中信建投証券股份有限公司
CSC FINANCIAL CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: **6066**

2020 Interim Report

Contents

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this report:

Definitions of common terms

"Articles of Association" or "Articles"	the articles of association of CSC Financial Co., Ltd.
"A Share(s)"	domestic shares in the share capital of our Company with a nominal value of RMB1.00 each, listed on the Shanghai Stock Exchange and traded in RMB
"Board" or "Board of Directors"	the board of directors of our Company
"BSCOMC"	Beijing State-owned Capital Operation and Management Center (北京國有資本經營管理中心)
"Central Huijin"	Central Huijin Investment Limited (中央匯金投資有限責任公司)
"China Securities Capital"	China Capital Management Limited (中信建投資本管理有限公司)
"China Securities Funds"	China Securities Funds Management Limited (中信建投基金管理有限公司)
"China Securities Futures"	China Futures Co., Ltd. (中信建投期貨有限公司)
"China Securities International"	China Securities (International) Finance Holding Company Limited (中信建投(國際)金融控股有限公司)
"China Securities Investment"	China Securities Investment Limited (中信建投投資有限公司)
"CITIC Group"	CITIC Group Corporation Ltd. (中國中信集團有限公司)
"CITIC Limited"	CITIC Limited (中國中信股份有限公司)
"CITIC Securities"	CITIC Securities Co., Ltd. (中信証券股份有限公司)

"Company Law"	Company Law of the People's Republic of China
"CSC" or "Company", "our Company", "parent company"	CSC Financial Co., Ltd. (中信建投証券股份有限公司)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"CSRF"	China Structural Reform Fund Co., Ltd. (中國國有企業結構調整基金股份有限公司)
"Director(s)"	director(s) of our Company
"ETF"	Exchange Traded Fund
"Glasslake Holdings"	Glasslake Holdings Limited (鏡湖控股有限公司)
"Group"	CSC Financial Co., Ltd. and its subsidiaries
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"H Share(s)"	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, listed on the Hong Kong Stock Exchange and traded in HK dollars
"IPO"	initial public offering

DEFINITIONS

"Latest Practicable Date"	25 August 2020, being the latest practicable date prior to the printing of this interim report for the purposes of ascertaining the information contained herein
"Ministry of Finance"	Ministry of Finance of the People's Republic of China
"NEEQ Company"	National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統有限責任公司)
"PwC"	PricewaterhouseCoopers
"PwC Zhong Tian"	PricewaterhouseCoopers Zhong Tian LLP
"QFII"	Qualified Foreign Institutional Investor (合格境外機構投資者)
"Reporting Period"	from 1 January 2020 to 30 June 2020
"RMB" or "Renminbi"	the lawful currency of the PRC
"RQFII"	Renminbi Qualified Foreign Institutional Investor (人民幣合格境外機構投資者)
"Securities Law"	Securities Law of the People's Republic of China
"Shanghai and Shenzhen Stock Exchanges"	Shanghai Stock Exchange and Shenzhen Stock Exchange
"Shanghai Shangyan"	Shanghai Shangyan Investment Center (Limited Partnership) (上海商言投資中心（有限合夥))
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares

"SSE"	Shanghai Stock Exchange
"SSE Listing Rules"	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange
"SZSE"	Shenzhen Stock Exchange
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Tengyun Investment"	Xizang Tengyun Investment Management Limited (西藏騰雲投資管理有限公司), formerly known as Xizang Shannan Century Jinyuan Investment Management Limited (西藏山南世紀金源投資管理有限公司)
"the end of the Reporting Period"	30 June 2020
"US$, USD, US Dollar(s)"	United States dollars, the lawful currency of the United States
"Wind Info"	Wind Information Co., Ltd. (萬得信息技術股份有限公司), a joint-stock company with limited liability incorporated in the PRC and a service provider of financial data, information and software

1. The Company prepared this interim report in both English and Chinese. In the event of any discrepancies in interpretation between the English version and Chinese version of this interim report, the Chinese version shall prevail.

2. In this interim report, the discrepancies in the decimal place between the sum of the amount of each sub-item and the grand total are due to rounding to the nearest integer.

SECTION 1 COMPANY INFORMATION

I. PROFILE

Name in Chinese	中信建投証券股份有限公司
Abbreviation in Chinese	中信建投証券
Name in English	China Securities Co., Ltd. CSC Financial Co., Ltd. (carrying on business in Hong Kong with such registered English name)
Abbreviation in English	CSC
Chairman of the Board and Legal Representative	WANG Changqing
General Manager	LI Geping

Registered Capital and Net Capital

Unit: RMB Yuan

	As at the end of the Reporting Period (30 June 2020)	As at the end of the previous year (31 December 2019)
Registered Capital	**7,646,385,238**	7,646,385,238
Net Capital	**57,229,535,236.50**	53,955,640,469.01

Notes: As of the date of this report, the total number of Shares of the Company was 7,646,385,238, of which 6,385,361,476 Shares were A Shares and 1,261,023,762 Shares were H Shares.

II. BASIC INFORMATION

During the Reporting Period, there were no changes in basic information of the Company.

Registered Address	Unit 4, No. 66 Anli Road, Chaoyang District, Beijing
Postal Code of Registered Address	100101
Office Address	No. 188 Chaonei Avenue, Dongcheng District, Beijing
Postal Code of Office Address	100010
Place of Business in Hong Kong	18/F, Two Exchange Square, Central, Hong Kong
Website	www.csc108.com
Telephone	+8610–8513 0588
Facsimile	+8610–6518 6399
National Customer Service Hotline	+86 95587/400 8888 108
Investor Relations Hotline	+8610–6560 8107
United Social Credibility Code	91110000781703453H
Websites for Information Disclosure	HKEXnews website of HKEx: www.hkexnews.hk Official website of CSC: www.csc108.com
Authorised Representatives of the Company	WANG Changqing, LI Geping
Joint Company Secretaries	WANG Guangxue, WONG Wai Ling

III. CONTACT PERSONS AND METHODS

Contact Person	WANG Guangxue
Contact Address	No. 188 Chaonei Avenue, Dongcheng District, Beijing
Telephone	+8610–6560 8107
Facsimile	+8610–6518 6399
Email	investorrelations@csc.com.cn

IV. PLACES WHERE INTERIM REPORTS OF THE COMPANY ARE AVAILABLE

No. 188 Chaonei Avenue, Dongcheng District, Beijing
18/F, Two Exchange Square, Central, Hong Kong

V. OTHER RELEVANT INFORMATION

Auditors	PricewaterhouseCoopers Zhong Tian LLP 11/F PricewaterhouseCoopers Center Link Square 2, 202 Hu Bin Road Huangpu District, Shanghai PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong

SECTION 2 FINANCIAL SUMMARY

1. KEY ACCOUNTING DATA

UNIT: RMB MILLION

Items	**January to June 2020**	January to June 2019	Increase/decrease as compared to the same period last year *(%)*
Total revenue and other income	**13,009**	8,613	51.04
Operating profit	**5,868**	3,063	91.58
Profit before income tax	**5,869**	3,065	91.49
Net profit attributable to equity holders of the Company	**4,578**	2,330	96.54
Net cash flow from operating activities	**-24,960**	542	-4,705.17

UNIT: RMB MILLION

Items	**30 June 2020**	31 December 2019	Increase/decrease as compared to the end of last year *(%)*
Total assets	**311,522**	285,670	9.05
Total liabilities	**252,114**	228,775	10.20
Equity attributable to equity holders of the Company	**59,086**	56,582	4.43
Total share capital	**7,646**	7,646	–

2. KEY FINANCIAL INDICATORS

Items	**January to June 2020**	January to June 2019	Increase/decrease as compared to the same period last year *(%)*
Basic earnings per share *(RMB Yuan/ Share)*	**0.58**	0.30	93.33
Diluted earnings per share *(RMB Yuan/ Share)*	**0.58**	0.30	93.33
Return on weighted average equity *(%)*	**9.12**	5.34	Increased by 3.78 percentage points

Note: Earnings per Share and the return on weighted average equity above are calculated in accordance with the International Accounting Standards, and might be different from those calculated in accordance with the relevant regulations stipulated under the Standards Concerning the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision) issued by the CSRC.

Items	**30 June 2020**	31 December 2019	Increase/decrease as compared to the end of last year *(%)*
Net assets per share attributable to equity holders of the Company *(RMB Yuan/ Share)*	**7.73**	7.40	4.46
Gearing ratio *(%)*	**75.34**	75.37	Decreased by 0.03 percentage points

Note: In the gearing ratios for the Reporting Period shown in the above table, it has excluded the effect of customer brokerage deposits in assets and liabilities.

In calculating the net assets per Share attributable to equity holders of the Company as indicated in the table above, the perpetual bonds issued by the Company was included in the net assets attributable to equity holders of the Company. After excluding such impact, the net assets per share attributable to ordinary shareholders of the Company as at the end of Reporting Period was RMB6.42 (31 December 2019: RMB6.09).

3. NET CAPITAL AND RISK CONTROL INDICATORS OF THE COMPANY

Items	**30 June 2020**	31 December 2019
Net capital *(RMB Million)*	**57,230**	53,956
Net assets *(RMB Million)*	**57,068**	54,901
Total risk capital reserves *(RMB Million)*	**19,056**	19,607
Risk coverage ratio *(%)*	**300.33**	275.19
Capital leverage ratio *(%)*	**22.44**	16.84
Liquidity coverage ratio *(%)*	**215.40**	252.17
Net stable funding ratio *(%)*	**170.05**	162.06
Net capital/net assets *(%)*	**100.28**	98.28
Net capital/liabilities *(%)*	**33.85**	36.28
Net assets/liabilities *(%)*	**33.76**	36.92
Proprietary equity securities and securities derivatives/net capital *(%)*	**19.69**	16.41
Proprietary non-equity securities and securities derivatives/ net capital *(%)*	**227.78**	196.19

Note: All risk control indicators including net capital of the Company complied with the relevant requirements of the Administrative Measures for Risk Control Indicators of Securities Companies (Revision in 2016) (《證券公司風險控制指標管理辦法》) (2016年修訂版) issued by the CSRC.

I. ANALYSIS ON CORE COMPETITIVENESS

In the first half of 2020, the Company continued to adhere to the core value of “achievements leading to status”, as well as the concepts of “healthy development” and “risk management as priority” to strive for better service for existing customers and realise mutual growth with the enterprise. In the meantime, the Company penetrated the local market and moved towards the international market to explore potential quality customers. The Company aimed at taking the advantages of investment banking business as the starting point to steadily develop innovative business, becoming a large best-in-class full-service investment bank based in the PRC with global vision leveraging the development trends in the PRC and global capital market.

Investment banking business ranked among top in the industry consecutively, in terms of core indicators leading the industry. In the first half of 2020, the Company’s equity financing business achieved another success, completing 22 equity financing projects, with a lead underwriting amount of RMB69.313 billion, both ranking No. 1 in the industry. The Company’s debt financing business continued to maintain good development momentum, completing a total of 1,164 lead underwriting projects, with a lead underwriting scale of RMB572.803 billion, ranking No. 2 in the industry. In the first half of 2020, the Company led an underwriting amount of RMB20.7 billion of bonds for epidemic prevention and control. (Source: NEEQ Company, Wind Info and statistics of the Company)

Wealth management business remained among top ten in the industry. In the first half of 2020, the net income from the securities brokerage business of the Company accounted for 3.22% of the market share, ranking No. 10 in the industry. As of 30 June 2020, the Company’s stock fund transaction amount totalled RMB5.45 trillion, accounting for 3.22% of the market; its sales of standardised products amounted to RMB37.966 billion; its net income from financial product sales constituted 3.54% of the market, ranking No. 9 in the industry; in the first half of 2020, the Company’s interest income from its margin financing and securities ranked ten in the industry; its interest income arising from collateralised stock repurchase business ranked No. 8 in the industry. (Source: the SSE, the SZSE, China Securities Depositary and Clearing Corporation Limited, the Securities Association of China and statistics of the Company)

Trading and institutional customer service business delivered excellent performance. In the first half of 2020, with respect to securities trading business, the Company accurately seized segment opportunity in structural market, and obtained better absolute gains; the Company vigorously promoted off-market options business, as subsisting notional principal of off-market options, ranking No. 3 in the industry as of the end of May 2020. In the first half of 2020, with respect to fixed income business, the Company continued to maintain sound proprietary investment, and kept close abreast of market trend for proprietary bond operation. By leveraging the combination of stable configuration with positive directional trading, the Company achieved higher returns on investment. Bond sales remained in the leading position as before. Debenture sales of the Company continued to rank No.1 in terms of both sales scale and indices (Source: Wind Info and statistics of the Company); in respect of international business, in the first half of 2020, the Bond Connect business of the Company ranked top 5 in the industry in average.(Source: Bond Connect Company Limited)

The asset management business structure continued to be optimised. In the first half of 2020, the Company continued to regulate its stock business smoothly and orderly and vigorously promoted the development of the net-worth-based active management business in accordance with the requirements of the new asset management regulations such as “net value management” and “de-channel business”. As of June 30, 2020, the Company's entrusted assets management scale ranked No. 6 in the industry, and the monthly active assets management scale ranked No. 6 in the industry in average. The management scale of China Securities Investment Fund’s public offering fund amounted to RMB21.72 billion, an increase of 26.29% from the end of 2019. CITIC Construction invested RMB37.476 billion in private equity funds under its management, an increase of RMB921 million from the end of 2019. It completed 35 exit projects, with an average investment yield of 105%. (Source: the Asset Management Association of China, Wind Info and statistics of the Company)

Fintech helps digital transformation. The Company proactively researched and developed the digital transformation scheme with establishment of information specialist (SI) posts in each department to promote digital transformation and landing of the Company. The Company kept optimizing systems including Qingting Dianjin, targeted operation platform, service platform for transactions of institutional customers and intelligent documents of investment banks, strengthened application of Big Data and artificial intelligence in business and management scenarios, and enhanced digital construction in core business departments by launching online registration of trading capability for ChiNext and NEEQ to improve business efficiency. The Company, after obtaining ISO20000 certification, continued to expand its certification scope and launched the ISO27001 certification project to further raise the management level in operation and maintenance of information technology and management capability in information safety of the Company.

II. BUSINESS OVERVIEW

(I) Overview

As of 30 June 2020, the total assets of the Group were RMB311,522 million, representing an increase of 9.05% as compared to that on 31 December 2019. Equity attributable to equity holders of the Company was RMB59,086 million, representing an increase of 4.43% as compared to that on 31 December 2019. During the Reporting Period, total revenue and other income of the Group amounted to RMB13,009 million in aggregate, representing a year-on-year increase of 51.04%. Total expenses amounted to RMB7,141 million in aggregate, representing a year-on-year increase of 28.67%. Net profit attributable to equity holders of the Company amounted to RMB4,578 million, representing a year-on-year increase of 96.54%.

(II) Analysis of Principal Businesses

The principal businesses of the Group comprise four segments: investment banking business, wealth management business, trading and institutional client services business and asset management business. During the Reporting Period, total revenue and other income of the investment banking segment amounted to RMB2,074 million in aggregate, representing a year-on-year increase of 24.71%. Total revenue and other income of the wealth management segment amounted to RMB3,830 million in aggregate, representing a year-on-year increase of 12.45%. Total revenue and other income of the trading and institutional client services segment amounted to RMB5,939 million in aggregate, representing a year-on-year increase of 142.01%. Total revenue and other income of the asset management segment amounted to RMB789 million in aggregate, representing a year-on-year increase of 0.90%.

1. Investment Banking Business Segment

The investment banking business segment of the Group mainly comprises equity financing business, debt financing business and financial advisory business.

(1) Equity Financing Business

In the first half of 2020, the newly revised Securities Law was formally implemented, the STAR Market operated steadily, the capital market continued to deepen comprehensive reforms, and various major measures were implemented. In the first half of 2020, a total of 256 equity financing projects were issued in the A-share market, an increase of 39.89% year on year, and the funds raised amounted to RMB504.698 billion, a year-on-year decrease of 0.94%. Among them, the number of IPO projects and the scale of financing increased significantly: 128 IPO projects and raised funds of RMB143.628 billion, a year-on-year increases of 100% and 134.85% respectively. There were 128 equity refinancing projects, which increased by 7.56% compared with the same period last year. The funds raised were RMB361.070 billion, a year-on-year decrease of 19.46%. (Source: Wind Info.: placement is inclusive of asset-oriented private placement)

In the first half of 2020, the Company's equity financing business achieved another good result: 22 equity financing projects were completed, and the lead underwriting amount was RMB69.313 billion, both ranking No. 1 in the industry. Among them, there are 14 IPO lead underwriters, and the lead underwriter amount is RMB42.377 billion, ranking No. 1 in the industry. The Beijing-Shanghai high-speed railway's IPO project, exclusively sponsored by the company, is the first time China's high-speed rail has landed in the capital market, where It raised more than RMB30 billion and is the ninth largest IPO project in the history of the A-share market. It achieved a strategic breakthrough in market-oriented inquiry and marked that the securitization of railway transportation assets had entered a new stage. The number of refinancing lead underwriters is 8, ranking No. 4 in the industry, and the lead underwriting amount is RMB26.935 billion, ranking No. 1 in the industry. The Company's exclusively sponsored and underwritten ZTE non-public offering project raised RMB11.5 billion, mainly used for technology research and product development projects for 5G network evolution to enhance product competitiveness and global market position. In the first half of 2020, the Company completed 9 convertible bond projects, with an amount underwritten by us as a lead underwriter of RMB10,013 million. In respect of project reserve, as of 30 June 2020, the Company had 53 IPO projects pending review, ranking No. 2 in the industry, including 17 and 13 projects on the Main Board and STAR Market of the SSE respectively, as well as 5 and 18 projects on the SME Board and ChiNext of the SZSE respectively. The Company had 36 equity refinancing projects (including convertible bonds) pending review, ranking No. 2 in the industry. (Source: CSRC, SSE, SZSE, Wind Info and statistics of the Company)

Details of the Company's equity underwriting and sponsorship in the first half of 2020 are set out below:

Items	**First half of 2020**		First half of 2019	
	Amount of lead underwriting (RMB'00 million)	**Number of offerings**	Amount of lead underwriting (RMB'00 million)	Number of offerings
IPO	**423.77**	**14**	44.09	6
Refinancing Issuance	**269.35**	**8**	41.35	10
Total	**693.13**	**22**	85.44	16

Source: Statistics of the Company

Note: 1. The statistical scope of refinancing includes allotment of shares, public placement, financing-oriented private placement (inclusive of non-public issuance and reorganization ancillary financing), preference shares, but excludes asset-oriented private placement.

2. The total amount of the lead underwriting amount is attributable to the tail difference due to rounding.

Development Outlook for the Second Half of 2020

In the second half of 2020, the domestic capital market will continue to develop along the main lines of marketization, rule of law and internationalization, giving full play to the central role of the capital market and serving the development of the real economy. The Company will strictly control the quality of equity financing projects, fulfill the duties of intermediary agencies, seize the opportunities from the pilot promotion of the registration system, and enhance the professional capabilities that are compatible with the central role of the capital market. It will also actively carry out the development and execution of projects such as layer selection on the ChiNext and NEEQ, and the return of red chip enterprises. For international business, China Securities International will continue to expand business scope in view of its business development needs, and continue developing multiple types of equity financing businesses in addition to its current listing sponsorship projects and securities underwriting services.

2. *Debt Financing Business*

In the first half of 2020, the bond market experienced severe volatility, and the overall yield remained at a relatively low level in recent years. From the beginning of the year to the end of April, due to the impact of the COVID-19 pandemic, downward pressure on the global economy has intensified, and financial markets have fluctuated sharply. In order to stabilise the financial market, major central banks around the world have introduced loose policies, lowered policy interest rates, and invested large amounts of funds into the market. Meanwhile, the People's Bank of China has repeatedly introduced loose measures such as lowering the RRR and lowering policy interest rates. Driven by this, the bond market yields fell sharply to historical lows, which drove bond issuance. However, since May, as the domestic epidemic prevention and control situation continues to improve, economic data has shown a marginal improvement, the central bank's monetary policy has tightened marginally, the market RRR was reduced, and interest rate cut expectations continued to fail, capital prices rose significantly, and the bond market tightened.

In the first half of 2020, the Company's debt financing business continued to maintain good development momentum. A total of 1,164 lead underwriting projects were completed, with a lead underwriting scale of RMB572.803 billion, ranking No. 2 in the industry. Among them, there are 289 corporate debt underwriters, with a lead underwriting scale of RMB219.884 billion, ranking No. 1 in the industry. With its professional advantages in corporate debt business, the Company has accumulated sizable state-owned enterprise customers and high-quality industrial customers including PetroChina, Sinopec, State Grid, and China Huaneng. In terms of product innovation, as the lead underwriter, the Company successfully issued nearly 20 green bonds, 2 relief bonds, 3 double innovation bonds and 2 special poverty alleviation debts. In addition, 20 China Coal 01 is the first registered corporate bond issued in the entire market, and the Datong Coal Mine Supply Chain Asset-Backed Medium-term Notes are the first batch of pilot projects in the ABCP product market in the inter-bank market. In the face of the new coronavirus pandemic, we take active actions and closely link the issuer and the sales sides. The first epidemic prevention and control bond Sinopharm Leasing private placement bond led by the company was successfully issued on 12 February, 2020. It was also the first special debt for private epidemic prevention and control on the Shanghai Stock Exchange. In the first half of 2020, the Company led an underwriting amount of RMB20.7 billion of bonds for epidemic prevention and control.

Details of debt financing business of the Company in 2020 are as follows:

Items	**First half of 2020**			First half of 2019		
	Amount of lead underwriting *(RMB'00 million)*	**Total project scale *(RMB'00 million)***	**Number of offerings**	Amount of lead underwriting *(RMB'00 million)*	Total project scale *(RMB'00 million)*	Number of offerings
Corporate bonds	**2,198.84**	**4,452.48**	**289**	2,033.72	3,375.12	183
Enterprise bonds	**166.91**	**409.60**	**24**	81.80	113.80	8
Convertible bonds	**100.77**	**135.11**	**10**	111.18	511.15	7
Financial bonds	**796.22**	**5,058.70**	**36**	826.98	2,786.00	26
Others	**2,465.29**	**21,849.04**	**805**	1,646.44	19,764.80	561
Total	**5,728.03**	**31,904.93**	**1,164**	4,698.62	26,520.87	784

Source: Wind Info and statistics of the Company

Note: Others mainly consist of medium-term notes, short-term commercial papers, private placement notes, asset-backed securitization, government-backed agency bonds and convertible bonds.

For overseas business, in the first half of 2020, China Securities International completed 13 overseas bond issuance transactions, ranking No. 7 among mainland investment securities companies in Hong Kong; project amount totaled HK$36.209 billion, ranking No. 8 among mainland investment securities companies in Hong Kong. (Source: Bloomberg)

Outlook for the second half of 2020

In the second half of 2020, in addition to consolidating and maintaining the market competitiveness of traditional advantageous business type, the Company will further strengthen the service of banks, listed companies and industry customers, strive to establish new project reserves including debt financing instruments of non-financial enterprises, financial bonds, and corporate bonds, develop innovative business such as project revenue bonds, special-purpose bonds, perpetual bonds, asset-backed security, Panda Bonds, exchangeable bond, convertible bond, debt-to-equity swap of central government-owned enterprises, in order to provide a full range of products, achieve balanced development and keep improving its overall strength in debt financing business. For overseas business, China Securities International will continue to actively expand the mainland-invested companies' overseas bond issuance projects, for which it will act as a global coordinator, bookkeeper and rating advisor.

3. *Financial Advisory Business*

In the first half of 2020, 66 mergers and acquisitions ("M&A") financial advisory projects (including acquisition of assets through issuance of shares and major asset restructuring) were completed in A-share market, representing a year-on-year decrease of 23.26%, and the transaction amount was RMB291,686 million, representing a year-on-year increase of 4.57%. The Company completed five mergers and acquisitions and restructuring financial advisory projects, ranking No. 5 in the industry; the transaction amount was RMB25.631 billion, ranking No. 5 in the industry. In terms of project reserves, as of June 30, 2020, the company has 2 projects under review, ranking No. 3 in the industry. (Source: Wind Info and statistics of the Company)

In the first half of 2020, 64 new companies were newly listed on the NEEQ market and 471 were delisted. As of June 30, 2020, the total number of listed companies was 8,547, of which 1,189 were innovative. National Equities Exchange and Quotations Co., Ltd. officially launched the public issuance of shares to unspecified qualified investors on 27 April, 2020 and conducted listing declaration work for the selection layers. As of June 30, 2020, a total of 73 listed companies had declared to be listed on the selection layer, 70 of which were accepted. 8 listed companies sponsored by the Company declared to be listed on the selection layer, ranking No. 1 in the industry. The Company completed 9 private placement projects for listed companies and raised RMB462 million. As of 30 June 2019, the Company continuously oversaw 55 NEEQ enterprises in the innovation level, ranking second in the industry. (Source: NEEQ Company and Choice financial terminal)

For overseas business, in the first half of 2020, China Securities International completed four financial advisory projects, involving a total of HK$1.239 billion.

Outlook for the second half of 2020

In the second half of 2020, the Company will continue to improve its ability to facilitate M&A transactions, increase its efforts in developing cross-border M&A business, actively provide service for venture capital companies to resolve crisis, further consolidate its advantages in financial advisory business on bankruptcy reorganization of listed companies, and keep improving its diversified service capabilities for M&A business. The Company will actively undertake high-quality NEEQ projects to increase the reserve of follow-up projects. For high-quality basic level companies supervised by the Company, we will plan ahead to smoothly enter the innovation level and lay the foundation for the listing on the selected level.

2. Wealth Management Segment

The Company's wealth management segment mainly comprises securities and future brokerage and wealth management business, margin financing and securities lending business and stock pledge business.

1. Brokerage and Wealth Management Business

In the first half of 2020, the bilateral trading volume of equity and funds in the market was RMB169.39 trillion, representing a year-on-year increase of 26.23% (Source: Shanghai and Shenzhen Stock Exchanges). The Company endeavoured to establish an integrated client services platform and ecological chain to develop businesses covering financial products, margin financing and securities lending, the NEEQ Market, STAR Market, investment advisory services, share options, precious metals and futures through resource integration. The Company, with customer-oriented culture, continued to strengthen the core competitiveness of brokerage business with clients as the focus through raising the standard of service and increasing service methods, and strived to fulfil diversified wealth management, investment and financing needs of retail clients, high-net-worth clients, institutional clients, corporate clients and other clients at different levels.

In the first half of 2020, the net income from the securities brokerage business of the Company accounted for 3.22% of the market share, ranking No. 10 in the industry. As of 30 June 2020, trading volume of the agency sales of equity funds of the Company amounted to RMB5.45 trillion with a market share of 3.22%. The sale of standardised products amounted to RMB37,966 million, and the net income from the distribution of financial products had a market share of 3.54%, ranking No. 9 in the industry. The number of new capital accounts was 292,400; the total number of clients' securities capital accounts as of 30 June 2020 was 9,339,100. The market value of securities under custody for the Company's clients accounts was RMB2.91 trillion with a market share of 6.08%, ranking No. 3 in the industry; in which new client assets amounted to RMB206,299 million (Sources: Shanghai and Shenzhen Stock Exchanges, China Securities Depositary and Clearing Corporation Limited, The Securities Association of China and statistics of the Company). The MAU of Qingting Dianjin APP ranked No. 7 in the industry, up by 2 rankings compared with the end of 2019. As of 30 June 2020, the Group had 295 securities branches, of which 57% were located in the relatively active five provinces and two municipalities in the stock exchange (Beijing, Shanghai, Guangdong, Fujian, Zhejiang, Jiangsu and Shandong), and among which 53 securities branches were located in Beijing. Being the securities company with the largest number of securities branches in Beijing, the Company has established a solid client base for its brokerage and wealth management businesses.

In terms of futures brokerage business, as of 30 June 2020, China Securities Futures has realised a cumulative transaction volume of RMB4.12 trillion, a year-on-year increase of 8.40%. Among them, the commodity futures agency transaction amounts totalled RMB2.56 trillion, a year-on-year decrease of 3.35%, whereas the financial futures agency transaction volume amounted to RMB1.56 trillion, a year-on-year increase of 35.53%. The Company's agency transaction volume of China Securities Futures. accounted for 1.24% of the market, a decrease of 8.15% from the end of 2019. China Futures Co., Ltd. added 13,493 clients, a year-on-year increase of 64.23%.

With respect to overseas business, as of 30 June 2020, the aggregate transaction amount of stock agency of China Securities International was HK$16,786 million, with 700 new clients compared with the end of 2019 and 10,501 clients in aggregate, and the total market value of stock under custody for the Company's clients' accounts was HK$19,630 million, basically at the same level as at the end of 2019.

Outlook for the second half of 2020

In the second half of 2020, the Company's brokerage business will continue to be guided by transformation of wealth management. The Company will continue to develop investment advisory service brand. The Company, enabled by technology, will build an all-around brokerage business customer service system, in order to continuously ensure compliant operation, prevent risks, consolidate its foundation, intensively develop business and ultimately improve the quality of customer service along brokerage business line in all aspects. In terms of its future brokerage business, China Securities Futures will continue to intensively develop risk management business and improve its capability to serve the real economy. Meanwhile, the Company will get well prepared for the lifting of financial futures and options by optimizing the construction of rapid transaction system. In terms of overseas business, as the bridge between domestic and overseas security business of the Company, China Securities International will on one hand satisfy high net worth customers' demand for overseas investment and wealth inheritance through security and insurance products, and will on the other hand guide overseas customers to invest in domestic financial market relying on the interconnection mechanism among financial products, representing an effective overseas expansion in wealth management. In regard to its overseas business, the Company will focus on the development of integrated financial management business covering investment in overseas securities, futures and funds.

2. Margin Financing and Securities Lending Business

In the first half of 2020, A Share market stabilised and recovered as a whole, and margin financing and securities lending business scale in the whole market remained steady and showed a slight rise. As of 30 June 2020, the balance of margin financing and securities lending of the Shanghai Stock Exchange and Shenzhen Stock Exchange was RMB1,163,768 million, which increased by 14.17% as compared to that of the end of 2019 (Source: Wind Info). As of 30 June 2020, the balance of the Company's margin financing and securities lending business was RMB36,799 million, representing an increase of 25.67% as compared with that at the end of 2019, accounting for 3.16% of the market, increasing 0.29 percentage point from the end of 2019. The number of margin financing and securities lending accounts was 151,300, representing an increase of 6.00% as compared to that at the end of 2019. In the first half of 2020, the Company's interest income from its margin financing and securities ranked No. 10 in the industry.

With respect to overseas business, as of 30 June 2020, the balance of China Securities International's margin financing and securities lending business was HK$107 million[2], representing an increase of 69.57% as compared to that at the end of 2019.

Outlook for the second half of 2020

In the second half of 2020, the Company will continue to promote the development of a tiered service system for margin trading customers, in order to provide different categories of customers with integrated customer service plans, including individual investment reports, investment advisory and strategic services and algorithmic trading. In addition, the Company will be committed to improving the outreach of services to high net-worth clients and further improving its capacity of providing specialised services through a number of measures, such as unified service standards and exchanges with high-end customers.

3. Stock Pledge Business

In the first half of 2020, the scale of stock pledge financing in the market steadily declined. As of 30 June, 2020, the principal balance of the Company's stock pledge repurchase business was RMB23.658 billion, a decrease of RMB5.305 billion or 18.32% from the end of 2019. Among them, the investment (refer to the balance sheet) stock pledged repurchase business balance was RMB11.305 billion, with an average performance guarantee ratio of 408.02%; the management (outside the balance sheet) stock pledged repurchase business balance was RMB12.353 billion, with an average performance guarantee ratio of 94.44%. In the first half of 2020, the Company's interest income from stock pledge repurchase ranked No. 8 in the industry.

1. According to the requirements of the Securities and Futures Commission of Hong Kong for the protection of customer assets and the handling of "dormant accounts" in the "Customer Service and Account Management Manual", the Company will convert accounts into dormant accounts if it does not hold any funds or stocks, it has not been involved in any transaction for more than two years or it has been frozen for more than 12 months. Dormant accounts will be excluded from the cumulative customer count from March 2020.

2. Excluding Hong Kong stocks new margin business.

Outlook for the second half of 2020

In the second half of 2020, the Company will prudently implement stock pledge repurchase business on the premise of making sure that risks are testable, controllable and tolerable, and accelerate its assets integration to provide its strategic clients with a basket of business solutions. Relying on its investment research capability, the Company will improve risk identification relating to listed companies, and further improve the asset quality of its stock pledge business through structural adjustment.

III. Trading and Institutional Client Services Segment

The trading and institutional client services segment of the Group mainly comprises stock sales and trading business, sales of fixed-income products and trading business, investment research business, prime brokerage business and the QFII and RQFII business.

1. Equity Sales and Trading Business

The stock sales and trading business of the Company mainly provides trading, advisory and research services, and sells shares underwritten by the Company to institutional customers. The Company also engages in proprietary trading and market-making activities of stocks, funds, ETF, and financial derivatives including stock index futures, commodity futures, options and total return swaps. It provides clients with customised options and swaps products linked to various types of assets to meet the hedging and investment demand of institutional clients.

With respect to the securities trading business, the Company closely tracked domestic and international economic conditions and pandemic data to strengthen macro-strategy research and judgment, seized structural opportunities arising in the market, and strictly controlled risks relating to business. With respect of NEEQ market-making business, the Company provided market-making services to 12 listed companies in the first half of 2020. In terms of derivatives trading business, as one of the industry's first primary dealers of OTC options, the Company steadily promoted OTC derivatives business such as OTC options and income swaps, further enriching the types of linked targets and income structure, and meeting the individualised investment needs of clients. By the end of May, 2020, the nominal principal of the OTC options was ranked No. 3 in the industry. Meanwhile, the Company continued to expand its market creation business scope and scale to enhance its market competitiveness. The current market creation products include ETF funds, options, futures and other trading products.

In terms of the stock sales business, in the first half of 2020, based on the original core customer system, the Company increased communication with investors on QFII, public funds, etc. in response to the new situation in the issuance market to continuously improve issuer customer satisfaction. In the first half of 2020, the Company completed a total of 22 lead underwriting stock project sales, with a cumulative sales amount of RMB69.312 billion, covering 14 IPOs, 7 non-public issuances, and 1 allotment. The sales amount was RMB42.376 billion, RMB26.491 billion, RMB445 million, with the number and amount of share sales projects ranking No. 1 in the industry.

Outlook for the second half of 2020

In the second half of 2020, the Company will continue to strengthen its macro-economic and market strategy research, and pay continuous attention to the economic environment and industrial changes. The Company will also adhere to the concept of value investment, carry out in-depth industrial research and discover opportunities relating to individual stocks, allocate resources to different sectors, and realise stable incomes that are aligned with market conditions. Meanwhile, the Company will pay close attention to trend of listed companies, in order to prevent and control risks. The Company will continue to develop the OTC derivative business, increase resource investment in market-making and continuously explore opportunities for cross-border investments to further satisfy various needs of clients and improve its investment system using its own funds.

2. Sales of Fixed-income Products and Trading Business

In the first half of 2020, the Company maintained a stable pattern in proprietary investment, in particular the proprietary investment in bonds, which precisely caught up with market trend with the combination of a stable allocation and positive directional trading, hence achieving a satisfactory result in bond investment. Meanwhile, in the first quarter of 2020, the Company ranked No. 10 among market-makers (including banks) in the inter-bank bond market, and ranked No. 5 among attempted market-makers. (Source: China Foreign Exchange Trade System). In January 2020, the Company successfully obtained the qualification for foreign exchange settlement and sale business approved by the State Administration of Foreign Exchange, and started the pilot foreign exchange settlement and sale business.

The Company continued to maintain its leading position in terms of bond sales business. In the first half of 2020, the Company sold 1,314 bonds, with a sales amount of RMB533,504 million, ranking No. 2 in the industry. The Company sold 54 epidemic prevention and control credit bonds, with a sales amount of RMB16.390 billion, ranking No. 4 in the list of epidemic prevention and control debt underwriting; the scale and number of corporate bond sales continued to rank No. 1 in the industry; the underwriting amount of local government bonds was RMB84.414 billion, with 573 underwriting projects, ranking No. 2 in the industry (Source: Wind Info and statistics of the Company).

With respect to overseas business, since the Company was qualified as a quotation institution of the "Bond Connect" in July 2018, the Company has entered into Bond Connect transactions with several overseas institutional investors. In the first half of 2020, the Bond Connect business of the Company ranked top 5 in the industry in average.(Source: Bond Connect Company Limited) Since the Company was qualified to carry out pilot cross-border business in October 2018, the Company has conducted cross-border transactions in a stable manner to expand the scale of cross-border assets progressively. Cross-border investment has recorded rewarding revenue. Further, as of 30 June 2020, the volume of China Securities International's bond trading was HK$12,370 million.

Outlook for the second half of 2020

In the second half of 2020, the Company will further exploit its advantages in highly professional fixed-income business, wide customer coverage and effective internal and external coordination, continue to improve the level of comprehensive services provided to customers, and facilitate better development of bond sales business and investment advisory business. Moreover, in the light of changes in market, the Company will flexibly adjust the structure of proprietary investment portfolio and conduct business at a more internationalised and automated level.

3. Investment Research Business

The investment research business of the Company mainly provides institutional clients with research consultation services covering macro-economy, fixed income, strategy, industry, corporate, financial engineering and other aspects. Clients mainly include mutual funds, insurance companies, the National Social Security Fund, private equity funds, securities firms, overseas financial institutions and other institutions. The Company provides clients with research reports and various kinds of tailored research consultation services. In the first half of 2020, the Company, against the backdrop of the COVID-19 pandemic and complicated and changing international circumstances, enhanced targeted research planning and cross-industry interaction and well kept abreast of market conditions and market focus. We will also largely strengthen our remote services and conversion of Mainland Chinese and Taiwanese products, as well as considerably increasing our services for overseas clients. As of 30 June 2020, the Company had a research and sales team comprising 169 members, and published a total of 2,685 research reports of various types in the first half of 2020; we continued to expand the industry coverage and coverage of overseas listed companies. At present, the Company's stock research covered 27 industries. In the first half of 2020, the Company provided institutional customers with 11,836 online and offline roadshows of various types and 102 offline surveys, and successfully organised conventions including the online "Meeting of Investment Strategies during Spring" and "Exchange Meeting of Companies Listed during Spring".

Outlook for the second half of 2020

In the first half of 2020, amidst relatively loose fiscal and monetary policies and industrial resumption, the Company's research division firmly grasped the opportunities from the current market recovery to keep improving research with wider perspective and deeper insight, in order to further digitise our services and provide domestic and overseas clients with more comprehensive and in-depth research services.

4. *Prime Brokerage Business*

The Company provides market-leading full-chain prime brokerage services to institutional investors, including trading service, account service, product design and agency sales, institutional investment and financing service, asset custody service, product operating service, research service, financing solution and value -added services.

As of 30 June 2020, the total scale of custody and operating services of the Company amounted to RMB307,472 million, representing an increase of 2.49% as compared to that of the end of 2019. Among it, the number of products under custody reached 2,001, and products of operating service reached 1,831, representing an increase of 10.49% and 10.50% respectively as compared to that of the end of 2019.

The prime brokerage system of the Company is one of the most comprehensive system with the widest range of supportive systems among the securities brokers in the industry, which connects markets of margin financing and securities lending services, stock index futures, commodity futures stock options, the NEEQ and Southbound trading markets to offer its clients with convenience and favourable experience in carrying out various businesses at the same time. The self-developed algorithmic trading platform within the prime brokerage system maintained a leading position in the industry in terms of the efficiency of execution of algorithmic trading, which is widely recognised and trusted by various clients including those from the banking, insurance, public offering, private equity and QFII sectors and enterprises as well as high-net-worth individual clients. Newly developed services including bonds, treasury bond repurchases and selected NEEQ layers satisfied customers' diversified trading needs. As of 30 June 2020, the Company's algorithmic trading customers amounted to 654, ranked No. 1 in the insurance asset management industry. The Company set up special counters for institutional trading to provide independent trading channels with more functions for financial institutions, gaining widespread recognition from banks, public offerings and insurance clients. The trading volume of the prime brokerage business of the Company grew continuously, with an upward trend in trading performance of algorithmic trading and continuous expansion of client type and scale.

Outlook for the second half of 2020

In the second half of 2020, with the aim to constantly satisfy institutional investors' trading needs, the Company continued to improve its various types of prime brokerage system and counter services for institutions. The embedded algorithmic platform will connect with more trading software including TDX and will provide algorithm trading strategies for clients. The Company will keep abreast of the changes in the market environment and regulatory policy changes to further provide diversified and personalised professional trading services, so as to further meet the trading needs of various clients.

5. *QFII and RQFII Business*

The Company carries out QFII and RQFII brokerage agency trading business. Currently, the Company's QFII and RQFII businesses have developed a professional service brand featuring advanced transaction system and trading algorithm and extensive investment research information services by leveraging its first-class investment research service resources in the first half of 2020, integrating its domestic business strengths and constantly serving and developing the international market.

Outlook for the second half of 2020

In the second half of 2020, the Company will continue to build a diversified client network to consolidate its position of offering clients leading investment research services, in an effort to promote integrated cross-border development and provide clients with high-level, all-round, diversified, differentiated and integrated financial services by means of professional sales and service.

6. *Alternative Investment Business*

In the first half of 2020, affected by the COVID-19 pandemic, the domestic macroeconomic downward pressure has intensified, and the activity of the private equity investment market dropped significantly. In this context, China Securities Investment adhered to the principle of "stable stability and long-term development" and the concept of "serving the real economy, technological innovation and economic transformation", and actively utilised the Internet and other information technology methods to, in an orderly manner, develop and reserve projects and investment layout work, completing 43 investments (including 4 IPO follow-up investments on the STAR Market), with an investment amount of RMB655 million.

Outlook for the second half of 2020

In the second half of 2020, China Securities Investment will continue to promote the development of various investment businesses, increase its investment scale and implement its investment layout by putting strict control over project quality as the top priority. Meanwhile, the Company will promote IPO projects in the STAR Market and conduct IPO follow-up work under the ChiNext registration system in an orderly manner, in an effort to turn it into a new profit growth point of the Company.

(IV) Investment Management Segment

1. *Asset Management Business of the Securities Company*

In the first half of 2020, the Company, as required by "net worth management" and "de-channeling business" under new asset management rules, continued to steadily and orderly standardise the existing business, actively promote the development of NAV business under active management, and constantly sought new business development opportunities. In the first half of 2020, the Company's asset management business had made considerable progress in large-scale transformation, QDII business, and digital transformation. As of 30 June 2020, the Company's AUM of entrusted assets reached RMB484,439 million, a decrease of 11.56% from the end of 2019 and ranking No. 6 in the industry. Among them, the scale of actively managed products reached RMB248,753 million, increasing by RMB16.439 billion from the end of 2019, accounting for 51.35% of the total AUM, representing an increase of 8.94 percentage points as compared to that of the end of 2019; the monthly active management products scale amounted to RMB156.615 billion, ranking No. 6 in the industry in average.(Source: Asset Management Association of China, the Securities Association of China and statistics of the Company).

The scale of the Company's asset management business is as follows:

Unit: RMB'00 million

	AUM	
	30 June 2020	31 December 2019
Collective asset management business	**320.01**	285.59
Targeted asset management business	**3,613.43**	4,385.80
Specialised asset management business	**910.95**	806.30
Total	**4,844.39**	5,477.69

Source: The Securities Association of China, and statistics of the Company

With respect to overseas business, as of 30 June 2020, China Securities International's total AUM reached US$55.56 million, of which bonds AUM amounted to approximately US$46.97 million, while equity AUM amounted to approximately US$1.32 million. Balanced fund AUM amounted to approximately US$920,000 and limited partnership fund AUM amounted to approximately US$6.35 million.

Outlook for the second half of 2020

In the second half of 2020, the Company will continue to improve its investment management capability, and intensify business transformation through broadening the variety of products, developing sales channels for products, improving the investment performance of products and other means. Meanwhile, the Company will keep strengthening product operation management, risk control management and compliance management, in order to safeguard robust operation of business.

2. Fund Management Business

In the first half of 2020, on the basis of insisting on returning to its roots, the China Securities Funds seized market opportunities and actively developed business, greatly improving its investment performance. Meanwhile, the fund actively responded to the requirements of the new asset management regulations by continuously increasing the management scale of public funds and reducing that of special account products. As of 30 June, 2020, the asset management scale of the fund reached RMB71.831 billion, a decrease of 10.46% from the end of 2019, of which the management scale of public funds was RMB21.72 billion, an increase of 26.29% from the end of 2019; The management scale of the fund's special account products and fund subsidiary Yuandaxin Capital Management Co., Ltd.'s special account products was RMB50.111 billion, a decrease of 20.49% from the end of 2019.

Outlook for the second half of 2020

In the second half of 2020, conforming to the development orientation of the asset management industry in the new era, China Securities Funds will continue to diversified product portfolio and take the initiative to promote marketing capability, with an aim to drive business development by enhancing internal governance, strengthening client system construction, and nurturing core talents, and will continue to develop its level of investment research, expand client base and launch key and core products to realise a stable growth in management scale and the value preservation and appreciation of the clients' assets, to strengthen its core competitiveness and improve its brand influence.

3. Private Equity Investment Business

Due to the COVID-19 pandemic in the first half of 2020, the private equity market was greatly affected. Beginning in the second quarter of 2020, the domestic pandemic has been effectively controlled, the resumption of work and production fully promoted, the economy has shown a recovery trend, and the private equity market has also slowly recovered. In the first half of 2020, China Securities Capital continued to strengthen the in-depth cooperation with local governments and institutions on the capital platform for government-controlled enterprises. As of 30 June 2020, China Securities Capital managed a total of 41 private equity investment funds, including 14 integrated funds, 4 industrial funds, 17 designated funds, 4 real estate funds and 2 funds of funds, with the fund management scale of RMB37,476 million, representing an increase of RMB921 million as compared to that at the end of 2019. As of 30 June 2020, China Securities Capital completed investment in 130 enterprises, including 10 listed on the Main Board, 3 on the SME Board, 7 on the ChiNext, 4 on the STAR Market, 26 on the NEEQ Market, and 35 exit projects, with an average investment yield of 105%.

Outlook for the second half of 2020

In the second half of 2020, by taking full advantage of its professional investment capability, China Securities Capital, while strengthening its compliant risk control management, will expand its fundraising channels, seek premium project resources, promote collaboration focusing on government platforms and capital in the state-owned enterprise industry, promote fund raising in healthcare, TMT, high-end manufacturing and information security fields, and realise stable and sound investment.

III. FINANCIAL STATEMENT ANALYSIS

(I) Profitability Analysis

In the first half of 2020, the Group recognised a total revenue and other income of RMB13,009 million, representing a year-on-year increase of 51.04%. The changes of key items are as follows:

- fee and commission income amounted to RMB5,232 million, representing a year-on-year increase of 29.70%, which was mainly due to the year-on-year increase in fee and commission income from brokerage business and investment banking business in the first half of 2020;
- interest income amounted to RMB3,148 million, representing a year-on-year increase of 3.65% which was mainly due to the increase of income from margin financing and securities lending business and bank deposit interest in the first half of 2020; and
- investment gains amounted to RMB4,450 million, representing a year-on-year increase of 196.47%, which was mainly due to the increase in net gains from financial assets at fair value through profit or loss in the first half of 2020.

In the first half of 2020, the total expenses of the Group amounted to RMB7,141 million, representing a year-on-year increase of 28.67%. The changes of key items are as follows:

- fee and commission expenses amounted to RMB615 million, representing a year-on-year increase of 30.02%, which was mainly due to a year-on-year increase in fee and commission expenses from brokerage business in the first half of 2020;
- interest expenses amounted to RMB2,490 million, representing a year-on-year increase of 11.96%, which was mainly due to the increase in interest expense arising from bonds in issue, short-term financing instruments and placements from banks and other financial institutions in the first half of 2020;
- employee expenses amounted to RMB2,810 million, representing a year-on-year increase of 31.00%, which was mainly due to the year-on-year increase in performance-based remuneration in the first half of 2020;
- credit impairment losses amounted to RMB209 million, representing a year-on-year increase of RMB309 million, which is mainly due to the provision of impairment loss of financial assets held under resale agreements, margin financing and financial assets at fair value through other comprehensive income in the first half of 2020.

In the first half of 2020, the Group realised net profit attributable to equity holders of the Company of RMB4,578 million, representing a year-on-year increase of 96.54%, and realised basic earnings per share of RMB0.58, representing a year-on-year increase of 93.33%. The return on weighted average equity 9.12%, representing a year-on-year increase of 3.78 percentage points, which was mainly due to the year-on-year increase of the net profit during this period.

(II) Asset Structure and Asset Quality

During the Reporting Period, total assets and total liabilities of the Company increased by different margins. Operation of the Company was more prudent, stability of asset and liability structure was maintained, while high asset quality and sound financial status were guaranteed.

As of 30 June 2020, the total assets of the Group amounted to RMB311,522 million, representing an increase of RMB25,852 million, or 9.05%, as compared with that at the end of 2019. Excluding the accounts payable to brokerage clients, the total assets of the Group amounted to RMB240,885 million, representing an increase of RMB9,841 million, or 4.26%, as compared with that at the end of 2019, among which, assets in investments, (mainly include investments in associates and investments in financial assets) accounted for 65.62%, while margin accounts and financial assets held under resale agreements accounted for 21.75%, cash and bank balances accounted for 8.67%, and other assets accounted for 3.96%.

As of 30 June 2020, the total liabilities of the Group amounted to RMB252,114 million, representing an increase of RMB23,339 million, or 10.20%, as compared with that at the end of 2019. Excluding the accounts payable to the brokerage clients, the total liabilities of the Group amounted to RMB181,477 million, representing an increase of RMB7,328 million, or 4.21%, as compared with that at the end of 2019, among which, financial assets sold under repurchase agreements amounted to RMB70,285 million, accounting for 38.73%; bonds in issue amounted to RMB39,207 million, accounting for 21.60%; short-term borrowings, placements from banks and other financing institutions, short-term financing instruments payable and non-current liabilities due within one year amounted to RMB48,889 million, accounting for 26.94%; financial liabilities at fair value through profit or loss and derivative financial liabilities amounted to RMB2,253 million, accounting for 1.25%; and the amount from other liabilities in aggregate was RMB20,843 million, accounting for 11.48% of the total liabilities.

As of 30 June 2020, the Group's equity attributable to equity holders of the Company amounted to RMB59,086 million, representing an increase of RMB2,504 million, or 4.43%, as compared with that at the end of 2019.

As of 30 June 2020, after deducting accounts payable to brokerage clients, the gearing ratio of the Group was 75.34%, representing a decrease of 0.03 percentage points, as compared with that at the end of 2019.

(III) Cash Flow Status

Excluding the accounts payable to brokerage clients, the Group's net increase in cash and cash equivalents was RMB-26,526 million in the first half of 2020, which was mainly due to the year-on-year increase in cash outflow from operating activities.

The net cash outflow from operating activities in the first half of 2020 was RMB24,960 million, representing a year-on-year net increase of RMB25,502 million in outflow as compared with the net inflow of RMB542 million in the same period of 2019, which was mainly attributable to an increase of net cash outflow due to the decrease of accounts payable to underwriting clients and the increase of financial assets at fair value through profit or loss.

Net cash outflow from investing activities in the first half of 2020 was RMB2,259 million, representing a year-on-year net decrease of RMB203 million in outflow when compared with the net outflow of RMB2,462 million in the same period of 2019, which was mainly attributable to a decrease of net cash outflow due to financial assets at fair value change through other comprehensive income in the current period.

Net cash inflow from financing activities in the first half of 2020 was RMB694 million, compared with a net inflow of RMB9,476 million in the same period of 2019, representing a year-on-year net decrease of RMB8,782 million in inflow, which was mainly attributable to an increase in cash outflow for the repayment of bonds in issue.

IV. ANALYSIS OF PRINCIPAL SUBSIDIARIES AND NON-CONTROLLING COMPANIES

Name	Shareholding of the Company	Date of establishment	Registered capital	Place of business	Registered address	Contact number
China Securities Futures	100%	16 March 1993	RMB1,000 million	11-B (Parallel to Ground Level)/11-A, 8-B4,9-B & C (Nominal Level), Shangzhan Building, 107 Zhongshan Third Road, Yuzhong District, Chongqing (重慶市渝中區中山三路107號上站大樓平街11-B，名義層11-A，8-B4，9-B、C)	11-B (Parallel to Ground Level)/11-A, 8-B4,9-B & C (Nominal Level), Shangzhan Building, 107 Zhongshan Third Road, Yuzhong District, Chongqing (重慶市渝中區中山三路107號上站大樓平街11-B，名義層11-A，8-B4，9-B、C)	023–86769602
China Securities Capital	100%	31 July 2009	RMB1,650 million	12/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恒中心大廈B座12層)	Room 2, East Side, 6/F, 188 Chaoyangmennei Avenue, Dongcheng District, Beijing (北京市東城區朝陽門內大街188號6層東側2間)	010–85130648
China Securities International	100%	12 July 2012	Share capital of HK$2,000 million	18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong	18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong	+852–34655600
China Securities Funds	55%	9 September 2013	RMB300 million	17 & 19/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恒中心大廈B座17、19層)	Unit 1, Building No. 3, Balongqiao Yayuan, Qiaozi Town, Huairou District, Beijing (北京市懷柔區橋梓鎮八龍橋雅苑3號樓1室)	010–59100211
China Securities Investment	100%	27 November 2017	RMB3,700 million	9/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恒中心大廈B座9層)	Unit 109, Block C, Beijing Fund Town Center, No. 1 Jinyuan Avenue, Changgou Town, Fangshan District, Beijing (北京市房山區長溝鎮金元大街1號北京基金小鎮大廈C座109)	010–85130622

1. China Securities Futures: as of 30 June 2020, total assets and net assets of China Securities Futures amounted to RMB13,429.22 million and RMB1,852.83 million, respectively. In the first half of 2020, China Securities Futures realised total revenue and other income amounting to RMB406.92 million in aggregate, profit before income tax amounting to RMB122.65 million and net profit amounting to RMB105.70 million; (unaudited)

   The principal business of China Securities Futures includes commodities futures brokerage, financial futures brokerage, futures investment advisory, asset management and fund sale.

2. China Securities Capital: as of 30 June 2020, total assets and net assets of China Securities Capital amounted to RMB2,621.02 million and RMB1,663.98 million, respectively. In the first half of 2020, China Securities Capital realised total revenue and other income amounting to RMB56.20 million in aggregate, profit before income tax amounting to RMB18.14 million and net profit amounting to RMB13.34 million; (unaudited)

   The principal business of China Securities Capital includes project investment, investment management, asset management and financial advisory (excluding intermediary services).

3. China Securities International: as of 30 June 2020, total assets and net assets of China Securities International amounted to RMB7,212.56 million and RMB1,716.55 million, respectively. In the first half of 2020, China Securities International realised total revenue and other income amounting to RMB161.95 million in aggregate, profit before income tax amounting to RMB5.09 million and net profit amounting to RMB3.23 million; (unaudited)

   The principal business of China Securities International includes investment holding. Its subsidiaries engage in the business of securities brokerage, asset management, investment banking, pledge and financing, dealing in futures and proprietary investment.

4. China Securities Funds: as of 30 June 2020, total assets and net assets of China Securities Funds amounted to RMB668.97 million and RMB554.91 million, respectively. In the first half of 2020, China Securities Funds realised total revenue and other income amounting to RMB157.83 million in aggregate, profit before income tax amounting to RMB13.19 million and net profit amounting to RMB9.51 million (unaudited).

   The principal business of China Securities Funds includes fundraising, fund sale, asset management for specific clients, asset management and other business as approved by the CSRC.

5. China Securities Investment: as of 30 June 2020, total assets and net assets of China Securities Investment amounted to RMB2,565.40 million and RMB2,460.57 million, respectively. In the first half of 2020, China Securities Investment realised total revenue and other income amounting to RMB260.98 million in aggregate, profit before income tax amounting to RMB256.53 million and net profit amounting to RMB192.96 million. (unaudited)

   The principal business of China Securities Investment includes equity investment management, investment advisory service (excluding intermediary services) and project investment.

V. INFORMATION OF SECURITIES BRANCHES

No.	Branch	Date of establishment	Registered address	Contact number
1	Hubei Branch	6 February 2012	3/F, Block A, Longyuan Building, 24 Zhongbei Road, Wuchang District, Wuhan City, Hubei Province	+8627–87890128
2	Shanghai Branch	6 February 2012	Rooms 308, No. 818, Yingkou Road, Yangpu District, Shanghai City	+8621–55138037
3	Shenyang Branch	7 February 2012	No. 1, 12/F, 61 Beizhan Road, Shenhe District, Shenyang City, Liaoning Province	+8624–24863279
4	Jiangsu Branch	13 February 2012	2/F, Huanghe Building, 58 Longyuan West Road, Gulou District, Nanjing City, Jiangsu Province	+8625–83156571
5	Hunan Branch	1 March 2013	No. 9, Furong Middle Road Section 2, Furong District, Changsha City, Hunan Province	+86731–82250463
6	Fujian Branch	16 April 2013	3/F, Wuyi Center, 33 East Street, Gulou District, Fuzhou City, Fujian Province	+86591–87612358
7	Zhejiang Branch	18 April 2013	Room 604, 6/F, 225 Qing Chun Road, Shangcheng District, Hangzhou City, Zhejiang Province	+86571–87067252
8	Northwest Branch	19 April 2013	56 Nanda Street, Beilin District, Xi'an City Shaanxi Province	+8629–87265999–202
9	Guangdong Branch	24 April 2013	Units 5102 and 5105, 30 Zhujiang East Road, Tianhe District, Guangzhou City, Guangdong Province	+8620–38381917
10	Chongqing Branch	14 April 2014	2–2, Block 2, Yijing Fenghao, 195 Longshan Road, Longshan Avenue, Yubei District, Chongqing City	+8623–63624398
11	Shenzhen Branch	21 April 2014	22/F, Block B, Rongchao Business Center, 6003 Yitian Road, Futian District, Shenzhen City, Guangdong Province	+86755–23953860
12	Sichuan Branch	25 April 2014	25, South Third Section, First Ring Road, Wuhou District, Chengdu City, Sichuan Province	+8628–85576963
13	Shandong Branch	23 May 2014	11/F, Block 4, 8 Long'ao North Road, Lixia District, Jinan City, Shandong Province	+86531–68655601
14	Jiangxi Branch	28 May 2014	Unit 5, 30/F, Block 2#, Heping International Hotel, 69 Yanjiang North Avenue, Donghu District, Nanchang City, Jiangxi Province	+86791–86700335
15	Henan Branch	3 June 2014	2/F, Zhonghua Mansion, 3 Shangwu Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province	+86371–69092409
16	Shanghai Free Trade Zone Branch	26 September 2014	Room 2206, North Building, 528 South Pudong Road, China (Shanghai) Free Trade Zone	+8621–66821628
17	Tianjin Branch	10 November 2014	Room 201, International Communication Center South Building, Tianjin University of Technology, 26 Yuliang Road, Nankai District, Tianjin City	+8622–23660571
18	Beijing Hongyi Branch	19 March 2019	4–4, Third Section, 6/F, Building No. 4, 66 Anli Road, Chaoyang District, Beijing City	+8610–86451427

Note: "Date of establishment" refers to the date of obtaining a business license of the securities institution.

VI. EXPLANATION OF CHANGES IN SCOPE OF STATEMENT CONSOLIDATION

During the Reporting Period, there was no change in the number of primary entities included in the consolidated financial statement of the Company.

VII. NO CHANGE IN THE INCOME TAX POLICY OF THE COMPANY DURING THE REPORTING PERIOD

From 1 January 2008, the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and the Regulations on the Implementation of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) became effective for the Company and other subsidiaries (except China Securities Futures and China Securities International). Income tax computation and payment are governed by the Announcement of the State Administration of Taxation on Printing and Distributing the Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by the Enterprises with Trans-regional Operations (《國家稅務總局關於印發〈跨地區經營匯總納稅企業所得稅徵收管理辦法〉的公告》) (Public Notice of the State Administration of Taxation [2012] No. 57). The income tax rate applicable to the Company is 25%.

In accordance with the Explanation on Implementation of Tax Preferential Treatments concerning Western China Development Strategy (《關於執行國家西部大開發所得稅優惠政策的説明》) issued by the local taxation bureau in Yuzhong District, Chongqing City, the applicable income tax rate for China Securities Futures was 15%.

The applicable income tax rate for China Securities International was 16.5%.

VIII. ANALYSIS ON AND EXPLANATION OF THE REASONS AND IMPACT OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR ACCOUNTING METHODS BY THE BOARD

During the Reporting Period, there were no significant changes in the principal accounting policies and key accounting estimates of the Company.

IX. FINANCING OF THE COMPANY

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

(I) Details of previously raised funds

The proceeds previously raised referred to in this report include the proceeds raised through overseas listed foreign shares (H Shares) in December 2016 and the over-allotment of overseas listed foreign shares (H Shares) in January 2017 (hereinafter referred to collectively as "proceeds raised through overseas listed foreign shares").

Pursuant to the Reply on the Issue of Overseas Listed Foreign Shares by CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2016] No. 2529) issued by the CSRC on 4 November 2016, CSC Financial Co., Ltd. (hereinafter referred to as the "Company") was authorised to issue to the public 1,076,470,000 overseas listed foreign shares (H Shares) at an offer price of HK$6.81 per share (equivalent to RMB6.06). The proceeds were paid up in Hong Kong dollars, amounting to HK$7,330,760,700.00 (equivalent to RMB6,518,732,337.26). Upon deduction of the issuance expense equivalent to RMB200,903,380.25, the proceeds raised amounted to the equivalent of RMB6,317,828,957.01. The above mentioned proceeds were paid up on 9 December 2016.

On 5 January 2017, the Company exercised partial over-allotment options to issue 69,915,238 overseas listed foreign shares (H shares) at the offer price of HK$6.81 per share (equivalent to RMB6.09). The proceeds were paid up in Hong Kong dollars, amounting to HK$476,122,770.78 (equivalent to RMB425,534,726.38). Upon deduction of the issuance expense equivalent to RMB10,671,134.34, the proceeds raised were equivalent to RMB414,863,592.04, which were paid up on 5 January 2017. The above mentioned proceeds raised amounted to an equivalent of RMB6,732,692,549.05, and such proceeds were verified PricewaterhouseCoopers Zhong Tian LLP, Beijing Branch, which issued the capital verification report numbered PricewaterhouseCoopers Zhong Tian Beijing Yan Zi [2017] No. 037.

As of 30 June 2020, the balance of such proceeds raised in the designated bank account of H Share proceeds was equivalent to RMB188.6097 million, including unused proceeds and bank deposit interest.

(II) Actual Use of The Proceeds Previously Raised

According to the prospectus for overseas listed foreign shares (H Shares) issued by the Company in 2016, the Company planned to use an amount equivalent to RMB6,310.8920 million in total for five specific projects. The balance of additional proceeds from the exercise of any over-allotment option will be allocated to the above mentioned projects on a pro rata basis. The proceeds raised through the exercise of over-allotment options by the Company was equivalent to RMB414.8636 million, amounting to an equivalent of RMB6,725.7556 million when taken together with the proceeds raised as disclosed in the above mentioned H Share prospectus. As of 30 June 2020, the actual amount invested in the projects involving the use of the proceeds previously raised amounted to the equivalent of RMB6,608.4483 million in total.

The use of proceeds raised through overseas listed foreign shares of the Company as of 30 June 2020 is as follows:

Unit: RMB ten thousand

Total proceeds raised:	673,269.25	The accumulated amount of proceeds raised that has been used:	660,844.83
Total amount of proceeds raised with purpose changed:	Nil	Total amount of raised proceeds used in each year:	660,844.83
Proportion of raised proceeds with purpose changed:	Nil	2016:	204,106.16
		2017:	320,177.66
		2018:	125,000.00
		2019:	11,561.01

No.	Investment project Proceeds as of 30 June 2020		Total investment amount of the raised proceeds			The accumulated investment amount of the raised				The date on which the project is ready for use (or the completion progress of the project as of the closing date)
	Proposed investment project	Actual investment project	Proposed investment amount before fundraising *(Note 3)*	Proposed investment amount after fundraising *(Note 3)*	Actual investment	Proposed investment amount before fundraising	Proposed investment amount after fundraising	Actual investment *(Note 2)*	Difference between actual investment and proposed investment amount after fundraising *(Note 1)*	
1	Meeting investment and financing needs of customers	Meeting investment and financing needs of customers	35%, an amount equivalent to 235,401.45	35%, an amount equivalent 235,644.24	235,644.24	235,401.45	235,644.24	235,644.24	–	Nil
2	Enhancing investment and market-making capacity	Enhancing investment and market-making capacity	20%, an amount equivalent to 134,515.11	20%, an amount equivalent to 134,653.85	134,479.82	134,515.11	134,653.85	134,479.82	(174.03)	Nil
3	Product seed fund	Product seed fund	20%, an amount equivalent to 134,515.11	20%, an amount equivalent 134,653.85	134,653.85	134,515.11	134,653.85	134,653.85	–	Nil
4	Enhancing cross-border business capacity and international competitiveness, increasing proportion of overseas assets and revenue	Enhancing cross-border business capacity and international competitiveness, increasing proportion of overseas assets and revenue	15%, an amount equivalent to 100,886.33	15%, an amount equivalent to 100,990.39	88,740.00	100,886.33	100,990.39	88,740.00	(12,250.39)	Nil
5	Working capital and other general business use	Working capital and other general business use	10%, an amount to equivalent 67,257.56	10%, an amount equivalent to 67,326.92	67,326.92	67,257.56	67,326.92	67,326.92	–	Nil
	Total		672,575.56	673,269.25	660,844.83	672,575.56	673,269.25	660,844.83	(12,424.42)	Nil

Note 1: The difference between the actual investment amount and the proposed investment amount was the unused proceeds as at 30 June 2020 and the exchange gains and losses caused by the difference between the actual exchange rate and the exchange rate of the total investment after fundraising. The Company has compared, item by item, the proposed investment projects stated in the H Share prospectus with the specific usage as disclosed. As of 30 June 2020, H Share proceeds proposed to be used but not used by the Company amounted to RMB122.5039 million. The Company will use the remaining H Share proceeds according to the actual development needs. Among these, the H Share proceeds intended to be used for enhancing cross-border business capacity and international competitiveness (equivalent to RMB122.5039 million) will be maintained at the overseas fundraising account temporarily and remitted to the overseas subsidiaries for further use according to the actual business needs of the overseas subsidiaries after obtaining the approval of the relevant regulatory authorities. In addition, as of 30 June 2020, the proceeds proposed to be used in enhancing investment and market- making capacity equivalent to RMB1,346.5385 million has all been settled and used up. The difference between actual investment and proposed investment amounted to RMB1.7403 million, which was the exchange gains and losses caused by the difference between the actual exchange rate and the exchange rate of the total investment after fundraising.

Note 2: The actual investment of proceeds raised through overseas listed foreign shares is translated into RMB equivalent based on the actual exchange rate. Amount in the designated bank account for proceeds raised will be transferred to the Company's own general account upon the approval given by the Company for the purposes of the actual investment projects. Proceeds raised would not be separated from other proceeds within the self-owned general account. The Company recognised the actual use of the proceeds raised by further review and approval on the use and payment of the proceeds within the general account pursuant to the purposes of the actual investment projects.

Note 3: The difference between proposed investment before and after fundraising was mainly the difference arising from foreign exchange translation.

The Company has made no guarantee on benefits generated from the use of proceeds upon the issuance of overseas listed foreign shares. A portion of proceeds raised through overseas listed foreign shares has already been used on the work proposed in the prospectus upon being paid up; correspondingly, net assets and net capital of the Company were both increased. Since proceeds used in all of the investment projects of proceeds raised include original self-owned proceeds and proceeds raised, it is not possible to separately calculate the benefits realised with the proceeds raised as of 30 June 2020.

(III) Bond Financing

In the first half of 2020, the Company publicly issued two tranches of corporate bonds with a total issuance amount of RMB9 billion, non-publicly issued one tranche of perpetual subordinated bonds with a total issuance amount of RMB5 billion, all of which was used for replenishment of working capital, repayment of debt financing instruments falling due, redeemed or repurchased; nine tranches of short-term financing bonds with a total issuance amount of RMB36.5 billion; and 227 tranches of structured notes with a total issuance amount of approximately RMB13.3 billion, all of which was used to replenish liquidity of the Company.

As of 30 June 2020, the balance of outstanding bonds of the Company amounted to RMB80.2 billion, with the balances of corporate bonds, perpetual subordinated bonds, subordinated bonds, US Dollar bonds, short-term financing bonds and financial bonds amounting to RMB28.8 billion, RMB10.0 billion, RMB19.5 billion, USD 0.2 billion (equivalent to approximately RMB1.4 billion), RMB16.5 billion and RMB4.0 billion, respectively. In addition, as of 30 June 2020, the balance of structured notes issued by the Company was approximately RMB7.1 billion. The above utilization of proceeds was in line with the disclosure provided in the offering documents. In the second half of 2020, the Company will continue to utilise the proceeds in accordance with the Company's operation and development strategies with reference to capital market conditions.

In the second half of 2020, the Company will continue to issue corporate bonds, subordinated bonds, perpetual subordinated bonds, short-term financing bonds, financial bonds, beneficiary certificates and other financing instruments permitted by regulatory authorities according to the Company's capital needs with reference to the market conditions.

X. RISK MANAGEMENT

1. Overview

The Company attaches great importance to the formation work of a risk management system. Adopting the risk management concept of "risk management by all, risk management as priority", the Company regards alignment with the general operating strategic goal of the Company and maintaining risks at a tolerable level as the foundation of risk management and seeks to ensure that risks associated with various businesses of the Company are measurable, controllable and commensurate with returns. The Company continues to enhance its risk management system in accordance with the needs arising from its business development, market condition changes and the regulatory pilot requirements, so as to enhance group risk management capability, ensure the progressive enhancement and effective operation of a comprehensive risk management mechanism.

(II) Structure of Risk Management

The Board of Directors is the Company's ultimate decision-making body for risk management. The executive management is the executive body, while different units are responsible for directly managing the risks in their business or operational activities. The Company has three dedicated risk control departments, namely the Risk Management Department, the Legal and Compliance Department and the Internal Audit Department, which independently monitor and manage risks before, during and after the event, according to their respective roles and responsibilities.

The Board of Directors makes decisions with respect to the Company's risk management strategies and policies, internal control arrangements, as well as the resolution of significant risk events. The Supervisory Committee carries out supervision on the performance of risk management duties of the Board of Directors, Executive Committee and senior management in accordance with laws, regulations and the Articles of Association.

The Risk Management Committee under the Board of Directors is responsible for supervising the overall risk management of the Company in general and ensuring the risks are adequately managed so that management activities may be effectively carried out on risks associated with the Company's business and operating activities. The Risk Management Committee under the Board of Directors considers and advises the overall objectives and basic policies of compliance management and risk management, confirms the specific constitution of risk management strategies and risk management resources so that they are aligned with the internal risk management policies; formulates tolerance level for major risks; and supervises and reviews the risk management policies and makes recommendations to the Board.

The Company's Executive Committee makes overall decisions with respect to the prevention, control, mitigation, or acceptance of risks in the Company's business and operating activities and makes decisions on efforts to improve the internal control rules and procedures and control measures in accordance with the risk management policies adopted by the Board.

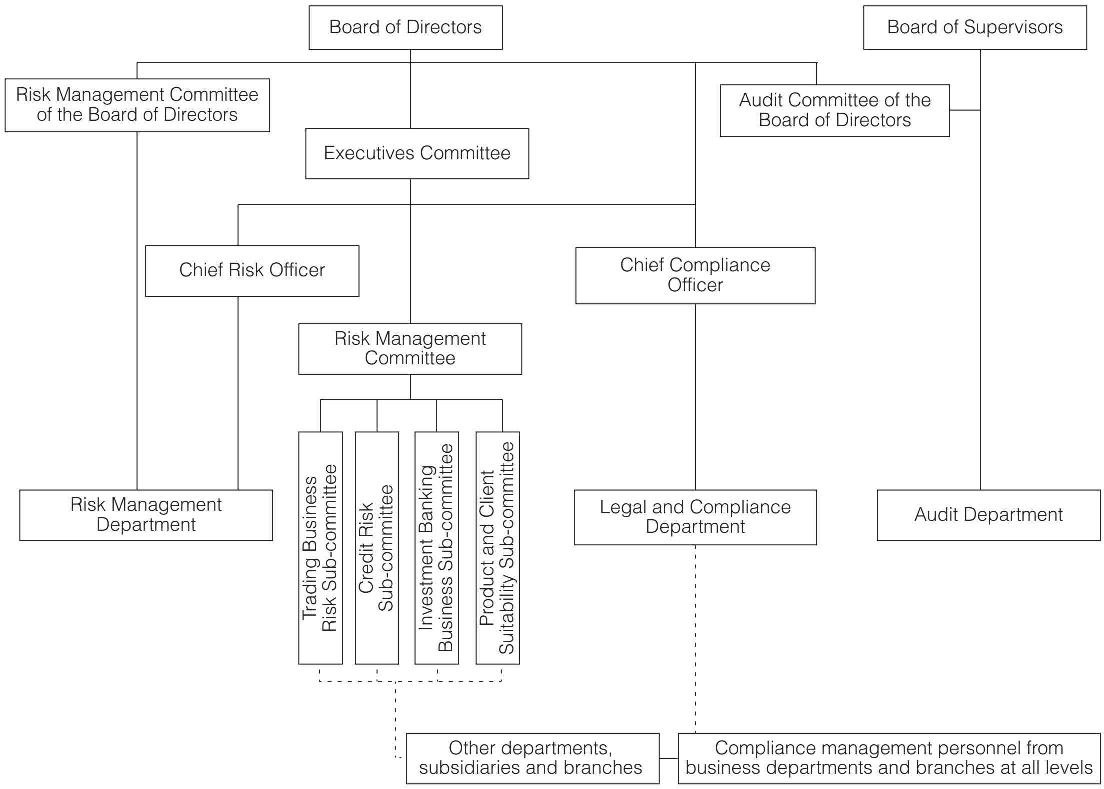
The Risk Management Committee under the Executive Committee is responsible for determining the Company's risk appetite, risk tolerance level and major risk limits; formulating and promoting the implementation of the Company's risk management rules and procedures; approving risk limits and risk control standards specific to each business line; reviewing and approving new businesses and products; reviewing and approving the Company's risk reports and regular compliance risk reports; conducting research on risk control strategies and action plans for major business matters.

The Chief Risk Officer of the Company is responsible for leading professional risk management activities across the Company, including organizing the formulation of relevant risk management rules and procedures, improving the Company's risk management practices, and guiding the Risk Management Department in the identification, evaluation, monitoring and reporting of various risks.

Each and every department, branch and subsidiary of the Company, within their respective roles and responsibilities, is responsible for following the decisions, rules and procedures, and risk control polices, and implementing risk-control measures and engaging in direct risk control efforts in their business activities. Every staff of the Company has the responsibility to comply with the Company's relevant rules and procedures and contribute to daily risk control efforts as part of their own job responsibilities.

The Risk Management Department is responsible for risk management of the Company; the Legal and Compliance Department is responsible for legal affairs and compliance management, and the Internal Audit Department is responsible for the Company's internal audit activities. The aforementioned three independent risk management departments establish their own rules and procedures and operate independently to promote risk management of the Company. Specifically, the Risk Management Department is responsible for risk management before and during the event through risk identification, monitoring and assessment, the Legal and Compliance Department is responsible for managing the overall legal and compliance risks of the Company, and the Internal Audit Department is responsible for conducting audits to identify material defects in key rules and procedures and processes, as well as internal control weakness, and supervising corrections and rectifications.

Structure Diagram of Risk Management of the Company



In addition, pursuant to the needs of risk management in investment banking business, along with regulatory requirements, the Company has established the internal audit department in 2018. Through company-level review, the Company conducted export management and terminal risk control of investment banking projects, and performed ultimate approval of decision-making functions for the materials and documents submitted, reported, issued or disclosed in the name of the Company.

(III) Risk Management Mechanism

The Risk Management Department works with business and management departments to identify major risks during the course of different business and management activities, issue the Risk Catalogue and Key Control List, and continue to update the same in light of business changes and monitoring findings.

The Company establishes a before-the-event risk control mechanism. It focuses on each of the main business lines to formulate specific risk limits and risk control standards, and has explicit procedures of risk control; the Risk Management Department and the Legal and Compliance Department have participated in the before-the-event evaluation for systematic processes, important projects and the operation system, and have expressed their opinions independently; important risk control parameters are directly under the management and control of the Risk Management Department, which also conducts independent verification for valuation model of financial instruments before going online.

The Risk Management Department formulates the risk monitoring processes and indicators for key business and management lines. In particular, risk monitoring indicators for brokerage business, proprietary business, securities financing business, and asset management business as well as risk control indicators including net capital are monitored through the monitoring system, while the risk monitoring for other business or management lines primarily relies on regular and ad hoc monitoring by means of on-site monitoring, risk information reporting, data access and regular meetings.

The Company also formulates operational process for risk assessment, and determines main assessment methods and qualitative and quantitative risk rating criteria for various types of risks. The Risk Management Department assesses and rates the risk matters on an ongoing basis, evaluates the control of major business risks on a regular basis, and conducts comprehensive year-end assessments of the risk control process, risk events and positions, and risk incidents of the departments, branches and subsidiaries as a key component of their performance assessment.

The Company has formulated guidelines for various types of risk management and control, including market risk, credit risk, operational risk, liquidity risk and reputation risk, in order to guide and regulate the response to risks in various business lines. The Company has established crisis management mechanism and programs, and has formulated effective contingency measures and plans for various businesses, especially for key risks and emergencies such as liquidity crisis and accidents on transaction system, while emergency response mechanism has been established and is drilled sporadically on a regular or irregular basis.

The Company is responsible for building mechanisms for communicating and reporting risk information and significant risk warnings, communicating and managing risk information and providing significant risk warnings. The Risk Management Department is responsible for formulating operational procedures for communicating and reporting risk information and issuing risk warnings, and the departments and branches and subsidiaries report risk information or issue warnings on potential risks identified by themselves to the Risk Management Department. The Risk Management Department then manages the risk information, performs comprehensive analyses on various risk information to identify risk control weaknesses and loopholes and propose recommendations on improving risk control, reports significant risks to the Chief Risk Officer and executive management or a Risk Management Committee, and at the same time, communicates risk information to relevant departments, while tracking any follow-up activities. The Risk Management Department prepares risk reports and risk control recommendation reports according to the results on risk identification, monitoring and assessment, and reports the findings to involved parties and the executive management of the Company. The Risk Management Department continuously monitors risks and the risk control status by following up on the implementation of risk control recommendations by relevant parties in managing risks identified in the risk reports.

The Legal and Compliance Department manages legal and compliance risks through compliance consultation, compliance review, compliance inspection, compliance supervision, compliance reporting, complaints reporting and handling, compliance accountability, information segregation wall, anti-money laundering and a series of compliance management methods as well as contracts, litigation management and other before- and during-the-event management for business lines.

The Internal Audit Department detects material defects in key rules and procedures and processes or internal control weaknesses through audits, reports these issues to the Supervisory Committee, the Audit Committee, management, the Legal and Compliance Department and the Risk Management Department, and drives any follow-up corrections and rectifications.

(IV) Details of the Primary Risks Associated with the Operation of the Company

The risks in the daily operating activities of the Company primarily include strategic risk, credit risk, liquidity risk, market risk, operational risk, information technology risk, legal risk and compliance risk and reputation risk. The Company has established specific policies and procedures to identify and address these risks, set out appropriate risk limits and internal control processes to manage these risks, and built a sound control mechanism and information technology systems to continuously monitor and control these risks.

1. Strategic Risk Management

Strategic risks refer to the risks that affects the Company's overall development direction, corporate culture, information and capability of survival or corporate effectiveness.

The Company established rational organizational structure of strategic management, including the Board of Directors and the Development Strategy Committee, the Executive Committee and the Executive Office (leading organizational department for strategic planning) under the Board of Directors, as well as each department, each branch and subsidiary.

The Company has clearly formulated the procedures and methods of strategic planning, established assessment mechanism for strategic risk, including analysis on potential risk factors when formulating strategic plans, as well as regular review and discussion performed by the Board of Directors and the Executive Committee during the process of strategic planning. The Company will, based on the assessment on the implementation of strategic planning, make adjustment to the strategic plans or adopt targeted measures to control the strategic risk when necessary.

2. Credit Risk Management

Credit risks refer to the risks arising from the economic loss caused by failure of performing the obligations in the contract by counterparties, issuers of debt financing instruments (or financiers).

Credit risks of the Company arising from securities financial business primarily includes risks from decline in value or insufficient liquidity of collateral provided by customers, customers' failure to repay debts in full in a timely manner due to involvement in legal disputes of collateral assets, and credit risks arising from fraudulent credit information, violation of contracts and regulatory requirements in transaction actions. Control of credit risk from securities financing business is realised primarily through risk education for customers, credit investigation and verification on customers, credit management, risk assessment on collateralised (pledged) securities, reasonable setting of indication of defaulting customers, financing of customers with insufficient guaranteed securities and normal customers, the Company will perform the provision for impairment in accordance with prudential principles by complying with the accounting standards of IFRS 9, and actively recover debts from defaulting clients.

Credit risk arising from bond investments is primarily due to bond financing instrument issuer defaults or decline in the creditworthiness of issuers, defaults of counterparty to bond trade, among others. The Company conducts necessary due diligence to issuers and counterparties, implements internal rating on issuers, debts and counterparty, executes access and limit management based on internal and external rating, and controls credit risk by using other follow-up monitoring and management tools. In the first half of 2020, with the increasing number of default cases in market, the Company continued to improve the credit quality of investment portfolio, and credit risk management capability by enhancing due diligence to investment subject and counterparties and improving internal rating system.

The Company controls credit risk arising from over-the-counter derivative transactions through setting counterparty ratings and credit lines, and setting limits on the sizes of transactions and credit risk exposures before transactions take place. The Company conducts a daily check and measurement of the credit risk exposures of counterparties. The Company has also adopted mark-to-market practices to monitor the contracts of derivative transactions and for valuation of collateral, and established forced position squaring procedures to control its credit risk exposures within established credit limits.

In order to manage the credit risk arising from the brokerage business, securities brokerage transactions in mainland China are all settled on a fully pledged basis, which enables settlement risks associated with brokerage business to be well under control. The Company strictly complies with relevant trading and settlement rules and procedures to eliminate non-compliant financing operations for clients. With regard to clients' credit risk, the Company has adopted safeguarding measures to prevent overdraft or negative balance of equivalent securities for repurchase financing clients, including due diligence of clients, establishing reasonable trade limit with customers, discount rate of pledged bonds, minimum ratio of equivalent securities retained, maximum leverage ratio and pledge concentration of single bond, and established various rules and practices to manage the credit risk of option trading clients, including margin management, position limits, and forced closeout.

Furthermore, the Company's Risk Management Department monitors the credit risk on an ongoing basis, including tracking the credit qualification status of counterparties and bond issuers, monitoring coverage of collateral for securities and financial business, requiring the business department to fulfill its duty of post-investment management, as well as using stress testing and sensitivity analysis, among others, to measure the credit risk of major business lines.

3. Liquidity Risk Management

Liquidity risks refer to the risks that a commercial bank is unable to acquire sufficient funds in a timely manner at a reasonable cost, in response to repay due debts, fulfil other payment obligations and meet other funding needs during normal course of business.

The Company has established clear decision-making levels, along with authority mechanism, mechanism for hierarchical control, and has clearly defined the duties and functions of the Board of Directors, as well as executive management and business departments of the Company in terms of liquidity risk management. The Company has established strict administrative measures of proprietary funds, and requires strict compliance with such administrative measures in implementing foreign liabilities, guarantees and investments. The Company also implements management on liquidity risk limits and conducts daily position analyses and monthly liquidity position analyses mechanism to manage liquidity movements in a timely manner. In respect of business, in order to effectively control the market liquidity risk of its securities portfolios, the Company has implemented securities centralised management system in securities investment and securities financial business, and adopted bond credit rating standards for fixed income securities investments. The Company has calculated liquidity coverage rates and net stable funds rates in accordance with regulatory requirements and controlled all indicators to be fell within the safety and compliance interval.

The Asset and Liability Management Committee is responsible for organizing and managing the asset and liability allocation plan of the Company, reviewing and approving the internal valuation interest rate of capital and emergency plans for liquidity risk. The Company established the Treasury Operations Department to initiate the management of the liquidity of its proprietary funds, accounting for expanding mid- and long-term stable funding channels, reasonably adjusting the asset allocation among various business lines, and steadily optimizing its assets and liabilities structure. The Company has improved its daily practice for liquidity risk management and control mechanism with the assistance of liquidity reserve assets management system, refining internal funds transfer pricing (FTP) system, as well as establishing and optimizing liquidity emergency plans and stress tests. In addition, in the first half of 2020, the Company further optimised its debt maturity structure and maintained adequate liquidity reserve by issuing various debt financing instruments including corporate bonds, short-term financing bills and income certificates, improved the emergency plan for liquidity risk, and secured liquidity risk to be measurable and controllable.

4. Market Risk Management

Market risks refer to the risks of losses in the Company's on-and-off balance sheet business due to adverse changes in the market price (interest rate, exchange rate, securities price and commodity price).

For market risks, the Company has established an integrated risk management organizational structure, implemented stage-by-stage authorization, provided clear structure of duties and authorities of the Board of Directors, executive management and business department in market risk control and built risk management processes that enable coverage of activities before, during and after making investments, with an overall risk limits application. The Company annually reviews and approves risk limits for the entire Company as well as each proprietary business line, including: exposure limits, stop-loss limits, value-at-risk ("VaR") limits, limits of sensitive indicators and stress testing limits, with the Risk Management Department monitoring and supervising their implementation and compliance. The Company has adopted daily mark-to-market practices and implemented stop-loss procedures which commensurate with its trading strategies. On a regular basis, the Company assesses the risk tolerance of its proprietary business lines, the effectiveness of risk control and revenue after risk adjustment, and includes the assessment results in the performance evaluation of these business lines. The Company makes ongoing efforts to improve its proprietary business management system, to steadily realise automated controls over relevant limit indicators. The Company adopts VaR as a tool to measure the market risk of its investment portfolio comprising securities and its derivatives. VaR is a method that estimates the maximum possible loss on the portfolio due to movements in market interest rates or securities prices over designated period and within a given confidence interval. As VaR mainly relies on relevant information of historical data, it has certain inherent limitations. To complement, the Company implements daily and specific stress tests to assess the impact on the risk control indicators of net capital of the Company and profit or loss of proprietary portfolio from extreme adverse changes of risk factors, and proposes emergency plans with relevant recommendations and measures in accordance with the assessment.

The Company uses sensitivity analysis as a primary instrument to monitor the interest rate risk. Sensitivity analysis measures the impact on the total income and shareholders' equity interests arising from fair value changes of various financial instruments held at the end of the period when there are reasonable and possible changes in interest rates, on the assumptions that all other variables remain constant and overall market interest rates shift in a parallel manner, while risk management activities which may be taken by the Company to reduce interest rate risks are not taken into consideration.

With regard to foreign exchange rate risk management, as the proportion of assets denominated in foreign currencies held by our Company is insignificant, and represents a small portion of the income structure, the Company is of the view that the impact of foreign exchange rate risk on the Company's current operation is significant in general. The Company manages its foreign exchange rate risk by implementing integrated domestic and overseas business management, limiting the size of assets and liabilities denominated in foreign currencies, assigning stop-loss limits for investments in overseas companies and risk hedging with foreign exchange derivatives.

Other price risks refer to risks of fair value decline to the Company's investment portfolio due to fluctuations in market prices other than stock prices, interest rates, and foreign exchange rates, primarily including commodity prices. The Company's investment portfolio primarily comprises equity securities and their derivative instruments as well as fixed income businesses. Other market price-related businesses include gold trading and commodity derivatives trading where the Company's primarily focuses on providing liquidity services and arbitrage trading, representing a very small portion of the Company's portfolio and a negligible risk exposure. Accordingly, the Group believes that the other price risks do not have a significant impact on the Group's current operations.

5. Operational Risk

Operational Risks refer to the risks of losses caused by imperfect or problematic internal procedures, employees, IT systems or external events.

Concerning the potential operational risks in each business and management activity of the Company, the Company carries out the segregation of various businesses with three lines of defense comprising a system of checks and balances between its front, middle and back offices. A business authority delegation and accountability system, as well as a management system, procedures and risk control measures for each business has been established and reinforced. Within the scope of authority of the Company, operational risks are transferred or mitigated by personnel and operation outsourcing and, where necessary, insurance is purchased to the extent authorised. Mechanisms for information exchange, reporting of major events and information feedback have also been set up.

The Risk Management Department of the Company monitors and assesses the operational risks of various businesses including the brokerage business, and also implements regular risk control evaluation. It examines the key risks of various business and management lines, and establishes and implements key control measures in practical business procedures. The department also develops and improves internal control matrix. The business departments are organised to conduct self-evaluation of risk and control to identify new material risks and take appropriate risk control measures. Statistical analysis on various types of operational risk events is performed at least on an annual basis to calculate the frequency of their occurrence and the level of losses, as well as to assess the changing trend of risk and risk allocations. In the first half of 2020, the Company further implemented various risk warnings and risk education programs, and held "First Culture and Employee Practice Compliance Examination in Securities Industry in 2020" attended by all the staff members, enhanced targeted monitoring and investigation of major risks, further improved internal control construction and promoted the applications of various operational risk management tools such as the Key Risk Indicators (KRI).

6. Information Technology Risk Management

Information technology risks refer to the operational, legal and reputational risks incurred from natural factors, human factors, technical defects and management flaws while the information technology is applied in the Company.

The Information Technology Department of the Company is responsible for the management of planning, establishment and operation maintenance of the information technology system. The Company carries out centralised management and backup of the data in transaction system, implementation of mutual separation of development, testing and operation maintenance of information technology system, as well as mutual separation of data management and application system, and implements strict control of access authority and track record, controls the choice of relevant software, hardware and external suppliers of information technology system, enhances external system management, performs real-time and automatic monitoring of the connection of important communication network and operation of the significant business system. In addition, the emergency management of business continuity of the Company is centrally led by the Risk Management Department, and the Information Technology Department is responsible for the technical support work.

7. Legal Risk and Compliance Risk Management

Legal risks refer to the risk from contracts not being performed due to invalidity within the law, or improper entering into of the contracts; compliance risks refer to the risk that the Company may be exposed to legal sanction or regulatory measures, major property loss or reputation loss as a result of its non-compliance with the laws and regulations, regulatory requirements, rules, relevant codes stipulated by self-regulatory organizations as well as code of conduct applicable for our own business activities.

The Legal and Compliance Department of the Company unified to manage legal affairs of the Company and controlled legal risks. It centralised to review all agreements and contracts of the Company, provided legal opinions on major business matters of the Company and performed centralised management, as well as instructed to handle litigations of the Company. Meanwhile, as the department responsible for compliance management under the guidance of the Chief Compliance Officer to carry out independent compliance management of the Company. The main responsibilities of compliance management of the Legal and Compliance Department are daily tracking, analysis, issue of laws and regulatory rules currently in effect and timely identifying, evaluating and managing relevant compliance risk in business operation and business innovation of the Company through various means and methods of compliance inspection, compliance review, compliance checking, compliance supervision. Specific or part-time compliance management officers are engaged in all functional departments, business lines and securities branches of the Company, and are responsible for daily compliance issues in their own departments. The compliance management of the Company has permeated all divisions of the Company, such as decision-making, implementation, supervision and feedback, which have been included in the whole process of executive management of the Company. The Company proactively cultivates a culture of compliance and improves the self-restraint mechanisms in order to ensure compliant operations and standardised development.

8. Reputation Risk Management

Reputation risks refer to the risks of negative comments to the Company from relevant stakeholders as a result of our operations, management and other activities or external events.

The Company strictly upholds the compliance operation concept in accordance with laws, enhances information disclosure management, treasuring and proactively maintaining its reputation. The Executive Office of the Company, the leading management department for management of significant emergency issues and public opinions, is responsible for comprehending the emergency issues and other issues which may have impact on the reputation of the Company by improving reputation risk management system and mechanism and timely obtaining the relevant information reported by the media to monitor, evaluate and coordinate response to the reputation risk. In the first half of 2020, in response to the sudden COVID-19 pandemic, the Company fully identified the potential adverse effects on its various business and management activities, and took targeted measures to maintain its normal operations, and various business risks can be measured and controlled; the Company took the opportunity to formally join the consolidated supervision test to further optimise the overall risk management mechanism, and study and strengthen the vertical control of its subsidiaries and integrated group management to improve the Company's group risk management capabilities.

XI. OTHER STATEMENT

Save as disclosed in this interim report, from 1 January 2020 to 30 June 2020, there are no material changes affecting the Company's performance that need to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules.

SECTION 4 SIGNIFICANT EVENTS

I. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group had no major litigation or arbitration that involves an amount exceeding RMB10 million and accounting for more than 10 percent of the absolute value of the Company's latest audited net assets to be disclosed under the SSE Listing Rules.

As of the date of the Report, the Company, as the subject of bond issuance, has issued the following interim announcements on involvement in litigation and arbitration on the bond section on the website of SSE:

Summary and type of events	Index for inquiries
Update on the case that the Company, as the applicant, applied for arbitration in relation to the event of default in stock-pledged repurchase business by Wang Yue, the financier.	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. and its Subsidiaries issued on the bond section on the website of SSE on February 8, 2020
Update on the case that Beijing Runxin Dingtai Investment Center (L.P.) (北京潤信鼎泰投資中心(有限合夥)), the privately offered fund for which Beijing Runxin Dingtai Capital Management Co., Ltd. (北京潤信鼎泰資本管理有限公司), an indirect wholly-owned subsidiary of the Company and China Capital Management Limited (中信建投資本管理有限公司), a wholly-owned subsidiary of the Company act as the mangers, as the plaintiff, applied for litigation in relation to the event of default in equity investment by Guangdong Southern Radio, Film and Television Media Group Co., Ltd. (廣東南方廣播影視傳媒集團有限公司) and Guangdong South Lead TV & Film Co., Ltd. (廣東南方領航影視傳播有限公司).	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. and its Subsidiaries issued on the bond section on the website of SSE on February 8, 2020
Update on the case that China Securities (International) Brokerage Company Limited (中信建投(國際)證券有限公司), an indirect wholly-owned subsidiary of the Company, applied for litigation in relation to the event of default in stock-pledged repurchase business by Ho Born Investment Holdings Limited (浩邦投資控股有限公司), the financier, and Shi Hongliu, the guarantor.	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. and its Subsidiaries issued on the bond section on the website of SSE on February 8, 2020

Summary and type of events	Index for inquiries
The case that the Company as the plaintiff, applied for litigation in relation to the event of default in default in collateralised stock repurchase business by Huijin Juhe (Ningbo) Investment Management Co., Ltd. (匯金聚合(寧波)投資管理有限公司), the financier and Juntian (Ningxia) Investment Management Center (L.P.) the guarantor.	Announcement on Involvement in Litigation of Subsidiaries of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on February 29, 2020
Update on the case that the Company, as the applicant, applied for arbitration in relation to the event of default in stock-pledged repurchase business by Beijing Shouhang Ripple Tube Manufacturing Co., Ltd. (北京首航波紋管製造有限公司), the financier, and Huang Qingle, Huang Huiting and Huang Zhihong, the guarantors.	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on April 30, 2020
Update on the case that the Company, as one of the respondents, was involved in a lawsuit filed against Wuzhou International Holdings Limited (五洲國際控股有限公司) by Meiqi Asset Management Center (limited partnership) (上海美期資產管理中心(有限合夥)) in respect of dispute of securities contract.	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on April 30, 2020
The case that the Company, as the applicant, applied for arbitration in relation to the event of default in stock-pledged repurchase business by Zhang Kezheng, the financier, Gao Yang, the guarantors.	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on April 30, 2020
The case that an asset management plan managed by the Company as the plaintiff applied for arbitration in relation to the event of default by China Minsheng Investment Co., Ltd. (中國民生投資股份有限公司) as a bond issuer for breach of contract	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on April 30, 2020

Summary and type of events	Index for inquiries
The case that an asset management plan managed by the company as the plaintiff applied for arbitration in relation to the event of default by Jilin Province Modern Agricultural Industry Investment Fund (LLP) (吉林省交通投資集團有限公司) as a bond issuer for breach of contract	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on April 30, 2020
Update on the case that the Company, as one of the defendants, was involved in a lawsuit filed against Wu Sheng Asset Management (Guangzhou) Co., Ltd. (吳聲資產管理(廣州)有限公司) by Jiaxing Yuansheng Trading Co., Ltd. (嘉興市遠盛商貿有限責任公司) in respect of dispute of trading in securities investment funds.	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on April 30, 2020

II. PUNISHMENT DURING THE REPORTING PERIOD OF THE COMPANY

On April 15, 2020, the Beijing branch office of the CSRC issued the Decision on Taking Regulatory Measure of Issuing a Warning Letter to CSC Financial Co., Ltd., pointing out that the Company manages 8 equity management plans, and the funds invested in the same assets are all more than 25% of the net asset value of the asset management plan. It is decided to take administrative supervision measures to issue warning letters to the Company.

In view of the punishment, the Company's rectification measures are as follows: 1. With regard to organization structure, it has adjusted the organizational structure of the Asset Management Department according to the principles of reasonable division of labor, clear powers and responsibilities, cross-checking and effective supervision and further optimised the respective duties of marketing team, investment team and China-Taiwan business team. 2.With regard to system, in accordance with the requirements of the new regulations on asset management, the Asset Management Department has comprehensively improved the system and business process in internal control system, authority management, investment process, examination and approval standards and emergency response management. 3. With regard to business development and investment process, the Asset Management Department has comprehensively organised the investment decision-making process and business process, and conducted compliance risk point inspection and self-examination on all products of the department. 4. The Company performed compliance accountability of the relevant accountable departments and persons.

III. MATERIAL ASSET ACQUISITION AND DISPOSAL, MORTGAGE OR PLEDGE, MATERIAL CONTINGENT LIABILITIES AND EXTERNAL GUARANTEES OF THE COMPANY

During the Reporting Period, the Company did not undertake any material asset acquisition, disposal or swap, or merger and acquisition. During the Reporting Period, there was no off-balance sheet item or contingent liability which may have a material impact on the financial condition and operating results of the Company, such as material external guarantee, mortgage and pledge.

IV. RATING CLASSIFICATION OF THE COMPANY BY SECURITIES REGULATORS

In 2019, under the classification based on securities firms by the CSRC, the Company was rated "Class A Grade AA" for ten consecutive years with such a rating being the highest rank granted by the CSRC.

V. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company strictly complied with the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules ("Corporate Governance Code"), followed all code provisions and met the requirements of part of the recommended best practices set out in the Corporate Governance Code.

VI. REPURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

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

VII. DIVIDEND

The Board of Directors did not present the proposal in relation to the distribution of any 2020 interim dividends for the six months ended June 30, 2020.

I. SHARE CAPITAL STRUCTURE OF THE COMPANY

As of 30 June 2020, the share capital structure of the Company was as follows:

Name of Shareholders	Type of Shares	Number of Shares	Percentage in the total number of Shares
BSCOMC (北京國管中心)	A Shares	2,684,309,017	35.11%
Central Huijin (中央匯金)	A Shares	2,386,052,459	31.21%
HKSCC Nominees Limited (香港中央結算(代理人)有限公司)(note1)			
Glasslake Holdings (鏡湖控股)	H Shares	351,647,000	4.60%
CSRF(結構調整基金)	H Shares	38,758,500	0.51%
Other Shares held under the name of HKSCC Nominee Limited	H Shares	870,330,685	11.37%
Other Shares held under the name of HKSCC Nominee Limited	A Shares	50,966,433	0.66%
CITIC Securities (中信証券)	A Shares	382,849,268	5.01%
Tengyun Investment (騰雲投資)	A Shares	300,000,000	3.92%
Shanghai Shangyan (上海商言)	A Shares	150,624,815	1.97%
Other public holders of A Shares	A Shares	430,559,484	5.63%
Other public holders of H Shares	H Shares	287,577	0.01%
Total		7,646,385,238	100.00%

Note1： As of 30 June 2020, the Company noted from the Shareholders' interests disclosed on the Hong Kong Stock Exchange that Glasslake Holdings held 351,647,000 H Shares of the Company, representing 4.60% of the total share capital of the Company and CSRF held 38,758,500 H Shares of the Company, representing 0.51% of the total share capital of the Company. The total number of H Shares of the Company held by HKSCC Nominees Limited acting as the nominee for all institutional and individual investors that maintain an account with it was 1,260,736,185 H Shares as of 30 June 2020. Save for 351,647,000 H Shares and 38,758,500 H Shares of the Company held by Glasslake Holdings and CSRF, respectively, to the knowledge of the Company, the number of remaining H Shares of the Company held under the name of HKSCC Nominees Limited was 870,330,685 H Shares.

II. SHAREHOLDERS

As of 30 June 2020, the total number of Shareholders as shown on the register of members of the Company was 110,406, of which 110,335 were A Shareholders and 71 were H Share registered Shareholders. The H Share registered Shareholders include HKSCC Nominees Limited, which held H Shares and A Shares of the Company as the nominee for all institutional and individual investors that maintained an account with it as of 30 June 2020.

III. SHAREHOLDERS' INTERESTS AND SHORT POSITIONS REQUIRED TO BE DISCLOSED UNDER THE SECURITIES AND FUTURES ORDINANCE ("SFO")

To the knowledge of the Directors, as of 30 June 2020, the following Shareholders (except Directors, Supervisors and senior management) had interests or short positions in the Shares and underlying Shares of the Company required to be recorded in the register to be kept by the Company under Section 336 of the SFO:

	Name	Capacity	Number of Shares Directly or Indirectly Held	Class of Shares	Nature of Interest	Approximate Percentage of Shareholding in the Total Issued Ordinary Share Capital	Approximate Percentage of Shareholding In the Relevant Class of Shares
1.	BSCOMC (北京國管中心)	Beneficial owner	2,684,309,017	A Shares	Long positions	35.11%	42.04%
2.	Central Huijin (中央匯金)	Beneficial owner	2,386,052,459	A Shares	Long positions	31.21%	37.37%
3.	CITIC Securities(中信証券)	Beneficial owner	383,099,268	A Shares	Long positions	5.01%	6.00%
			250,000	A Shares	Short positions	0.003%	0.004%
		Approved lending agent	250,000	A Shares	Long positions (Shares available for loan)	0.003%	0.004%
4.	Glasslake Holdings (鏡湖控股)(note1)	Beneficial owner	351,647,000	H Shares	Long positions	4.60%	27.89%
5.	Affluent East Investments Limited (東滿投資有限公司)(note1)	Interest of Controlled Corporation	351,647,000	H Shares	Long positions	4.60%	27.89%
6.	CITIC Limited (中信股份) (note1)	Interest of Controlled Corporation	351,647,000	H Shares	Long positions	4.60%	27.89%
7.	CITIC Group (中信集團) (note1)	Interest of Controlled Corporation	351,647,000	H Shares	Long positions	4.60%	27.89%

Note:

(1) Glasslake Holdings is wholly-owned by Affluent East Investments Limited (東滿投資有限公司) ("Affluent East"), which is in turn a wholly-owned subsidiary by CITIC Limited. CITIC Group indirectly holds a majority of equity interest in CITIC Limited. Therefore, each of Affluent East, CITIC Limited and CITIC Group is deemed to be interested in the H Shares held by Glasslake Holdings under the SFO.

Save as disclosed above, as at 30 June 2020, to the knowledge of the Directors, no other person (except Directors, Supervisors and senior management) had interests or short positions in the Shares and underlying Shares of the Company required to be recorded in the register to be kept by the Company under Section 336 of the SFO.

Save as disclosed in this report, as at 30 June 2020, none of the Directors hold the position as a Director or was employed in other companies which has an equity or short positions which shall be notified to the Company under sections 2 and 3 of Part XV of the Securities and Futures Ordinance.

IV. ISSUANCE OF SHARES OR CHANGES IN REGISTERED CAPITAL OF THE COMPANY

On 21 January 2019, the Company disclosed the Proposed Non-public Issuance of A Shares on the website of the Hong Kong Stock Exchange. In March 2020, the Company's non-public offering of A Shares was approved by the CSRC.

SECTION 6 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. THE BOARD OF DIRECTORS AND THE BOARD COMMITTEE

Composition of the Board of Directors

As of 30 June 2020, the Board of the Company is currently comprised of 13 Directors, two of which are executive Directors (Mr. WANG Changqing and Mr. LI Geping), six are non-executive Directors (Mr. YU Zhongfu, Ms. ZHANG Qin, Ms. ZHU Jia, Mr. WANG Hao, Mr. WANG Bo and Mr. XU Gang) and five are independent non-executive Directors (Mr. FENG Genfu, Ms. ZHU Shengqin, Mr. DAI Deming, Mr. BAI Jianjun and Mr. LIU Qiao). Mr. WANG Changqing is the Chairman of the Board and Mr. LI Geping is the general manager. Save as the above employment information and the publicly disclosed information, none of the Directors, Supervisors and members of the senior management is related to other Directors, Supervisors and members of the senior management of the Company.

Board Committees under the Board

In accordance with the corporate governance practices prescribed in relevant PRC laws and regulations, the Articles of Association and the Hong Kong Listing Rules, the Company has established four Board committees, namely: the Development Strategy Committee, the Risk Management Committee, the Audit Committee and the Remuneration and Nomination Committee, to which certain responsibilities are delegated, so as to assist the Board to perform its duties in various aspects. The composition of each Board committee is listed as follows:

Name of committee	Members of committee
Development Strategy Committee	WANG Changqing (Chairman), YU Zhongfu, LI Geping, ZHU Jia, WANG Hao, XU Gang, FENG Genfu
Risk Management Committee	WANG Hao (Chairman), LI Geping, ZHANG Qin, WANG Bo, XU Gang, BAI Jianjun, LIU Qiao
Audit Committee	DAI Deming (Chairman), ZHANG Qin, WANG Bo, FENG Genfu, ZHU Shengqin
Remuneration and Nomination Committee	BAI Jianjun (Chairman), WANG Changqing, YU Zhongfu, ZHU Shengqin, DAI Deming, LIU Qiao

During the Reporting Period, all Directors faithfully and diligently performed their duties entitled by laws and regulations, and have protected the overall interests of the Company and its Shareholders, especially the legitimate interests of minority Shareholders. The Audit Committee of the Board of the Company has reviewed the accounting policies adopted by the Company, discussed matters including the internal control and financial statements of the Company, and reviewed the consolidated interim financial information of the Company for the six months ended 30 June 2020 and this interim report, and no disagreement was proposed in respect of the accounting policies adopted by the Company and financial reports thereof. The external auditor of the Company has reviewed the interim financial information in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

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

II. THE SUPERVISORY COMMITTEE

The Company strictly complied with the requirements of the Articles of Association and relevant rules in respect of the appointment of Supervisors. The Company's Supervisory Committee currently comprises five Supervisors, including two employee representative Supervisors (Ms. LIN Xuan and Mr. ZHAO Ming) and three Shareholder representative Supervisors (Mr. LI Shihua, Ms. AI Bo and Ms. ZHAO Lijun); of which, Mr. Li Shihua was appointed a the chairman of the supervisory committee.

Pursuant to relevant requirements of the Company Law, the Securities Law, relevant laws and regulations of the PRC and the Articles of Association, all Supervisors stringently performed their duties, supervised the standardised operation of the Company, and protected the statutory rights of the Company and its Shareholders.

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Name	Positions	Changes
LI Yunan	Member of the Executive Committee	Appointed

On 26 March 2020, the 20th meeting of the second session of the Board of the Company supplemented Mr. LI Yunan as a member of the Executive Committee of the Company. Mr. LI Yunan duly performed the duties from the date when the Board considered and approved the proposal on his appointment. The term of office of Mr. Li Yunan shall be until the expiry of the second session of the Board.

Subsequent events:

On 28 July 2020, the second EGM of the Company elected Mr. WANG Xiaolin as a director of the second session of the Board of the Company. Mr. WANG Xiaolin duly performed the duties from the date when the Board considered and approved the proposal on his appointment. The term of office of WANG Xiaolin shall be until the expiry of the second session of the Board.

On 29 July 2020, Mr. Wang Bo, a non-executive director of the Company, tendered his resignation to the Board of the Company due to change of work arrangement, resigning from the position of non-executive director of the Company, as well as member of Risk Management Committee and Audit Committee of the Board of the Company. According to the relevant provisions of the PRC Company Law and the Articles of Association of CSC Financial Co., Ltd., Mr. Wang Bo's resignation will not cause the number of members of the Board of the Company to be less than the minimum quorum. The resignation took effect from 29 July 2020.

IV. DEALING IN SECURITIES BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules (the "Model Code") in respect of the securities transactions entered into by its Directors and Supervisors. The Company has made specific inquiries to all Directors and Supervisors on any non-compliance with the Model Code. All the Directors and Supervisors have confirmed that they have completely complied with the provisions and standards of the Model Code during the period from 1 January 2020 up to the date of announcement of 2020 interim results.

V. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

To the best knowledge of all Directors, as of 30 June 2020, no Directors, Supervisors or senior management of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of the Company's associated corporations (as defined in Part XV of the SFO), which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or required, pursuant to the Model Code under Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

As of 30 June 2020, no Directors and Supervisors or any of their spouses or children under 18 years of age had been granted the rights to purchase Shares or debentures of the Company for the benefit or exercise any aforesaid rights by themselves, nor have any Directors and Supervisors or any of their spouses or children under 18 years of age been granted the aforesaid rights from any other corporate body due to the arrangement made by the Company or any its subsidiaries.

VI. RIGHTS OF DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period and as of the end of the Reporting Period, there was no arrangement of which one of the parties is the Company, the subsidiaries of the Company, or the subsidiaries of the controlling companies of the Company, while the purpose or one of the purposes of such arrangement is to enable any Directors, Supervisors or any of their spouses or children under 18 years of age to gain benefits through purchasing Shares or debentures of the Company or any other legal entities.

VII. EMPLOYEES

(I) Number and Composition of Employees

As of 30 June 2020, the Group had 9,321 employees in total (excluding brokers and dispatched employees), among which the parent Company had 8,416 employees (excluding brokers and dispatched employees). The composition is as follows:

		The Group		The Company	
Item		Number of employees	Percentage (%)	Number of employees	Percentage (%)
	Brokerage business	5,643	60.54%	5,421	64.41%
	Investment banking	1,034	11.09%	969	11.51%
	Information technology	526	5.64%	452	5.37%
	Financial planning	301	3.23%	248	2.95%
	Administration	61	0.65%	18	0.21%
	Research	206	2.21%	169	2.01%
	Fixed income business	138	1.48%	129	1.53%
Professional structure	Asset management business	220	2.36%	126	1.50%
	Margin financing and securities lending businesses	46	0.49%	46	0.55%
	Security investment	83	0.89%	83	0.99%
	Settlement	136	1.46%	111	1.32%
	Legal and compliance/audit	441	4.73%	408	4.85%
	Risk management	85	0.91%	57	0.68%
	Others	401	4.30%	179	2.13%
	Total	9,321	100%	8,416	100%

The Company believes that excellent cadre teams are the cornerstone for sustainable development. The Company has devoted enormous resources to the human resources management. The Company constantly attracts professional talents to join and creates the core competitiveness of the Company through a series of human resources management measures such as stringent recruitment conditions and selection procedures, competitive remuneration and benefits in the market, comprehensive training and nurturing program, scientific and effective performance management policies and long-term talents development plans.

(II) Relevant Information of Securities Brokers

As of 30 June 2020, the Company had a total of 163 business departments that had implemented a securities broker system. There was a total of 1,100 brokers who obtained professional brokerage qualifications as reviewed and approved by the Securities Association of China.

(III) Employee Remuneration

The Company established a sound human resources management system in compliance with the relevant provisions of the PRC laws on labour contract and labour protection formulated various rules and policies in relation to remuneration, position and grade, performance assessments, benefits and holidays, etc., and stringently implemented such policies. The Company effectively protected the staff's interest in various aspects such as labor protection, working environment, payment of wages, social insurance, healthcare and vacation. The Company carried through the principle of marketization when determining the remuneration standard. Remuneration for employees includes fixed salary, performance-related bonuses and insurance benefits. Fixed salary is determined according to the position and grade, and the standard of position and grade integrates the factors of qualification, capability, professional knowledge and experience of employees, while performance-related bonuses are associated with the completion of results and assessment results in the corresponding year. The total amount of annual bonuses is deducted from total amount of profit in accordance with the ratio determined by the Board. The Company established a comprehensive benefit protection system, and the statutory benefits are paid in accordance with the rules and standards as stipulated by the PRC government. Benefits of the Company covered various aspects, including replenishment of medical insurance, enterprise annuity, paid leave and medical examination.

(IV) Training Program

The Company continues to promote and implement staff training programs with comprehensive layout, overall planning, implementation by levels and clear purposes and constantly strengthens the development of a team with talents. The Company proactively improves its multi-level training system which focuses on the "ladder of training for the growth of employees" against different career development paths of employees of its headquarters and branches. Utilizing E-learning platform and its mobile online learning as carriers for learning resources as well as face-to-face and online broadcasting teaching as the major training form, the Company creates room for learning and growth for employees and comprehensively improves the professional skills and professionalism of the employees through multi-channel, multi-way and multi-means training which broadens the scope and depth of training.

1. The Company enhanced the training of senior employees on leadership and management skills, broadened their innovative idea and international perspective, improved their reform management capability, strategic analysis capability, executive management capability, business synergy capability, risk prevention capability and integrated humanity quality, and nurtured quality leaders for enterprise operation and management.

2. The Company strengthened the training of mid-level staff on implementation, competence and professional skills, and strived to improve their professional knowledge, project implementation capability, business development and innovation capability as well as team management capability.

3. The Company strengthened the training of reserve management talents in branches by enhancing integrated training on self-management, team management, systematic thinking and problem analysis and solving ability as well as improving their management awareness and level.

4. The Company popularised vocational training and common skills training for employees at the basic level, strengthened the promotion of values for the integration of its financial industry culture, group culture and corporate culture, as well as the education of professional compliance, business operation, workflow, regulations and system, and strived to enhance their communication and presentation capability, customer service capability, team coordination capability and office operation capability.

5. The Company attached high importance to recruitment at university campuses, and commenced a series of enrollment and trainee cultivation program to recruit outstanding graduates and students with working and placement opportunities. As of 30 June 2020, the Company provided over 999 internship positions for the on-campus students, and hired 169 new graduates. The Company provided an approximately 70-hour online orientation in total for new staff members of headquarters and branches. In addition, with the prevention and control requirements of COVID-19, the Company organised concentrated training for new entrants by way of online broadcasting.

(V) Relationship with Employees

During the Reporting Period and up to the Latest Practicable Date, our Company has not experienced any strike actions by staff members or other material labor disputes affecting the Company's operation. Our Company has maintained a good relationship with employees.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of CSC Financial Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 62 to 144, which comprises the interim condensed consolidated statement of financial position of CSC Financial Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, 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 interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2020

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020
(In RMB thousands, unless otherwise stated)

	Note	Six months ended 30 June	
		2020 **(Unaudited)**	2019 (Unaudited)
Revenue			
Fee and commission income	6	**5,232,272**	4,034,133
Interest income	7	**3,147,622**	3,036,803
Net investment gains	8	**4,450,369**	1,501,263
		12,830,263	8,572,199
Other income	9	**178,482**	40,680
Total revenue and other income		**13,008,745**	8,612,879
Fee and commission expenses	10	**(614,816)**	(472,900)
Interest expenses	10	**(2,490,413)**	(2,224,063)
Staff costs	10	**(2,809,787)**	(2,144,647)
Tax and surcharges		**(65,499)**	(43,350)
Other operating expenses and costs	10	**(951,056)**	(764,780)
Credit impairment (losses)/reversals	11	**(209,304)**	99,904
Total expenses		**(7,140,875)**	(5,549,836)
Operating profit		**5,867,870**	3,063,043
Share of profits and losses of associates		**878**	1,772
Profit before income tax		**5,868,748**	3,064,815
Income tax expense	12	**(1,280,602)**	(722,888)
Profit for the period		**4,588,146**	2,341,927
Attributable to:			
Equity holders of the Company		**4,578,457**	2,329,515
Non-controlling interests		**9,689**	12,412
		4,588,146	2,341,927
Earnings per share attributable to ordinary equity holders of the Company (expressed in RMB yuan per share)			
– Basic and diluted	14	**0.58**	0.30

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Profit for the period	**4,588,146**	2,341,927
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent period		
Net gains on investments in debt instruments measured at fair value through other comprehensive income	**54,683**	129,615
Net losses on investments in debt instruments measured at fair value through other comprehensive income reclassified to profit or loss on disposal	**(123,856)**	(43,307)
Income tax relating to these items	**17,227**	(20,903)
	(51,946)	65,405
Share of other comprehensive income of associates	**9**	(1,352)
Foreign currency translation differences	**30,361**	6,735
Items that will not be reclassified subsequently to profit or loss		
Net (losses)/gains on investments in equity instruments designated as at fair value through other comprehensive income	**(99,970)**	213,744
Income tax relating to these items	**23,301**	(51,986)
	(76,669)	161,758
Other comprehensive income for the period, net of tax	**(98,245)**	232,546
Total comprehensive income for the period	**4,489,901**	2,574,473
Attributable to:		
Equity holders of the Company	**4,480,212**	2,562,061
Non-controlling interests	**9,689**	12,412
	4,489,901	2,574,473

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

(In RMB thousands, unless otherwise stated)

	Note	**30 June 2020 (Unaudited)**	31 December 2019 (Audited)
Non-current assets			
Property, plant and equipment	15	**449,595**	503,438
Right-of-use assets	16	**987,932**	1,102,008
Investment properties		**57,608**	49,438
Intangible assets	17	**227,718**	235,918
Investment in associates	19	**295,623**	269,512
Financial assets at fair value through profit or loss	20	**3,907,611**	3,296,031
Financial assets at fair value through other comprehensive income	21	**3,060,110**	3,153,312
Financial assets held under resale agreements	22	**1,660,118**	2,507,276
Refundable deposits	23	**4,338,483**	2,793,611
Deferred tax assets	24	**1,328,622**	963,865
Other non-current assets	25	**108,110**	126,428
Total non-current assets		**16,421,530**	15,000,837
Current assets			
Margin accounts	26	**34,066,576**	27,806,140
Accounts receivable	27	**4,337,040**	2,136,866
Financial assets at fair value through profit or loss	20	**114,081,736**	88,459,902
Financial assets at fair value through other comprehensive income	21	**35,467,517**	32,490,523
Derivative financial assets	28	**1,266,305**	955,450
Financial assets held under resale agreements	22	**16,659,231**	18,611,480
Cash held on behalf of clients	29	**67,994,776**	52,695,657
Cash and bank balances	30	**20,891,759**	47,221,055
Other current assets	31	**335,588**	291,715
Total current assets		**295,100,528**	270,668,788
Total assets		**311,522,058**	285,669,625

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2020

(In RMB thousands, unless otherwise stated)

	Note	**30 June 2020 (Unaudited)**	31 December 2019 (Audited)
Current liabilities			
Accounts payable to brokerage clients	32	**70,637,157**	54,625,736
Lease liabilities	33	**332,469**	340,140
Derivative financial liabilities	28	**1,426,456**	761,572
Financial liabilities at fair value through profit or loss	34	**285,272**	1,126,344
Financial assets sold under repurchase agreements	35	**70,284,962**	55,532,975
Placements from banks and other financial institutions	36	**8,486,031**	9,263,545
Taxes payable	37	**1,031,064**	600,594
Short-term borrowings	38	**1,736,445**	889,012
Short-term financing instruments payable	39	**23,004,692**	17,495,953
Other current liabilities	40	**33,673,161**	52,599,717
Total current liabilities		**210,897,709**	193,235,588
Net current assets		**84,202,819**	77,433,200
Total assets less current liabilities		**100,624,349**	92,434,037
Non-current liabilities			
Financial liabilities at fair value through profit or loss	34	**541,195**	–
Bonds in issue	41	**39,207,122**	34,133,021
Lease liabilities	33	**629,993**	735,122
Deferred tax liabilities	24	**833,478**	660,874
Other non-current liabilities		**4,414**	10,286
Total non-current liabilities		**41,216,202**	35,539,303
Net assets		**59,408,147**	56,894,734

AS AT 30 JUNE 2020

(In RMB thousands, unless otherwise stated)

	Note	**30 June 2020 (Unaudited)**	31 December 2019 (Audited)
Equity			
Share capital	42	**7,646,385**	7,646,385
Other equity instruments	43	**9,961,509**	9,980,698
Reserves	44	**21,343,588**	21,412,062
Retained earnings		**20,134,539**	17,542,774
Equity attributable to equity holders of the Company		**59,086,021**	56,581,919
Non-controlling interests		**322,126**	312,815
Total equity		**59,408,147**	56,894,734

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Approved and authorized for issue by the Board of Directors on 25 August 2020.

Wang Changqing	**Li Geping**
Chairman	*Executive Director and President*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(In RMB thousands, unless otherwise stated)

		Attributable to equity holders of the Company										
				Reserves								
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Retained earnings	Subtotal	Non-controlling interests	Total
At 1 January 2020		7,646,385	9,980,698	8,753,213	3,573,328	8,691,508	203,472	190,541	17,542,774	56,581,919	312,815	56,894,734
Profit for the period		–	–	–	–	–	–	–	4,578,457	4,578,457	9,689	4,588,146
Other comprehensive (loss)/ income for the period		–	–	–	–	–	(128,606)	30,361	–	(98,245)	–	(98,245)
Total comprehensive (loss)/ income for the period		–	–	–	–	–	(128,606)	30,361	4,578,457	4,480,212	9,689	4,489,901
Capital injected by equity holders												
– Capital injected by other equity instrument holders	43	–	(19,189)	–	–	–	–	–	–	(19,189)	–	(19,189)
Appropriation to general reserve	44	–	–	–	–	29,771	–	–	(29,771)	–	–	–
Dividends to equity holders		–	–	–	–	–	–	–	(1,796,901)	(1,796,901)	–	(1,796,901)
Distribution to other equity instrument holders		–	–	–	–	–	–	–	(160,020)	(160,020)	–	(160,020)
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	–	(378)	(378)
At 30 June 2020 (Unaudited)		7,646,385	9,961,509	8,753,213	3,573,328	8,721,279	74,866	220,902	20,134,539	59,086,021	322,126	59,408,147

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

(In RMB thousands, unless otherwise stated)

	Note	Attributable to equity holders of the Company										
				Reserves								
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Retained earnings	Subtotal	Non–controlling interests	Total
At 1 January 2019		7,646,385	5,000,000	8,753,213	3,013,066	7,535,426	(32,746)	156,705	15,505,197	47,577,246	286,151	47,863,397
Profit for the period		–	–	–	–	–	–	–	2,329,515	2,329,515	12,412	2,341,927
Other comprehensive income for the period		–	–	–	–	–	225,811	6,735	–	232,546	–	232,546
Total comprehensive income for the period		–	–	–	–	–	225,811	6,735	2,329,515	2,562,061	12,412	2,574,473
Capital injected by equity holders												
– Capital injected by subsidiaries' non-controlling equity holders		–	–	–	–	–	–	–	–	–	8,350	8,350
Appropriation to general reserve	44	–	–	–	–	28,574	–	–	(28,574)	–	–	–
Dividends to equity holders		–	–	–	–	–	–	–	(1,376,349)	(1,376,349)	–	(1,376,349)
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	–	(2,000)	(2,000)
At 30 June 2019 (Unaudited)		7,646,385	5,000,000	8,753,213	3,013,066	7,564,000	193,065	163,440	16,429,789	48,762,958	304,913	49,067,871

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before income tax	**5,868,748**	3,064,815
Adjustments for:		
Interest expenses on bonds in issue, short-term financing instruments payable, borrowings and lease liabilities	**1,509,868**	1,415,039
Dividend income and interest income from financial assets at fair value through other comprehensive income	**(555,844)**	(602,639)
Net gains from disposal of financial assets at fair value through other comprehensive income	**(415,474)**	(41,489)
Interest income and net gains from disposal of financial assets at amortized costs	**–**	(1,235)
Net gains attributable to other interest holders of consolidated structured entities	**140,785**	374,980
Share of profits/losses from associates and joint ventures	**(878)**	(1,772)
Net gains on disposal of property, plant, equipment and other assets	**(211)**	(133)
Revaluation gains/losses on financial instruments at fair value through profit or loss	**(805,907)**	(400,253)
Net foreign exchange gains	**(5,309)**	(33)
Depreciation and amortization	**316,450**	268,601
Credit impairment losses	**209,304**	(99,904)
	6,261,532	3,975,977
Net changes in operating assets		
Margin accounts	**(6,259,575)**	(1,795,657)
Financial assets at fair value through profit or loss	**(24,751,132)**	(14,014,866)
Cash held on behalf of clients	**(15,284,975)**	(17,320,605)
Financial assets held under resale agreements	**2,698,353**	(4,947,511)
Other operating assets	**(3,649,191)**	(2,251,344)
	(47,246,520)	(40,329,983)
Net changes in operating liabilities		
Accounts payable to brokerage clients	**16,011,421**	17,838,635
Financial liabilities at fair value through profit or loss	**(314,481)**	(896,651)
Financial assets sold under repurchase agreements	**14,790,323**	14,993,123
Placements from banks and other financial institutions	**(840,000)**	3,900,000
Other operating liabilities	**(12,591,420)**	1,568,876
	17,055,843	37,403,983
Net cash (outflow)/inflow from operating activities before tax	**(23,929,145)**	1,049,977
Income tax paid	**(1,031,127)**	(507,840)
Net cash (outflow)/inflow from operating activities	**(24,960,272)**	542,137

(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2020 **(Unaudited)**	2019 (Unaudited)
Cash flows from investing activities		
Net cash flow from purchase or disposal of financial assets at fair value through other comprehensive income	**(2,777,620)**	(3,182,462)
Dividend income and interest income received from financial assets at fair value through other comprehensive income	**596,219**	516,302
Cash paid for purchase of property, plant and equipment, intangible assets and other assets	**(52,499)**	(71,222)
Net cash flow from purchase or disposal of financial assets at amortized costs	**–**	186,305
Net cash flow from investments in associates	**(25,224)**	28,207
Other cash flows from investing activities	**235**	60,864
Net cash outflow from investing activities	**(2,258,889)**	(2,462,006)
Cash flows from financing activities		
Cash inflows from issuing perpetual bonds	**5,000,000**	–
Cash inflows from capital injected by non-controlling interests	**–**	8,350
Cash inflows from borrowing activities	**3,830,632**	23,403,883
Cash inflows from issuing bonds	**57,964,490**	38,007,736
Cash outflows from dividend distribution to ordinary shareholders	**(1,500,560)**	–
Cash outflows from distribution to other equity instrument holders	**(294,000)**	(294,000)
Cash outflows from distribution to subsidiaries' non-controlling equity holders	**(378)**	(2,000)
Repayments of debts	**(57,323,511)**	(49,960,199)
Repayments of perpetual bonds	**(5,000,000)**	–
Repayments of interest on debts	**(1,644,647)**	(1,378,986)
Other cash outflows from financing activities	**(338,388)**	(308,859)
Net cash inflow from financing activities	**693,638**	9,475,925
Net change in cash and cash equivalents	**(26,525,523)**	7,556,056
Cash and cash equivalents at the beginning of the period	**46,935,568**	16,841,813
Effect of exchange rate changes on cash and cash equivalents	**37,566**	11,886
Cash and cash equivalents at the end of the period *(Note 45)*	**20,447,611**	24,409,755

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(In RMB thousands, unless otherwise stated)

1 GENERAL INFORMATION

CSC Financial Co., Ltd. (the “Company”) (formerly known as China Securities Finance Co., Ltd.) is the successor entity of China Securities Finance Limited Liability Company which was approved for establishment by the China Securities Regulatory Commission (the “CSRC”) on 2 November 2005. The original registered capital of the Company was RMB2,700.00 million. The registered address of the Company is Unit 4, No.66 Anli Road, Chaoyang District, Beijing, the People’s Republic of China (the “PRC”).

The Company received the approval of CRSC on 30 June 2011 to convert into a joint stock company, with registered capital increased to RMB6,100.00 million.

The Company completed its initial public offering of overseas listed foreign shares (“H shares”) on The Stock Exchange of Hong Kong Limited on 9 December 2016. Under this offering, the Company issued a total of 1,076.47 million new shares with a nominal value of RMB1 per share. On 5 January 2017, the Company issued an additional 69,915,238 H shares through partial exercise of the over-allotment option with a nominal value of RMB1 per share. The registered capital of the Company increased to RMB7,246.39 million after such issuance. The Company completed the industrial and commercial registration for these changes on 5 June 2017, and obtained its new business license with the Unified Social Credit Code of 91110000781703453H on 9 June 2017.

The Company completed its initial public offering of domestic listed shares (“A shares”) on the Shanghai Stock Exchange on 20 June 2018. The Company issued a total of 400,000,000 shares with a nominal value of RMB1 per share. After this issuance, the registered capital of the Company increased to RMB7,646,385,238.00. The Company completed the industrial and commercial registration for these changes on 18 February 2019.

The principal activities of the Company and its subsidiaries (collectively, the “Group”) include securities brokerage, financial advisory relating to securities trading and securities investment activities, securities underwriting and sponsoring, proprietary trading and investment of securities, securities asset management, agency sale of securities investment funds, introducing brokerage for futures companies, margin financing and securities lending services, agency sale of financial products, market-making of stock options, custodian services for securities investment funds, and sale of precious metal products, commodity futures brokerage, financial futures brokerage and asset management, equity investment and corporate management services, investment management, raising and management of investment funds, investment management of equity investment, investment consulting, project consulting.

2 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”, as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial statements should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019, which have been audited.

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies used in preparing the interim condensed consolidated financial statements are the same as those adopted in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

3.1 Amendments to the accounting standards effective in 2020 and adopted by the Group

In the current interim period, the Group has adopted the following International Financial Reporting Standards ("IFRSs") and amendments issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current interim period. Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2019.

(1)	Amendments to IAS 1 and IAS 8	The Definition of Material
(2)	Amendments to IFRS 3	The Definition of A Business

The adoption of the above-mentioned standards and amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

3.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates by the Group

The Group has not adopted the following new and amended standards that have been issued but are not yet effective.

			Effective for annual periods beginning on or after
(1)	IFRS 17	Insurance Contracts	1 January 2022
(2)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/ removed. Early application of the amendments continues to be permitted.
(3)	Amendments to IAS 1	Classification of liabilities	1 January 2022

Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2019. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

4 TAXATION

According to relevant PRC tax policies, the most significant categories of taxes to which the Group is currently subjected are as follows:

(1) Income tax

From 1 January 2008, the "Enterprise Income Tax Law of the PRC" and the "Regulations on the Implementation of Enterprise Income Tax Law of the PRC" became effective for the Company and its subsidiaries except for China Futures Co., Ltd. and China Securities (International) Finance Holding Co., Ltd. Income tax computation and payment are governed by the "Announcement of the State Administration of Taxation on Printing and Distributing Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by Enterprises with Multi-Location Operations" (Public Notice of the State Administration of Taxation [2012] No. 57). The PRC Enterprise income tax rate applicable to the Company is 25%.

In accordance with Explanation on Implementation of Tax Preferential Treatments concerning Western China Development Strategy issued by local taxation bureau in Yuzhong District, Chongqing City, the applicable income tax rates for China Futures Co., Ltd. is 15%.

The income tax rate for China Securities (International) Finance Holding Co., Ltd. (a Hong Kong Company) is 16.5%.

(2) Value added tax

Pursuant to the "Circular regarding the Comprehensive Implementation of the Pilot Programs for Transformation from Business Taxes to Value-added Taxes (the "VAT Pilot Programs")" (Cai Shui [2016] No. 36), the "Circular regarding Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs (Cai Shui [2016] No. 46), the "Supplementary Circular regarding VAT Policies Applicable to Transactions between Financial Institutions" (Cai Shui [2016] No.70) issued by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") of the PRC, effective from 1 May 2016, the Group is subject to value-added taxes on its income from principal businesses at 6%.

In accordance with the "Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services" (Cai Shui [2016] No.140), the "Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products" (Cai Shui [2017] No.2) and the "Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products" (Cai Shui [2017] No.56), the Group shall pay VAT at rate of 3% for related asset management taxable activities undertaken after 1 January 2018.

After the implementation of the VAT Pilot Programs, the Group's related income is presented at value net of its respective VAT in the consolidated income statement.

4 TAXATION (CONTINUED)

(3) Urban maintenance and construction taxes and educational surcharges are charged at 7% and 3% of turnover taxes payable, respectively. In addition, according to the provisions of "Administrative Measures for Collection and Usage of Local Educational Surcharges in Beijing" (Jing Zheng Fa [2011] No. 72), since 1 January 2012, the local educational surcharges of the Company's head office and securities trading department located in Beijing are levied at 2% of the total amount of value-added tax.

(4) Vehicle and vessel taxes, property taxes and stamp duties are levied in accordance with the provisions of the relevant tax laws and regulations.

5 OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's operating segments represents a strategic business engaged in the following activities.

Investment banking segment: provides investment banking services, including financial advisory, sponsoring, underwriting of equity and debt securities.

Wealth management segment: serves as a brokerage agent for corporate and personal clients in the trading of equity stocks, funds, bonds and futures; and provides margin financing and securities lending services to these clients.

Trading and institutional client services segment: engages in trading of financial products; serves as a brokerage agent for institutional clients (financial institutions) in the trading of equity stocks, funds and bonds, and provides them with margin financing and securities lending; provides services in relation to sales of financial products to institutional clients, and provides specialized research and advisory services to assist their investment decision-making.

Asset management segment: develops asset management products, fund management products services, and private placement offerings, and provides related services through subsidiaries and consolidated structured entities.

Other segment: primarily the treasury function from the head office.

Management monitors the performance and results of these operating segments for considerations of resource allocation and operating decision-making.

Income taxes are managed as a whole and are not allocated to operating segments.

(In RMB thousands, unless otherwise stated)

5 OPERATING SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 June 2020					
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	Total
Segment revenue and other income						
Fee and commission income	2,073,500	1,878,143	676,553	604,076	–	5,232,272
Interest income	–	1,798,046	991,870	4,440	353,266	3,147,622
Net investment gains	–	–	4,270,578	179,791	–	4,450,369
Other income	100	154,038	8	344	23,992	178,482
Total revenue and other income	2,073,600	3,830,227	5,939,009	788,651	377,258	13,008,745
Segment expenses	(865,884)	(2,850,982)	(2,983,246)	(293,763)	(147,000)	(7,140,875)
Including: Interest expenses	–	(849,237)	(1,596,709)	(29,589)	(14,878)	(2,490,413)
Credit impairment (losses)/reversals	(25)	(117,679)	(91,600)	–	–	(209,304)
Operating profit	1,207,716	979,245	2,955,763	494,888	230,258	5,867,870
Share of profits and losses of associates	–	–	–	(1,172)	2,050	878
Profit before income tax	1,207,716	979,245	2,955,763	493,716	232,308	5,868,748
Income tax expense						(1,280,602)
Net profit for the period						4,588,146
Other segment information:						
Depreciation and amortization	65,580	80,011	122,586	29,077	19,196	316,450
Capital expenditure	10,165	14,924	20,890	4,828	1,692	52,499

(In RMB thousands, unless otherwise stated)

5 OPERATING SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 June 2019					
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	Total
Segment revenue and other income						
Fee and commission income	1,662,644	1,530,071	388,943	452,475	–	4,034,133
Interest income	–	1,871,387	861,245	14,577	289,594	3,036,803
Net investment gains	–	–	1,203,484	297,779	–	1,501,263
Other income	200	4,419	–	16,958	19,103	40,680
Total revenue and other income	1,662,844	3,405,877	2,453,672	781,789	308,697	8,612,879
Segment expenses	(742,464)	(2,482,127)	(1,897,537)	(267,422)	(160,286)	(5,549,836)
Including: Interest expenses	(4,855)	(906,887)	(1,243,510)	(51,471)	(17,340)	(2,224,063)
Credit impairment (losses)/reversals	(673)	97,166	3,411	–	–	99,904
Operating profit	920,380	923,750	556,135	514,367	148,411	3,063,043
Share of profits and losses of associates	–	–	–	1,513	259	1,772
Profit before income tax	920,380	923,750	556,135	515,880	148,670	3,064,815
Income tax expense						(722,888)
Net profit for the period						2,341,927
Other segment information:						
Depreciation and amortization	69,060	93,065	64,335	28,416	13,725	268,601
Capital expenditure	17,114	27,502	15,919	6,447	4,240	71,222

(In RMB thousands, unless otherwise stated)

6 FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2020	2019
Brokerage services income	**2,487,111**	1,866,073
Investment banking income	**2,073,500**	1,662,644
Asset and fund management income	**604,076**	452,475
Others	**67,585**	52,941
Total	**5,232,272**	4,034,133

7 INTEREST INCOME

	Six months ended 30 June	
	2020	2019
Margin financing and securities lending	**1,127,423**	1,011,039
Bank deposits	**1,026,582**	827,537
Financial assets at fair value through other comprehensive income	**550,583**	602,639
Financial assets held under resale agreements	**443,034**	595,440
Financial assets at amortized costs	**–**	148
Total	**3,147,622**	3,036,803

8 NET INVESTMENT GAINS

	Six months ended 30 June	
	2020	2019
Net gains from financial assets at fair value through profit or loss	**4,353,640**	2,236,447
Net gains from disposal of financial assets at fair value through other comprehensive income	**415,474**	41,489
Dividend income from financial assets at fair value through other comprehensive income	**5,261**	–
Net gains from disposal of financial assets at amortized costs	**–**	1,087
Net (losses)/gains from financial liabilities at fair value through profit or loss	**(38,726)**	23,881
Net gains attributable to other interest holders of consolidated structured entities	**(140,785)**	(374,980)
Net losses from derivatives	**(144,495)**	(426,661)
Total	**4,450,369**	1,501,263

(In RMB thousands, unless otherwise stated)

9 OTHER INCOME

	Six months ended 30 June	
	2020	2019
Commodity trading income	**134,948**	2,105
Government grants	**11,729**	27,703
Rental income	**6,800**	7,414
Net gains on foreign exchange	**5,309**	33
Gains on disposal of property, plant and equipment	**211**	133
Others	**19,485**	3,292
Total	**178,482**	40,680

10 EXPENSES

	Six months ended 30 June	
	2020	2019
Fee and commission expenses:		
Brokerage expenses	**491,023**	367,108
Investment banking expenses	**91,464**	41,428
Others	**32,329**	64,364
Total	**614,816**	472,900
Interest expenses:		
Bonds in issue	**1,232,235**	1,164,331
Financial assets sold under repurchase agreements	**547,906**	530,905
Placements from banks and other financial institutions	**272,100**	166,490
Short-term financing instruments payable	**253,913**	214,757
Accounts payable to brokerage clients	**132,943**	83,080
Lease liabilities	**19,571**	18,538
Borrowings	**4,149**	17,413
Others	**27,596**	28,549
Total	**2,490,413**	2,224,063
Staff costs (including directors' and supervisors' remuneration):		
Salaries, bonuses and allowances	**2,558,483**	1,802,894
Staff benefits	**173,182**	193,123
Contributions to defined contribution schemes *(i)*	**78,122**	148,630
Total	**2,809,787**	2,144,647

(In RMB thousands, unless otherwise stated)

10 EXPENSES (CONTINUED)

(i) Retirement benefits are included, and their nature is described below:

Full-time employees of the Group in Mainland China are covered by various government-sponsored retirement plans including social pension schemes and corporate pension schemes, under which the employees are entitled to a monthly pension. Relevant government agencies determine the amount of pension benefits and are responsible for the related pension liabilities to eligible retired employees. The Group is required to make monthly contributions to these government-sponsored retirement plans for active employees, which are expensed as incurred. The Group has no obligation for post-retirement benefits beyond these contributions.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries or regions outside of Mainland China.

Other operating expenses and costs:

	Six months ended 30 June	
	2020	2019
Depreciation and amortization expenses	**316,450**	268,601
Electronic equipment operating expenses	**68,876**	52,898
Office operating expenses	**57,324**	47,368
Membership fees of exchanges	**45,915**	36,305
Securities investor protection fund	**42,684**	26,403
Postal and communication expenses	**36,999**	31,944
Business travel expenses	**36,066**	77,666
Business entertainment expenses	**30,503**	45,099
Consulting expenses	**28,476**	12,674
Property expenses	**20,742**	22,493
Auditors' remuneration	**3,540**	3,708
Others	**263,481**	139,621
Total	**951,056**	764,780

11 CREDIT IMPAIRMENT LOSSES/(REVERSALS)

	Six months ended 30 June	
	2020	2019
Financial assets held under resale agreements	**96,925**	(44,843)
Financial assets at fair value through other comprehensive income	**89,736**	6,721
Margin financing	**22,618**	(57,471)
Financial assets at amortized costs	**–**	(4,984)
Others	**25**	673
Total	**209,304**	(99,904)

(In RMB thousands, unless otherwise stated)

12 INCOME TAX EXPENSE

(1) Income tax

	Six months ended 30 June	
	2020	2019
Current income tax		
– Mainland China	**1,431,272**	875,938
– Hong Kong	**–**	1,935
Subtotal	**1,431,272**	877,873
Deferred income tax	**(150,670)**	(154,985)
Total	**1,280,602**	722,888

(2) Reconciliation between income tax and accounting profit

A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate of 25% to income tax expense at the Group's effective income tax rate is as follows:

	Six months ended 30 June	
	2020	2019
Profit before income tax	**5,868,748**	3,064,815
Income tax at the PRC statutory income tax rate	**1,467,187**	766,204
Effects of different applicable rates of tax prevailing in various jurisdictions	**(14,144)**	(5,628)
Non-deductible expenses	**5,317**	6,159
Non-taxable income	**(91,630)**	(23,238)
Others	**(86,128)**	(20,609)
Income tax expenses at the Group's effective income tax rate	**1,280,602**	722,888

13 DIVIDENDS

	Six months ended 30 June	
	2020	2019
Dividends distribution to ordinary shareholders	**1,796,901**	1,376,349
Distribution to other equity instrument holders *(Note 14(i))*	**160,020**	–

A cash dividend of RMB2.35 (tax inclusive) per 10 ordinary shares related to the year of 2019 amounting to RMB1,797 million (tax inclusive) in total and based on 7,646,385,238 shares was approved at the annual general meeting held on 5 June 2020. As of 30 June 2020, RMB1,501 million of the cash dividend was paid and the remaining RMB296 million was recognized as dividends payable, which was paid on 22 July 2020.

A cash dividend of RMB1.80 (tax inclusive) per 10 ordinary shares related to the year of 2018, amounting to RMB1,376 million (tax inclusive) in total and based on 7,646,385,238 shares was approved at the annual general meeting held on 25 June 2019 and was paid on 9 August 2019.

14 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic earnings per share was calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding. The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2020	2019
Earnings:		
Profit attributable to equity holders of the Company	**4,578,457**	2,329,515
Less: Profit attributable to other equity instrument holders of the Company *(i)*	**(160,020)**	–
Profit attributable to ordinary equity holders of the Company	**4,418,437**	2,329,515
Shares:		
Weighted average number of ordinary shares in issue *(thousand) (Note 42)*	**7,646,385**	7,646,385
Basic and diluted earnings per share *(in RMB yuan)*	**0.58**	0.30

There were no dilutive shares during the six months ended 30 June 2020 (six months ended 30 June 2019: None).

(i) As of 30 June 2020, there were two tranches of perpetual subordinated bonds existed under the terms and conditions as detailed in Note 43 Other Equity Instruments.

For the purpose of calculating basic earnings per ordinary share, profit attributable to other equity holders was deducted from the profit attributable to ordinary equity holders of the Company.

(In RMB thousands, unless otherwise stated)

15 PROPERTY, PLANT AND EQUIPMENT

	Properties and buildings	Electronic devices	Transportation vehicles	Communication equipment	Office equipment	Security equipment	Others	Total
Cost								
1 January 2020	**428,063**	**697,128**	**36,696**	**7,475**	**77,809**	**8,850**	**38,286**	**1,294,307**
Increases	**–**	**13,692**	**–**	**128**	**792**	**–**	**–**	**14,612**
Decreases	**(14,625)**	**(19,104)**	**–**	**(424)**	**(965)**	**(353)**	**(234)**	**(35,705)**
30 June 2020	**413,438**	**691,716**	**36,696**	**7,179**	**77,636**	**8,497**	**38,052**	**1,273,214**
Accumulated depreciation								
1 January 2020	**(134,082)**	**(504,848)**	**(33,897)**	**(5,972)**	**(72,414)**	**(7,036)**	**(32,620)**	**(790,869)**
Increases	**(5,611)**	**(49,263)**	**(458)**	**(267)**	**(2,264)**	**(308)**	**(900)**	**(59,071)**
Decreases	**5,257**	**19,114**	**–**	**412**	**970**	**340**	**228**	**26,321**
30 June 2020	**(134,436)**	**(534,997)**	**(34,355)**	**(5,827)**	**(73,708)**	**(7,004)**	**(33,292)**	**(823,619)**
Net carrying amount								
30 June 2020	**279,002**	**156,719**	**2,341**	**1,352**	**3,928**	**1,493**	**4,760**	**449,595**
Cost								
1 January 2019	431,472	609,670	37,173	7,670	80,046	9,199	38,548	1,213,778
Increases	3,552	154,919	282	574	1,490	450	961	162,228
Decreases	(6,961)	(67,461)	(759)	(769)	(3,727)	(799)	(1,223)	(81,699)
31 December 2019	428,063	697,128	36,696	7,475	77,809	8,850	38,286	1,294,307
Accumulated depreciation								
1 January 2019	(122,179)	(491,714)	(33,116)	(6,218)	(70,140)	(7,194)	(31,841)	(762,402)
Increases	(12,593)	(80,745)	(1,517)	(500)	(5,950)	(596)	(1,983)	(103,884)
Decreases	690	67,611	736	746	3,676	754	1,204	75,417
31 December 2019	(134,082)	(504,848)	(33,897)	(5,972)	(72,414)	(7,036)	(32,620)	(790,869)
Net carrying amount								
31 December 2019	293,981	192,280	2,799	1,503	5,395	1,814	5,666	503,438

(In RMB thousands, unless otherwise stated)

16 RIGHT-OF-USE ASSETS

	Properties and buildings	Others	Total
Cost			
1 January 2020	**1,180,831**	**258,321**	**1,439,152**
Increases	**76,606**	**–**	**76,606**
Decreases	**(6,568)**	**(175)**	**(6,743)**
Foreign currency translation differences	**4,737**	**–**	**4,737**
30 June 2020	**1,255,606**	**258,146**	**1,513,752**
Accumulated depreciation			
1 January 2020	**(299,591)**	**(37,553)**	**(337,144)**
Increases	**(172,391)**	**(18,771)**	**(191,162)**
Decreases	**2,958**	**–**	**2,958**
Foreign currency translation differences	**(472)**	**–**	**(472)**
30 June 2020	**(469,496)**	**(56,324)**	**(525,820)**
Carrying amount			
30 June 2020	**786,110**	**201,822**	**987,932**
Cost			
1 January 2019	791,437	257,053	1,048,490
Increases	386,516	1,268	387,784
Decreases	(1,348)	–	(1,348)
Foreign currency translation differences	4,226	–	4,226
31 December 2019	1,180,831	258,321	1,439,152
Accumulated depreciation			
1 January 2019	–	–	–
Increases	(299,964)	(37,553)	(337,517)
Decreases	667	–	667
Foreign currency translation differences	(294)	–	(294)
31 December 2019	(299,591)	(37,553)	(337,144)
Carrying amount			
31 December 2019	881,240	220,768	1,102,008

(In RMB thousands, unless otherwise stated)

17 INTANGIBLE ASSETS

	Software	Trading seat rights and others	Total
Cost			
1 January 2020	**542,596**	**75,948**	**618,544**
Increases	**30,443**	**–**	**30,443**
Decreases	**(4,109)**	**–**	**(4,109)**
Foreign currency translation differences	**608**	**9**	**617**
30 June 2020	**569,538**	**75,957**	**645,495**
Accumulated amortization			
1 January 2020	**(313,026)**	**(69,600)**	**(382,626)**
Increases	**(38,792)**	**–**	**(38,792)**
Decreases	**4,109**	**–**	**4,109**
Foreign currency translation differences	**(468)**	**–**	**(468)**
30 June 2020	**(348,177)**	**(69,600)**	**(417,777)**
Net carrying amount			
30 June 2020	**221,361**	**6,357**	**227,718**
Cost			
1 January 2019	429,994	75,938	505,932
Increases	115,829	–	115,829
Decreases	(3,308)	–	(3,308)
Foreign currency translation differences	81	10	91
31 December 2019	542,596	75,948	618,544
Accumulated amortization			
1 January 2019	(249,417)	(69,600)	(319,017)
Increases	(66,737)	–	(66,737)
Decreases	3,078	–	3,078
Foreign currency translation differences	50	–	50
31 December 2019	(313,026)	(69,600)	(382,626)
Net carrying amount			
31 December 2019	229,570	6,348	235,918

(In RMB thousands, unless otherwise stated)

18 INVESTMENTS IN SUBSIDIARIES

	30 June 2020	31 December 2019
Investments in subsidiaries	**5,908,123**	5,333,123

General information of the Company's principal subsidiaries are as follows:

Name of subsidiaries	**Principal operating place**	**Place of registration**	**Registered share capital**	**Proportion of voting rights 30 June 2020**	**Proportion of voting rights** 31 December 2019	**Directly/ Indirectly hold**	**Principal activities**
China Futures Co., Ltd. *(i)*	Chongqing	Chongqing	RMB1,000 million	**100%**	100%	Directly	Futures brokerage
China Capital Management Co., Ltd. *(i)*	Beijing	Beijing	RMB1,650 million	**100%**	100%	Directly	Project investment
China Securities (International) Finance Holding Co., Ltd.	Hong Kong	Hong Kong	Not applicable	**100%**	100%	Directly	Shareholding and investment
China Fund Management Co., Ltd.	Beijing	Beijing	RMB300 million	**55%**	55%	Directly	Funds business, asset management
China Securities Investment Co., Ltd. *(i)*	Beijing	Beijing	RMB3,700 million	**100%**	100%	Directly	Investment management, equity investment management, investment consultancy and project management

(i) During the six months ended 30 June 2020, the Company increased capital investment and paid RMB300 million to China Futures Co., Ltd, and paid RMB150 million and RMB125 million of the subscribed capital to China Capital Management Co., Ltd. and China Securities Investment Co., Ltd., respectively.

(ii) China Securities (International) Finance Holding Co., Ltd. is registered as a limited company according to the laws of Hong Kong, China. Others are registered as limited liability companies according to the laws of the People's Republic of China.

(In RMB thousands, unless otherwise stated)

19 INVESTMENTS IN ASSOCIATES

	30 June 2020	31 December 2019
Investments in associates	**295,623**	269,512

The following table illustrates details of investments in associates:

Name	**1 January 2020**	**Increase**	**Decrease**	**Movements under equity method**	**30 June 2020**
Zhongguancun Equity Trading Service Group Co., Ltd.	**45,824**	**–**	**–**	**43**	**45,867**
Jiangsu DDBS Environment Remediation Co., LTD	**45,212**	**–**	**–**	**(1,407)**	**43,805**
Beijing Tinavi Medical Technology Co., Ltd.	**20,017**	**25,224**	**–**	**1,569**	**46,810**
Guangdong South Lead TV & Film Co., Ltd.	**27,763**	**–**	**–**	**(474)**	**27,289**
CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd.	**118,018**	**–**	**–**	**2,016**	**120,034**
Shenzhen MALONG TECHNOLOGIES Co., Ltd.	**11,426**	**–**	**–**	**(862)**	**10,564**
Beijing Haifu Capital Management Co., Ltd.	**1,252**	**–**	**–**	**2**	**1,254**
Total	**269,512**	**25,224**	**–**	**887**	**295,623**

(In RMB thousands, unless otherwise stated)

19 INVESTMENTS IN ASSOCIATES (CONTINUED)

Name	1 January 2019	Increase	Decrease	Movements under equity method	31 December 2019
Zhongguancun Equity Trading Service Group Co., Ltd.	47,565	–	–	(1,741)	45,824
Jiangsu DDBS Environment Remediation Co., LTD	44,075	–	–	1,137	45,212
Beijing Tinavi Medical Technology Co., Ltd.	23,723	–	–	(3,706)	20,017
Guangdong South Lead TV & Film Co., Ltd.	30,000	–	–	(2,237)	27,763
CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd.	–	116,857	–	1,161	118,018
Shenzhen MALONG TECHNOLOGIES Co., Ltd.	15,000	–	–	(3,574)	11,426
Beijing Haifu Capital Management Co., Ltd.	1,250	–	–	2	1,252
Xinjin Global Industrial Fund LP	1,100	–	(1,100)	–	–
Total	162,713	116,857	(1,100)	(8,958)	269,512

As at 30 June 2020 and 31 December 2019, given there was no sign of impairment on the Group's investments in associates, no impairment allowance was made.

(In RMB thousands, unless otherwise stated)

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020	31 December 2019
Current		
Financial assets at fair value through profit or loss		
Debt instruments	**73,170,408**	50,723,715
Equity investments	**11,715,030**	8,073,044
Fund investments	**7,749,218**	8,081,851
Others	**21,447,080**	21,581,292
Subtotal	**114,081,736**	88,459,902
Analyzed into:		
Listed in Hong Kong	**2,276,009**	1,768,887
Listed outside Hong Kong	**94,814,940**	69,129,269
Unlisted	**16,990,787**	17,561,746
Subtotal	**114,081,736**	88,459,902
Non-current		
Financial assets at fair value through profit or loss		
Equity investments	**3,049,665**	3,103,611
Others	**857,946**	192,420
Subtotal	**3,907,611**	3,296,031
Analyzed into:		
Listed outside Hong Kong	**1,151,591**	1,141,393
Unlisted	**2,756,020**	2,154,638
Subtotal	**3,907,611**	3,296,031
Total	**117,989,347**	91,755,933

As at 30 June 2020, the fair value of financial assets pledged as collateral for repurchase agreements (Note 35), financing business from China Securities Finance Corporation Limited ("CSF") (Note 36), short-term borrowings (Note 38), futures business and securities borrowing business by the Group totaled RMB53,856.60 million (31 December 2019: RMB39,212.31 million).

As at 30 June 2020, financial assets held by the Group included securities lent amounted to RMB1,116.84 million (31 December 2019: RMB624.53 million).

As at 30 June 2020, the fair value of financial assets at fair value through profit or loss in restricted period held by the Group was RMB2,073.77 million (31 December 2019: RMB1,154.27 million).

(In RMB thousands, unless otherwise stated)

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2020	31 December 2019
Non-current		
Equity instruments *(i)*	**3,060,110**	3,153,312
Analyzed into:		
Unlisted	**3,060,110**	3,153,312
Current		
Debt instruments	**35,412,652**	32,430,035
Equity instruments	**54,865**	60,488
Subtotal	**35,467,517**	32,490,523
Analyzed into:		
Listed in Hong Kong	**1,481,217**	890,954
Listed outside Hong Kong	**33,876,254**	31,599,569
Unlisted	**110,046**	–
Subtotal	**35,467,517**	32,490,523
Total	**38,527,627**	35,643,835

(i) Equity instruments assets at fair value through other comprehensive income are the specific accounts invested by the Company together with several other securities companies and managed by CSF. According to the relevant contracts, risks and returns of the specific accounts are shared by the Company and other investing securities companies based on investment proportion and the accounts are operated and managed by CSF. The Company manages these financial assets for purposes other than to generate investment returns.

As at 30 June 2020, based on investment account report provided by CSF, the balance of cost and fair value of the Company's specific investment were RMB3,075.00 million and RMB3,060.11 million, respectively.(31 December 2019: cost and fair value were RMB3,075.00 million and RMB3,153.31 million, respectively).

(ii) As at 30 June 2020, the fair value of securities classified as financial assets at fair value through other comprehensive income of the Group which have been pledged as collateral for repurchase agreements (Note 35), financing business from CSF (Note 36), short-term borrowings (Note 38) and securities borrowing business were RMB24,319.69 million (31 December 2019: RMB24,019.91 million).

(In RMB thousands, unless otherwise stated)

22 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30 June 2020	31 December 2019
Non-current		
Analyzed by collateral:		
Stock	**1,663,563**	2,512,486
Allowance for credit impairment losses	**(3,445)**	(5,210)
Subtotal	**1,660,118**	2,507,276
Current		
Analyzed by collateral:		
Stock	**9,665,083**	12,561,744
Debts	**7,080,408**	6,036,856
Others	**104,109**	104,549
	16,849,600	18,703,149
Allowance for credit impairment losses	**(190,369)**	(91,669)
Subtotal	**16,659,231**	18,611,480
Total	**18,319,349**	21,118,756

The Group received securities as collateral in connection with financial assets under resale agreements, some of which are allowed to be re-pledged in the absence of default by counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral. The Group had an obligation to return the collateral to its counterparties at the maturity of the contracts.

The fair value of the collateral received in connection with financial assets under resale agreements, the collateral allowed to be re-pledged and the collateral re-pledged were as below:

	30 June 2020	31 December 2019
Collateral received	**52,676,120**	56,537,257
Including: Collateral allowed to be re-pledged	**1,250,914**	187,314
Collateral re-pledged	**1,147,506**	83,282

(In RMB thousands, unless otherwise stated)

23 REFUNDABLE DEPOSITS

	30 June 2020	31 December 2019
Performance bonds	**3,390,023**	2,400,221
Trading deposits	**898,706**	362,194
Credit deposits	**49,754**	31,196
Total	**4,338,483**	2,793,611

24 DEFERRED TAX ASSETS AND LIABILITIES

Changes of deferred tax assets and deferred tax liabilities are as follow:

Deferred tax assets	**Salaries, bonuses, and allowances payable**	**Fair value changes of financial instruments**	**Allowance for credit impairment losses**	**Others**	**Total**
1 January 2020	**594,685**	**13,840**	**295,637**	**59,703**	**963,865**
Credited/(debited) to the consolidated income statement	**308,119**	**(1,720)**	**52,035**	**1,801**	**360,235**
Credited/(debited) to other comprehensive income	**–**	**3,467**	**(2)**	**1,057**	**4,522**
30 June 2020	**902,804**	**15,587**	**347,670**	**62,561**	**1,328,622**

Deferred tax assets	Salaries, bonuses, and allowances payable	Fair value changes of financial instruments	Allowance for credit impairment losses	Others	Total
1 January 2019	529,303	84,035	335,650	25,518	974,506
Credited/(debited) to the consolidated income statement	65,382	(69,378)	(40,064)	33,812	(10,248)
Credited/(debited) to other comprehensive income	–	(817)	51	373	(393)
31 December 2019	594,685	13,840	295,637	59,703	963,865

(In RMB thousands, unless otherwise stated)

24 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Changes of deferred tax assets and deferred tax liabilities are as follow (Continued):

Deferred tax liabilities	**Fair value changes of financial instruments**	**Others**	**Total**
1 January 2020	**658,549**	**2,325**	**660,874**
Debited/(credited) to the consolidated income statement	**210,674**	**(1,109)**	**209,565**
(Credited)/debited to other comprehensive income	**(36,997)**	**36**	**(36,961)**
30 June 2020	**832,226**	**1,252**	**833,478**

Deferred tax liabilities	Fair value changes of financial instruments	Others	Total
1 January 2019	331,291	11,351	342,642
Debited/(credited) to the consolidated income statement	253,632	(9,126)	244,506
Debited to other comprehensive income	73,626	100	73,726
31 December 2019	658,549	2,325	660,874

25 OTHER NON-CURRENT ASSETS

As at 30 June 2020 and 31 December 2019, other non-current assets of the Group primarily represented long-term deferred expenses incurred on leasehold improvements of property, plant and equipment.

(In RMB thousands, unless otherwise stated)

26 MARGIN ACCOUNTS

	30 June 2020	31 December 2019
Margin accounts		
– Individuals	**30,463,895**	26,694,162
– Institutions	**4,775,592**	2,260,327
	35,239,487	28,954,489
Allowance for credit impairment losses	**(1,172,911)**	(1,148,349)
Total	**34,066,576**	27,806,140

Margin accounts are funds that the Group provided to clients in margin financing business. As at 30 June 2020 and 31 December 2019, no margin accounts were pledged for repurchase agreements (Note 35).

As at 30 June 2020, the fair value of securities lent in margin financing business was RMB2,626.89 million (31 December 2019: RMB1,029.66 million).

As at 30 June 2020, the Group received collateral with fair value amounted to RMB124,867.54 million (31 December 2019: RMB95,680.44 million), in connection with its margin financing business.

27 ACCOUNTS RECEIVABLE

	30 June 2020	31 December 2019
Trading deposits for return swaps	**3,277,780**	1,655,190
Clearing funds receivable	**385,782**	128,775
Assets management fee receivable	**96,550**	85,346
Clearing settlement fund and refundable deposits advanced on behalf of sponsored structured entities	**24,691**	24,494
Others	**559,352**	250,033
	4,344,155	2,143,838
Allowance for credit impairment losses *(i)*	**(7,115)**	(6,972)
Total	**4,337,040**	2,136,866

(i) ECL on account receivables arising from revenue recognized in accordance with IFRS 15– Revenue, the Group is measured using simplified approach under IFRS9. ECL on other receivables is measured using the general approach and as at 30 June 2020, accounts receivables which measured using general approach was classified under Stage 1 (31 December 2019: Stage 1).

(In RMB thousands, unless otherwise stated)

28 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2020		
	Nominal value	**Fair value**	
		Assets	**Liabilities**
Interest rate derivatives	**140,073,535**	**775**	**216**
Equity derivatives	**109,280,717**	**1,206,226**	**1,394,170**
Credit derivatives	**267,000**	**3,144**	**1,194**
Others	**10,282,999**	**56,160**	**30,876**
Total	**259,904,251**	**1,266,305**	**1,426,456**

	As at 31 December 2019		
	Nominal value	Fair value	
		Assets	Liabilities
Interest rate derivatives	142,900,688	87	391
Equity derivatives	71,142,876	939,568	723,540
Credit derivatives	147,000	622	1,463
Others	5,088,463	15,173	36,178
Total	219,279,027	955,450	761,572

Under the daily settlement arrangement, any gains or losses of the Group's position in futures contracts, among others, were settled daily and the corresponding payments or receipts were included in "cash and bank balances". Accordingly, the amount of mark-to-market gains or losses of unexpired futures contracts, among others, included in derivative financial instruments above was Nil. As at 30 June 2020,the fair value of the Group's unexpired futures contracts was negative RMB26.78 million (31 December 2019: negative RMB56.12 million).

29 CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of clients and the corresponding liabilities as accounts payable to brokerage clients (Note 32). In Mainland China, the use of cash held on behalf of clients for securities trading and settlement is restricted and governed by relevant third-party custodian regulations issued by the CSRC. In Hong Kong, the "Securities and Futures (Client Money) Rules" under the Securities and Futures Ordinance impose similar restrictions.

(In RMB thousands, unless otherwise stated)

30 CASH AND BANK BALANCES

	30 June 2020	31 December 2019
Cash on hand	**12**	23
Deposits in banks	**20,891,747**	47,221,032
Total	**20,891,759**	47,221,055

As at 30 June 2020, the Group had restricted deposits of RMB440.68 million (31 December 2019: RMB278.37 million).

31 OTHER CURRENT ASSETS

	30 June 2020	31 December 2019
Deferred expenses	**11,173**	6,981
Interest receivable *(i)*	**8,764**	33,749
Prepaid expenses	**5,845**	12,285
Commodity inventories	**–**	21,789
Others	**347,661**	254,766
	373,443	329,570
Allowance for credit impairment losses	**(37,855)**	(37,855)
Total	**335,588**	291,715

(i) As at 30 June 2020 and 31 December 2019, interest income of financial assets accrued under effective interest rate method, which was overdue but not received, was reflected in Interest receivable under other current assets. Interest receivable not yet due were included in the carrying amount of the related financial assets.

32 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

Accounts payable to brokerage clients represent the amounts received from and repayable to clients arising from the ordinary course of the Group's securities brokerage business. For more details, please refer to Cash held on behalf of clients (Note 29).

(In RMB thousands, unless otherwise stated)

33 LEASE LIABILITIES

	30 June 2020	31 December 2019
Non-current		
Lease liabilities	**629,993**	735,122
Current		
Lease liabilities	**332,469**	340,140
Total	**962,462**	1,075,262

As at 30 June 2020, the Group's leases committed but not yet commenced were RMB12.08 million(31 December 2019: RMB41.22 million)(Note 49.2).

34 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020	31 December 2019
Current		
Financial liabilities at fair value through profit or loss (Held for trading)		
– Debt instruments	**182,462**	518,161
Financial liabilities designated as at fair value through profit or loss		
– Structured notes *(1)*	**102,810**	608,183
Subtotal	**285,272**	1,126,344
Non-current		
Financial liabilities designated as at fair value through profit or loss		
– Structured notes *(1)*	**541,195**	–
Total	**826,467**	1,126,344

(1) As at 30 June 2020 and 31 December 2019, the returns of the structured notes were linked to equity indexes.

(In RMB thousands, unless otherwise stated)

35 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2020	31 December 2019
Current		
Analyzed by collateral:		
Debt securities *(Notes 20 and 21)*	**58,804,522**	43,014,064
Gold	**5,293,522**	4,612,845
Others *(Notes 20)*	**6,186,918**	7,906,066
Total	**70,284,962**	55,532,975

As at 30 June 2020 and 31 December 2019, other collaterals mainly included the standard bonds for pledge-style quotation-driven repurchase.

36 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2020	31 December 2019
Current		
Placements from banks	**2,400,990**	8,243,359
Placements from CSF *(Notes 20 and 21)*	**6,085,041**	1,020,186
Total	**8,486,031**	9,263,545

37 TAXES PAYABLE

	30 June 2020	31 December 2019
Current		
Income tax	**724,952**	324,807
Value added tax	**154,238**	151,731
Others	**151,874**	124,056
Total	**1,031,064**	600,594

(In RMB thousands, unless otherwise stated)

38 SHORT-TERM BORROWINGS

	30 June 2020	31 December 2019
Current		
Analyzed by nature:		
Credit borrowings	**360,242**	183,287
Mortgage borrowings *(Notes 20 and 21)*	**1,376,203**	705,725
Total	**1,736,445**	889,012

As at 30 June 2020 and 31 December 2019, the Group had variable-rate borrowings which carried interest at HIBOR, LIBOR or SOFR plus a margin.

As at 30 June 2020, the Group held collateral with fair value amounted to RMB1,775.78 million (31 December 2019: RMB838.71 million), in connection with its short-term borrowings.

39 SHORT-TERM FINANCING INSTRUMENTS PAYABLE

Name	Issue date	Maturity date	Coupon rate	1 January 2020	Increase	Decrease	30 June 2020
19 CSC CP006	09/10/2019	08/01/2020	2.88%	4,026,439	2,203	(4,028,642)	–
19 CSC CP007	24/10/2019	22/01/2020	3.02%	4,022,774	6,931	(4,029,705)	–
19 CSC CP008	11/12/2019	06/03/2020	3.05%	4,007,000	21,667	(4,028,667)	–
20 CSC CP001	06/01/2020	03/04/2020	2.79%	–	4,026,833	(4,026,833)	–
20 CSC CP002	20/01/2020	17/04/2020	2.79%	–	4,026,833	(4,026,833)	–
20 CSC CP003	19/02/2020	12/05/2020	2.52%	–	4,022,859	(4,022,859)	–
20 CSC CP004	04/03/2020	03/06/2020	2.42%	–	4,024,134	(4,024,134)	–
20 CSC CP005	07/04/2020	24/06/2020	1.50%	–	4,012,822	(4,012,822)	–
20 CSC CP006	21/04/2020	17/07/2020	1.38%	–	4,010,738	–	4,010,738
20 CSC CP007	08/05/2020	06/08/2020	1.55%	–	4,510,319	–	4,510,319
20 CSC CP008	02/06/2020	28/08/2020	1.58%	–	4,005,021	–	4,005,021
20 CSC CP009	22/06/2020	18/09/2020	2.20%	–	4,002,170	–	4,002,170
Structured notes *(i)*				5,439,740	12,539,071	(11,502,367)	6,476,444
Total				17,495,953	49,211,601	(43,702,862)	23,004,692

(In RMB thousands, unless otherwise stated)

39 SHORT-TERM FINANCING INSTRUMENTS PAYABLE (CONTINUED)

Name	Issue date	Maturity date	Coupon rate	1 January 2019	Increase	Decrease	31 December 2019
18 CSC D1	12/02/2018	28/01/2019	5.34%	3,046,921	574	(3,047,495)	–
18 CSC D2	14/05/2018	24/04/2019	4.70%	2,982,426	37,817	(3,020,243)	–
19 CSC CP001	25/04/2019	24/07/2019	3.00%	–	3,016,521	(3,016,521)	–
19 CSC CP002	24/05/2019	22/08/2019	2.99%	–	3,016,957	(3,016,957)	–
19 CSC CP003	14/06/2019	12/09/2019	3.06%	–	3,019,869	(3,019,869)	–
19 CSC CP004	12/07/2019	10/10/2019	2.70%	–	3,017,975	(3,017,975)	–
19 CSC CP005	16/09/2019	13/12/2019	2.75%	–	4,026,448	(4,026,448)	–
19 CSC CP006	09/10/2019	08/01/2020	2.88%	–	4,026,439	–	4,026,439
19 CSC CP007	24/10/2019	22/01/2020	3.02%	–	4,022,774	–	4,022,774
19 CSC CP008	11/12/2019	06/03/2020	3.05%	–	4,007,000	–	4,007,000
Structured notes *(i)*				7,724,359	25,065,979	(27,350,598)	5,439,740
Total				13,753,706	53,258,353	(49,516,106)	17,495,953

As at 30 June 2020 and 31 December 2019, there were no defaults related to any short-term financing instruments payable by the Group.

As at 30 June 2020 and 31 December 2019, the interests of short-term financing instruments payable measured by the effective interest rate method were included in the carrying amount of the related financial instruments, which amounted to RMB53.87 million and RMB71.32 million, respectively.

(i) As at 30 June 2020 and 31 December 2019, the structured notes issued by the Group are calculated at a fixed annual interest rate or a fixed plus floating interest rate. The fixed interest rate ranges are 1.40%-3.50% and 2.70%-3.70%, respectively.

(In RMB thousands, unless otherwise stated)

40 OTHER CURRENT LIABILITIES

	30 June 2020	31 December 2019
Bonds in issue with maturity within one year *(1)*	**15,661,374**	22,751,549
Amounts due to other holders of consolidated structured entities at fair value	**6,487,688**	6,885,486
Salaries, bonuses and allowances payable	**4,029,027**	2,703,648
Trading deposits for return swaps	**3,202,067**	2,343,033
Settlement deposits payable	**736,384**	372,652
Dividends payable *(Note 13)*	**533,779**	371,418
Accounts payable to underwriting clients	**358,736**	15,069,150
Futures settlement risk funds payable	**99,154**	92,583
Provision	**64,650**	54,197
Securities investor protection fund payable	**42,749**	34,346
Funds payable to securities holders	**6,047**	6,047
Others	**2,451,506**	1,915,608
Total	**33,673,161**	52,599,717

(1) Bonds in issue with maturity within one year as at 30 June 2020 and 31 December 2019 were as follows:

		30 June 2020	31 December 2019
15 Xintou 01	(i)	**1,866,858**	1,828,260
CSCIFN15B2009	(ii)	**1,427,514**	1,404,677
17 Xintou G1	(iii)	**–**	4,124,345
17 Xintou G2	(iv)	**–**	3,090,134
17 Xintou F1	(v)	**5,225,689**	5,104,367
17 Xintou F2	(vi)	**3,102,896**	3,024,929
18 Xintou F1	(vii)	**–**	4,172,538
18 Xintou F2	(viii)	**4,038,131**	–
Structured notes	(ix)	**286**	2,299
Total		**15,661,374**	22,751,549

40 OTHER CURRENT LIABILITIES (CONTINUED)

(1) Bonds in issue with maturity within one year as at 30 June 2020 and 31 December 2019 were as follows (Continued):

(i) In August 2015, the Company publicly issued a 10-year fixed rate corporate bond with a face value of RMB1.8 billion, which offers the options, at the end of the fifth year, for the Company to redeem it at face value or increase the coupon rate, or the investors to sell back the bond. The bond pays interest annually at 4.20% per annum and is not guaranteed.

(ii) In September 2015, the Company's subsidiary CSCI Finance (2015) Co. Ltd publicly issued a 5-year fixed rate credit enhancement bond with a face value of USD0.2 billion. The bond pays interest semi-annually at 3.125% per annum and is unconditionally and irrevocably guaranteed by another subsidiary of the Company China Securities (International) Finance Holding Co., Ltd.

(iii) In April 2017, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB4 billion. The bond pays interest annually at 4.48% per annum and is not guaranteed. The bond was fully redeemed in April 2020.

(iv) In May 2017, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB3 billion. The bond pays interest annually at 4.88% per annum and is not guaranteed. The bond was fully redeemed in May 2020.

(v) In July 2017, the Company privately issued a 3-year fixed rate corporate bond with a face value of RMB5 billion. The bond pays interest annually at 4.74% per annum and is not guaranteed.

(vi) In October 2017, the Company privately issued a 3-year fixed rate corporate bond with a face value of RMB3 billion. The bond pays interest annually at 5.07% per annum and is not guaranteed.

(vii) In March 2018, the Company privately issued a 2-year fixed rate corporate bond with a face value of RMB4 billion. The bond pays interest annually at 5.43% per annum and is not guaranteed. The bond was fully redeemed in March 2020.

(viii) In April 2018, the Company privately issued a 3-year fixed rate corporate bond with a face value of RMB4 billion. The bond pays interest annually at 5.12% per annum and is not guaranteed.

(ix) As at 30 June 2020, the Company had structured notes named "Gushouxin series" amounted to RMB0.29 million, which accrue interests at a fixed annual rate in the range of 3.00%~3.10% and of which the remaining tenure were less than one year. As at 31 December 2019, the Company had structured notes named "Gushouxin series" amounted to RMB2.35 million, which accrue interests at a fixed annual rate in the range of 3.10%~3.70%, of which the remaining tenure less than one year amounted to RMB2.30 million.

(In RMB thousands, unless otherwise stated)

41 BONDS IN ISSUE

	30 June 2020	31 December 2019
Corporate bonds in issue	**15,318,604**	10,135,228
Subordinated bonds in issue	**19,763,045**	19,942,512
Financial bonds in issue	**4,125,473**	4,055,229
Structured notes in issue	**–**	52
Total	**39,207,122**	34,133,021

(1) As at 30 June 2020 and 31 December 2019, there were no defaults related to any bonds in issue.

(2) The details of bonds in issue

		30 June 2020	31 December 2019
Corporate bonds			
18 Xintou F2	(40(1)(viii))	**–**	4,097,300
18 Xintou F3	(i)	**3,638,818**	3,511,197
18 Xintou F4	(ii)	**2,609,174**	2,526,731
20 Xintou G1	(iii)	**5,044,923**	–
20 Xintou G2	(iv)	**1,009,566**	–
20 Xintou G3	(v)	**3,016,123**	–
Subtotal		**15,318,604**	10,135,228
Subordinated bonds			
18 Xintou C1	(vi)	**5,137,038**	5,026,758
19 Xintou C1	(vii)	**5,583,846**	5,690,575
19 Xintou C2	(viii)	**5,031,039**	5,133,607
19 Xintou C3	(ix)	**4,011,122**	4,091,572
Subtotal		**19,763,045**	19,942,512
Financial Bonds			
19 CSC Financial Bond 01	(x)	**4,125,473**	4,055,229
Structured notes	(40(1)(ix))	**–**	52
Carrying amount		**39,207,122**	34,133,021

41 BONDS IN ISSUE (CONTINUED)

(2) The details of bonds in issue (Continued)

(i) In July 2018, the Company privately issued a 3-year fixed rate corporate bond with a face value of RMB3.5 billion. The bond pays interest annually at 4.86% per annum and is not guaranteed.

(ii) In July 2018, the Company privately issued a 3-year fixed rate corporate bond with a face value of RMB2.5 billion. The bond pays interest annually at 4.84% per annum and is not guaranteed.

(iii) In March 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB5 billion. The bond pays interest annually at 2.94% per annum and is not guaranteed.

(iv) In March 2020, the Company publicly issued a 5-year fixed rate corporate bond with a face value of RMB1 billion. The bond pays interest annually at 3.13% per annum and is not guaranteed.

(v) In April 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB3 billion. The bond pays interest annually at 2.56% per annum and is not guaranteed.

(vi) In November 2018, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB5 billion. The bond pays interest annually at 4.38% per annum and is not guaranteed.

(vii) In January 2019, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB5.5 billion. The bond pays interest annually at 4.00% per annum and is not guaranteed.

(viii) In April 2019, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB5 billion. The bond pays interest annually at 4.20% per annum and is not guaranteed.

(ix) In May 2019, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB4 billion. The bond pays interest annually at 4.12% per annum and is not guaranteed.

(x) In August 2019, the Company publicly issued a 3-year fixed rate financial bond with a face value of RMB4 billion. The bond pays interest annually at 3.52% per annum and is not guaranteed.

42 SHARE CAPITAL

All shares issued by the Company are fully paid common shares, with a notional value of RMB1 per share. The number of shares and nominal value of the Company's share capital are as follows:

	30 June 2020	31 December 2019
Issued and fully paid ordinary shares of RMB1 each *(in thousands)*		
– A shares	**6,385,361**	6,385,361
– H shares	**1,261,024**	1,261,024
Total	**7,646,385**	7,646,385

43 OTHER EQUITY INSTRUMENTS

Other equity instruments of the Group are as follows：

- In January 2015, the Company issued the first tranche of perpetual subordinated bonds of 2015 amounted to RMB2 billion. The bond was fully redeemed in January 2020.

- In March 2015, the Company issued the second tranche of perpetual subordinated bonds of 2015 amounted to RMB3 billion. The bond was fully redeemed in March 2020.

- In August 2019, the Company issued the first tranche of perpetual subordinated bonds of 2019 amounted to RMB5 billion.

- In March 2020, the Company issued the first tranche of perpetual subordinated bonds of 2020 amounted to RMB5 billion.

Key terms and conditions relating to the above equity instruments are as follows:

- The bonds are repriced every 5 interest-accruing years, and at the end of the repricing cycle, the issuer has the option to extend the bonds for another repricing cycle (another five years) or redeem them in full;

- The bonds offer no redemption option to the investors so that investors cannot require the issuer to redeem their bonds during the duration of the bonds;

- The Company has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interests and accreted interests already deferred according to the related terms, without any limitation with respect to the number of deferrals. Mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital;

- The priority over repayment of the 2015 perpetual subordinated bonds is subordinated to the Company's general debts but senior to the Company's ordinary equity shares, unless in the event of winding up, closure or liquidation of the Company, investors of these bonds cannot require the Company to accelerate payment of bonds' principals. The priority over repayment of the 2019 and the 2020 perpetual subordinated bond is subordinated to the Company's general debts and other subordinated, unless in the event of liquidation of the Company, investors of these bonds cannot require the Company to accelerate payment of bonds' principals.

The perpetual subordinated bonds issued by the Company are classified as equity instruments, and recognized under equity in the consolidated statement of financial position. As at 30 June 2020, the interest accrued but not yet paid by the Company was RMB237 million. As at 31 December 2019, the interest accrued but not yet paid by the Company was RMB371 million, of which RMB294 was paid in the first half of 2020.

44 RESERVES

The amounts of the Group's reserves and the related movements are presented in the consolidated statement of changes in equity.

(1) Capital reserve

Capital reserve primarily includes share premium arising from the issuance of new shares at prices in excess of par value.

(2) Surplus reserves

(i) Statutory surplus reserve

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

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, if any, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after this capitalization is not less than 25% of the registered capital immediately before capitalization.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Company may also appropriate its after-tax profit for the year, as determined under China Accounting Standards for Business Enterprises, to its discretionary surplus reserve upon approval by the ordinary equity holders in Annual General Meeting. Subject to the shareholders' approval, the discretionary surplus reserve may be used to offset accumulated losses, if any, and may be converted into capital of the Company.

44 RESERVES (CONTINUED)

(3) General reserve

Pursuant to the requirements of regulatory authorities, including the Ministry of Finance and the CSRC, the Company is required to appropriate 10% of its profit for the year for the general risk reserve and 10% for the transaction risk reserve. These reserves may be used to offset accumulated losses of the Company but shall not be declared as dividends or converted into share capital.

In addition, the Group as the mutual fund manager shall accrue general risk reserve at a proportion of no less than 10% of management fee income. The accruement could be suspended on condition that the ending balance of risk reserve reached 1% of the aggregate of net asset values of the mutual funds, which are under management, at the end of last quarter.

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

Regulatory reserves represent reserves that are established by subsidiaries and branches in certain countries or jurisdictions outside Mainland China in accordance with the regulatory requirements in their respective territories are also included herein.

(4) Investment revaluation reserve

The investment revaluation reserve represents the fair value changes of financial assets at fair value through other comprehensive income.

(5) Foreign currency translation reserve

The foreign currency translation reserve represents the exchange difference arising from the translation of the financial statements of the subsidiaries incorporated outside Mainland China with functional currencies other than RMB.

(In RMB thousands, unless otherwise stated)

45 CASH AND CASH EQUIVALENTS

	30 June 2020	30 June 2019
Cash and bank balances	**20,891,759**	24,980,984
Less: Restricted deposits *(Note 30)*	**(440,681)**	(554,596)
Interest receivable	**(3,467)**	(16,633)
Cash and cash equivalents	**20,447,611**	24,409,755

46 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Capital commitments

	30 June 2020	31 December 2019
Contracted, but not provided for	**32,895**	2,572

The above-mentioned capital commitments are primarily in respect of the equity investment, purchase of equipment and decoration of properties by the Group.

(2) Legal proceedings

The Company and its subsidiaries are subject to claims and are parties to legal and regulatory proceedings in their ordinary course of businesses. As at 30 June 2020 and 31 December 2019, management of the Group believes that the Group was not involved in any material legal, or arbitration proceedings that if adversely determined, would have material impact on its financial position or results of operations of the Group.

(In RMB thousands, unless otherwise stated)

47 RELATED PARTY DISCLOSURES

(1) Beijing State-owned Capital Operation and Management Center

As at 30 June 2020 and 31 December 2019, Beijing State-Owned Capital Operation and Management Center ("Beijing State Management Center") owned 35.11% of the equity interest and voting rights of the Company.

Beijing State Management Center was established by State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality, which is a People-owned enterprise controlled by the PRC government.

The transactions between Beijing State Management Center and the Group are in the ordinary course of business under normal commercial terms and conditions. Corresponding transactions and balances with this institution were as follows:

	Six months ended 30 June	
	2020	2019
Fee and commission income	**226**	8,525
Interest expenses	**(4)**	(10)

	30 June 2020	31 December 2019
Financial assets at fair value through profit or loss	**–**	70,623
Financial assets at fair value through other comprehensive income	**–**	31,283
Accounts payable to brokerage clients	**471**	3

In January 2020, the Company received a notice from the largest shareholder, Beijing State Management Center, who intended to transfer all of its holding of 2,684,309,017 A-shares, representing 35.11% of the total share capital of the Company, to Beijing Financial Holdings Group Co., Ltd. ("Beijing Financial Holdings Group") for nil consideration ("Transfer"). As at 16 March 2020, Beijing State Management Center and Beijing Financial Holdings Group signed the Agreement on the Share Transfer of CSC Financial Co., LTD. As at 19 March 2020, the Transfer has been approved by State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. As at 23 April 2020, the Company submitted an application to CSRC for the executive authorization for the share transfer of shareholders holding more than 5% of the equity ("the Application for Shareholder Change"). In June 2020, the CSRC accepted the Application for Shareholder Change in accordance with the law.

The Application for Shareholder Change is subject to the approval of the CSRC. The Company will timely disclose information on further progress.

After the completion of the Transfer, Beijing State Management Center will no longer hold any shares in the Company and Beijing Financial Holdings Group will directly hold 2,684,309,017 A-shares, representing 35.11% of the total share capital of the Company, making it the largest shareholder of the Company. The Transfer has no impacts on the Company's non-controlling shareholders and the status that the Company has no actual controlling person.

(In RMB thousands, unless otherwise stated)

47 RELATED PARTY DISCLOSURES (CONTINUED)

(2) Central Huijin and companies under Central Huijin

As at 30 June 2020 and 31 December 2019, Central Huijin Investment Limited ("Central Huijin") owned 31.21% of the equity interest and voting rights of the Company.

Central Huijin is a wholly-owned subsidiary of China Investment Corporation, which is incorporated in Beijing, the PRC. Central Huijin was established to hold certain equity interests in state-owned financial institutions as authorized by the China State Council and does not engage in other commercial activities. Central Huijin exercises its legal rights and assumes obligations related to the Company on behalf of the PRC Government. Central Huijin has equity interests in certain other banks and financial institutions under the direction of the PRC government.

The Group enters into transactions with Central Huijin and its related parties in the ordinary course of business under normal commercial terms. Corresponding transactions and balances with these banks and financial institutions were as follows:

	Six months ended 30 June	
	2020	2019
Fee and commission income	**39,304**	49,401
Interest income	**181,334**	118,041
Fee and commission expenses	**(25,037)**	(38,476)
Interest expenses	**(31,860)**	(64,918)

	30 June 2020	31 December 2019
Assets		
Financial assets at fair value through other comprehensive income	**628,127**	277,987
Financial assets at fair value through profit or loss	**3,438,516**	1,089,795
Derivative financial assets	**8,559**	60,067
Cash held on behalf of clients	**15,893,244**	7,841,551
Cash and bank balances	**1,898,707**	1,681,302
Accounts receivable	**51,102**	35,405
Right-of-use assets	**1,645**	2,390
Liabilities		
Accounts payable to brokerage clients	**143,220**	4,907
Derivative financial liabilities	**23,170**	15,156
Financial assets sold under repurchase agreements	**8,570,446**	500,642
Short-term borrowings	**265,205**	89,598
Other current liabilities	**499**	–
Accounts payable	**44,836**	118,556
Lease liabilities	**1,558**	2,387

(In RMB thousands, unless otherwise stated)

47 RELATED PARTY DISCLOSURES (CONTINUED)

(3) Government related entities

According to the provisions of IAS 24 – Related Parties Disclosures, government entities controlled and jointly controlled by the PRC government and their subsidiaries (the "government related entities") are also regarded as related parties of the Group.

Part of the Group's transactions including securities and futures dealing and broking, underwriting of debt securities, purchase and sale of government bonds, and equity and debt securities issued by other government related entities are entered into with government related entities.

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

(4) Other major shareholders and its related parties

	Six months ended 30 June	
	2020	2019
Fee and commission income	**3,306**	19,134
Interest income	**34,323**	29,549
Fee and commission expense	**(15,132)**	(17,542)
Interest expenses	**(9,201)**	(30,153)

(In RMB thousands, unless otherwise stated)

47 RELATED PARTY DISCLOSURES (CONTINUED)

(4) Other major shareholders and its related parties (Continued)

	30 June 2020	31 December 2019
Assets		
Financial assets at fair value through other comprehensive income	**252,114**	260,516
Financial assets at fair value through profit or loss	**199,242**	117,375
Derivative financial assets	**3,493**	6,229
Cash held on behalf of clients	**2,580,954**	2,925,033
Cash and bank balances	**728,001**	623,182
Accounts receivable	**–**	10,527
Liabilities		
Accounts payable to brokerage clients	**140,363**	33,766
Derivative financial liabilities	**2,369**	16,774
Financial assets sold under repurchase agreements	**297,616**	579,585
Accounts payable	**928**	26,507

(5) The Group's associates

The Group entered into transactions with its associates at arm's length in the ordinary course of business. Management considers that transactions between the Group and its associates are not significant.

(6) Key management personnel

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

The Group's remuneration paid for key management personnel are disclosed as follow:

	Six months ended 30 June	
	2020	2019
Salaries, bonuses and allowances	**73,324**	96,999
Staff benefits	**569**	570
Contributions to defined contribution schemes	**717**	796
Total	**74,610**	98,365

48 FAIR VALUE AND FAIR VALUE HIERARCHY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: where the inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2: where the inputs are observable for the assets and liabilities, either directly or indirectly, other than quoted prices in Level 1.

Level 3: where the inputs are unobservable inputs for relevant assets or liabilities.

The Group uses valuation techniques or counterparty quotations to determine fair value when market prices are not available in active markets.

The major parameters used in valuation techniques include, among others, underlying securities prices, interest rates, foreign exchange rates, volatilities, which are all observable and available from an active market.

For certain unlisted equity securities (private equity securities), thinly traded equity securities, unlisted asset management plans, certain over-the-counter derivative contracts and trust plans, the management uses counterparty quotations or valuation techniques to determine their fair value. Valuation techniques used primarily include discount cash flow model, option pricing model and comparable companies methods, etc. The fair value measurement of these financial instruments may use unobservable inputs that may have significant impact on the valuation results, and therefore, the Group includes them as Level 3 assets and liabilities. The unobservable parameters that may have impacts on the valuation include, among others, weighted average cost of capital, liquidity discount, price to book ratio and volatility of underlying assets. As at 30 June 2020 and 31 December 2019, fair value changes resulting from the changes in the unobservable inputs were not significant. The Group has implemented internal control procedures to monitor and control the Group's exposures to such financial instruments.

(In RMB thousands, unless otherwise stated)

48 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

(1) Financial instruments recorded at fair value

	30 June 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
– Debt instruments	**6,719,547**	**66,442,033**	**8,828**	**73,170,408**
– Equity investments	**11,489,661**	**848,043**	**2,426,991**	**14,764,695**
– Fund investments	**4,959,163**	**2,790,055**	**–**	**7,749,218**
– Others	**–**	**20,268,851**	**2,036,175**	**22,305,026**
Subtotal	**23,168,371**	**90,348,982**	**4,471,994**	**117,989,347**
Financial assets at fair value through other comprehensive income				
– Debt instruments	**1,426,352**	**33,983,193**	**3,107**	**35,412,652**
– Equity instruments	**54,865**	**3,060,110**	**–**	**3,114,975**
Subtotal	**1,481,217**	**37,043,303**	**3,107**	**38,527,627**
Derivative financial assets	**177,932**	**959,437**	**128,936**	**1,266,305**
Total assets	**24,827,520**	**128,351,722**	**4,604,037**	**157,783,279**
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	**–**	**182,462**	**–**	**182,462**
– Financial liabilities designated as at fair value through profit or loss	**–**	**–**	**644,005**	**644,005**
Subtotal	**–**	**182,462**	**644,005**	**826,467**
Derivative financial liabilities	**95,455**	**542,174**	**788,827**	**1,426,456**
Total liabilities	**95,455**	**724,636**	**1,432,832**	**2,252,923**

(In RMB thousands, unless otherwise stated)

48 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

(1) Financial instruments recorded at fair value (Continued)

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt instruments	5,559,555	45,155,332	8,828	50,723,715
– Equity investments	8,500,768	157,020	2,518,867	11,176,655
– Fund investments	5,439,702	2,642,149	–	8,081,851
– Others	–	20,088,269	1,685,443	21,773,712
Subtotal	19,500,025	68,042,770	4,213,138	91,755,933
Financial assets at fair value through other comprehensive income				
– Debt instruments	830,466	31,597,072	2,497	32,430,035
– Equity instruments	60,488	3,153,312	–	3,213,800
Subtotal	890,954	34,750,384	2,497	35,643,835
Derivative financial assets	65,015	714,681	175,754	955,450
Total assets	20,455,994	103,507,835	4,391,389	128,355,218
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	–	518,161	–	518,161
– Financial liabilities designated as at fair value through profit or loss	–	–	608,183	608,183
Subtotal	–	518,161	608,183	1,126,344
Derivative financial liabilities	66,622	308,662	386,288	761,572
Total liabilities	66,622	826,823	994,471	1,887,916

(In RMB thousands, unless otherwise stated)

48 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

(2) Movements in Level 3 financial instruments measured at fair value

Movements in Level 3 financial instruments measured at fair value in each period/year are as follow:

	Six months ended 30 June 2020				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2020	4,213,138	2,497	175,754	608,183	386,288
Total gains or losses for the period	80,877	–	52,131	29,621	252,319
Total gains recorded in other comprehensive income	–	(396)	–	–	–
Increases	1,255,930	–	82,787	841,940	337,158
Decreases	(967,087)	–	(181,736)	(835,739)	(186,938)
Transfers to Level 3 from Level 2	59,893	1,006	–	–	–
Transfers to Level 1 from Level 3	(168,883)	–	–	–	–
Transfers to Level 2 from Level 3	(1,874)	–	–	–	–
30 June 2020	4,471,994	3,107	128,936	644,005	788,827
Gains/(losses) for the period included in profit or loss for assets/liabilities held at the end of the period	80,877	–	52,131	(29,621)	(252,319)

(In RMB thousands, unless otherwise stated)

48 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

(2) Movements in Level 3 financial instruments measured at fair value (continued)

Movements in Level 3 financial instruments measured at fair value in each period/year are as follow (continued):

	Year ended 31 December 2019				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2019	3,847,796	–	861,154	–	43,699
Total gains or losses for the year	220,853	–	(386,514)	4,041	219,286
Total gains recorded in other comprehensive income	–	(12,285)	–	–	–
Increases	1,916,099	–	367,493	604,142	902,124
Decreases	(1,878,024)	–	(666,379)	–	(778,821)
Transfers to Level 3 from Level 1	8,682	11,079	–	–	–
Transfers to Level 3 from Level 2	97,732	3,703	–	–	–
31 December 2019	4,213,138	2,497	175,754	608,183	386,288
Gains/(losses) for the period included in profit or loss for assets/liabilities held at the end of the year	220,853	–	(386,514)	(4,041)	(219,286)

(In RMB thousands, unless otherwise stated)

48 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

(3) Important unobservable input value in fair value measurement of Level 3

The fair value of financial instruments under Level 3 are primarily determined by discount cash flow model, option pricing model and comparable companies methods, etc. Determinations, etc to classify fair value measures within Level 3 of the valuation hierarchy are primarily based on the significance of the unobservable inputs which mainly include weighted average cost of capital, liquidity discount, price to book ratio, volatility of underlying assets and others to the overall fair value measurement.

(4) Transfers between Level 1 and Level 2

During the six months ended 30 June 2020, the amount of financial assets at fair value through profit and loss from Level 1 to Level 2 were RMB459.59 million and the amount of financial assets at fair value through profit and loss from Level 2 to Level 1 were RMB7.38 million.

During the year ended 31 December 2019, the amount of financial assets at fair value through profit and loss and financial assets at fair value through other comprehensive income transferred from Level 1 to Level 2 were RMB40.86 million and RMB9.95 million, respectively.

(5) Financial assets and financial liabilities not measured at fair value

The information below summarizes the carrying amounts and fair values of those financial assets and liabilities not measured at fair value in the consolidated statement of financial position. Financial assets and financial liabilities for which the carrying amounts approximate fair value are not included in the following table, such as financial assets held under resale agreements, refundable deposits, margin accounts, accounts receivable, cash held on behalf of clients, cash and bank balances, lease liabilities, accounts payable to brokerage clients, financial assets sold under repurchase agreements, placements from banks and other financial institutions, short-term borrowings and short-term financing instruments payable.

As at 30 June 2020 and 31 December 2019, the carrying amounts and fair value of bonds in issue (including bonds in issue with maturity within one year) are summarized below:

	30 June 2020	31 December 2019
Bonds in issue (including bonds in issue with maturity within one year)		
– Carrying amount *(Notes 40 and 41)*	**54,868,496**	56,884,570
– Fair value	**55,233,603**	57,441,093

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT

The management considers effective risk management a critical element in ensuring the Company's successful operations. Therefore, the Company has established a set of comprehensive risk management and internal control systems to enable the Company to monitor, evaluate and manage various financial risks in its business activities, including primarily credit risk, market risk and liquidity risk and operational risk.

The Company's risk management and control system is not changed compared to 31 December 2019.

Structure of risk management

The Board

The Board of Directors is the Company's highest decision-making body in risk management, the executive management is the execution body, and while different units are responsible for directly managing the risks they face in their business or operational activities. The Company has three dedicated risk control departments, namely the Risk Management Department, the Legal and Compliance Department and the Internal Audit Department, which independently monitor and manage risks before the event, during the event and after the event, as per their respective roles and responsibilities.

The Board of Directors is the Company's highest decision-making body in risk management, which makes decisions with respect to the Company's overall risk management strategies and policies, internal control arrangements, and actions to address material risks faced by the Company, among other things.

The Risk Management Committee under the Board of Directors is responsible for supervising the overall risk management of the Company and ensuring the associated risks are adequately managed so that risk management activities can be effectively carried out through the Company's business and operating activities. The Board Risk Management Committee also has the following responsibilities: preparing the overall risk management policies for the Board's deliberation; determining the strategic structure and resources for risk management so that they are aligned with the internal risk management policies; setting limits for major risks; and supervising and reviewing the risk management policies and making recommendations to the Board.

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Structure of risk management (Continued)

The Operation Management

The Company's Executives Committee makes overall decisions with respect to the prevention, control, mitigation, or acceptance of risks in the Company's business and operating activities and makes decisions on efforts to improve the internal control rules and procedures and control measures in accordance with the risk management policies adopted by the Board.

The Company Risk Management Committee of the Executives Committee is responsible for discussing and proposing the Company's risk preference and tolerance as well as key risk limits for further decision-making; review and approval of specific risk limits and risk control criteria for each business lines; drafting and promoting the implementation of various risk management rules and measures; review and approval of new businesses and products; review and approval of the Company's risk reports and routine compliance risk reports; and formulating risk control strategies and plans for material business matters.

The Chief Risk Officer of the Company is responsible for leading risk management activities across the Company, including organizing the formulation of relevant risk management rules and procedures, improving the Company's risk management practices, and guiding the Risk Management Department in the identification, evaluation, monitoring and reporting of various risks.

The Department, Branch and Subsidiary

Each and every department and branch/subsidiary of the Company, within their respective roles and responsibilities, is responsible for following the decisions, rules and procedures, and risk control policies, and implementing risk-control measures and engaging in direct risk control efforts in their business activities. Every staff of the Company has the responsibility to comply with the Company's relevant rules and procedures and contribute to daily risk control efforts as part of their own job responsibilities.

The Risk Management Department that is responsible for risk management of the Company, the Legal and Compliance Department that is responsible for legal affairs and compliance management, and the Internal Audit Department that is responsible for the Company's internal audit activities are the three independent risk management functions that establish their own rules and procedures and operate independently to promote risk management of the Company. Specifically, the Risk Management Department is responsible for risk management before and during the event through risk monitoring and assessment, the Legal Compliance Department is responsible for managing the overall legal and compliance risks of the Company, and the Internal Audit Department is responsible for conducting audits to identify material defects in key rules and procedures and processes, as well as internal control weakness, and supervising corrections and rectifications.

In addition, pursuant to the needs of risk management in investment banking business, along with regulatory requirements, the Company has established the internal review department. Through such review at the firm level, the Company conducts final risk control prior to the delivery of investment banking projects, and assumes the decision making responsibility of the ultimate approval of materials and documents to be submitted, reported, issued or disclosed in the name of the Company.

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk management activities

The Risk Management Department works with business and management departments to identify major risks during the course of different business and management activities, issue the Risk Classification and Key Control List, and continue to update the same in light of business changes and monitoring findings.

The Company establishes a before-the-event risk control mechanism. It focuses on each of the main business lines to formulate specific risk limits and risk control standards, and has explicit procedures of risk control; the Risk Management Department and the Legal and Compliance Department have participated in the before-the-event evaluation for important projects and the operation system, and have expressed their opinions independently; important risk control parameters are directly under the management and control of the Risk Management Department, which also conducts independent verification for valuation model of financial instruments before going online.

The Risk Management Department formulates the risk monitoring processes and indicators for key business and management lines. In particular, risk monitoring indicators for brokerage business, proprietary business, securities financing business, asset management business and custodian business as well as risk control indicators including net capital are monitored through the monitoring system, while the risk monitoring for other business or management lines primarily relies on regular and ad hoc monitoring by means of on-site monitoring, risk information reporting, data access and regular meetings.

The Company also formulates operational process for risk assessment, and determines main assessment methods and qualitative and quantitative risk rating criteria for various types of risks. The Risk Management Department assesses and rates the risk matters on an ongoing basis, evaluates the control of major business risks on a regular basis, and conducts comprehensive year-end assessments of the risk control process, risk events and positions, and risk incidents of the departments, branches and subsidiaries as a key component of their performance assessment.

The Company has formulated guidelines for various types of risk management and control, including market risk, credit risk, operational risk, liquidity risk and reputation risk, in order to guide and regulate the response to risks in various business lines. The Company has established crisis management mechanism and programs, and has formulated effective contingency measures and plans for various businesses, especially for key risks and emergencies such as liquidity crisis and accidents on transaction system, while emergency response mechanism has been established and is drilled sporadically on a regular or irregular basis.

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk management activities (Continued)

The Risk Management Department establishes a mechanism for the transfer of risk information and significant risk warnings. The Company is responsible for building mechanisms for communicating and reporting risk information and significant risk warnings, communicating and managing risk information and providing significant risk warnings. The Risk Management Department is responsible for formulating operational procedures for communicating and reporting risk information and issuing risk warnings, and the departments and branches and subsidiaries report risk information or issue warnings on potential risks identified by themselves to the Risk Management Department. The Risk Management Department then manages the risk information, performs comprehensive analyses on various risk information to identify risk control weaknesses and loopholes and propose recommendations on improving risk control, reports significant risks to the Chief Risk Officer and executive management or a Risk Management Committee, and at the same time, communicates risk information to relevant departments, while tracking any follow-up activities. The Risk Management Department prepares risk reports and risk control recommendation reports according to the results on risk identification, monitoring and assessment, and reports the findings to involved parties and the executive management of the Company. The Risk Management Department continuously monitors risks and the risk control status by following up on the implementation of risk control recommendations by relevant parties in managing risks identified in the risk reports.

Risk analysis and control

Financial risks in the Company's daily operating activities primarily include market risk, liquidity risk, credit risk, and operational risk. The Company has established specific policies and procedures to identify and address these risks, set out appropriate risk limits and internal control processes to manage these risks, and built integrated control system and information technology systems to continuously monitor these risks.

49.1 Credit risk

Credit risks refer to the risks of an economic loss caused by the failure of customers, counterparties or issuers of debt financing instruments (also referred to as financiers) to perform their contractual obligations.

Credit risks of the Company relating to the securities financing business, which includes margin financing and stock pledge repurchase agreement, are primarily attributed to a decline in value, or insufficient liquidity of collateral provided by customers; customers' failure to repay debts in full in a timely manner due to legal disputes over collateral assets; and operational misconducts including fraudulent credit information, violation of contracts and regulatory requirements. Control over credit risks for the securities financing business is managed primarily through risk management education programmes for customers, credit due diligence and verification of customers, risk assessment on collateralized (pledged) securities, setup of trading limits, daily mark to market of exposure, issuing risk notification to customers, margin calls, forced position liquidation and legal recourse. The Company performs an assessment of the need for any allowance for impairment in accordance with the ECL model of the accounting standards of IFRS 9, and actively carry out debt recovery activities for defaulting customers.

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

Credit risk relating to bond investments are primarily due to the decline in the creditworthiness of credit issuer of the debt financing instruments or defaults, counterparty defaults. The Company carries out due diligence for issuers and counterparties, establishes internal ratings for issuers, debts and counterparties, manages the access and size of transactions according to the internal and external rating, and controls credit risk using other tools for subsequent monitoring and management. In the first half of 2020, the Company further tightened the quality of its investment portfolio, post-investment tracking mechanism and credit risk management measures to improve the capability of credit risk management.

The Company controls credit risks relating to over-the-counter derivative transactions by setting counterparty ratings and credit lines, and setting limits on the size of transactions and related credit risk exposures before transactions can take place. The Company monitors and controls credit risk exposure of counterparties within established limits by adopting mark-to-market practices of derivative transactions and related collateral as well as forced position liquidating procedures.

In order to manage the credit risk arising from the brokerage business, securities brokerage transactions in mainland China are all settled on a fully pledged basis, which enables settlement risks associated with brokerage business to be well under control. The Company strictly complies with relevant trading and settlement rules and procedures to prevent non-compliant financing operations for clients. In addition, for repurchase agreement transaction, through due diligence, establishment of reasonable customer limits and haircut on collateral bonds, setting standards for minimum collateral level of qualified securities and leverage ratios, concentration limits for single securities used as collateral and other measures, the Company prevents customer under-collateralisation. For option transactions, the Company takes measures including margin deposit management, limits setting and forced liquidation control to manage customers' credit risk.

Furthermore, the Company's Risk Management Department monitors credit risk on an ongoing basis, including monitoring the total amount of credit transactions and credit exposures of the same customer, tracking the qualifying credit status of counterparties and bond issuers, monitoring the collateral coverage of securities and financial business, requiring the business department to fulfill its post-investment management duties, as well as using stress testing and sensitivity analysis, amongst other techniques, to measure the credit risk of major business lines.

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

Expected credit loss measurement

The measurement of the ECL allowance for financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income, is an area that requires the use of models and assumptions about the future economic conditions and credit behavior of the clients (such as the likelihood of customers defaulting and the resulting losses).

The Group has applied a “three-stage” impairment model for ECL measurement based on changes in credit quality since the initial recognition of financial assets as summarized below:

– A financial instrument that is not credit-impaired on initial recognition is classified as “Stage 1” and has its credit risk continuously monitored by the Group;

– If a significant increase in credit risk (“SICR”) since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired;

– If the financial instrument is credit-impaired, the financial instrument is then moved to “Stage 3”.

Stage 1: The Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL.

Stage 2 and Stage 3: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. The Group has measured the loss allowance for these financial instruments at an amount equal to the lifetime ECL.

For financial assets applied ECL measurement and classified under Stages 1 and 2, management assesses credit loss allowances using the risk parameter modelling approach that incorporated key parameters, including probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”). For credit-impaired financial assets classified under Stage 3, management assessed the credit loss allowances by estimating the cash flows expected to arise from the financial assets after taking into consideration forward looking factors.

The measurement of ECL adopted by the management according to IFRS 9, involves judgements, assumptions and estimations.

– Choosing appropriate models and parameters for the measurement of ECL;

– Determining criteria for significant increase in credit risk (“SICR”), definitions of defaults and credit impairment;

– Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

Measuring ECL – models and parameters

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired.

ECL are the discounted product of the PD after considering the forward-looking impact, EAD, and LGD.

– PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. For securities financing business, the Company determines the PD by borrower based on factors including the coverage ratio of margin loan to underlying collateral value and the volatility of such collateral's valuation. For debt securities investments, external credit rating and related PD are taken into consideration.

– LGD represents the Group's expectation of the extent of loss on a defaulted exposure. For securities financing business, the Company determines LGD, based on factors including the realizable value of collateral upon forced liquidation taking into consideration the estimated volatility over the realization period. For debt securities investments, LGD is determined based on assessed publicly available information from credit rating agencies, and type of securities.

– EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

The criteria of Significant increase in credit risk (SICR)

The Company evaluates financial instruments to identify whether a SICR has occurred since initial recognition at each financial statement date. An ECL allowance of financial assets is recognized according to the stage in which the assets are classified. This took account of what reasonable information, including forward looking information, is available to identify whether a SICR had arisen. The Company considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For securities financing business, the Company sets differentiated collateral to loan ratios as triggering margin calls and force liquidation thresholds (force liquidation thresholds generally no less than 130%) against different exposures related to these transactions, based on the obligors' credit quality, operation situation, contract maturity date, the volatility and liquidity of related collateral securities, and related performance information.

The Company considered securities financing business to have experienced a SICR if collateral to loan ratios are lower than the force liquidation thresholds, which means collateral valuation is decline or the quality of the third-party collateral is significantly reduced. As at 30 June 2020 and 31 December 2019, over 90% of the securities financing balances of the Company were covered by collateral value of over the force liquidation thresholds of related loan or repo amounts and there was no SICR.

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

The criteria of Significant increase in credit risk (SICR) (Continued)

For debt securities investments, the Company makes use of open market credit ratings. The Company considers debt securities investments to have experienced a SICR if the latest external ratings of the issuers of debt securities or the debt securities themselves underwent two notches of downward migration or more, compared with those ratings as at the acquisition date; and if the latest external rating of issuers of debt securities or the debt securities themselves were under the predetermined grading of A-. As at 30 June 2020 and 31 December 2019, all the debt securities investments of the Company have been rated as investment grade or above and there was no SICR.

A backstop is applied to all relevant financial assets and they are considered to have experienced a SICR if the borrower, the counterparty, the issuer or the debtor is more than 30 days past due on its contractual payments.

The Company has used the low credit risk exemption for financial instruments, such as cash and bank accounts, settlement reserve, refundable deposits, financial assets held under resale agreements collateralized by debt securities.

Definition of default and credit impairment

The Company assesses whether a financial instrument has been credit-impaired in accordance with IFRS 9, in a manner consistent with its internal credit risk policies for managing financial instruments. The consideration includes qualitative criteria, quantitative criteria and upper limit. The Company defines a financial instrument as credit-impaired, which is fully aligned with the definition of “in default”, when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments;
- For securities financing business, forced liquidation of a client’s position is triggered based on a predetermined threshold of loan to collateral ratios; whereby the collateral valuation falls short of the related loan or repo amounts;
- The latest external ratings of issuers of debt securities or debt securities themselves are in default grade;
- The debtor, issuer, borrower or counterparty is in significant financial difficulty;
- An active market for that financial asset has disappeared because of debtor’s financial difficulties;
- Concessions have been made by the Company relating to the debtor, issuer, borrower or counterparty’s financial difficulty;

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

Definition of default and credit impairment (Continued)

- It is becoming probable that the debtor, issuer, borrower, or counterparty will enter bankruptcy or undertake a financial restructuring, etc.

When a financial asset is considered to be credit-impaired, it may be the result of multiple events, not due to a separately identifiable event.

In summary, the "three-stage" classification criteria for securities financing business is:

– Securities financing business with collateral to loan ratios above the force liquidation thresholds and those past due for no more than 30 days are classified under Stage 1.

– Securities financing business with collateral to loan ratios fall below the pre-determined force liquidation thresholds but above 100%; or those past due for more than 30 days but no more than 90 days are classified under Stage 2.

– Securities financing business with collateral to loan ratios fall below 100%; or those past due for more than 90 days are classified under Stage 3.

Forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical data analysis and identified the key economic variables impacting credit risk and ECL for each financial instrument portfolio. Key economic variables mainly include the growth rate of Domestic Gross Domestic Product (GDP), Producer Price Index (PPI) and the Interest Rate of Renminbi Loans. Regression analysis has been performed to determine the relationships between these economic variables and macro factors. The Company forecasts the economic variables under different economic scenarios and applies them in the measurement of PD with Merton Model.

In addition to the base economic scenario, the Company's Expert team also provided other possible scenarios along with scenario weightings. The number of other scenarios used is set based on an analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each financial statement date.

At 30 June 2020 and 31 December 2019, for all portfolios the Company concluded that three scenarios appropriately captured non-linearities of key economic variables. The scenario weightings are determined by a combination of statistical analysis and expert judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

Forward-looking information (Continued)

The assessment of SICR is performed using the Lifetime PD under each of the base and other scenarios multiplied by the associated scenario weighting, as well as qualitative criteria, quantitative criteria and upper limit. The Group measures ECL as either a probability weighted 12-month ECL or a probability weighted lifetime ECL. These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

As at 30 June 2020, the company updated relevant economic indicators for forward-looking measurement based on the latest economic forecasts. As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes as at the financial statement date.

Sensitivity analysis

The allowance for credit losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, weighting applied to economic scenarios and other factors considered when applying expert judgement. Changes in these inputs, assumptions and judgements are likely to have an impact on the measurement of ECLs.

As mentioned above, the Company adopts three scenarios for all portfolios, being the optimistic scenario, base scenario and pessimistic scenario. A sensitivity analysis was applied to these scenarios as at 30 June 2020 and 31 December 2019 and the results were as follows:

(i) The incremental impact on the ECL allowance of applying the probability weighted scenarios was no more than a 5% deviation from the base ECL scenario.

(ii) The decremental impact on the ECL allowance of increasing the weighting applied to the optimistic scenario by 10% and a corresponding reduction of 10% weighting applied to the base scenario was no more than 5% of the ECL allowance.

(iii) The incremental impact of shifting 10% of the weighting from the base case scenario to the pessimistic scenario was no more than 5% of the ECL allowance.

Meanwhile, the Company also uses sensitivity analysis to monitor the impact of changes to the credit risk classification of financial assets on ECL. As at 30 June 2020 and 31 December 2019，assuming there was no SICR since initial recognition, and all the financial assets in Stage 2 were moved to Stage 1, the decremental impact on ECL allowance recognized in financial statements would be less than 5%.

(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

Collateral and other credit enhancements

The Company employed a range of policies and credit enhancements to mitigate credit risk exposure to an acceptable level. The most common of these is accepting collateral for funds advanced or guarantee. The Company determined the type and amount of collateral according to the credit risk evaluation of counterparties. The collateral under margin financing and reverse repurchase agreements is primarily stocks, debt securities, funds etc. The management would test the market value of collateral periodically, and send margin calls according to related agreements, also monitor the market value fluctuation of collaterals when reviewing the measurement of the loss allowance.

Impairment provision of securities financing business

As at 30 June 2020, the percentage of impairment provision applied by the Company on securities financing business under the Stage 1, Stage 2 and Stage 3 were 0.40%，0.87% and 50.80%, respectively(31 December 2019: 0.23%, 1.35% and 50.08%).

Credit risk exposure analysis

As at 30 June 2020 and 31 December 2019, the credit quality of the Group's financing exposures to customers was in good condition and over 90% of the securities financing business of the Group were with collateral to loan ratios no lower than the force liquidation thresholds. High threshold of margin loans to collateral ratios indicated that PD was low. For debt securities investments, the Group employed open market credit ratings. Majority of the Group's debt securities investments were rated as investment grade (AA) or above according to China Lianhe Credit Rating Co.,Ltd.

The Group's maximum exposure to credit risk without taking into account of any collateral and other credit enhancements:

	30 June 2020	31 December 2019
Margin accounts	**34,066,576**	27,806,140
Financial assets at fair value through profit or loss	**101,647,937**	79,179,041
Financial assets at fair value through other comprehensive income	**35,412,652**	32,430,035
Derivative financial assets	**1,266,305**	955,450
Financial assets held under resale agreements	**18,319,349**	21,118,756
Refundable deposits	**4,338,483**	2,793,611
Cash held on behalf of clients	**67,994,776**	52,695,657
Deposits in banks	**20,891,747**	47,221,032
Others	**4,661,455**	2,399,811
Total maximum credit risk exposure	**288,599,280**	266,599,533

(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

	30 June 2020			
	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
ECL	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
Margin accounts				
Carrying amount	34,133,725	9,820	1,095,942	35,239,487
Loss allowance	(92,123)	(74)	(1,080,714)	(1,172,911)
Book value	34,041,602	9,746	15,228	34,066,576
Financial assets held under resale agreements				
Carrying amount	16,364,329	1,029,615	1,119,219	18,513,163
Loss allowance	(80,059)	(8,918)	(104,837)	(193,814)
Book value	16,284,270	1,020,697	1,014,382	18,319,349
Including: stock-pledged repurchase business				
Carrying amount	9,179,811	1,029,615	1,119,219	11,328,645
Loss allowance	(79,526)	(8,918)	(104,837)	(193,281)
Collateral	42,179,023	2,738,979	1,516,407	46,434,409
Financial assets at fair value through other comprehensive income				
Book value	35,405,631	3,914	3,107	35,412,652
Loss allowance	(97,296)	(248)	(19,656)	(117,200)

(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

	31 December 2019			
	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
ECL	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
Margin accounts				
Carrying amount	27,766,695	8	1,187,786	28,954,489
Loss allowance	(67,013)	(1)	(1,081,335)	(1,148,349)
Book value	27,699,682	7	106,451	27,806,140
Financial assets held under resale agreements				
Carrying amount	19,835,841	374,703	1,005,091	21,215,635
Loss allowance	(27,466)	(5,075)	(64,338)	(96,879)
Book value	19,808,375	369,628	940,753	21,118,756
Including: stock-pledged repurchase business				
Carrying amount	13,649,571	374,703	1,005,091	15,029,365
Loss allowance	(26,862)	(5,075)	(64,338)	(96,275)
Collateral	47,569,964	992,840	1,594,753	50,157,557
Financial assets at fair value through other comprehensive income				
Book value	32,422,774	4,764	2,497	32,430,035
Loss allowance	(10,514)	(1,558)	(15,366)	(27,438)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

The movements of loss allowance are mainly affected by:

– Increases are primarily attributable to new financial instruments recognized, changes in PD and LGD affected by market changes and the resulted movements amongst Stage 1, Stage 2 and Stage 3;

– Reverses includes the reversal caused by the redemption or disposal of financial assets, the impact of changes in model parameters and assumption;

– Transfers between stages due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired, and the corresponding measurement basis changes between the 12-month (12M) or the Lifetime basis; and

– Foreign exchange and other movements include changes in foreign exchange translations for assets denominated in foreign currencies and other movements.

The Group's credit risk exposure of financial instruments for which an ECL allowance is recognized as follows according to the stage of ECL:

(i) Credit loss allowance for margin accounts

	Stage of ECL			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	**Lifetime ECL**	**Lifetime ECL (Credit-impaired)**	
1 January 2020	**67,013**	**1**	**1,081,335**	**1,148,349**
Increases	**52,681**	**49**	**–**	**52,730**
Reversals	**(27,442)**	**(108)**	**(2,562)**	**(30,112)**
Write – offs	**–**	**–**	**(430)**	**(430)**
Transfer:				
Stage 1 to stage 2	**(133)**	**133**	**–**	**–**
Stage 2 to stage 1	**1**	**(1)**	**–**	**–**
Foreign exchange and other movements	**3**	**–**	**2,371**	**2,374**
30 June 2020	**92,123**	**74**	**1,080,714**	**1,172,911**

(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

(i) Credit loss allowance for margin accounts (Continued)

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2019	88,946	5,485	1,104,693	1,199,124
Increases	35,172	–	194,335	229,507
Reversals	(57,194)	(5,165)	(220,351)	(282,710)
Write – offs	–	–	–	–
Transfer:				
Stage 1 to stage 3	(238)	–	238	–
Stage 2 to stage 1	319	(319)	–	–
Stage 3 to stage 1	5	–	(5)	–
Foreign exchange and other movements	3	–	2,425	2,428
31 December 2019	67,013	1	1,081,335	1,148,349

(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

(ii) Credit loss allowance for financial assets held under resale agreements

	Stage of ECL			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	**Lifetime ECL**	**Lifetime ECL (Credit-impaired)**	
1 January 2020	**27,466**	**5,075**	**64,338**	**96,879**
Increases	**71,132**	**7,791**	**62,220**	**141,143**
Reversals	**(16,980)**	**(470)**	**(26,768)**	**(44,218)**
Write – offs	**–**	**–**	**–**	**–**
Transfer:				
Stage 1 to stage 2	**(1,181)**	**1,181**	**–**	**–**
Stage 1 to stage 3	**(388)**	**–**	**388**	**–**
Stage 2 to stage 3	**–**	**(4,659)**	**4,659**	**–**
Foreign exchange and other movements	**10**	**–**	**–**	**10**
30 June 2020	**80,059**	**8,918**	**104,837**	**193,814**

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2019	48,389	51,546	19,661	119,596
Increases	15,964	3,818	34,156	53,938
Reversals	(32,892)	(23,498)	(20,277)	(76,667)
Write – offs	–	–	–	–
Transfer:				
Stage 1 to stage 2	(1,414)	1,414	–	–
Stage 1 to stage 3	(4,220)	–	4,220	–
Stage 2 to stage 3	–	(26,578)	26,578	–
Stage 2 to stage 1	1,627	(1,627)	–	–
Foreign exchange and other movements	12	–	–	12
31 December 2019	27,466	5,075	64,338	96,879

(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

(iii) Credit loss allowance for financial assets at fair value through other comprehensive income

	Stage of ECL			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	**Lifetime ECL**	**Lifetime ECL (Credit-impaired)**	
1 January 2020	**10,514**	**1,558**	**15,366**	**27,438**
Increases	**90,949**	**–**	**3,128**	**94,077**
Reversals	**(4,193)**	**(148)**	**–**	**(4,341)**
Write – offs	**–**	**–**	**–**	**–**
Transfer:				
Stage 2 to stage 3	**–**	**(1,162)**	**1,162**	**–**
Foreign exchange and other movements	**26**	**–**	**–**	**26**
30 June 2020	**97,296**	**248**	**19,656**	**117,200**

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2019	7,978	1,227	1,005	10,210
Increases	9,169	1,160	14,358	24,687
Reversals	(6,602)	(831)	–	(7,433)
Write – offs	–	–	–	–
Transfer:				
Stage 1 to stage 2	(2)	2	–	–
Stage 1 to stage 3	(3)	–	3	–
Foreign exchange and other movements	(26)	–	–	(26)
31 December 2019	10,514	1,558	15,366	27,438

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.2 Liquidity risk

Liquidity risks refer to the risks that the Company is unable to acquire sufficient funds in a timely manner at a reasonable cost, in response to repay due debts, fulfill other payment obligations and meet other funding needs during normal course of business.

The Company has established clear decision-making levels, authority delegation and risk control rules and procedures, and clearly defined the roles and responsibilities of the Board of Directors, executive management and business departments in liquidity risk management. The Company has established strict rules and procedures for managing its own funds and requires strict compliance with these rules and procedures in taking debts, providing guarantees and making investments; it also sets liquidity risk limits and conducts daily and monthly liquidity position analyses to manage liquidity movements. For effective management of market liquidity risk of its securities portfolios, the Company has implemented securities centralization management for securities investment and financing activities, and has adopted credit rating criteria for fixed-income securities investments. The Company also calculates liquidity coverage ratio and net stable funds ratio as per regulatory requirements and all indicators fall within the safety zone.

The Asset and Liability Management Committee is responsible for organizing and managing the asset and liability allocation plan of the Company, reviewing and approving the internal valuation interest rate of capital and emergency plans for liquidity risk. The Company established the Treasury Operations Department to initiate the management of the liquidity of its proprietary funds, accounting for expanding mid- and long-term stable funding channels, reasonably adjusting the asset allocation among various business lines, and steadily optimizing its assets and liabilities structure. The Company has improved its daily practice for liquidity risk management and control mechanism with the assistance of classified liquidity reserve system, refining internal funds transfer pricing (FTP) system, as well as establishing and optimizing liquidity emergency plans and stress tests. In addition, during the six months ended 30 June 2020, the Company issued various medium and long-term debt financing instruments, such as corporate bonds, to maintain sufficient liquidity reserve, improve emergency plans for liquidity risk, and ensure liquidity risk under control.

(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.2 Liquidity risk (Continued)

The maturity profile of the financial liabilities as at the end of the reporting period/year, based on their contractual undiscounted payments, is as follows:

	30 June 2020					
	Overdue/ repayable on demand	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Accounts payable to brokerage clients	**70,637,157**	**–**	**–**	**–**	**–**	**70,637,157**
Lease liabilities	**–**	**112,804**	**244,304**	**657,359**	**28,321**	**1,042,788**
Derivative financial liabilities	**1,424,943**	**1,389**	**74**	**50**	**–**	**1,426,456**
Financial liabilities at fair value through profit or loss	**–**	**183,692**	**101,599**	**541,195**	**–**	**826,486**
Financial assets sold under repurchase agreements	**–**	**65,963,790**	**4,414,880**	**–**	**–**	**70,378,670**
Placements from banks and other financial institutions	**–**	**8,499,781**	**–**	**–**	**–**	**8,499,781**
Short-term borrowings	**–**	**1,736,638**	**–**	**–**	**–**	**1,736,638**
Short-term financing instruments payable	**–**	**22,255,346**	**814,675**	**–**	**–**	**23,070,021**
Bonds in issue	**–**	**430,928**	**1,068,900**	**40,438,328**	**–**	**41,938,156**
Others*(i)*	**7,473,962**	**14,307,989**	**8,050,352**	**3,818**	**596**	**29,836,717**
Total	**79,536,062**	**113,492,357**	**14,694,784**	**41,640,750**	**28,917**	**249,392,870**
Cash flows from derivative financial liabilities settled on a net basis	**1,424,943**	**1,389**	**74**	**50**	**–**	**1,426,456**
Gross-settled derivative financial liabilities	**–**	**–**	**–**	**–**	**–**	**–**
Contractual amounts receivable	**–**	**–**	**–**	**–**	**–**	**–**
Contractual amounts payable	**–**	**–**	**–**	**–**	**–**	**–**

(i) Others mainly include bonds in issue with maturity within one year and accounts payable to underwriting clients.

(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.2 Liquidity risk (Continued)

The maturity profile of the financial liabilities as at the end of the reporting period/year, based on their contractual undiscounted payments, is as follows (Continued):

	31 December 2019					
	Overdue/ repayable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Accounts payable to brokerage clients	54,625,736	–	–	–	–	54,625,736
Lease liabilities	–	135,110	238,789	730,122	63,563	1,167,584
Derivative financial liabilities	759,681	1,450	313	128	–	761,572
Financial liabilities at fair value through profit or loss	–	842,773	283,754	–	–	1,126,527
Financial assets sold under repurchase agreements	–	52,701,156	2,944,771	–	–	55,645,927
Placements from banks and other financial institutions	–	9,265,754	–	–	–	9,265,754
Short-term borrowings	–	889,352	–	–	–	889,352
Short-term financing instruments payable	–	16,054,406	1,509,107	–	–	17,563,513
Bonds in issue	–	220,000	1,224,568	35,560,221	–	37,004,789
Others	20,694,121	10,169,078	19,458,764	10,286	–	50,332,249
Total	76,079,538	90,279,079	25,660,066	36,300,757	63,563	228,383,003
Cash flows from derivative financial liabilities settled on a net basis	759,681	823	262	128	–	760,894
Gross-settled derivative financial liabilities	–	627	51	–	–	678
Contractual amounts receivable	–	–	–	–	–	–
Contractual amounts payable	–	627	51	–	–	678

(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.2 Liquidity risk (Continued)

The table below analyzes the Group's lease agreements, which were committed as at 30 June 2020 and 31 December 2019 but not commenced into the relevant maturity groupings based on their contractual maturities:

	30 June 2020				
	Less than 1 year	**1 to 2 years**	**2 to 5 years**	**More than 5 years**	**Total**
Lease liabilities	**4,906**	**3,612**	**3,566**	**–**	**12,084**

	31 December 2019				
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Lease liabilities	7,109	7,109	20,133	6,865	41,216

49.3 Market risk

Market risk represents risk of fluctuations in fair values or future cash flows of financial instruments due to movements in market prices. Market risks primarily include stock price risk, interest rate risk, foreign exchange rate risk, and other price risks.

For market risks, the Company has established a sound risk management organizational structure and built risk management processes that enables end-to-end coverage of investment activities before, during and after making the investments, with risk limits applied to every investment. The Company annually reviews and approves risk limits for the Company as well as each and every proprietary business lines, including exposure limits, stop-loss limits, VaR limits, sensitivity index limit and stress testing limits, and charges the Risk Management Department to monitor and supervise their implementation and compliance. The Company has adopted daily mark-to-market practices, and implemented stop-loss procedures commensurate with its trading strategies. On a regular basis, the Company assesses the risk tolerance of its proprietary business lines, the effectiveness of its risks and the income level after risk adjustments, and includes the assessment results in the performance evaluation of these business lines. The Company makes on-going efforts to improve its proprietary business management system, including automated controls over relevant limit indicators.

During the six months ended 30 June 2020, the overall scale of the Company's proprietary business increased to achieve better investment income, with market risk effectively controlled within the scope of various risk limit indicators.

(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.3 Market risk (Continued)

(1) Value at risk (VaR)

The Company adopts VaR as a tool to measure the market risk of its entire securities investment portfolio comprising different types and varieties of financial instruments. VaR is a method that estimates the maximum possible loss on the portfolio due to movements in market interest rates or securities prices over a specified time period and within a given confidence level.

The VaR of the Company's investment portfolio is calculated using the portfolio's historical data information. Although VaR analysis is a key instrument for measuring market risk, it has to rely on historical data and relevant information, and accordingly, it has certain inherent limitations so that it may not accurately predict the future changes of risk factors and in particular, cannot effectively reflect the risk under extreme market conditions. As a supplementary measure, the Company implements daily and specific stress tests to assess the impact on extreme adverse movements in risk indicators to the net capital of the Company and the profit and loss on proprietary portfolio and proposes emergency plans with relevant recommendations and measures accordingly.

Consistent with its internal risk management policy and comparable with peers, the Group's VaR was computed at a confidence level of 95% and with a holding period of 1 trading day. The Group's VaR analysis by risk categories is summarized as follows:

	30 June 2020	31 December 2019
Equity price-sensitive financial instruments	**176,684**	166,277
Interest rate-sensitive financial instruments	**126,023**	116,813

In addition, for the purpose of maintaining market stability, the Company made contributions to a special account solely managed by China Securities Finance Corporation Limited and agreed with other investing securities companies to share risks and returns on the investments in proportion to their respective contributions. This investment is also exposed to market risks, but since it is impossible to accurately estimate the exposure, it is not included in the VaR calculation above.

(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.3 Market risk (Continued)

(2) Interest rate risk

Interest rate risk represents the risk of losses to the fair values or future cash flows of financial instruments due to adverse movements in market interest rates. The Company's interest rate risk primarily comes from the interest rate-sensitive financial instruments whose fair values are subject to changes due to adverse movements in market interest rates.

The Company primarily uses interest rate sensitivity analysis to monitor its interest rate risk. Sensitivity analysis measures the impact of fair value changes of financial instruments held at the year-end on the Company's total revenue and total equity when reasonable and possible changes occur to interest rates, assuming all other variables remain the same and market interest rates shift in a parallel manner and does not consider any risk management actions that the management may take to reduce its interest rate risk.

Interest rate sensitivity analysis of are as follows:

Sensitivity to revenue	**30 June 2020**	31 December 2019
Change in basis points		
+25 basis points	**(387,317)**	(303,623)
– 25 basis points	**391,091**	305,685

Sensitivity to equity	**30 June 2020**	31 December 2019
Change in basis points		
+25 basis points	**(220,672)**	(267,953)
– 25 basis points	**223,084**	273,987

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.3 Market risk (Continued)

(3) Foreign currency rate risk

With respect to foreign exchange rate risk, the Group's foreign-currency-denominated assets and liabilities represent only a small portion in its entire assets and liabilities portfolio. As at 30 June 2020, the foreign exchange net exposure was approximately RMB1,723 million (31 December 2019: RMB1,621 million). The Group manages its foreign exchange rate risk by limiting the size of its foreign-currency-denominated assets and liabilities and setting stop-loss limits for proprietary investments by its overseas subsidiaries. The majority of its income-generating business activities under the current structure are conducted in Renminbi, with only a small portion denominated in foreign currencies. Given the small portion of the foreign-currency-denominated businesses in both its assets and liabilities portfolio and income structure, the Group believes that its foreign exchange rate risk has an insignificant impact on its current operations.

(4) Other price risks

Other price risks refer to risks of fair value decline to the Group's investment portfolio due to fluctuations in market prices other than stock prices, interest rates, and foreign exchange rates, including primarily commodity prices. The Group's investment portfolio primarily comprises equity securities and their derivative instruments as well as fixed income businesses. Other market price-related businesses include gold trading and commodity derivatives trading where the Group primarily focuses on providing liquidity services and arbitrage trading. The size of its portfolio represents a very small portion of the Group's portfolio and a negligible risk exposure. Accordingly, the Group believes that the other price risks do not have a significant impact on the Group's current operations.

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.4 Capital management

The Group's objectives of capital management are:

- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for equity holders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Administrative Measures") and Calculation Standards for Risk Control Indicators of Securities Companies (the "Calculation Standards") issued by the CSRC in 2016 and 2020, respectively, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The risk coverage ratio shall be no less than 100%;
- The capital leverage ratio shall be no less than 8%;
- The liquidity coverage ratio shall be no less than 100%;
- The net stable funding ratio shall be no less than 100%;

Risk coverage ratio = net capital/sum of various risk capital provisions x 100%,

Capital leverage ratio = core net capital/total asset on-/off-balance-sheet x 100%,

Liquidity coverage ratio = high quality liquid assets/net cash outflow in 30 days x 100%,

Net stable funding ratio = available amount of stable funding/required amount of stable funding x 100%.

Core net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Calculation Standards.

In March 2020, the Company received a Notice on the Matters about the Pilot of Consolidated Risk Control and Monitoring from CSRC (Notice of Department of Institutions (2020) No. 663), which allowed the Company to officially participate in the pilot of consolidated risk control and to implement differentiated calculation standards for risk control indicators.

50 EVENTS AFTER THE REPORTING PERIOD

(1) Issuance of commercial papers

a In July 2020, the Company publicly issued a 91-day commercial paper ("20 CSC CP010") with a face value of RMB4 billion at a fixed annual rate of 2.55%. The non-guaranteed commercial paper pays principal and interest at maturity.

b In August 2020, the Company publicly issued a 91-day commercial paper ("20 CSC CP011") with a face value of RMB4 billion at a fixed annual rate of 2.60%. The non-guaranteed commercial paper pays principal and interest at maturity.

(2) Issuance of corporate bonds

a In July 2020, the Company publicly issued a 3-year corporate bond ("20 Xintou G4") with a face value of RMB3 billion at a fixed annual rate of 3.55%. The non-guaranteed corporate bond pays non-compounding interest annually.

b In July 2020, the Company publicly issued a corporate bond with a face value of RMB6 billion, and the bond comprises two components, namely "20 Xintou S2" and "20 Xintou G5". "20 Xintou S2", with a maturity of 1 year, a face value of RMB1.5 billion and a fixed annual rate of 2.90%, pays principal and interest in a lump sum at maturity. "20 Xintou G5", with a maturity of 3 years, a face value of RMB4.5 billion and a fixed annual rate of 3.46%, pays non-compounding interest annually. This fixed-rate corporate bond is not guaranteed.

(3) Issuance and the first drawdown of the overseas guaranteed medium-term notes established by an indirect wholly-owned subsidiary of the Company

a In July 2020, CSCIF Asia Limited, an indirect wholly-owned subsidiary of the Company, established an overseas guaranteed medium-term notes program (the "MTN Program") with a total principal of up to USD3 billion (or an equivalent amount in other currencies). CSCIF Asia Limited completed the first drawdown under the MTN program in August 2020, with a maturity of 5 years, a face value of USD0.5 billion, a fixed annual rate of 1.75% and non-compounding interest paid semi-annually. The Company has committed to provide unconditional and irrevocable guarantee for the bond.

中信建投証券股份有限公司
CSC FINANCIAL CO., LTD.