwan Hongyuan Securities Co., Ltd. in 2018	2020-05-26
70	Ongoing Credit Rating Report on the Company and 16 ShenHong 01, 16 ShenHong 03, 18 ShenHong 01 and 18 ShenHong 02 Issued by the Company	2020-05-27

Section V Significant Events (continued)

No.	Announcements	Date of publication
71	Announcement on Receipt of the Reply from the CSRC on Public Issuance of Corporate Bonds to Professional Investors by Shenwan Hongyuan Securities Co., Ltd. in 2020	2020-05-28
72	Announcement of Shenwan Hongyuan Securities Co., Ltd. on Transfer of the Subordinated Bonds (Second Tranche) Issued by the Securities Company in 2020 on the Integrated Negotiated Trading Platform of the Shenzhen Stock Exchange	2020-06-02
73	Materials for the 2019 Annual General Meeting	2020-06-03
74	Announcement on the Briefing of Financial Data for May 2020 of Shenwan Hongyuan Securities Co., Ltd.	2020-06-05
75	Announcement on the Completion of the Repayment of the First Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd. in 2020	2020-06-09
76	Announcement on Participation in the Online Collective Reception Day for Investors of Listed Companies in Xinjiang in 2020	2020-06-19
77	Announcement on Resignation of Director	2020-06-23
78	Announcement on Resolutions of the 2019 Annual General Meeting, Legal Opinion for the 2019 Annual General Meeting	2020-06-24
79	Entrusted Management Report on the Non-public Issuance of Corporate Bonds (First Tranche), (Second Tranche) and (Third Tranche) in 2019 (2019)	2020-06-29
80	Entrusted Management Report on the Public Issuance of Corporate Bonds (Second Tranche) by the Company to Qualified Investors in 2018 (2019)	2020-06-29
81	Entrusted Management Report on the Public Issuance of Corporate Bonds (First Tranche) and (Second Tranche) by the Company to Qualified Investors in 2016 (2019)	2020-06-29
82	Announcement on the Completion of the Repayment of the Second Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd. in 2020	2020-06-30

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

No.	Announcements	Date of publication
1	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended December 31, 2019	2020-01-07
2	Announcement on the Key Financial Data of Shenwan Hongyuan Securities Co., Ltd. for December 2019	2020-01-09
3	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended January 31, 2020	2020-02-06
4	Announcement on the Key Financial Data of Shenwan Hongyuan Securities Co., Ltd. for January 2020	2020-02-12

Section V Significant Events (continued)

No.	Announcements	Date of publication
5	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended February 29, 2020	2020-03-05
6	Announcement on the Key Financial Data of Shenwan Hongyuan Securities Co., Ltd. for February 2020	2020-03-05
7	Date of Board Meeting	2020-03-17
8	2019 Environmental, Social and Governance Report	2020-03-27
9	Continuing Connected Transactions – Proposed Amendments to the Annual Caps	2020-03-27
10	Annual Results Announcement for the Year Ended December 31, 2019	2020-03-27
11	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended March 31, 2020	2020-04-03
12	Announcement on the Key Financial Data of Shenwan Hongyuan Securities Co., Ltd. for March 2020	2020-04-09
13	Date of Board Meeting	2020-04-17
14	2019 Annual Report	2020-04-20
15	2020 First Quarterly Report	2020-04-29
16	Proposed Amendments to Articles of Association	2020-04-29
17	Proposed Appointment of Non-Executive Director	2020-04-29
18	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended April 30, 2020	2020-05-07
19	Notice of the 2019 Annual General Meeting	2020-05-07
20	Form of Proxy of Holders of H Shares for Use at the Annual General Meeting to be Held on June 23, 2020	2020-05-07
21	Reply Slip for Holders of H Share for Attending the Annual General Meeting to be Held on June 23, 2020	2020-05-07
22	Announcement on the Key Financial Data of Shenwan Hongyuan Securities Co., Ltd. for April 2020	2020-05-11
23	Circular of the 2019 Annual General Meeting	2020-06-02
24	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended May 31, 2020	2020-06-04
25	Announcement on the Key Financial Data of Shenwan Hongyuan Securities Co., Ltd. for May 2020	2020-06-05
26	Resignation of Non-executive Director	2020-06-22
27	List of Directors and their Role and Function	2020-06-22
28	Poll Results of the 2019 Annual General Meeting, Payment of Cash Dividend, Appointment of Directors and Approval and Effectiveness of the Articles of Association	2020-06-23
29	Articles of Association	2020-06-23
30	List of Directors and their Role and Function	2020-06-23

Section V Significant Events (continued)

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 I)	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 II)	17 ShenZheng 02	136981	2017/2/17	2024/2/17	50,000.00	4.50%	The interest of these bonds is calculated at simple interest on an annual basis with no compound
Corporate Bonds Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2018 (First Tranche) (Type I)	18 ShenZheng 03	112812	2018/12/10	2023/12/10	150,000.00	4.08%	interest counted, and paid once a year. The principal will be returned upon maturity. The
Corporate Bonds Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 (First Tranche) (Type I)	19 ShenZheng 01	112840	2019/1/16	2022/1/16	220,000.00	3.55%	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 2019 (Second Tranche) (Type I)	19 ShenZheng 03	112864	2019/3/11	2022/3/11	620,000.00	3.68%	

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 (Third Tranche) (Type I)	19 ShenZheng 05	112901	2019/5/9	2022/5/9	810,000.00	3.88%	
Short-term Corporate Bonds Issued Publicly to Professional Investors by Shenwan Hongyuan Securities Co., Ltd. in 2020	20 ShenZheng D5	149172	2020/7/27	2021/7/27	350,000.00	2.97%	The interest of these bonds 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.
Short-term Corporate Bonds Issued Publicly to Professional Investors by Shenwan Hongyuan Securities Co., Ltd. in 2020 (First Tranche) (Type II)	20 ShenZheng 06	149173	2020/7/27	2023/7/27	410,000.00	3.49%	
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2018 (First Tranche) (Type I)	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 II)	18 ShenZheng 02	114406	2018/11/19	2021/11/19	300,000.00	4.20%	

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 by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2019 (First Tranche) (Type I)	19 ShenZheng 07	114499	2019/6/14	2021/6/14	100,000.00	3.90%	
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2020 (First Tranche) (Type I)	20 ShenZheng 01	114652	2020/1/16	2022/1/16	400,000.00	3.40%	
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2020 (First Tranche) (Type II)	20 ShenZheng 02	114653	2020/1/16	2023/1/16	200,000.00	3.55%	The interest of these bonds 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 2020 (Second Tranche) (Type I)	20 ShenZheng 03	114665	2020/2/21	2022/2/21	100,000.00	3.03%	
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2020 (Second Tranche) (Type II)	20 ShenZheng 04	114666	2020/2/21	2023/2/21	300,000.00	3.20%	

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
2017 Subordinated Bonds of Securities Company of Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (Type II)	17 ShenZheng C2	118973	2017/11/16	2020/11/16	430,000.00	5.30%	
2018 Subordinated Bonds of Securities Company of Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (Type II)	18 ShenZheng C2	118977	2018/4/12	2023/4/12, if investors exercise the put-back option, 2021/4/12 for the part of the bonds put back	460,000.00	5.35%	The interest of these bonds 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. (Third Tranche) (Type I)	18 ShenZheng C5	118984	2018/9/17	2020/9/17	510,000.00	4.69%	
2020 Subordinated Bonds of Securities Company of Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (Type II)	20 ShenZheng C2	115112	2020/4/23	2023/4/23	600,000.00	3.18%	
2020 Subordinated Bonds of Securities Company of Shenwan Hongyuan Securities Co., Ltd. (Second Tranche)	20 ShenZheng C3	115114	2020/5/25	2023/5/25	600,000.00	3.25%	

Section V Significant Events (continued)

Stock exchange on which corporate bonds are listed or transferred	Shanghai Stock Exchange (17 ShenZheng 01, 17 ShenZheng 02); Shenzhen Stock Exchange (18 ShenZheng 03, 19 ShenZheng 01, 19 ShenZheng 03, 19 ShenZheng 05, 18 ShenZheng 01, 18 ShenZheng 02, 19 ShenZheng 07, 20 ShenZheng 01, 20 ShenZheng 02, 20 ShenZheng 03, 20 ShenZheng 04, 20 ShenZheng D5, 20 ShenZheng 06, 17 ShenZheng C2, 18 ShenZheng C2, 18 ShenZheng C5, 20 ShenZheng C2, 20 ShenZheng C3)
Investor eligibility arrangement	The publicly issued corporate bonds (except 20 ShenZheng D5 and 20 ShenZheng 06) were all issued to qualified investors. 20 ShenZheng D5 and 20 ShenZheng 06 were issued to professional investors. The other bonds were issued to qualified institutional investors.
Payment of interests and repayment of principal of corporate bonds during the Reporting Period	On January 16, 2020, the company paid interests of 19 ShenZheng 01 in an amount of interest of RMB3.55 (tax inclusive) per bond. On February 17, 2020, 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. On March 11, 2020, the company paid interests of 19 ShenZheng 03 in an amount of interest of RMB3.68 (tax inclusive) per bond. On April 13, 2020, the company paid interests of 18 ShenZheng C2 in an amount of interest of RMB5.35 (tax inclusive) per bond. On April 13, 2020, the company repaid the principal and paid interests of 18 ShenZheng C1 which became due in an amount of principal (interest) of RMB105.25 (tax inclusive) per bond. On May 11, 2020, the company paid interests of 19 ShenZheng 05 in an amount of interest of RMB3.88 (tax inclusive) per bond. On May 21, 2020, the company repaid the principal and paid interests of 18 ShenZheng C3 which became due in an amount of principal (interest) of RMB105.38 (tax inclusive) per bond. On June 15, 2020, the company paid interests of 19 ShenZheng 07 in an amount of interest of RMB3.90 (tax inclusive) per bond.
Performance of relevant special terms during the Reporting Period, such as corporate bonds issuer or investor option and exchangeable terms (if applicable)	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.

Section V Significant Events (continued)

2. Information of bond trustee and credit rating agency

(1) 17 ShenZheng 01, 17 ShenZheng 02, 17 ShenZheng C2, 18 ShenZheng C2, 18 ShenZheng C5, 18 ShenZheng 03, 19 ShenZheng 01, 19 ShenZheng 03, 19 ShenZheng 05

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			
Reason of change, procedures to be conducted and impacts 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)					N/A		

(2) 18 ShenZheng 01, 18 ShenZheng 02, 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	N/A		Office address	N/A			
Reason of change, procedures to be conducted and impacts 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)					N/A		

Section V Significant Events (continued)

(3) 20 ShenZheng 01, 20 ShenZheng 02, 20 ShenZheng 03, 20 ShenZheng 04

Bond trustee:							
Name	Industrial Securities Co., Ltd.	Office address	6/F, North Zone, No. 35 Jinshifang Street, Xicheng District, Beijing	Contact person	He Bingpeng	Telephone of contact person	010-50911206
Credit rating agency(ies) which conducted rating on corporate bonds during the Reporting Period:							
Name	N/A			Office address	N/A		
Reason of change, procedures to be conducted and impacts 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)					N/A		

(4) 20 ShenZheng C2, 20 ShenZheng C3

Bond trustee:							
Name	Guotai Junan Securities Co., Ltd.	Office address	36/F, Bohua Plaza, No. 669 Xinzha Road, Jing'an District, Shanghai	Contact person	Zhang Mingde	Telephone of contact person	021-38031664
Credit rating agency(ies) which conducted rating on corporate bonds during the Reporting Period:							
Name	N/A			Office address	N/A		
Reason of change, procedures to be conducted and impacts 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)					N/A		

Section V Significant Events (continued)

(5) 20 ShenZheng D5, 20 ShenZheng 06

Bond trustee:							
Name	Guotai Junan Securities Co., Ltd.	Office address	36/F, Bohua Plaza, No. 669 Xinzha Road, Jing'an District, Shanghai	Contact person	Zhang Mingde	Telephone of contact person	021-38031664
Credit rating agency(ies) which conducted rating on corporate bonds during the Reporting Period:							
Name	United Credit Ratings Co., Ltd.			Office address	10/F, PICC Building, No.2 Jianguomenwai Avenue, Chaoyang District, Beijing		
Reason of change, procedures to be conducted and impacts 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)					N/A		

Section V Significant Events (continued)

3. Use of proceeds from corporate bonds

(1) 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

(2) 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

(3) 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 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

Section V Significant Events (continued)

(4) 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 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

(5) 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 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

(6) 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 agreements in the prospectus	Yes

Section V Significant Events (continued)

(7) 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 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

(8) 20 ShenZheng 01, 20 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 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 agreements in the prospectus	Yes

(9) 20 ShenZheng 03, 20 ShenZheng 04

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 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 agreements in the prospectus	Yes

Section V Significant Events (continued)

(10) 20 ShenZheng D5, 20 ShenZheng 06

Use of proceeds from corporate bonds and implementation procedures	The proceeds have been used, and all of the proceeds were used to replenish the working capital and repay the matured debts.
Ending Balance (RMB'0,000)	N/A
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. After 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 agreements in the prospectus	Yes

(11) 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 subject to requirements.
Whether the use of proceeds is consistent with the use of proceeds committed, the planned use and other agreements in the prospectus	Yes

(12) 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 agreements in the prospectus	Yes

Section V Significant Events (continued)

(13) 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 agreements in the prospectus	Yes

(14) 20 ShenZheng C2

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 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 agreements in the prospectus	Yes

(15) 20 ShenZheng C3

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 agreements in the prospectus	Yes

4. Credit rating of corporate bonds

During the Reporting Period, the company engaged Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (the “Shanghai Brilliance”) to conduct rating on 17 ShenZheng C2, 18 ShenZheng C2, 18 ShenZheng C5, 17 ShenZheng 01, 17 ShenZheng 02, 18 ShenZheng 03, 19 ShenZheng 01, 19 ShenZheng 03 and 19 ShenZheng 05 of the company. According to the Ongoing Credit Rating Report issued by Shanghai Brilliance on May 28, 2020, the credit rating of the company is AAA, and the outlook of ratings of bonds is stable; the credit rating of 17 ShenZheng C2, 18 ShenZheng C2 and 18 ShenZheng C5 is AA+; the credit rating of 17 ShenZheng 01, 17 ShenZheng 02, 18 ShenZheng 03, 19 ShenZheng 01, 19 ShenZheng 03 and 19 ShenZheng 05 is AAA; 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. During the Reporting Period, the company engaged United Credit Ratings Co., Ltd. (“United Credit”) to conduct rating on 20 ShenZheng D5 and 20 ShenZheng 06. According to the Credit Rating Report issued by United Credit on July 8, 2020, the credit rating of the company is AAA, the credit rating of 20 ShenZheng D5 and 20 ShenZheng 06 is AAA, and the outlook of ratings of bonds is “stable”. During the Reporting Period, it was not required to issue the Ongoing Credit Rating Report for 2019.

No rating was conducted on other bonds.

During the Reporting Period, the company engaged China Lianhe Credit Rating Co., Ltd. (“Lianhe Credit”) to conduct an issuer rating on the company for the issuance of short-term financing bonds by the securities company. According to the credit rating reports issued by Lianhe Credit, the company’s issuer credit rating is AAA, and the rating outlook is “stable”, and there is no difference in 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.

Section V Significant Events (continued)

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, 18 ShenZheng 03, 19 ShenZheng 01, 19 ShenZheng 03, 19 ShenZheng 05, 17 ShenZheng C2, 18 ShenZheng C2, 18 ShenZheng C5, 18 ShenZheng 01, 18 ShenZheng 02 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 Agreement entered into between both parties, on June 18, 2020, Huatai United issued the Report on Entrusted Management of 2017 Corporate Bonds Offered Publicly by Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (2019), the Report on Entrusted Management of Corporate Bonds Offered Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2018 (First Tranche), Corporate Bonds Offered Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 (First Tranche), Corporate Bonds Offered Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 (Second Tranche), and Corporate Bonds Offered Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 (Third Tranche) (2019), the Report on Entrusted Management of Corporate Bonds Offered Non-publicly by Shenwan Hongyuan Securities Co., Ltd. in 2018 (First Tranche) and Corporate Bonds Offered Non-publicly by Shenwan Hongyuan Securities Co., Ltd. in 2019 (First Tranche) (2019), and the Report on Entrusted Management of 2017 Subordinated Bonds of Securities Company (First Tranche), 2018 Subordinated Bonds of Securities Company (First Tranche) and 2018 Subordinated Bonds of Securities Company (Third Tranche) of Shenwan Hongyuan Securities Co., Ltd. (2019);

The Company engaged Industrial Securities Co., Ltd. (“Industrial Securities”) as the bond trustee of 20 ShenZheng 01, 20 ShenZheng 02, 20 ShenZheng 03 and 20 ShenZheng 04, and 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. It is not required to issue the 2019 entrusted management report on 20 ShenZheng 01, 20 ShenZheng 02, 20 ShenZheng 03 and 20 ShenZheng 04.

The Company engaged Guotai Junan Securities Co., Ltd. (“Guotai Junan”) as the bond trustee of 20 ShenZheng C2, 20 ShenZheng C3, 20 ShenZheng D5 and 20 ShenZheng 06, and 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. It is not required to issue the 2019 entrusted management report on 20 ShenZheng C2, 20 ShenZheng C3, 20 ShenZheng D5 and 20 ShenZheng 06.

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, 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
Southwest Securities — No. 1 asset-backed plan backed by margin account debts of Shenwan Hongyuan (priority)	18 ShenWan 01	116902	2018/3/29	Repayment of principal of RMB1,900 million and payment of interests of RMB54,948,950.00 upon maturity
Huafu — No. 1 asset-backed plan backed by margin account debts of Shenwan Hongyuan Securities (priority)	ShenWan 1A01	116924	2018/4/27	Repayment of principal of RMB1,900 million and payment of interests of RMB33,934,380.00 upon maturity
2019 Sixth Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd.	19 Shenwan Hongyuan CP006BC	071900130	2019/10/23	Repayment of principal of RMB4,000 million and payment of interests of RMB29,419,178.08 upon maturity
2019 Seventh Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd.	19 Shenwan Hongyuan CP007BC	071900148	2019/11/15	Repayment of principal of RMB3,000 million and payment of interests of RMB23,186,301.37 upon maturity
2019 Eighth Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd.	19 Shenwan Hongyuan CP008BC	071900168	2019/12/11	Repayment of principal of RMB3,000 million and payment of interests of RMB22,812,328.77 upon maturity
2020 First Tranche of Short-term Financing Bonds of Shenwan Hongyuan Securities Co., Ltd.	20 Shenwan Hongyuan CP001BC	072000059	2020/3/9	Repayment of principal of RMB4,000 million and payment of interests of RMB22,737,534.25 upon maturity

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
2020 Second Tranche of Short-term Financing Bonds of Shenwan Hongyuan Securities Co., Ltd.	20 Shenwan Hongyuan CP002BC	072000083	2020/3/30	Repayment of principal of RMB4,000 million and payment of interests of RMB17,152,876.71 upon maturity
2020 Third Tranche of Short-term Financing Bonds of Shenwan Hongyuan Securities Co., Ltd.	20 Shenwan Hongyuan CP003BC	072000093	2020/4/14	No payment of interests or repayment of principal
2020 Fourth Tranche of Short-term Financing Bonds of Shenwan Hongyuan Securities Co., Ltd.	20 Shenwan Hongyuan CP004BC	072000110	2020/4/29	No payment of interests or repayment of principal
2019 First Tranche of Financial Bonds of Shenwan Hongyuan Securities Co., Ltd.	19 Shenwan Hongyuan Financial Bonds 01	091900023	2019/9/18	No payment of interests or repayment of principal

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

As of June 30, 2020, the company was granted bank facilities in a total amount of approximately RMB417.886 billion by over 100 banks, among which, the size of bank facilities granted by the top 10 banks amounted to RMB219.4 billion and approximately RMB97.072 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 March 27, 2020, the company was informed that the case of the dispute over the pledged securities repurchase raised by the company against Weng Wuyou, Lin Yongfei and Weng Yayun had been accepted by the Shanghai Financial Court. On March 30, 2020, the company published the Announcement on the Material Litigation Involving Shenwan Hongyuan Securities Co., Ltd. through the Shenzhen Stock Exchange and the Shanghai Stock Exchange (for details, please refer to the relevant announcements published on the Shenzhen Stock Exchange at <http://www.szse.cn> and the Shanghai Stock Exchange at <http://www.sse.com.cn>).
- (2) On April 13, 2020, Shenyin & Wanguo Zhifu Investment Co., Ltd., a sub-subsidiary of the company, received the civil ruling on the case of a sales contract dispute raised by Shanghai Zhuxin Industrial Co., Ltd. against Shenyin & Wanguo Zhifu Investment Co., Ltd. made by Shanghai No. 1 Intermediate People's Court. On April 21, 2020, the company published the Announcement on Progress of the Material Litigation Involving a Sub-subsidiary of Shenwan Hongyuan Securities Co., Ltd. through the Shenzhen Stock Exchange and the Shanghai Stock Exchange (for details, please refer to the relevant announcements published on the Shenzhen Stock Exchange at <http://www.szse.cn> and the Shanghai Stock Exchange at <http://www.sse.com.cn>).
- (3) On May 6, 2020, the company was informed that the case of the dispute over the pledged securities repurchase raised by the company against Shen Peijin and Zhu Lijing had been accepted by the Shanghai Financial Court. On May 7, 2020, the company published the Announcement on the Material Litigation Involving Shenwan Hongyuan Securities Co., Ltd. (for details, please refer to the relevant announcements published on the Shenzhen Stock Exchange at <http://www.szse.cn> and the Shanghai Stock Exchange at <http://www.sse.com.cn>).
- (4) As of April 30, 2020, the company's current accumulated new borrowings exceeded 20% of the company's net assets as of December 31, 2019. On May 12, 2020, the company published the Announcement of Shenwan Hongyuan Securities Co., Ltd. on the Current Accumulated New Borrowings Exceeding 20% of the Net Assets at the End of Last Year through the Shenzhen Stock Exchange and the Shanghai Stock Exchange (for details, please refer to the relevant announcements published on the Shenzhen Stock Exchange at <http://www.szse.cn> and the Shanghai Stock Exchange at <http://www.sse.com.cn>).

There is no further progress on the aforementioned material litigations. The new borrowing is a normal financing activity required for the operation and business development of the company and its subsidiaries, and will not have material adverse effects on the company's operating activities and solvency.

Section V Significant Events (continued)

13. Guarantor for corporate bonds

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

(II) Relevant regulatory measures

During the reporting period, the subsidiaries of the Company including Shenwan Hongyuan Securities were subject to regulatory measures or penalties and rectifications

1. In February 2020, Ningbo Branch of Shenwan Hongyuan Securities was imposed administrative penalty by Ningbo Central Sub-branch of the People's Bank of China

On February 11, 2020, Ningbo Central Sub-branch of the People's Bank of China issued an administrative penalty decision against Ningbo Branch. The main contents are as follows: Ningbo Branch failed to fulfill the obligations of customer identification and keep transaction records in accordance with the regulations, and the circumstances were serious, so it was decided to impose a fine of RMB550,000 on Ningbo Branch.

Upon receipt of the letter, Ningbo Branch proactively carried out rectification in accordance with regulatory requirements, strengthened customer identification, standardized transaction record preservation, further improved anti-money laundering work, and promptly submitted the rectification report to the local branch of the People's Bank of China.

2. In May 2020, SWS MU was ordered to make corrections by the CSRC Shanghai branch and received a warning letter therefrom

On May 12, 2020, the CSRC Shanghai Branch took regulatory measures against SWS MU including order to make corrections and issuance of warning letter. The main contents are as follows: the financial accounting of funds and asset valuation trust of SWS MU were not perfect, the internal control effectiveness was insufficient, and there were errors in the disclosure of the net value of relevant fund shares.

Upon receipt of the letters, SWS MU earnestly implemented rectification requirements, proactively took measures including improvement of systems and processes, further strengthened the risk and responsibility awareness of business personnel to prevent the reoccurrence of such events, and submitted a rectification report to the regulatory authority.

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 issued	Reserves capitalized	Others	Sub-total	Number	Percentage
I. Shares subject to selling restrictions	1,530,355	0.01%	0	0	0	0	0	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	0	0	0	0	0	0	0	0	0
3. Other domestic shares	1,530,355	0.01%	0	0	0	0	0	1,530,355	0.01%
Including: shares held by domestic legal persons	0	0	0	0	0	0	0	0	0
shares held by domestic natural persons	1,530,355	0.01%	0	0	0	0	0	1,530,355	0.01%
4. Shares held by foreign capita	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

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 issued	Reserves capitalized	Others	Sub-total	Number	Percentage
II. Shares without selling restrictions	25,038,414,205	99.99%	0	0	0	0	0	25,038,414,205	99.99%
1. RMB-denominated ordinary shares	22,534,414,205	89.99%	0	0	0	0	0	22,534,414,205	89.99%
2. Domestic listed foreign shares	0	0	0	0	0	0	0	0	0.00%
3. Overseas listed foreign shares	2,504,000,000	10.00%	0	0	0	0	0	2,504,000,000	10.00%
4. Others	0	0	0	0	0	0	0	0	0
III. Total number of shares	25,039,944,560	100%	0	0	0	0	0	25,039,944,560	100%

(II) Changes in shares subject to selling restrictions

There were no changes in shares subject to selling restrictions of the Company during the Reporting Period.

II. ISSUANCE AND LISTING OF SECURITIES

The Company had no issuance or listing of securities during the Reporting Period.

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, 2020

Unit: Share

Total number of ordinary shareholders as of the end of the Reporting Period	289,637 (including 289,566 A shareholders and 71 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	2,503,756,180	6,400	0	2,503,756,180	N/A	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	570,294,440	0	0	570,294,440	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 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	frozen Number
Hong Kong Securities Clearing Company Limited	Overseas legal person	1.19	298,226,798	34,523,263	0	298,226,798	N/A	—
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	0	0	248,720,000	—	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 63.16% 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	
		Class of share	Number
China Jianyin 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	2,503,756,180	Overseas listed foreign shares	2,503,756,180
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.	570,294,440	RMB-denominated ordinary shares	570,294,440
Hong Kong Securities Clearing Company Limited	298,226,798	RMB-denominated ordinary shares	298,226,798
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

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 Jianyin Investment Ltd. and 63.16% 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, 2020, 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, 2020, 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.

Section VI Changes in Shares and Shareholders (continued)

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

As of June 30, 2020, 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 (%) ^{Note 6}	Percentage of the total number of issued A Shares/ H Shares of the Company (%)	Long ^{Note 1} / short ^{Note 2} positions
1 Central Huijin Investment Ltd. ^{Note 3}	A Shares	Beneficial owner	5,020,606,527	20.05	22.28	Long positions
		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
	H Shares	Interest in controlled corporations	64,193,600	0.26	2.56	Short positions
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號單一資產管理計劃)	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 ^{Note 4}	H Shares	Beneficial owner	172,907,200	0.69	6.90	Long positions
7 SBI Holdings, Inc. ^{Note 5}	H Shares	Interest in controlled corporations	127,500,000	0.51	5.09	Long positions

Section VI Changes in Shares and Shareholders (continued)

- 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;
- 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 63.16% 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. In particular, Central Huijin held 648,404,800 shares through Industrial and Commercial Bank of China Limited and 108,067,200 shares through 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 – 華夏人壽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: SBI Holdings, Inc. holds the entire equity interest in SBI Financial Services Co., Ltd. which in turn holds 51.28% of equity interest in Rheos Capital Works Inc. Therefore, pursuant to the Securities and Futures Ordinance, SBI Holdings, Inc. is deemed to hold equity interest in the 127,500,000 H shares held by Rheos Capital Works Inc.
- Note 6: As of June 30, 2020, the Company has issued a total of 22,535,944,560 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, 2020, 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, no less than 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 Particulars of 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 12 directors:

Executive Directors: Mr. Chu Xiaoming (Chairman), Mr. Yang Wenqing (Vice Chairman) and Mr. Xu Zhibin (general manager);

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

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
Xu Zhibin	Executive Director	Appointment	June 23, 2020	Election at the general meeting
Zhang Yigang	Non-executive Director	Appointment	June 23, 2020	Election at the general meeting
Ren Quansheng	Deputy general manager	Appointment	May 8, 2020	Appointment by the Board of Directors
Wang Fengchao	Non-executive Director	Resignation	June 22, 2020	Work arrangement

On June 23, 2020, Mr. Xu Zhibin and Mr. Zhang Yigang were elected as non-independent directors of the fourth session of the Board of Directors of the Company at the 2019 annual general meeting of the Company.

On May 8, 2020, Ms. Ren Quansheng was appointed as the deputy general manager of the Company at the 52nd meeting of the fourth session of the Board of Directors of the Company.

For details of the biographies of Mr. Xu Zhibin, Mr. Zhang Yigang and Ms. Ren Quansheng, please refer to the announcements published by the Company on China Securities Journal (《中國證券報》), Securities Times (《證券時報》), Shanghai Securities News (《上海證券報》) and the Cninfo website (www.cninfo.com.cn) on April 30, May 9, and June 3, 2020 and on the website of the HKExnews (www.hkexnews.hk) on April 29, May 8, and June 2, 2020.

On June 22, 2020, Mr. Wang Fengchao, being a non-executive director of the Company, submitted resignation in writing to the Board of Directors due to work arrangement. Mr. Wang Fengchao resigned his position as a non-executive director of the fourth session of the Board of Directors. The resignation of Mr. Wang Fengchao has become effective when his written resignation was delivered to the Board of Directors. After resignation, Mr. Wang Fengchao will no longer hold position in the Company. (For details, please refer to the announcements published by the Company on China Securities Journal (《中國證券報》), Securities Times (《證券時報》), Shanghai Securities News (《上海證券報》) and the Cninfo website (www.cninfo.com.cn) on June 30, 2020 and on the website of the HKExnews (www.hkexnews.hk) on June 22, 2020.)

Section VII Particulars of Directors, Supervisors and Senior Management (continued)

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

1. Mr. Xu Yiyang, chairman of the board of supervisors of the Company, has been a member of the Party committee of Shenwan Hongyuan Group Co., Ltd. and Shenwan Hongyuan Securities Co., Ltd. since December 12, 2014; he served as the secretary of the discipline inspection committee of Shenwan Hongyuan Group Co., Ltd. and Shenwan Hongyuan Securities Co., Ltd. from December 12, 2014 to June 2, 2020; he has been concurrently served as the principal of the Party school of Shenwan Hongyuan Group Co., Ltd. and Shenwan Hongyuan Securities Co., Ltd. since June 23, 2020.
2. Mr. Wang Yanyang, an employee representative supervisor of the Company, has served as the chairman of the board of supervisors of Xinjiang Tianshan Industrial Investment Fund Management Co., Ltd. since June 10, 2020.
3. Mr. Xie Kun, an employee representative supervisor of the Company, resigned 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 was appointed as the general manager of the legal and risk control department of Shenwan Hongyuan Group Co., Ltd. since March 2020. He has concurrently served as the general manager of the investment management department of Shenwan Hongyuan Group Co., Ltd. since May 20, 2020; he has served as a director of Hongyuan Huifu Capital Co., Ltd. since July 6, 2020 and a director of Xinjiang Tianshan Industrial Investment Fund Management Co., Ltd. since June 10, 2020.
4. Mr. An Gejun, an employee representative supervisor of the Company, resigned as a deputy general manager of Shenwan Hongyuan Industrial Investment Management Company Limited on May 20, 2020.

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

(I) Number of employees

As of June 30, 2020, the Group had a total of 12,718 employees, of which 106, 12,039 (including 2,949 securities brokerage agents) and 573 were employees of Shenwan Hongyuan Group, Shenwan Hongyuan Securities and other subsidiaries, respectively.

Section VII Particulars of Directors, Supervisors and Senior Management (continued)

(II) Remuneration policy

In respect of remuneration incentive, with the focus on a remuneration distribution system that combines security and incentives, the Company has established its remuneration system with both internal fairness and external competitiveness according to the business development strategy, as well as the principal of marketization. The remuneration provided by the Company includes basic remuneration, annual performance-based remuneration, benefits, special allowances, long-term incentives, etc. Based on the Company's ability to pay, the Company conducts overall management and control of labor costs, so that the growth of the Company's labor costs will effectively support operating performance and promote the Company's sustainable, stable and healthy development. In light of the differences in qualifications and abilities of employees, the Company has established a basic remuneration system for employees with job requirements and performance standards as the core, and directly links employees' compensation with the performance of the Company, departments and employees through performance evaluation, reflecting incentives orientation in line with responsibility, risk and return. Employees' remuneration and benefits are adjusted in a timely manner with reference to the Company's strategic positioning and actual ability to pay, as well as the average salary of the society and remuneration in the market.

(III) Training

The training of the Company shall center on its development strategy and be conducted in strict accordance the new requirements on education and training of cadres and following the pragmatic and practical working principle, with a view to continuously improving the Party quality and professional competence of all cadres and employees. To meet demands and with capacity building as the core, training of different levels was launched for senior management, middle management, backup management, new employees, etc. and a series of training programs are developed for backup managers of securities branches, wealth management professionals, comprehensive business talents, and international talents in accordance with the principle of "unified planning, hierarchical management, and classified training". In the first half of 2020, in view of the situation of epidemic prevention and control, the Company increased its online training efforts. Relying on the Shenwan Hongyuan Learning World, it organized various thematic trainings through recording the courses of the learning world and live broadcasting of Shenwan Hongyuan Lecture Hall to improve the online course system; various trainings were provided for reserve managers of securities branches and professional talents of mutual funds, to train professional talents; the online training courses are offered by internal trainers, and the Company strives to build an internal trainer team that can efficiently inherit the Company's policies and business and create a talent training system covering the entire growth chain and all employees.

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) (《關於核准申萬宏源集團股份有限公司向合格投資者公開發行公司債券的批覆》(證監許可[2016]813號文)) from 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 ultimate 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. As of June 30, 2020, the principal repaid for the first tranche of bonds amounted to RMB2,979 million, the balance of bonds was RMB2,021 million and the coupon rate was adjusted to 3.70%.

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 million. 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, 2020, the principal repaid for the second tranche of bonds (type I) amounted to RMB2 billion.

As of June 30, 2020, 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) (《關於核准申萬宏源集團股份有限公司向合格投資者公開發行公司債券的批覆》(證監許可[2018]979號文)) from 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.

Section VIII Profile of Corporate Bonds (continued)

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.

As of June 30, 2020, 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 non-publicly offered corporate bonds with total nominal value of not more than RMB10 billion (the "2019 Corporate Bonds"). These corporate bonds of the Company were offered in tranches. For each tranche, an application for transfer of bonds would be submitted to the Shenzhen Stock Exchange within 12 months from the date of issuance of the no-objection letter.

In 2019, the Company offered three tranches of bonds in total, among which, the first tranche of bonds commenced to be placed to off-line qualified investors from March 5, 2019 with the ultimate offering size of RMB1 billion, the nominal value of RMB100.00 each, the offer price of RMB100.00/piece and the coupon rate of 4.18%. As of March 8, 2019, the offering expense of RMB1.2 million had been paid and the net of the proceeds received was RMB999 million.

The offering of the second tranche of corporate bonds was completed on April 9, 2019 with the ultimate offering size of RMB3.2 billion and the coupon rate of 4.27%. As of April 12, 2019, the offering expense of RMB3.84 million had been paid and the net of the proceeds received was RMB3,196 million.

The offering of the third tranche of corporate bonds was completed on October 23, 2019 with the ultimate offering size of RMB5.8 billion. The corporate bonds were 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 coupon rate of 3.94%. As of October 25, 2019, the offering expense of RMB6.96 million had been paid and the net of the proceeds received was RMB5,793 million.

As of June 30, 2020, the Company had utilized RMB8,672,949,186.31 (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.

Section VIII Profile of Corporate Bonds (continued)

I. BASIC INFORMATION OF THE CORPORATE BONDS

1. Public Offering of Corporate Bonds in 2016

Name of bond	Abbreviation of bond	Code of bond	Offering date (YYYY-MM-DD)	Maturity date (YYYY-MM-DD)	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	202,100	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)	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.
Trading places for the listing or transfer of the corporate bonds	Shenzhen Stock Exchange						
Suitability arrangement of investors	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). 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 China Securities Regulatory Commission and assume corresponding legal responsibilities on their own.						
Interest payment and repayment of principal of corporate bonds during the Reporting Period	On April 23, 2020, the Company paid the interest of RMB37.00 (with tax)/lot for Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2016 (first tranche) from April 26, 2019 to April 25, 2020.						
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)	Nil						

Section VIII Profile of Corporate Bonds (continued)

2. Public Offering of Corporate Bonds in 2018

Name of bond	Abbreviation of bond	Code of bond	Offering date (YYYY-MM-DD)	Maturity date (YYYY-MM-DD)	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)	18 ShenHong 01	112728	2018-7-17	2023-7-17	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)	18 ShenHong 02	112729	2018-7-17	2023-7-17	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 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 China Securities Regulatory Commission 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 in 2018 (first tranche) and (second tranche) shall be calculated annually, while the principal shall be fully repaid upon maturity. As of the data of this report, 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) (type I) 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)

3. Non-public Offering of Corporate Bonds in 2019

Name of bond	Abbreviation of bond	Code of bond	Offering date (YYYY-MM-DD)	Maturity date (YYYY-MM-DD)	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	2022-3-8	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	2022-4-12	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.
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Non-publicly Offered in 2019 (third tranche)	19 ShenHong 04	114590	2019-10-25	2024-10-25	580,000	3.94%	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)

Name of bond	Abbreviation of bond	Code of bond	Offering date (YYYY-MM-DD)	Maturity date (YYYY-MM-DD)	Balance of bond (RMB'0,000)	Coupon rate	Payment of principal and interest
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 China Securities Regulatory Commission 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 on the first tranche, second tranche and third tranche of the 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 date of this report, the interest on corporate bonds has not yet 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. Non-publicly Offered to Qualified Investors in 2019 (third 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)

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.	Office address	6/F, Block A, Fengming International Building, No. 22 Fengsheng Alley, Xicheng District, Beijing	Contact person	Li Xiang, Cui Yue	Telephone of contact person	010-56839300
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	K-22, Room 103, Tower A, 1555 Kong Jiang Road, Yang Pu District, Shanghai				
Reason of change, procedures to be conducted and impacts 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

1. Public Offering of Corporate Bonds in 2016

Use of proceeds from corporate bonds and implementation procedures	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.
Ending Balance (RMB'0,000)	0.00
Operation of special account for proceeds	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 consistent with the use of proceeds committed, the planned use 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)

2. Public Offering of Corporate Bonds in 2018

Use of proceeds from corporate bonds and implementation procedures	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.
Ending Balance (RMB'0,000)	0.00
Operation of special account for proceeds	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 consistent with the use of proceeds committed, the planned use 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.

3. Non-public Offering of Corporate Bonds in 2019

Use of proceeds from corporate bonds and implementation procedures	The proceeds from corporate bonds offering, after deducting the offering expenses, have been used to replenish the Company's operating capital of RMB5.249 billion and improve the Company's cash position.
Ending Balance (RMB'0,000)	139,809.76
Operation of special account for proceeds	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 RMB8,672,949,186.31 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 consistent with the use of proceeds committed, the planned use 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 INFORMATION OF CORPORATE BONDS

1. 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 (<http://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 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 <http://www.cninfo.com.cn> on June 19, 2018).

Section VIII Profile of Corporate Bonds (continued)

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, 16 ShenHong 03, 18 ShenHong 01 and 18 ShenHong 02 Issued by Shenwan Hongyuan Group Co., Ltd. published on the Cninfo website (<http://www.cninfo.com.cn>) on April 26, 2019).

On May 26, 2020, Brilliance Credit Rating issued a follow-up credit rating report (Brilliance Follow-up (2020) 100098) 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” 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 03, 18 ShenHong 01 and 18 ShenHong 02 Issued by Shenwan Hongyuan Group Co., Ltd. published on the Cninfo website (<http://www.cninfo.com.cn>) on May 27, 2020).

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.

2. Public Offering of Corporate Bonds in 2018

At the time of the offering of 2018 Corporate Bonds, the Company engaged Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (“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 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 16 ShenHong 01, 16 ShenHong 02, 16 ShenHong 03, 18 ShenHong 01 and 18 ShenHong 02 Issued by Shenwan Hongyuan Group Co., Ltd. published on the Cninfo website (<http://www.cninfo.com.cn>) on April 26, 2019).

Section VIII Profile of Corporate Bonds (continued)

On May 26, 2020, Brilliance Credit Rating issued a follow-up credit rating report (Brilliance Follow-up (2020) 100098) on the public offering of corporate bonds 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 16 ShenHong 01, 16 ShenHong 03, 18 ShenHong 01 and 18 ShenHong 02 Issued by Shenwan Hongyuan Group Co., Ltd. published on the Cninfo website (<http://www.cninfo.com.cn>) on May 27, 2020).

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.

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

1. 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. In September 2019, 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, 2018 to September 8, 2019. In April 2020, the Company paid out of the special account the interest payable for “16 ShenHong 01” for the period from April 26, 2019 to April 25, 2020. (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, April 24, 2019, September 5, 2019 and April 23, 2020, respectively).

Section VIII Profile of Corporate Bonds (continued)

2. 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.

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.

In July 2019, the Company paid out of the special account the interest payable for “18 ShenHong 01” and “18 ShenHong 02” for the period from July 17, 2018 to July 16, 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 July 15, 2019, respectively)

3. 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 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.

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 March 2020 the interest payable of “19 ShenHong 01” for the period from March 8, 2019 to March 7, 2020. In April 2020, the Company paid out of the special account the interest payable for “19 ShenHong 02” for the period from April 12, 2019 to April 11, 2020. (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 March 5, 2020 and April 10, 2020, respectively)

VI. BONDHOLDERS MEETINGS CONVENED DURING THE REPORTING PERIOD

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

Section VIII Profile of Corporate Bonds (continued)

VII. PERFORMANCE OF THE DUTY OF THE BOND TRUSTEE 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 03”, “18 ShenHong 01”, “18 ShenHong 02”, “19 ShenHong 01”, “19 ShenHong 02” and “19 ShenHong 04”. 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.

On June 29, 2020, Huatai United Securities Co., Ltd. issued the Entrusted Management Report (for 2019) on the Public Offering of Corporate Bonds (First Tranche) to Qualified Investors in 2016, The Entrusted Management Report (for 2019) on the Public Offering of Corporate Bonds (Second Tranche) to Qualified Investors in 2016, the Entrusted Management Report (for 2019) on the Public Offering of Corporate Bonds (First Tranche) to Qualified Investors in 2018, the Entrusted Management Report (for 2019) on the Non-public Offering of Corporate Bonds (First Tranche) to Qualified Investors in 2019, the Entrusted Management Report (for 2019) on the Non-public Offering of Corporate Bonds (Second Tranche) to Qualified Investors in 2019 and the Entrusted Management Report (for 2019) on the Non-public Offering of Corporate Bonds (Third Tranche) to Qualified Investors in 2019. (For details, please refer to the Company’s announcement published on June 29, 2020 on the Cninfo website (www.cninfo.com.cn)).

As of the end of April 2020, the company’s current accumulated new borrowings exceeded 20% of the company’s net assets as of December 31, 2019 (the end of last year). On May 14, 2020, Huatai United Securities Co., Ltd. issued the Entrusted Management Provisional Report on Major Issues to reminder investors of the risks in relation to the fact that the current accumulated new borrowings exceeded 20% of the net assets at the end of last year. The company disclosed the abovementioned entrusted management provisional report in a timely manner. (For details, please refer to the Company’s announcement published on May 14, 2020 on the Cninfo website (<http://www.cninfo.com.cn>)).

During the Reporting Period, Huatai United Securities Co., Ltd. issued entrusted management provisional reports on major issues of subsidiaries within the scope of the consolidated statements of the Company. For details, please refer to the Company’s announcements published on April 3, 2020, April 24, 2020 and May 11, 2020 on the Cninfo website (www.cninfo.com.cn)).

Section VIII Profile of Corporate Bonds (continued)

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

Unit: RMB'0,000

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
Current ratio	1.83	1.51	Increased by 0.32
Gearing ratio	74.88%	72.77%	Decreased by 2.11 percentage points
Quick ratio	1.82	1.50	Increased by 0.32

Items	For the Reporting Period	For the same period of the previous year	Year-on-year change
EBITDA interest coverage multiple	2.44	2.14	Increased by 0.30
Loan repayment ratio	100.00%	100.00%	—
Interest repayment ratio	100.00%	100.00%	—

IX. 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 above-mentioned corporate bonds, the Company did not offer any other bonds or debt financing instruments.

Please refer to “XXII Other Significant Matters of Subsidiaries of the Company” under “Section V Significant Events” 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 2020, the total credit obtained by the Company from the banks and other financial institutions amounted to nearly RMB445.186 billion, of which approximately RMB99.753 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.

Section VIII Profile of Corporate Bonds (continued)

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

As at the end of April 2020, the Company's balance of borrowings was RMB146.262 billion. In 2020, the accumulated amount of new borrowings was RMB18.065 billion, which accounted for 21.29% of net assets at the end of the last year, exceeding 20% of net assets at the end of the last year. On May 12, 2020, the Company disclosed the Announcement on the Current Accumulated New Borrowings Exceeding 20% of the Net Assets at the End of Last Year (for details, please refer to the relevant announcements published on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website (<http://www.cninfo.com.cn>) on May 12, 2020).

For the major events arising from subsidiaries within the scope of the Company's consolidated statements, please refer to "XXII. Other Significant Matters of Subsidiaries of the Company" under "Section V" in this report.

XIV. FOR THE BONDS OF SUBSIDIARIES OF THE COMPANY, PLEASE REFER TO "XXII. OTHER SIGNIFICANT MATTERS OF SUBSIDIARIES OF THE COMPANY" UNDER "SECTION V SIGNIFICANT EVENTS" IN THIS REPORT

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 140 to 209, which comprises the condensed consolidated statement of financial position of Shenwan Hongyuan Group Co., Ltd. (the “Company”) and its subsidiaries (collectively the “Group”) as at 30 June 2020, the condensed consolidated income statement, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standards 34, “Interim Financial Reporting” (“IAS 34”), issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with IAS 34.

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 as at 30 June 2020 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
28 August 2020

Unaudited condensed consolidated income statement

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2020	2019
Revenue			
Fee and commission income	4	4,273,827	4,080,583
Interest income	5	5,666,902	5,319,159
Net investment gains	6	3,289,342	2,862,350
Total revenue		13,230,071	12,262,092
Other income and gains	7	4,560,027	2,776,571
Total revenue and other income		17,790,098	15,038,663
Fee and commission expenses	8	795,678	741,641
Interest expenses	9	3,799,738	3,918,107
Staff costs	10	3,031,318	2,776,971
Depreciation and amortisation expenses	11	304,851	311,090
Tax and surcharges		72,953	72,464
Other operating expenses	12	4,789,057	3,086,586
Net provision for impairment losses	13	233,563	239,083
Total expenses		13,027,158	11,145,942
Operating profit		4,762,940	3,892,721
Share of profit of associates and joint ventures		192,990	109,994
Profit before income tax		4,955,930	4,002,715
Income tax expense	14	875,256	770,138
Profit for the period		4,080,674	3,232,577
Attributable to:			
Shareholders of the Company		4,034,768	3,201,521
Non-controlling interests		45,906	31,056
		4,080,674	3,232,577
Basic and diluted earnings per share (in Renminbi per share)	15	0.1611	0.1370

The accompanying notes form part of this interim financial report.

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

For the six months ended 30 June 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2020	2019
Profit for the period	4,080,674	3,232,577
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	(423,871)	1,468,521
Income tax impact	105,968	(329,606)
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
— Net changes in fair value	(48,266)	184,297
— Reclassified to profit or loss	(398,137)	(167,012)
Share of other comprehensive income of associates and joint ventures	(7,277)	5,171
Exchange differences on translation of financial statements in foreign currencies	77,834	14,588
Income tax impact	107,002	(2,969)
Total other comprehensive income for the period, net of tax	(586,747)	1,172,990
Total comprehensive income for the period	3,493,927	4,405,567
Attributable to:		
Shareholders of the Company	3,430,602	4,374,053
Non-controlling interests	63,325	31,514
Total	3,493,927	4,405,567

The accompanying notes form part of this interim financial report.

Unaudited condensed consolidated statement of financial position

As at 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2020	As at 31 December 2019
Non-current assets			
Property and equipment	16	1,289,161	1,279,391
Right-of-use assets	17	786,050	793,825
Investment properties		59,194	99,724
Other intangible assets	18	136,463	143,715
Interest in associates and joint ventures	19	2,557,391	2,489,250
Financial assets measured at amortized cost	20	2,896,388	2,006,679
Financial assets at fair value through other comprehensive income	21	9,082,828	9,457,210
Financial assets held under resale agreements		5,350,184	9,335,549
Financial assets at fair value through profit or loss	22	6,252,573	5,203,804
Refundable deposits	23	12,375,699	8,878,241
Deferred tax assets	24	1,989,407	1,833,395
Other non-current assets	25	156,387	171,645
Total non-current assets		42,931,725	41,692,428
Current assets			
Accounts receivable	26	4,150,391	1,968,153
Other receivables and prepayments	27	2,227,939	2,598,927
Margin accounts receivable	28	62,384,674	53,048,414
Financial assets measured at amortized cost	20	4,164,012	5,306,046
Financial assets held under resale agreements		27,296,730	29,915,390
Financial assets at fair value through profit or loss	22	125,502,760	110,024,423
Financial assets at fair value through other comprehensive income	21	62,504,299	44,017,312
Derivative financial assets	29	532,337	481,835
Clearing settlement funds	30	3,723,719	3,230,861
Cash held on behalf of brokerage clients	31	88,593,493	71,197,312
Cash and bank balances	32	17,621,808	25,056,167
Total current assets		398,702,162	346,844,840
Total assets		441,633,887	388,537,268

The accompanying notes form part of this interim financial report.

Unaudited condensed consolidated statement of financial position (continued)

As at 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2020	As at 31 December 2019
Current liabilities			
Loans and borrowings	34	4,871,554	1,461,734
Short-term debt instruments issued	35	17,741,780	17,065,153
Placements from other financial institutions	36	8,999,667	10,315,074
Accounts payable to brokerage clients	37	98,077,219	77,053,335
Employee benefits payable		1,736,906	1,650,821
Other payables and accruals	38	19,742,037	15,044,688
Contract liabilities		157,615	115,369
Current tax liabilities		346,833	695,722
Financial assets sold under repurchase agreements		89,441,330	83,943,834
Lease liabilities	39	352,928	286,190
Financial liabilities at fair value through profit or loss	40	3,912,423	383,170
Derivative financial liabilities	29	765,826	614,656
Long-term bonds due within one year	41	16,145,821	21,549,900
Total current liabilities		262,291,939	230,179,646
Net current assets		136,410,223	116,665,194
Total assets less current liabilities		179,341,948	158,357,622
Non-current liabilities			
Placements from other financial institutions	36	—	636,000
Long-term bonds	41	90,081,514	70,185,304
Non-current employee benefits payable		2,056,478	2,025,967
Deferred tax liabilities	24	3,003	2,558
Lease liabilities	39	432,759	493,541
Financial liabilities at fair value through profit or loss	40	142,746	1,000
Other non-current liabilities		325,174	181,845
Total non-current liabilities		93,041,674	73,526,215
Net assets		86,300,274	84,831,407

The accompanying notes form part of this interim financial report.

Unaudited condensed consolidated statement of financial position (continued)

As at 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2020	As at 31 December 2019
Equity			
Share capital	42	25,039,945	25,039,945
Reserves	43	34,102,808	34,702,070
Retained profits	44	25,490,843	23,464,175
Total equity attributable to shareholders of the Company		84,633,596	83,206,190
Non-controlling interests		1,666,678	1,625,217
Total equity		86,300,274	84,831,407

Approved and authorised for issue by the board of directors on 28 August 2020.

Chu Xiaoming

Executive Director, Chairman

Yang Wenqing

Executive Director, Vice Chairman

The accompanying notes form part of this interim financial report.

Unaudited condensed consolidated statement of changes in equity

For the six months ended 30 June 2020
(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 42)	Capital reserve (Note 43)	Surplus reserve (Note 43)	General reserve (Note 43)	Fair value reserve (Note 43)	Translation reserve (Note 43)	Retained profits (Note 44)				
As at 1 January 2020	25,039,945	19,367,146	3,390,427	12,276,011	(392,056)	60,542	23,464,175	83,206,190	1,625,217	84,831,407	
Changes in equity for the period											
Profit for the period	—	—	—	—	—	—	4,034,768	4,034,768	45,906	4,080,674	
Other comprehensive income	—	—	—	—	(658,116)	53,950	—	(604,166)	17,419	(586,747)	
Total comprehensive income	—	—	—	—	(658,116)	53,950	4,034,768	3,430,602	63,325	3,493,927	
Appropriation to general reserve	—	—	—	26,907	—	—	(26,907)	—	—	—	
Dividends declared for the period	—	—	—	—	—	—	(2,003,196)	(2,003,196)	(10,712)	(2,013,908)	
Other comprehensive income that has been reclassified to retained profits	—	—	—	—	(22,003)	—	22,003	—	—	—	
Acquisition of non-controlling interests in subsidiaries	—	—	—	—	—	—	—	—	(11,152)	(11,152)	
As at 30 June 2020	25,039,945	19,367,146	3,390,427	12,302,918	(1,072,175)	114,492	25,490,843	84,633,596	1,666,678	86,300,274	

The accompanying notes form part of this interim financial report.

Unaudited condensed consolidated statement of changes in equity (continued)

For the six months ended 30 June 2020

(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 42)	Capital reserve (Note 43)	Surplus reserve (Note 43)	General reserve (Note 43)	Fair value reserve (Note 43)	Translation reserve (Note 43)	Retained profits (Note 44)				
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	

The accompanying notes form part of this interim financial report.

Unaudited condensed consolidated cash flow statement

For the six months ended 30 June 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2020	2019
Cash flows from operating activities:		
Profit before income tax	4,955,930	4,002,715
Adjustments for:		
Interest expenses	3,799,738	3,918,107
Share of profit of associates and joint ventures	(192,990)	(109,994)
Depreciation and amortisation expenses	304,851	311,090
Net provision for impairment losses	233,563	239,083
Gains on disposal of property and equipment and other intangible assets	(978)	(18)
Foreign exchange gains	(28,793)	(172,591)
Net investment gains and interest income from financial assets at fair value through other comprehensive income	(1,769,269)	(854,422)
Net investment gains and interest income from financial assets measured at amortized cost	(221,959)	(347,187)
Unrealised fair value changes of financial instruments at fair value through profit or loss	(507,552)	(107,510)
Unrealised fair value changes of derivative financial instruments	27,556	(74,322)
Operating cash flows before movements in working capital	6,600,097	6,804,951
Cash flows from operating activities:		
Increase in refundable deposits	(3,497,458)	(3,573,938)
Increase in margin accounts receivable	(9,349,757)	(5,692,845)
Increase in accounts receivable, other receivables and prepayments	(1,828,192)	(794,347)
Decrease in financial assets held under resale agreements	5,713,137	9,427,359
Increase in financial instruments at fair value through profit or loss	(12,748,301)	(5,096,945)
Decrease in derivative financial instruments	73,111	123,293
Increase in cash held on behalf of brokerage clients	(17,519,930)	(12,711,875)
Increase in accounts payable to brokerage clients	21,023,884	20,111,825
Increase in other payables and accruals and other non-current liabilities	2,909,290	3,596,554
Increase/(decrease) in employee benefits payable	116,596	(7,276)
Increase/(decrease) in financial assets sold under repurchase agreements	5,497,496	(6,501,608)
(Decrease)/increase in placements from other financial institutions	(1,951,406)	8,958
Cash (used in)/generated from operations	(4,961,433)	5,694,106
Income taxes paid	(1,166,741)	(1,285,408)
Interest paid	(1,482,494)	(1,637,263)
Net cash (used in)/generated from operating activities	(7,610,668)	2,771,435

The accompanying notes form part of this interim financial report.

Unaudited condensed consolidated cash flow statement (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2020	2019
Cash flows from investing activities:			
Proceeds from disposal of property and equipment and other intangible assets		6,867	3,442
Dividends received from associates and joint ventures		106,827	11,451
Interest income from financial assets measured at amortized cost		208,350	290,662
Net investment gains from financial assets at fair value through other comprehensive income		1,293,453	1,062,640
Proceeds/(purchase of) on disposal of financial assets measured at amortized cost		242,462	(509,490)
Purchases of property and equipment, other intangible assets and other non-current assets		(86,151)	(78,987)
Proceeds/(Purchase of) associates and joint ventures		1,745	(8,000)
Purchases of financial assets at fair value through other comprehensive income		(18,519,191)	(478,998)
Decrease in restricted bank deposits		1,019,921	975,319
Net cash (used in)/generated from investing activities		(15,725,717)	1,268,039
Cash flows from financing activities:			
Capital injection from issuance of ordinary shares		—	7,603,918
Proceeds from issuance of long-term bonds		23,740,935	21,717,560
Proceeds from issuance of short-term debt instruments		34,219,702	16,239,009
Proceeds from loans and borrowings		4,571,029	629,115
Long-term bonds repaid		(9,076,216)	(15,210,864)
Short-term debt instruments repaid		(33,588,266)	(19,101,845)
Loans and borrowings repaid		(1,160,307)	(412,844)
Loans, bonds and debt instruments interest paid		(2,459,712)	(1,942,281)
Dividends paid		(10,712)	(1,133,553)
Payment of lease liabilities		(172,052)	(164,374)
Cash used in other financing activities		(11,153)	—
Net cash generated from financing activities		16,053,248	8,223,841
Net (decrease)/increase in cash and cash equivalents		(7,283,137)	12,263,315
Cash and cash equivalents at the beginning of the period		38,948,802	39,786,707
Effect of foreign exchange rate changes		28,793	172,591
Cash and cash equivalents at the end of the period	33	31,694,458	52,222,613

The accompanying notes form part of this interim financial report.

Notes to the unaudited condensed interim financial report

For the six months ended 30 June 2020

(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 2020.

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 accounting

These interim financial report for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2019 (‘last annual financial statements’). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. 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.

The interim financial report was authorised for issue by the Company’s board of directors on 28 August 2020.

3 Use of judgements and estimates

In preparing the 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.

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Use of judgements and estimates (continued)

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.

4 Fee and commission income

	Six months ended 30 June	
	2020	2019
Income from securities brokerage business	2,988,927	2,688,811
Income from asset management business	566,099	578,596
Income from futures brokerage business	304,850	269,243
Income from underwriting and sponsorship business	319,026	410,452
Income from financial advisory business	94,925	133,481
Total	4,273,827	4,080,583

5 Interest income

	Six months ended 30 June	
	2020	2019
Interest income from margin financing and securities lending	2,007,828	1,729,232
Interest income from financial instruments at fair value through other comprehensive income	1,330,864	626,537
Interest income from financial institutions	1,165,963	1,169,378
Interest income from securities-backed lending	663,797	1,155,190
Interest income from other financial assets held under resale agreements	276,491	291,635
Interest income from financial assets measured at amortized cost	221,959	347,187
Total	5,666,902	5,319,159

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

6 Net investment gains

	Six months ended 30 June	
	2020	2019
Dividend income and interest income from financial instruments at fair value through profit or loss	2,461,954	2,156,789
Dividend income from financial instruments at fair value through other comprehensive income	24,209	11,430
Net realised gains from disposal of financial instruments at fair value through other comprehensive income	414,196	216,454
Net realised losses from disposal of derivative financial instruments	(217,277)	(141,548)
Net realised gains from disposal of financial instruments at fair value through profit or loss	126,264	437,393
Unrealised fair value changes of derivative financial instruments	(27,556)	74,322
Unrealised fair value changes of financial instruments at fair value through profit or loss	507,552	107,510
Total	3,289,342	2,862,350

7 Other income and gains

	Six months ended 30 June	
	2020	2019
Income from commodity trading business	4,288,336	2,537,818
Government grants ⁽¹⁾	179,926	28,766
Income from tax authorities for individual income tax withheld	29,691	1,119
Foreign exchange gains	28,793	172,591
Income from futures market-making	7,308	18,009
Rental income	5,847	5,784
Income from disposal of property and equipment	980	45
Compensation received	253	4,309
Miscellaneous ⁽²⁾	18,893	8,130
Total	4,560,027	2,776,571

(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 interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

8 Fee and commission expenses

	Six months ended 30 June	
	2020	2019
Expenses for securities brokerage business	634,112	550,052
Expenses for asset management business	1,913	31,213
Expenses for futures brokerage business	150,203	154,074
Expenses for underwriting and sponsorship business	9,448	6,286
Expenses for financial advisory business	2	16
Total	795,678	741,641

9 Interest expenses

	Six months ended 30 June	
	2020	2019
Interest expenses for		
– Long-term bonds	2,000,481	2,020,881
– Financial assets sold under repurchase agreements	1,045,738	1,252,734
– Short-term debt instruments issued	244,173	152,123
– Placements from other financial institutions	174,757	176,166
– Accounts payable to brokerage clients	149,806	137,384
– Loans and borrowings	86,760	38,164
– Other structured entities' holders	82,633	127,675
– Lease liabilities	15,390	12,544
– Others	—	436
Total	3,799,738	3,918,107

10 Staff costs

	Six months ended 30 June	
	2020	2019
Salaries, bonuses and allowances	2,592,936	2,219,243
Contribution to pension schemes	76,171	160,194
Other social welfare	362,211	397,534
Total	3,031,318	2,776,971

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.

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

11 Depreciation and amortisation expenses

	Six months ended 30 June	
	2020	2019
Depreciation of right-of-use assets	170,395	164,455
Depreciation of property and equipment	74,242	83,293
Amortisation of other intangible assets	38,615	37,781
Amortisation of long-term deferred expenses	19,300	23,359
Depreciation of investment properties	2,299	2,202
Total	304,851	311,090

12 Other operating expenses

	Six months ended 30 June	
	2020	2019
Cost of commodity trading business	4,239,319	2,520,278
Administrative and office operating expenses	84,362	120,691
Investor protection funds and risk reserves for futures business	55,222	39,607
Rental expenses and utilities	51,883	58,935
Funds and asset management plans distribution expenses	50,180	23,910
Consulting and professional services	45,782	36,852
IT expenses	44,271	42,990
Stock exchanges management fees	43,289	39,649
Postal and communication expenses	42,355	55,663
Donation and sponsorship	34,339	15,006
Business travel expenses	21,978	42,769
Promotion and entertainment expenses	20,263	34,190
Auditors' remuneration	6,721	4,594
Transaction cost of structured entities	5,219	10,533
Labor protection fee	2,071	1,777
Losses on disposal of property and equipment	2	941
Compensation paid	438	311
Miscellaneous ⁽¹⁾	41,363	37,890
Total	4,789,057	3,086,586

(1) 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 interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

13 Net provision for impairment losses

	Six months ended 30 June	
	2020	2019
Provision for /(reversal of) impairment losses against accounts receivable	66,222	(90,455)
Provision for impairment losses against financial assets held under resale agreements	64,239	195,637
Provision for /(reversal of) impairment losses against other receivables and prepayments	50,477	(44,263)
Provision for impairment losses against financial assets measured at amortized cost	23,471	20,343
Provision for impairment losses against financial assets at fair value through other comprehensive income	16,059	49,442
Provision for impairment losses against margin accounts receivable	13,497	108,655
Reversal of impairment losses against cash and bank balances	(402)	(276)
Total	233,563	239,083

14 Income tax expense

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

	Six months ended 30 June	
	2020	2019
Current tax		
— PRC income tax	798,455	761,161
— Hong Kong profits tax	8,036	5,929
	806,491	767,090
Adjustment in respect of prior years		
— PRC income tax	4,027	(27,297)
Deferred tax		
— Origination and reversal of temporary differences	64,738	30,345
Total	875,256	770,138

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

14 Income tax expense (continued)

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

	Six months ended 30 June	
	2020	2019
Profit before income tax	4,955,930	4,002,715
Notional tax calculated using the PRC statutory tax rate	1,238,983	1,000,679
Tax effect of non-deductible expenses	773	3,926
Tax effect of non-taxable income	(376,674)	(240,724)
Effect of different tax rates of subsidiaries	(7,072)	(7,643)
Temporary differences in deferred income tax not recognized in the current period	9,475	14,436
Tax effect of recognition of previously unrecognized temporary differences	5,744	26,761
Adjustment for prior years	4,027	(27,297)
Actual income tax expense	875,256	770,138

15 Basic and diluted earnings per share

	Note	Six months ended 30 June	
		2020	2019
Weighted average number of ordinary shares (in thousands)	15(a)	25,039,945	23,370,611
Net profit attributable to equity shareholders of the Company (in RMB thousands)		4,034,768	3,201,521
Basic and diluted earnings per share attributable to equity shareholders of the Company (in RMB per share)		0.1611	0.1370

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	
	2020	2019
Number of ordinary shares as at 1 January	25,039,945	22,535,945
Increase in weighted average number of ordinary shares	—	834,666
Weighted average number of ordinary shares	25,039,945	23,370,611

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

16 Property and equipment

	Buildings	Motor vehicles	Machinery	Electronic equipment	Furniture and fixtures	Renovation	Construction in progress	Total
Cost								
As at 1 January 2020	1,669,083	97,197	20,836	1,107,873	75,854	88,671	144,166	3,203,680
Additions	903	1,826	104	18,428	1,391	—	107,787	130,439
Transfer during the period	38,231	—	—	33,063	—	—	(111,832)	(40,538)
Disposals	—	(10,158)	(1,051)	(20,761)	(1,737)	(406)	—	(34,113)
As at 30 June 2020	1,708,217	88,865	19,889	1,138,603	75,508	88,265	140,121	3,259,468
Accumulated depreciation								
As at 1 January 2020	(758,462)	(85,231)	(16,963)	(904,053)	(69,506)	(71,921)	—	(1,906,136)
Transfer during the period	—	—	—	—	—	—	—	—
Charge for the period	(26,644)	(2,565)	(408)	(36,703)	(3,644)	(4,278)	—	(74,242)
Disposals	—	9,320	741	16,178	1,620	365	—	28,224
As at 30 June 2020	(785,106)	(78,476)	(16,630)	(924,578)	(71,530)	(75,834)	—	(1,952,154)
Impairment								
As at 1 January 2020	(18,153)	—	—	—	—	—	—	(18,153)
As at 30 June 2020	(18,153)	—	—	—	—	—	—	(18,153)
Carrying amount								
As at 30 June 2020	904,958	10,389	3,259	214,025	3,978	12,431	140,121	1,289,161

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

16 Property and equipment (continued)

	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	—	3,044	130	59,196	6,221	176	140,871	209,638
Transfer during the year	(5,462)	—	—	8,527	46	739	(107,169)	(103,319)
Disposals	(7,587)	(8,798)	(934)	(69,082)	(1,303)	(5,362)	—	(93,066)
As at 31 December 2019	1,669,083	97,197	20,836	1,107,873	75,854	88,671	144,166	3,203,680
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 year	(32,009)	—	—	—	—	—	—	(32,009)
Charge for the year	(51,023)	(4,847)	(927)	(86,161)	(7,226)	(8,874)	—	(159,058)
Disposals	1,656	8,174	785	66,061	1,241	5,349	—	83,266
As at 31 December 2019	(758,462)	(85,231)	(16,963)	(904,053)	(69,506)	(71,921)	—	(1,906,136)
Impairment								
As at 1 January 2019	(18,153)	—	—	—	—	—	—	(18,153)
As at 31 December 2019	(18,153)	—	—	—	—	—	—	(18,153)
Carrying amount								
As at 31 December 2019	892,468	11,966	3,873	203,820	6,348	16,750	144,166	1,279,391

As at 30 June 2020 and 31 December 2019, included in buildings, there is a carrying amount of RMB20,303 thousand and RMB20,693 thousand respectively, for which the Group has yet to obtain the relevant land or building certificates.

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

17 Right-of-use assets

	Right-of-use assets
Cost	
As at 1 January 2020	1,054,504
Increases	166,271
Decreases	(51,038)
As at 30 June 2020	1,169,737
Accumulated depreciation	
As at 1 January 2020	(260,679)
Charge for the period	(170,395)
Decreases	47,387
As at 30 June 2020	(383,687)
Carrying amount	
As at 30 June 2020	786,050

	Right-of-use assets
Cost	
As at 1 January 2019	866,295
Increases	195,697
Decreases	(7,488)
As at 31 December 2019	1,054,504
Accumulated depreciation	
As at 1 January 2019	—
Charge for the period	(268,167)
Decreases	7,488
As at 31 December 2019	(260,679)
Carrying amount	
As at 31 December 2019	793,825

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Other intangible assets

	Software	Others ⁽¹⁾	Total
Cost			
As at 1 January 2020	524,839	330,385	855,224
Additions	30,492	871	31,363
Disposals	—	—	—
As at 30 June 2020	555,331	331,256	886,587
Accumulated amortisation			
As at 1 January 2020	(401,237)	(309,596)	(710,833)
Charge for the period	(37,323)	(1,292)	(38,615)
Disposals	—	—	—
As at 30 June 2020	(438,560)	(310,888)	(749,448)
Impairment			
As at 1 January 2020	—	(676)	(676)
As at 30 June 2020	—	(676)	(676)
Carrying amount			
As at 30 June 2020	116,771	19,692	136,463
Cost			
As at 1 January 2019	455,013	330,097	785,110
Additions	70,064	288	70,352
Disposals	(238)	—	(238)
As at 31 December 2019	524,839	330,385	855,224
Accumulated amortisation			
As at 1 January 2019	(331,124)	(304,561)	(635,685)
Charge for the year	(70,349)	(5,035)	(75,384)
Disposals	236	—	236
As at 31 December 2019	(401,237)	(309,596)	(710,833)
Impairment			
As at 1 January 2019	—	(676)	(676)
As at 31 December 2019	—	(676)	(676)
Carrying amount			
As at 31 December 2019	123,602	20,113	143,715

(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 2020.

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Interest in associates and joint ventures

	As at 30 June 2020	As at 31 December 2019
Share of net assets	2,735,676	2,667,535
Less: Impairment losses	(178,285)	(178,285)
Total	2,557,391	2,489,250

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 2020	31 December 2019	
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	Urumqi	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	Urumqi	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	RMB50,000	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	RMB720,000	49.93%	49.93%	Equity management

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

19 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 2020	31 December 2019	
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	RMB57,923	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	RMB9,048	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	RMB20,951	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%	40.00%	Fund management
Tongxiang Shenwan Hongding Growth No. 2 Equity Investment Fund Partnership (Limited Partnership)* 桐鄉申萬泓鼎成長二號股權投資基金合夥企業 (有限合夥)	Jiaxing	RMB 201,035	24.87%	24.87%	Equity management

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

19 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 2020	31 December 2019	
Zhuhai Shenhong Gejin Healthcare Investment Fund Partnership (Limited Partnership)* 珠海申宏格金醫療健康產業投資基金合夥企業（有限合夥）	Zhuhai	RMB250,500	25.00%	25.00%	Equity management
Chongqing Furong Equity Investment Fund Partnership (Limited Partnership) ⁽¹⁾ 重慶市富榮股權投資基金合夥企業（有限合夥）	Chongqing	RMB50,000	2.00%	2.00%	Equity management
Shanghai Eastern Airlines Shenhong Equity Investment Fund Management Co., Ltd.* 上海東航申宏股權投資基金管理有限公司	Shanghai	RMB3,000	40.00%	—	Investment management
Yibin State Assets Industry Investment Partnership (Limited Partnership) ⁽¹⁾ 宜賓市國資產業投資合夥企業（有限合夥）	Yibin	RMB1,010,000	0.99%	—	Equity 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.

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

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Interest in associates and joint ventures (continued)

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 2020	As at 31 December 2019
Gross amounts of the associate:		
Assets	5,849,432	5,655,703
Liabilities	(1,642,807)	(1,711,019)
Net assets	4,206,625	3,944,684
Revenue	1,987,894	2,854,916
Profit for the period/year	628,485	791,356
Other comprehensive income	(26,198)	20,349
Other adjustments	18,976	385
Total comprehensive income	621,263	812,090
Dividend received from the associate	100,268	72,215
Reconciled to the Group's interest in the associate:		
Net assets	4,206,625	3,944,684
The Group's effective interest	27.775%	27.775%
The Group's share of net assets of the associate	1,168,390	1,095,636
Other adjustments	—	466
Carrying amount in the interim financial report	1,168,390	1,096,102

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Interest in associates and joint ventures (continued)

Horgos Tianshan No. 1 Industrial Investment Fund Limited Partnership

	As at 30 June 2020	As at 31 December 2019
Gross amounts of the associate:		
Assets	1,662,242	1,662,343
Liabilities	(31,550)	(31,520)
Net assets	1,630,692	1,630,823
Revenue	—	—
(Loss)/profit for the period/year	(131)	30,917
Total comprehensive income	(131)	30,917
Dividend received from the associate	—	—
Reconciled to the Group's interest in the associate:		
Net assets	1,630,692	1,630,823
The Group's effective interest	33.11%	33.11%
The Group's share of net assets of the associate	539,922	539,966
Less: Impairment losses	(178,285)	(178,285)
Carrying amount in the interim financial report	361,637	361,681

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

	As at 30 June 2020	As at 31 December 2019
Aggregate carrying amount of individually immaterial associates and joint ventures in the interim financial report	1,027,364	1,031,467
Aggregate amounts of the Group's share of those associates and joint ventures' profits	13,201	51,833
Other comprehensive income	—	—
Total comprehensive income	13,201	51,833

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Financial assets measured at amortized cost

(a) Analysed by nature:

Non-current

	As at 30 June 2020	As at 31 December 2019
Wealth management products and others	2,254,775	2,239,186
Debt securities	1,108,691	213,928
Less: provision for impairment losses	(467,078)	(446,435)
Total	2,896,388	2,006,679

Current

	As at 30 June 2020	As at 31 December 2019
Wealth management products and others	2,907,910	4,736,252
Debt securities	950,146	272,688
Investments classified as receivables	312,384	300,706
Less: provision for impairment losses	(6,428)	(3,600)
Total	4,164,012	5,306,046

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

	As at 30 June 2020	As at 31 December 2019
At the beginning of the period/year	450,035	187,307
Charge for the period/year	23,471	262,728
At the end of the period/year	473,506	450,035

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Financial assets at fair value through other comprehensive income

Non-current

	As at 30 June 2020	As at 31 December 2019
Designated at FVOCI		
Equity securities not held for trading ⁽¹⁾⁽²⁾	8,931,606	9,445,342
Debt securities	151,222	11,868
	9,082,828	9,457,210
Analysed as:		
Listed outside Hong Kong	2,345,929	2,644,474
Listed inside Hong Kong	63,410	—
Unlisted	6,673,489	6,812,736
Total	9,082,828	9,457,210

Current

	As at 30 June 2020	As at 31 December 2019
Debt securities	62,504,299	44,017,312
Analysed as:		
Listed outside Hong Kong	31,852,012	21,480,154
Listed inside Hong Kong	4,724	212,451
Unlisted	30,647,563	22,324,707
Total	62,504,299	44,017,312

(1) As at 30 June 2020 and 31 December 2019, 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 2020 and 31 December 2019, the fair value of the Group's contribution recognized by the Group was RMB6,359 million and RMB6,552 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 2020, 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 RMB29,338 thousand.

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

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

As at 30 June 2020 and 31 December 2019, 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 RMB291,554 thousand and RMB420,203 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 28(c) together with the fair value of collaterals of margin financing business.

As at 30 June 2020 and 31 December 2019, the Group has pledged financial assets at fair value through other comprehensive income with a total fair value of RMB328,762 thousand and RMB377,391 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 2020 and 31 December 2019, the Group has pledged financial assets at fair value through other comprehensive income with a total fair value of RMB36,400,005 thousand and RMB21,804,074 thousand for the purpose of repurchase agreement business and bond lending business.

22 Financial assets at fair value through profit or loss

Non-current

	As at 30 June 2020	As at 31 December 2019
Equity securities	271,650	217,461
Funds	567,239	9,657
Debt securities	10,550	11,725
Hybrid instrument	141,156	396,060
Wealth management products and others	5,261,978	4,568,901
Total	6,252,573	5,203,804
Analysed as:		
Listed outside Hong Kong	260,149	170,894
Unlisted	5,992,424	5,032,910
Total	6,252,573	5,203,804

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

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

Current

	As at 30 June 2020	As at 31 December 2019
Debt securities	79,760,021	68,622,374
Funds	20,799,643	23,501,436
Equity securities	4,261,128	1,830,847
Hybrid instrument	5,597,091	4,915,784
Wealth management products and others	15,084,877	11,153,982
Total	125,502,760	110,024,423
Analysed as:		
Listed		
— outside Hong Kong	32,285,924	27,398,506
— inside Hong Kong	1,029,259	1,001,763
Unlisted	92,187,577	81,624,154
Total	125,502,760	110,024,423

As at 30 June 2020 and 31 December 2019, 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 RMB418,363 thousand and RMB111,973 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 28(c) together with the fair value of collaterals of margin financing business.

As at 30 June 2020 and 31 December 2019, the Group has pledged financial assets at fair value through profit or loss with a total fair value of RMB49,584,012 thousand and RMB55,399,131 thousand for the purpose of repurchase agreement business and bond lending business.

As at 30 June 2020 and 31 December 2019, the equity securities in the financial assets at fair value through profit or loss with lock-up periods held by the Group were RMB423,449 thousand and RMB173,449 thousand respectively.

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

23 Refundable deposits

	As at 30 June 2020	As at 31 December 2019
Deposits with stock exchanges		
– China Securities Depository and Clearing Corporation Limited	902,029	801,012
– Hong Kong Securities Clearing Company Limited	17,691	3,550
– The Stock Exchange of Hong Kong Limited	457	448
	920,177	805,010
Deposits with futures and commodity exchanges		
– China Financial Futures Exchange	4,008,291	3,371,418
– Shanghai Futures Exchange	2,494,879	1,646,510
– Dalian Commodity Exchange	2,233,156	1,665,904
– Zhengzhou Commodity Exchange	1,434,639	516,851
– Shanghai International Energy Exchange	592,718	129,905
– Hong Kong Futures Exchange	1,523	2,826
	10,765,206	7,333,414
Deposits with other institutions		
– China Securities Finance Corporation Limited	54,560	34,257
– Shanghai Clearing House	377,370	623,982
– Shanghai Gold Exchange	20	20
– The SEHK Options Clearing House Limited	1,863	3,122
– Monetary Authority of Singapore	508	518
– Other financial institutions	255,995	77,918
	690,316	739,817
Total	12,375,699	8,878,241

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

24 Deferred taxation

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

	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 financial instruments	Changes in fair value of financial assets at fair value through other comprehensive income	Business combination	Others	Total
Deferred tax arising from:								
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	179,196	182,109	3,013	25,643	23,636	225,372	(10,587)	628,382
Recognized in reserves	—	—	—	—	(395,599)	—	—	(395,599)
Reclassified from other comprehensive income to retained profits	—	—	—	—	39,489	—	—	39,489
As at 31 December 2019	446,372	568,971	32,905	83,484	205,527	464,164	29,414	1,830,837
As at 1 January 2020	446,372	568,971	32,905	83,484	205,527	464,164	29,414	1,830,837
Recognized in profit or loss	29,715	(10,192)	(103,045)	(7,337)	5,816	—	20,305	(64,738)
Recognized in reserves	—	—	—	—	212,970	—	—	212,970
Reclassified from other comprehensive income to retained profits	—	—	—	—	7,335	—	—	7,335
As at 30 June 2020	476,087	558,779	(70,140)	76,147	431,648	464,164	49,719	1,986,404

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

24 Deferred taxation (continued)

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

	As at 30 June 2020	As at 31 December 2019
Net deferred tax assets recognized in the condensed consolidated statement of financial position	1,989,407	1,833,395
Net deferred tax liabilities recognized in the condensed consolidated statement of financial position	(3,003)	(2,558)
Total	1,986,404	1,830,837

(c) Recognized in other comprehensive income

	As at 30 June 2020		
	Before tax	Tax benefit	Net of tax
Financial assets at fair value through other comprehensive income			
— Net changes in fair value	(48,266)	8,770	(39,496)
— Reclassified to profit or loss	(398,137)	98,232	(299,905)
Share of other comprehensive income of associates	(7,277)	—	(7,277)
Exchange differences on translation of financial statements in foreign currencies	77,834	—	77,834
Equity investment at fair value through other comprehensive income			
— Net changes in fair value	(423,871)	105,968	(317,903)
Total	(799,717)	212,970	(586,747)

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

24 Deferred taxation (continued)

(c) Recognized in other comprehensive income (continued)

	As at 31 December 2019		
	Before tax	Tax (expense)/ benefit	Net of tax
Financial assets at fair value through other comprehensive income			
— Net changes in fair value	497,770	(121,535)	376,235
— Reclassified to profit or loss	(347,877)	89,289	(258,588)
Share of other comprehensive income of associates	5,489	—	5,489
Exchange differences on translation of financial statements in foreign currencies	82,609	—	82,609
Equity investment at fair value through other comprehensive income			
— Net changes in fair value	1,453,411	(363,353)	1,090,058
Total	1,691,402	(395,599)	1,295,803

(d) Deferred tax assets not recognized

As at 30 June 2020 and 31 December 2019, 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 RMB65,190 thousand and RMB35,299 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.

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Other non-current assets

(a) Analysed by nature:

	As at 30 June 2020	As at 31 December 2019
Long-term deferred expenses	88,814	104,997
Other ⁽¹⁾	67,573	66,648
Total	156,387	171,645

(1) As at 30 June 2020, the other non-current assets include goodwill amounted to RMB67,573 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 2020	As at 31 December 2019
At the beginning of the period/year	104,997	111,086
Additions	2,462	10,009
Transfer in from property and equipment	655	30,733
Amortisation	(19,300)	(46,831)
At the end of the period/year	88,814	104,997

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

26 Accounts receivable

(a) Analysed by nature:

	As at 30 June 2020	As at 31 December 2019
Accounts receivable of:		
– Settlement	2,231,781	997,019
– Fee and commission	814,391	724,498
– Asset management plans	1,395,220	473,351
– Overdue	37,821	35,885
Less: Provision for impairment losses	(328,822)	(262,600)
Total	4,150,391	1,968,153

(b) Analysed by ageing:

As at 30 June 2020 and 31 December 2019, the ageing analysis of accounts receivable, based on the trade date, is as follows:

	As at 30 June 2020	As at 31 December 2019
Within 1 year	3,915,628	1,866,917
1 to 2 years	186,693	63,208
2 to 3 years	28,068	23,374
Over 3 years	20,002	14,654
Total	4,150,391	1,968,153

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

	As at 30 June 2020	As at 31 December 2019
At the beginning of the period/year	262,600	158,834
Charge for the period/year	66,222	203,574
Reversal of impairment	–	(99,808)
At the end of the period/year	328,822	262,600

(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 interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

27 Other receivables and prepayments

(a) Analysed by nature:

	As at 30 June 2020	As at 31 December 2019
Inventory	1,414,333	1,081,925
Receivables from commodity business customers	—	350,336
VAT due from asset management plans	263,674	221,977
Prepayments ⁽¹⁾	206,779	387,197
Overdue and impaired receivables	193,602	292,012
Current tax assets	188,220	213,865
Deposits	65,377	71,823
Dividend receivables	9,000	—
Interest receivables	47,411	35,419
Receivables from bond issuers	18,120	43,150
Others ⁽¹⁾	79,823	109,146
Less: Provision for impairment losses	(258,400)	(207,923)
Total	2,227,939	2,598,927

(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 2020	As at 31 December 2019
At the beginning of the period/year	207,923	264,395
Charge for the period/year	50,477	—
Reversal of impairment	—	(41,983)
Others	—	(14,489)
At the end of the period/year	258,400	207,923

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

28 Margin accounts receivable

(a) Analysed by nature:

	As at 30 June 2020	As at 31 December 2019
Individuals	50,906,890	46,689,567
Institutions	11,671,169	6,538,735
Less: Provision for impairment losses	(193,385)	(179,888)
Total	62,384,674	53,048,414

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

	As at 30 June 2020	As at 31 December 2019
At the beginning of the period/year	179,888	84,265
Charge for the period/year	13,497	—
Reversal of impairment	—	(4,185)
Others	—	99,808
At the end of the period/year	193,385	179,888

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

	As at 30 June 2020	As at 31 December 2019
Fair value of collaterals:		
— Stocks	189,087,193	165,040,133
— Cash	12,820,005	9,181,292
— Funds	2,976,108	1,827,820
— Bonds	285,914	67,709
Total	205,169,220	176,116,954

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

29 Derivative financial instruments

	As at 30 June 2020		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
— Treasury bond futures	2,235,942	7,118	—
— Interest rate swaps	105,680,000	—	(182,093)
Equity derivatives			
— Stock index futures	3,388,809	101,398	—
— Structured notes	2,932,338	—	(11,067)
— Stock options	901,355	94,701	(161,315)
— OTC options	99,997,554	359,017	(500,814)
Commodity derivatives			
— Au (T+D)	6,867,979	—	(49,973)
— Options	3,299,520	13,960	(47,425)
— Other commodity futures	10,421,809	310,755	(15,384)
— Precious metals forward contract	5,066,652	—	(45,205)
— Optional forward	465,584	64,659	—
Total	241,257,542	951,608	(1,013,276)
Less: Cash (received)/paid as settlement		(419,271)	247,450
Net position		532,337	(765,826)

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

29 Derivative financial instruments (continued)

	As at 31 December 2019		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
— Treasury bond futures	13,904,749	—	(44,949)
— Interest rate swaps	72,060,000	—	(123,125)
Equity derivatives			
— Stock index futures	1,114,145	13,307	(302)
— Structured notes	911,101	—	(12,233)
— Stock options	550,460	10,406	(24,477)
— OTC options	79,347,828	458,975	(568,571)
Commodity derivatives			
— Options	959,407	6,302	(9,375)
— Other commodity futures	9,626,669	28,391	(65,812)
— Optional forward	280,072	6,152	—
Total	178,754,431	523,533	(848,844)
Less: Cash (received)/paid as settlement		(41,698)	234,188
Net position		481,835	(614,656)

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 interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

30 Clearing settlement funds

	As at 30 June 2020	As at 31 December 2019
Deposits with stock exchanges		
— China Securities Depository and Clearing Corporation Limited	3,222,692	3,109,083
— Shanghai Gold Exchange	144,978	591
— Other institutions	356,049	120,057
Interest receivables	—	1,130
Total	3,723,719	3,230,861

31 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 statement 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.

32 Cash and bank balances

(a) Analysed by nature:

	As at 30 June 2020	As at 31 December 2019
Cash on hand	575	539
Bank balances	17,623,706	25,058,503
Less: Provision for impairment losses	(2,473)	(2,875)
Total	17,621,808	25,056,167

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

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

32 Cash and bank balances (continued)

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

	As at 30 June 2020	As at 31 December 2019
At the beginning of the period/year	2,875	6,155
Reversal of impairment	(402)	(3,280)
At the end of the period/year	2,473	2,875

33 Cash and cash equivalents

	As at 30 June 2020	As at 31 December 2019
Cash on hand	575	539
Bank balances	17,596,905	24,925,667
Clearing settlement funds	3,723,719	3,229,731
Bond investment within 3 months original maturity	170,166	209,720
Financial assets held under resale agreements within 3 months original maturity	12,178,777	13,005,426
Less: restricted bank deposits	(1,975,684)	(2,422,281)
Total	31,694,458	38,948,802

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

34 Loans and borrowings

Current

	As at 30 June 2020	As at 31 December 2019
Unsecured bank loans	4,174,860	871,146
Secured borrowing from commodity exchanges	396,188	289,161
Unsecured loans from other financial institutions	300,506	301,427
Total	4,871,554	1,461,734

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

35 Short-term debt instruments issued

As at 30 June 2020

Name	Nominal Interest rate	Book value as at			Book value as at 30 June 2020
		1 January 2020	Issuance	Redemption	
Short-term corporate bonds	1.4%–3.05%	9,999,435	15,996,846	(17,996,570)	7,999,711
Structured notes	0.00% plus floating rate –3.60% plus floating rate	6,998,106	18,219,427	(15,588,266)	9,629,267
Interest payables		67,612	243,981	(198,791)	112,802
Total		17,065,153	34,460,254	(33,783,627)	17,741,780

As at 31 December 2019

	Nominal Interest rate	Book value as at			Book value as at 31 December 2019
		1 January 2019	Issuance	Redemption	
Short-term corporate bonds	2.75%–5.50%	6,000,000	24,996,117	(20,996,682)	9,999,435
Structured notes	0.00% plus floating rate –3.00% plus floating rate	7,220,147	17,505,587	(17,727,628)	6,998,106
Interest payables		348,122	321,655	(602,165)	67,612
Total		13,568,269	42,823,359	(39,326,475)	17,065,153

For the half year ended 30 June 2020, the Group has issued 675 tranches of structured notes, and repaid 659 tranches of structured notes during the period. The outstanding balance bears interest rate ranging from fixed rate 0.00% plus floating rate to 3.6% plus floating rate per annum, repayable within 1 year.

In 2019, the Group has issued 1,352 tranches of structured notes, and repaid 1,179 tranches of structured notes during the year. The outstanding balance bears interest rate ranging from fixed rate 0.00% plus floating rate to 3.00% plus floating rate per annum, repayable within 1 year.

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

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36 Placements from other financial institutions

Current

	As at 30 June 2020	As at 31 December 2019
Placements from banks	8,999,667	10,315,074

As at 30 June 2020, the placements from banks are unsecured and bear interest rate ranging from 1.05% to 5.88% per annum, with maturities ranging from 1 day to 365 days. As at 31 December 2019, the placements from banks are unsecured and bear interest rate ranging from 1.15% to 5.70% per annum, with maturities ranging from 1 day to 365 days.

Non-current

	As at 30 June 2020	As at 31 December 2019
Interbank lending	—	636,000

37 Accounts payable to brokerage clients

	As at 30 June 2020	As at 31 December 2019
Clients' deposits for other brokerage trading	85,257,071	67,866,950
Clients' deposits for margin financing and securities lending	12,820,005	9,181,292
Interest payable	143	5,093
Total	98,077,219	77,053,335

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 interim financial report (continued)

For the six months ended 30 June 2020

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38 Other payables and accruals

	As at 30 June 2020	As at 31 December 2019
Payables to interest holders of consolidated structured entities	12,306,306	11,176,049
Dividend payables	2,145,356	135,052
Deposits	1,882,499	1,624,422
Settlement payables	1,086,443	507,177
Trade payables	918,878	185,606
Payables on behalf of staff	344,798	181,840
Business tax and other tax payables	250,322	546,871
Risk reserve for futures brokerage business	189,019	179,642
Long-term payables	133,831	133,862
Distribution expenses payables	87,745	90,766
Fee and commission payable	90,110	73,950
Accrued expenses	68,522	16,703
Payables to the securities and futures investor protection fund	46,993	35,182
Interest and dividend received on behalf of brokerage clients	23,229	23,227
Account executive commission payables	14,447	12,162
Interest payables	14,120	21,693
Sponsoring fee payables	2,010	22,146
Others ⁽¹⁾	137,409	78,338
Total	19,742,037	15,044,688

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

Notes to the unaudited condensed interim financial report (continued)

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39 Lease liabilities

Non-current

	As at 30 June 2020	As at 31 December 2019
Lease liabilities	432,759	493,541

Current

	As at 30 June 2020	As at 31 December 2019
Lease liabilities	352,928	286,190

40 Financial liabilities at fair value through profit or loss

Non-current

	As at 30 June 2020	As at 31 December 2019
Financial liabilities held for trading		
— Structured notes	142,746	—
Financial liabilities designated at fair value through profit or loss ⁽¹⁾	—	1,000
Total	142,746	1,000

Current

	As at 30 June 2020	As at 31 December 2019
Financial liabilities held for trading		
— Structured notes	307,280	280,825
— Gold	318,000	—
— Debt securities	3,072,360	—
Financial liabilities designated at fair value through profit or loss ⁽¹⁾	214,783	102,345
Total	3,912,423	383,170

(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 interim financial report (continued)

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41 Long-term bonds

As at 30 June 2020

Name	Par value		Issuance date	Due date	Issue amount	
	Original currency				Original currency	Nominal interest rate
16 ShenHong 01 ⁽³⁾	2,020,800		2016/04/26	2021/04/26	2,020,800	3.70%
16 ShenHong 03 ⁽⁵⁾	5,500,000		2016/09/09	2021/09/09	5,500,000	3.20%
17 ShenZheng 01 ⁽⁷⁾	7,500,000		2017/02/17	2022/02/17	7,500,000	4.40%
17 ShenZheng 02 ⁽⁸⁾	500,000		2017/02/17	2024/02/17	500,000	4.50%
17 ShenZheng C2 ⁽¹⁰⁾	4,300,000		2017/11/16	2020/11/16	4,300,000	5.30%
18 ShenZheng C1 ⁽¹¹⁾	1,400,000		2018/04/12	2020/04/12	1,400,000	5.25%
18 ShenZheng C2 ⁽¹²⁾	4,600,000		2018/04/12	2023/04/12	4,600,000	5.35%
18 ShenZheng C3 ⁽¹³⁾	4,200,000		2018/05/21	2020/05/21	4,200,000	5.38%
18 ShenHong 01 ⁽¹⁴⁾	500,000		2018/07/17	2023/07/17	499,997	4.40%
18 ShenHong 02 ⁽¹⁵⁾	6,500,000		2018/07/17	2023/07/17	6,499,956	4.80%
18 ShenZheng C5 ⁽¹⁶⁾	5,100,000		2018/09/17	2020/09/17	5,100,000	4.69%
18 ShenZheng 01 ⁽¹⁷⁾	2,000,000		2018/11/19	2020/11/19	2,000,000	4.10%
18 ShenZheng 02 ⁽¹⁸⁾	3,000,000		2018/11/19	2021/11/19	3,000,000	4.20%
18 ShenZheng 03 ⁽¹⁹⁾	1,500,000		2018/12/10	2023/12/10	1,500,000	4.08%
19 ShenHong 01 ⁽²⁰⁾	1,000,000		2019/03/08	2022/03/08	999,941	4.18%
19 ShenHong 02 ⁽²¹⁾	3,200,000		2019/04/12	2022/04/12	3,200,000	4.27%
19 ShenHong 04 ⁽²²⁾	5,800,000		2019/10/25	2024/10/25	5,800,000	3.94%
19 ShenZheng 01 ⁽²³⁾	2,200,000		2019/01/16	2022/01/16	2,200,000	3.55%
19 ShenZheng 03 ⁽²⁴⁾	6,200,000		2019/03/11	2022/03/11	6,200,000	3.68%
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%
19 Shenwan Hongyuan financial bond 01 ⁽²⁷⁾	6,000,000		2019/09/18	2022/09/18	5,995,749	3.43%
20 ShenZheng 01 ⁽²⁸⁾	4,000,000		2020/01/16	2022/01/16	4,000,000	3.40%
20 ShenZheng 02 ⁽²⁹⁾	2,000,000		2020/01/16	2023/01/16	2,000,000	3.55%
20 ShenZheng 03 ⁽³⁰⁾	1,000,000		2020/02/21	2022/02/21	1,000,000	3.03%
20 ShenZheng 04 ⁽³¹⁾	3,000,000		2020/02/21	2023/02/21	3,000,000	3.20%
20 ShenZheng C2 ⁽³²⁾	6,000,000		2020/04/23	2023/04/23	6,000,000	3.18%
20 ShenZheng C3 ⁽³³⁾	6,000,000		2020/05/25	2023/05/25	6,000,000	3.25%
Structured notes ⁽³⁴⁾	56,697,210		Note ⁽³⁴⁾	Note ⁽³⁴⁾	56,697,210	3.30%–5.15%

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41 Long-term bonds (continued)

Name	Book value	Amount of			Book value
	as at 31 December 2019	Increase	amortisation	Decrease	as at 30 June 2020
16 ShenHong 01 ⁽³⁾	2,020,800	—	—	—	2,020,800
16 ShenHong 03 ⁽⁵⁾	5,500,000	—	—	—	5,500,000
17 ShenZheng 01 ⁽⁷⁾	7,500,000	—	—	—	7,500,000
17 ShenZheng 02 ⁽⁶⁾	500,000	—	—	—	500,000
17 ShenZheng C2 ⁽¹⁰⁾	4,300,000	—	—	—	4,300,000
18 ShenZheng C1 ⁽¹¹⁾	1,400,000	—	—	(1,400,000)	—
18 ShenZheng C2 ⁽¹²⁾	4,600,000	—	—	—	4,600,000
18 ShenZheng C3 ⁽¹³⁾	4,200,000	—	—	(4,200,000)	—
18 ShenHong 01 ⁽¹⁴⁾	499,997	—	—	—	499,997
18 ShenHong 02 ⁽¹⁵⁾	6,499,960	—	4	—	6,499,964
18 ShenZheng C5 ⁽¹⁶⁾	5,100,000	—	—	—	5,100,000
18 ShenZheng 01 ⁽¹⁷⁾	2,000,000	—	—	—	2,000,000
18 ShenZheng 02 ⁽¹⁸⁾	3,000,000	—	—	—	3,000,000
18 ShenZheng 03 ⁽¹⁹⁾	1,500,000	—	—	—	1,500,000
19 ShenHong 01 ⁽²⁰⁾	999,953	—	8	—	999,961
19 ShenHong 02 ⁽²¹⁾	3,200,000	—	—	—	3,200,000
19 ShenHong 04 ⁽²²⁾	5,800,000	—	—	—	5,800,000
19 ShenZheng 01 ⁽²³⁾	2,200,000	—	—	—	2,200,000
19 ShenZheng 03 ⁽²⁴⁾	6,200,000	—	—	—	6,200,000
19 ShenZheng 05 ⁽²⁵⁾	8,100,000	—	—	—	8,100,000
19 ShenZheng 07 ⁽²⁶⁾	1,000,000	—	—	—	1,000,000
19 Shenwan Hongyuan financial bond 01 ⁽²⁷⁾	5,996,156	—	706	—	5,996,862
20 ShenZheng 01 ⁽²⁸⁾	—	4,000,000	—	—	4,000,000
20 ShenZheng 02 ⁽²⁹⁾	—	2,000,000	—	—	2,000,000
20 ShenZheng 03 ⁽³⁰⁾	—	1,000,000	—	—	1,000,000
20 ShenZheng 04 ⁽³¹⁾	—	3,000,000	—	—	3,000,000
20 ShenZheng C2 ⁽³²⁾	—	6,000,000	—	—	6,000,000
20 ShenZheng C3 ⁽³³⁾	—	6,000,000	—	—	6,000,000
Structured notes ⁽³⁴⁾	7,405,004	1,740,935	—	(3,476,218)	5,669,721
Interest payables	2,213,334	2,011,170	—	(2,184,474)	2,040,030
Total	91,735,204	25,752,105	718	(11,260,692)	106,227,335

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

41 Long-term bonds (continued)

As at 31 December 2019

Name	Par value		Issuance date	Due date	Issue amount	
	Original currency				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 ⁽⁶⁾	5,000,000		2016/10/19	2019/10/19	5,000,000	3.28%
17 ShenZheng 01 ⁽⁷⁾	7,500,000		2017/02/17	2022/02/17	7,500,000	4.40%
17 ShenZheng 02 ⁽⁸⁾	500,000		2017/02/17	2024/02/17	500,000	4.50%
17 ShenZheng C1 ⁽⁹⁾	400,000		2017/11/16	2019/11/16	400,000	5.20%
17 ShenZheng C2 ⁽¹⁰⁾	4,300,000		2017/11/16	2020/11/16	4,300,000	5.30%
18 ShenZheng C1 ⁽¹¹⁾	1,400,000		2018/04/12	2020/04/12	1,400,000	5.25%
18 ShenZheng C2 ⁽¹²⁾	4,600,000		2018/04/12	2023/04/12	4,600,000	5.35%
18 ShenZheng C3 ⁽¹³⁾	4,200,000		2018/05/21	2020/05/21	4,200,000	5.38%
18 ShenHong 01 ⁽¹⁴⁾	500,000		2018/07/17	2023/07/17	499,997	4.40%
18 ShenHong 02 ⁽¹⁵⁾	6,500,000		2018/07/17	2023/07/17	6,499,956	4.80%
18 ShenZheng C5 ⁽¹⁶⁾	5,100,000		2018/09/17	2020/09/17	5,100,000	4.69%
18 ShenZheng 01 ⁽¹⁷⁾	2,000,000		2018/11/19	2020/11/19	2,000,000	4.10%
18 ShenZheng 02 ⁽¹⁸⁾	3,000,000		2018/11/19	2021/11/19	3,000,000	4.20%
18 ShenZheng 03 ⁽¹⁹⁾	1,500,000		2018/12/10	2023/12/10	1,500,000	4.08%
19 ShenHong 01 ⁽²⁰⁾	1,000,000		2019/03/08	2022/03/08	999,953	4.18%
19 ShenHong 02 ⁽²¹⁾	3,200,000		2019/04/12	2022/04/12	3,200,000	4.27%
19 ShenHong 04 ⁽²²⁾	5,800,000		2019/10/25	2024/10/25	5,800,000	3.94%
19 ShenZheng 01 ⁽²³⁾	2,200,000		2019/01/16	2022/01/16	2,200,000	3.55%
19 ShenZheng 03 ⁽²⁴⁾	6,200,000		2019/03/11	2022/03/11	6,200,000	3.68%
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%
19 Shenwan Hongyuan financial bond 01 ⁽²⁷⁾	6,000,000		2019/09/18	2022/09/18	5,996,156	3.43%
Structured notes ⁽³⁴⁾	7,206,134		Note ⁽³⁴⁾	Note ⁽³⁴⁾	7,206,134	3.40%–5.80%

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

41 Long-term bonds (continued)

Name	Book value as at		Amount of amortisation	Decrease	Book value as at	
	1 January 2019	Increase			31 December 2019	
12 ShenWan ⁽¹⁾	5,998,826	—	1,174	(6,000,000)	—	
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 ⁽⁶⁾	5,000,000	—	—	(5,000,000)	—	
17 ShenZheng 01 ⁽⁷⁾	7,500,000	—	—	—	7,500,000	
17 ShenZheng 02 ⁽⁸⁾	500,000	—	—	—	500,000	
17 ShenZheng C1 ⁽⁹⁾	400,000	—	—	(400,000)	—	
17 ShenZheng C2 ⁽¹⁰⁾	4,300,000	—	—	—	4,300,000	
18 ShenZheng C1 ⁽¹¹⁾	1,400,000	—	—	—	1,400,000	
18 ShenZheng C2 ⁽¹²⁾	4,600,000	—	—	—	4,600,000	
18 ShenZheng C3 ⁽¹³⁾	4,200,000	—	—	—	4,200,000	
18 ShenHong 01 ⁽¹⁴⁾	499,997	—	—	—	499,997	
18 ShenHong 02 ⁽¹⁵⁾	6,499,960	—	—	—	6,499,960	
18 ShenZheng C5 ⁽¹⁶⁾	5,100,000	—	—	—	5,100,000	
18 ShenZheng 01 ⁽¹⁷⁾	2,000,000	—	—	—	2,000,000	
18 ShenZheng 02 ⁽¹⁸⁾	3,000,000	—	—	—	3,000,000	
18 ShenZheng 03 ⁽¹⁹⁾	1,500,000	—	—	—	1,500,000	
19 ShenHong 01 ⁽²⁰⁾	—	999,941	12	—	999,953	
19 ShenHong 02 ⁽²¹⁾	—	3,200,000	—	—	3,200,000	
19 ShenHong 04 ⁽²²⁾	—	5,800,000	—	—	5,800,000	
19 ShenZheng 01 ⁽²³⁾	—	2,200,000	—	—	2,200,000	
19 ShenZheng 03 ⁽²⁴⁾	—	6,200,000	—	—	6,200,000	
19 ShenZheng 05 ⁽²⁵⁾	—	8,100,000	—	—	8,100,000	
19 ShenZheng 07 ⁽²⁶⁾	—	1,000,000	—	—	1,000,000	
19 Shenwan Hongyuan financial bond 01 ⁽²⁷⁾	—	5,995,749	407	—	5,996,156	
Structured notes ⁽³⁴⁾	12,900,391	3,588,547	1	(9,083,935)	7,405,004	
Interest payables	1,609,162	4,111,763	—	(3,507,591)	2,213,334	
Total	89,508,336	41,196,000	1,594	(38,970,726)	91,735,204	

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

41 Long-term bonds (continued)

	As at 30 June 2020	As at 31 December 2019
Long-term bonds due within one year	16,145,821	21,549,900
Long-term bonds due after one year	90,081,514	70,185,304
Total	106,227,335	91,735,204

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

- (1) 6-year corporate 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 which was exercised on 25 March 2019.
- (3) 5-year corporate bond amounting to RMB5 billion on 26 April 2016 with early redemption right which was exercised on 26 April 2019, and the outstanding par value amounting to RMB2.02 billion as at 30 June 2020.
- (4) 3-year corporate bond amounting to RMB2 billion on 09 September 2016.
- (5) 5-year corporate bond amounting to RMB5.5 billion on 09 September 2016.
- (6) 3-year subordinated bond amounting to RMB5 billion on 19 October 2016.
- (7) 5-year corporate bond amounting to RMB7.5 billion on 17 February 2017.
- (8) 7-year corporate bond amounting to RMB0.5 billion on 17 February 2017.
- (9) 2-year subordinated bond amounting to RMB0.4 billion on 16 November 2017.
- (10) 3-year subordinated bond amounting to RMB4.3 billion on 16 November 2017.
- (11) 2-year subordinated bond amounting to RMB1.4 billion on 12 April 2018.
- (12) 5-year subordinated bond amounting to RMB4.6 billion on 12 April 2018 with early redemption right on 12 April 2021.
- (13) 2-year subordinated bond amounting to RMB4.2 billion on 21 May 2018.
- (14) 5-year corporate bond amounting to RMB0.5 billion on 17 July 2018 with early redemption right on 17 July 2021.
- (15) 5-year corporate bond amounting to RMB6.5 billion on 17 July 2018.

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

41 Long-term bonds (continued)

- (16) 2-year subordinated bond amounting to RMB5.1 billion on 17 September 2018.
- (17) 2-year corporate bond amounting to RMB2 billion on 19 November 2018.
- (18) 3-year corporate bond amounting to RMB3 billion on 19 November 2018.
- (19) 5-year corporate bond amounting to RMB1.5 billion on 10 December 2018.
- (20) 3-year corporate bond amounting to RMB1 billion on 8 March 2019.
- (21) 3-year corporate bond amounting to RMB3.2 billion on 12 April 2019.
- (22) 5-year corporate bond amounting to RMB5.8 billion on 25 October 2019.
- (23) 3-year corporate bond amounting to RMB2.2 billion on 16 January 2019.
- (24) 3-year corporate bond amounting to RMB6.2 billion on 11 March 2019.
- (25) 3-year corporate bond amounting to RMB8.1 billion on 9 May 2019.
- (26) 2-year corporate bond amounting to RMB1 billion on 14 June 2019.
- (27) 3-year corporate bond amounting to RMB6 billion on 18 September 2019.
- (28) 2-year corporate bond amounting to RMB4 billion on 16 January 2020.
- (29) 3-year corporate bond amounting to RMB2 billion on 16 January 2020.
- (30) 2-year corporate bond amounting to RMB1 billion on 21 February 2020.
- (31) 3-year corporate bond amounting to RMB3 billion on 21 February 2020.
- (32) 3-year corporate bond amounting to RMB6 billion on 23 April 2020.
- (33) 3-year corporate bond amounting to RMB6 billion on 25 May 2020.
- (34) In 2019, the Group has issued 166 tranches of structured notes over one year. The outstanding balance bears interest rate ranging from 3.40%–5.80% per annum.

In the first half of 2020, the Group has issued 91 tranches of structured notes over one year. The outstanding balance bears interest rate ranging from 3.30%–5.15% per annum.

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

42 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 2020 & 31 December 2019	
	Number of shares (Thousands)	Nominal value
Registered, issued and fully paid:		
A shares of RMB1 each	22,535,945	22,535,945
H shares of RMB1 each	2,504,000	2,504,000
Total	25,039,945	25,039,945

As at 30 June 2020 and 31 December 2019, the number of non-trade restricted A shares of the Company was 1,530,355 and 1,530,355 respectively.

43 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.

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Reserves (continued)

(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.

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.

44 Retained profits

As at 30 June 2020 and 31 December 2019, the consolidated retained profits attributable to the Company included an appropriation of RMB3,899 million and RMB3,899 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 23 June 2020, the Company was approved to distribute cash dividends of RMB0.80 (tax inclusive) per 10 shares to shareholders based on the total outstanding shares of 25,039,945 thousand shares, with total dividends amounting to RMB2,003,196 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.

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

45 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.

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 2020		As at 31 December 2019	
	Carrying amount of transferred assets	Carrying amount of related liabilities	Carrying amount of transferred assets	Carrying amount of related liabilities
Repurchase agreements	2,356,016	(2,172,942)	7,125,362	(6,800,000)
Securities lending	709,917	—	532,176	—

46 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 2020 and 31 December 2019, the net assets of the consolidated asset management products are RMB26,565,577 thousand and RMB20,542,691 thousand respectively, and the carrying amount of interests held by the Group in the consolidated structured entities are RMB13,897,930 thousand and RMB9,274,728 thousand respectively.

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Interests in structured entities (continued)

(a) Interests in structured entities consolidated by the Group (continued)

Interests held by other investors in these consolidated structured entities were classified as net investment gains or interest expenses of the consolidated statement 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 statement of financial position.

As at 30 June 2020 and 31 December 2019, the Group reassessed the control of structured entities and decided whether the Group is still a principal.

(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 statement 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 2020 and 31 December 2019, which are listed as below:

	As at 30 June 2020			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	—	19,388,598	—	19,388,598
Wealth management products and others	6,359,057	17,137,732	4,402,733	27,899,522
Total	6,359,057	36,526,330	4,402,733	47,288,120

	As at 31 December 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	—	20,816,140	—	20,816,140
Wealth management products and others	6,552,736	13,059,215	5,521,041	25,132,992
Total	6,552,736	33,875,355	5,521,041	45,949,132

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

46 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 statement 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 2020 and 31 December 2019, which are listed as below:

	As at 30 June 2020		Total
	Financial assets at fair value through profit or loss	Financial assets measured at amortized cost	
Funds	1,978,284	—	1,978,284
Wealth management products and others	2,803,525	300,188	3,103,713
Total	4,781,809	300,188	5,081,997

	As at 31 December 2019		Total
	Financial assets at fair value through profit or loss	Financial assets measured at amortized cost	
Funds	2,694,953	—	2,694,953
Wealth management products and others	2,663,668	1,006,574	3,670,242
Total	5,358,621	1,006,574	6,365,195

As at 30 June 2020 and 31 December 2019, the net assets of these unconsolidated structured entities in which the Group acted as asset manager amounted to RMB553,802,787 thousand and RMB599,981,386 thousand, respectively.

During 30 June 2020 and the year ended 31 December 2019, the Group recognized the net income from asset management business of RMB564,186 thousand and RMB1,289,606 thousand, respectively. As at 30 June 2020 and 31 December 2019, the corresponding remuneration receivables totaled RMB705,761 thousand and RMB547,446 thousand, respectively.

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

47 Contingencies

As at 30 June 2020, 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. As of the date of approval of the interim financial report, 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 2020, 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.

48 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 2020	As at 31 December 2019
China Jianyin Investment Ltd.	26.34%	26.34%
Central Huijin Investment Ltd.	20.05%	20.05%
Shanghai Jiushi (Group) Co., Ltd.	4.84%	4.84%

(ii) Associates and joint ventures of the Group

The detailed information of the Group's associates and joint ventures is set out in Note 19.

(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:

	Six months ended 30 June	
	2020	2019
Transactions during the period:		
Fee and commission income	9	28
Net investment gains	57	801

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Related party relationships and transactions (continued)

(b) Related parties transactions and balances (continued)

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

	As at 30 June 2020	As at 31 December 2019
Balances at the end of the period/year:		
Cash and bank balances	55,432,695	44,530,987
Financial assets sold under repurchase agreements	23,802,481	10,887,742
Financial assets at fair value through profit or loss	426,557	328,499
Other payables and accruals	33,351	59,674
Accounts receivable	202,184	84,237
Financial assets at fair value through other comprehensive income	111,827	137,753
Right-of-use assets	15,442	19,625
Placements from other financial institutions	1,700,029	—
Lease liabilities	14,794	18,832
Six months ended 30 June		
	2020	2019
Transactions during the period:		
Interest income	724,288	521,185
Fee and commission income	304,412	73,378
Interest expenses	91,364	72,039
Fee and commission expenses	39,427	50,466
Other income and gains	3,821	4,479
Other operating expenses	3,668	3,988
Net investment gains	11,113	9,781
Depreciation and amortization expense	3,616	2,324

For the six months ended 30 June 2020 and 30 June 2019, the capital injection made by the Group into the associates and joint ventures are RMB11,200 thousand and RMB8,000 thousand, respectively.

For the six months ended 30 June 2020 and 30 June 2019, the dividend received from associates and joint ventures are RMB115,501 thousand and RMB83,666 thousand, respectively.

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

48 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 2020	As at 30 June 2019
Short-term employee benefits		
— Fees, salaries, allowances and bonuses	16,585	20,336
Post-employment benefits		
— Contributions to pension scheme	876	1,605
Total	17,461	21,941

Total remuneration is included in “staff costs” (see Note 10).

49 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 interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Segment reporting (continued)

Business segments

For the six months ended 30 June 2020

	Enterprise finance		Personal finance	Institutional services and trading	Investment management	Segment total
	Investment banking	Principal investment				
Fee and commission income	411,422	13,843	2,730,044	538,367	580,151	4,273,827
Interest income	11,083	320,173	3,180,672	1,869,993	284,981	5,666,902
Net investment gains	16,238	295,746	70,527	2,775,553	131,278	3,289,342
Other income and gains	1,386	218,759	26,617	4,297,991	15,274	4,560,027
Total revenue and other income	440,129	848,521	6,007,860	9,481,904	1,011,684	17,790,098
Segment expenses	325,849	604,696	4,018,024	7,408,272	670,317	13,027,158
Including: Interest expenses	434	406,511	1,189,242	2,002,608	200,943	3,799,738
(Reversal of)/provision for impairment losses	(174)	3,714	52,657	89,021	88,345	233,563
Share of profit of associates and joint ventures	—	192,990	—	—	—	192,990
Profit before income tax	114,280	436,815	1,989,836	2,073,632	341,367	4,955,930
Other segment information:						
Depreciation and amortisation expenses	7,784	25,911	182,326	74,709	14,121	304,851
Capital expenditure paid	1,016	38,159	34,743	6,746	5,487	86,151
As at 30 June 2020						
Segment assets	1,931,130	31,696,271	161,211,628	217,691,540	27,113,911	439,644,480
Deferred tax assets						1,989,407
Segment total assets						441,633,887
Segment liabilities	346,351	22,346,767	136,157,254	176,600,464	19,879,774	355,330,610
Deferred tax liabilities						3,003
Segment total liabilities						355,333,613

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Segment reporting (continued)

Business segments (continued)

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 31 December 2019						
Segment assets	1,944,266	32,627,047	146,499,164	181,483,658	24,149,738	386,703,873
Deferred tax assets						1,833,395
Segment total assets						388,537,268
Segment liabilities	388,576	20,723,953	129,955,104	137,407,611	15,228,059	303,703,303
Deferred tax liabilities						2,558
Segment total liabilities						303,705,861

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 interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

50 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 2020 and 31 December 2019, 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 2020	As at 31 December 2019
Financial liability		
— Long-term bonds	106,227,335	91,735,204

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Fair value information (continued)

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

Fair value

	As at 30 June 2020			
	Level I	Level II	Level III	Total
Financial liability				
— Long-term bonds	—	101,222,635	5,845,288	107,067,923

	As at 31 December 2019			
	Level I	Level II	Level III	Total
Financial liability				
— Long-term bonds	—	84,722,462	7,835,288	92,557,750

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 statement 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 interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

50 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 2020 and 31 December 2019, 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 2020			Total
	Level I	Level II	Level III	
Assets				
Financial assets at fair value through profit or loss				
– Debt securities	19,669,069	60,101,502	–	79,770,571
– Equity securities	2,580,157	1,802,155	150,466	4,532,778
– Funds	19,953,329	1,413,553	–	21,366,882
– Hybrid instrument	963,472	–	4,774,775	5,738,247
– Wealth management products and others	5,123,427	13,175,466	2,047,962	20,346,855
Financial assets at fair value through other comprehensive income				
– Debt securities	31,941,659	30,713,862	–	62,655,521
– Equity securities	2,312,549	–	260,000	2,572,549
– Wealth management products and others	–	6,359,057	–	6,359,057
Derivative financial assets	–	532,337	–	532,337
Margin accounts receivable	–	2,213,300	–	2,213,300
Total	82,543,662	116,311,232	7,233,203	206,088,097
Liabilities				
Financial liabilities at fair value through profit or loss	–	(4,055,169)	–	(4,055,169)
Derivative financial liabilities	–	(765,826)	–	(765,826)
Total	–	(4,820,995)	–	(4,820,995)

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

50 Fair value information (continued)

(c) Fair value hierarchy (continued)

	As at 31 December 2019			Total
	Level I	Level II	Level III	
Assets				
Financial assets at fair value through profit or loss				
— Debt securities	17,953,109	50,680,990	—	68,634,099
— Equity securities	864,903	1,060,138	123,267	2,048,308
— Funds	23,291,373	219,720	—	23,511,093
— Hybrid instrument	1,476,990	3,971	3,830,883	5,311,844
— Wealth management products and others	4,140,032	9,959,919	1,622,932	15,722,883
Financial assets at fair value through other comprehensive income				
— Debt securities	21,583,702	22,445,478	—	44,029,180
— Equity securities	2,632,606	—	260,000	2,892,606
— Wealth management products and others	—	6,552,736	—	6,552,736
Derivative financial assets	—	481,835	—	481,835
Margin accounts receivable	—	789,750	—	789,750
Total	71,942,715	92,194,537	5,837,082	169,974,334
Liabilities				
Financial liabilities at fair value through profit or loss				
	—	(384,170)	—	(384,170)
Derivative financial liabilities	—	(614,656)	—	(614,656)
Total	—	(998,826)	—	(998,826)

For the six months ended 30 June 2020 and for the year ended 31 December 2019, there was no significant transfer between level I and level II.

For the six months ended 30 June 2020 and for the year ended 31 December 2019, 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 interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

50 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 2020 and 31 December 2019. 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 maximize 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 2020 and 31 December 2019, 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 2020 and 31 December 2019 within bid-ask spread. If there is no quoted market price as at 30 June 2020 and 31 December 2019, 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 2020 and 31 December 2019 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 2020 and 31 December 2019.
- (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 2020 and 31 December 2019.
- (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 2020 and 31 December 2019.

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

50 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 2019	5,577,082	260,000	5,837,082
Transfer in	—	—	—
Transfer out	—	—	—
Gains or losses for the period	124,425	—	124,425
Changes in fair value recognized in other comprehensive income	—	—	—
Purchases	1,618,583	—	1,618,583
Sales and settlements	(346,887)	—	(346,887)
As at 30 June 2020	6,973,203	260,000	7,233,203
Total gains or losses for the period included in profit or loss for assets held at 30 June 2020	119,562	—	119,562

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
As at 1 January 2019	3,508,895	260,000	3,768,895
Transfer out	(206,205)	—	(206,205)
Gains for the year	127,792	—	127,792
Changes in fair value recognized in other comprehensive income	—	—	—
Purchases	3,503,146	—	3,503,146
Sales and settlements	(1,356,546)	—	(1,356,546)
As at 31 December 2019	5,577,082	260,000	5,837,082
Total gains for the year reclassified from other comprehensive income on disposal	—	—	—
Total gains for the year included in profit or loss for assets held at 31 December 2019	164,890	—	164,890

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

50 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 2020 and the year ended 31 December 2019.

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

51 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the revised IFRSs effective as of 1 January 2020.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i>

Other than the amendment to IFRS 16, the group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IFRS 3

Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

These amendments had no impact on the consolidated financial statement of the Group as there is no business combination during the period.

Amendment to IFRS 16

Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

These amendments had no impact on the consolidated financial statement of the Group as there is no COVID-19-related rent concessions obtained during the period.

Notes to the unaudited condensed interim financial report (continued)

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

52 Impacts of COVID-19 pandemic

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the group's operating environment and has impacted the group's operations and financial position. The group has been closely monitoring the impact of the developments on the group's business and has put in place contingency measures. As far as the group's businesses are concerned, the overall impact of the COVID-19 pandemic on the entity's financial position and financial performance is limited.

53 Events after the reporting date

Issuance of long-term bonds, short-term bonds and structured notes

From 1 July 2020 to the reporting date, the Group issued long-term bonds, short-term bonds and a number of structured notes, which borne coupon rate of 0% plus floating rate to 2.2% plus floating rate. The issuance amount was approximate RMB37 billion in total.

Repayment of short-term bonds and structured notes

From 1 July 2020 to the reporting date, the Group repaid short-term bonds and a number of structured notes, which borne coupon rate of 0% plus floating rate to 3% plus floating rate. The repayment amount was approximate RMB16 billion in total.

Guarantees

On 4 August 2020, the Company and China Everbright Bank Shanghai Branch 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 legal representative 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 28, 2020



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

