

# 恒投证券

**HENGTOU SECURITIES**

(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English))

Stock Code: 1476

**2021**  
**INTERIM REPORT**

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# Important Notice

The Board, Supervisory Committee, Directors, Supervisors and senior management of the Company warrant that the contents of this report are true, accurate and complete without any false representation, misleading statement or material omission, and assume several and joint liability in respect thereof.

This report has been considered and approved at the ninth meeting of the fourth session of the Board and the ninth meeting of the fourth session of the Supervisory Committee where all the Directors and Supervisors were present, respectively. None of the Directors, Supervisors or senior management of the Company has declared that they could not guarantee or had any objection to the truthfulness, accuracy and completeness of this report.

The interim financial information for the six months ended 30 June 2021 is prepared by the Company in accordance with the International Financial Reporting Standards, and has been reviewed by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. All amounts set out in this report are stated in RMB unless otherwise stated.

Mr. Wu Yigang (the acting chairman of the Board), Mr. Niu Zhuang (the president) and Mr. Sun Hang (the chief financial officer) declared that they warrant the truthfulness, accuracy and completeness of the interim financial information contained in this report.

The forward-looking statements including future plans and development strategies set out in this report do not constitute the Company's substantive commitment to investors. The investors are advised to pay attention to investment risks.

# Section I Definitions

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

APP	application, which generally refers to mobile applications
Articles of Association	the articles of association of the Company, as amended from time to time
Baotou Huazi	Baotou Huazi Industry Co., Ltd. (包頭華資實業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600191) and a substantial shareholder of the Company
Board	the board of directors of the Company
Company or Hengtou Securities	a company established as a limited liability company in the PRC on 28 December 1998 and converted into a joint stock company with limited liability under the PRC laws on 3 November 2008 under the corporate name “恒泰证券股份有限公司” (Hengtai Securities Co., Ltd), and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English) as approved by and registered with the Hong Kong Companies Registry on 27 April 2015, and whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange
Corporate Governance Code	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Director(s)	director(s) of the Company
Domestic Share(s)	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as paid-up in RMB
end of the Reporting Period	30 June 2021
Finance Street Capital	Beijing Finance Street Capital Management Centre (北京金融街資本運營中心), which holds 62.06% equity interest in Finance Street Investment and a subsidiary of SASAC Xicheng District
Finance Street Investment	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司), formerly known as Beijing Finance Street Construction Group Co., Ltd. (北京金融街建設集團), a subsidiary of SASAC Xicheng District and a shareholder of the Company
Finance Street Xihuan Properties	Beijing Finance Street Xihuan Properties Co., Ltd. (北京金融街西環置業有限公司), formerly known as Beijing Xihuan Properties Co., Ltd. (北京西環置業有限公司), a subsidiary of Finance Street Investment and a shareholder of the Company
FOF	Fund of Fund, a fund which is specially invested in other securities investment funds
GDP	Gross Domestic Product
Group	the Company and its subsidiaries

## Section I Definitions

H Share(s)	overseas listed foreign ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Hong Kong Stock Exchange
Hangzhou Ruisi	Hangzhou Ruisi Industrial Co., Ltd. (杭州瑞思實業有限公司), which holds 98.67% equity interest in Shaanxi Tianchen
Hengtai Capital	Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司), the 100% equity interest of which is held by the Company
Hengtai Changcai	Hengtai Changcai Securities Co., Ltd. (恒泰長財證券有限責任公司), the 100% equity interest of which is held by the Company
Hengtai Futures	Hengtai Futures Co., Ltd. (恒泰期貨股份有限公司), 80% and 20% equity interest of which are held by the Company and Hengtai Capital, respectively
Hengtai Pioneer	Hengtai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司), the 100% equity interest of which is held by the Company
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hongzhi Huitong	Beijing Hongzhi Huitong Industrial Co., Ltd. (北京鴻智慧通實業有限公司), a shareholder of the Company
Huarong Infrastructure	Beijing Huarong Infrastructure Investment Co., Ltd. (北京華融基礎設施投資有限責任公司), a subsidiary of Finance Street Investment and a shareholder of the Company
Huifa Investment	Tibet Dazi Huifa Technology Co., Ltd. (西藏達孜匯發科技有限公司), formerly known as Tibet Dazi Huifa Investment Co., Ltd. (西藏達孜匯發投資有限公司), and a shareholder of the Company
IPO	Initial Public Offering
Listing	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange on 15 October 2015
Listing Date	15 October 2015
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

## Section I Definitions

margin financing and securities lending	a collateral-backed operating activity in which securities firms provide clients with monies to buy listed securities or with listed securities for sale
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
NEEQ	National Equities Exchange and Quotations
New China Fund	New China Fund Management Co., Ltd. (新華基金管理股份有限公司), 58.62% equity interest of which is held by the Company
PRC or China	for the purpose of this report, the People's Republic of China (excluding Hong Kong, Macau Special Administration Region of the PRC and Taiwan)
Prospectus	the H Shares prospectus of the Company dated 30 September 2015
Reporting Period	the six months ended 30 June 2021
RMB	Renminbi, the lawful currency of China, the basic unit of which is Yuan
SASAC Xicheng District	The State-owned Assets Supervision and Administration Commission of Xicheng District People's Government of Beijing Municipality (北京市西城區人政府國有資產監督管理委員會), which holds 100% and 37.94% equity interest in each of Finance Street Capital and Finance Street Investment, respectively
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shaanxi Tianchen	Shaanxi Tianchen Technology Trading Co., Ltd. (陝西天宸科貿有限公司), which holds 97.67% equity interest in Hongzhi Huitong
stock pledged repurchase transaction	a transaction in which a qualified borrower pledges his shares or other securities held as collaterals to obtain financing funds from a qualified lender, and agrees to repay the funds on a future date to release the pledge
substantial shareholder(s)	has the meaning ascribed thereto under the Listing Rules
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Suzhou Bingtai	Suzhou Bingtai Trading Co., Ltd. (蘇州秉泰貿易有限公司), which holds 97% equity interest in Hangzhou Ruisi

## Section I Definitions

this report	the 2021 interim report of the Company
Tianfeng Securities	Tianfeng Securities Co., Ltd. (天風證券股份有限公司), a substantial shareholder of the Company
Tomorrow Holding	Tomorrow Holding Limited Company (明天控股有限公司), which holds approximately 54% equity interest in Baotou Huazi, one of the substantial shareholders of the Company
Wind Info	Wind Info Co., Ltd. (上海萬得信息技術股份有限公司), a joint stock company incorporated in the PRC with limited liability and a service provider of financial data, information and software, being a third party independent of the Company

# Section II Company Profile

## I. NAME OF COMPANY

Chinese name: 恒泰证券股份有限公司, being the corporate name in the PRC (carrying on business in Hong Kong as “恒投證券”)

English name: HENGTAI SECURITIES CO., LTD, being English translation of the corporate name in the PRC (carrying on business in Hong Kong as “HENGTOU SECURITIES”)

## II. BOARD OF DIRECTORS

### Executive Directors

Mr. Wu Yigang (*Acting Chairman, Vice Chairman*)

### Non-executive Directors

Mr. Yu Lei

Mr. Wang Linjing

Ms. Dong Hong

Ms. Gao Liang

### Independent Non-executive Directors

Dr. Lam Sek Kong

Mr. Xie Deren

Mr. Dai Genyou

### Special Committees of the Board

#### Strategy and Investment Committee

Mr. Yu Lei

Dr. Lam Sek Kong

#### Risk Control and Supervisory Committee

Mr. Wu Yigang

Mr. Dai Genyou

#### Audit Committee

Mr. Xie Deren (*Chairman of the Committee*)

Mr. Wang Linjing

Dr. Lam Sek Kong

#### Remuneration and Nomination Committee

Mr. Xie Deren (*Chairman of the Committee*)

Dr. Lam Sek Kong



## Section II Company Profile

### III. SUPERVISORY COMMITTEE

Mr. Guo Liwen (*Chairman of the Supervisory Committee*)  
Mr. Chen Feng  
Mr. Wang Hui

### IV. SECRETARY OF THE BOARD

Mr. Zhang Jingshun  
Tel: +86 10 8327 0999  
Fax: +86 10 8327 0998  
Email: zhangjingshun@cnht.com.cn  
Correspondence address: 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)

### V. JOINT COMPANY SECRETARIES

Mr. Zhang Jingshun, Ms. Leung Wing Han Sharon

### VI. AUTHORIZED REPRESENTATIVES

Mr. Wu Yigang, Ms. Leung Wing Han Sharon

### VII. HEAD OFFICE IN CHINA

Registered address: Manshishangdu Office and Commercial Complex, Hailaer East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region, the PRC (post code : 010051)  
Head office address: 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)  
Website: www.cnht.com.cn  
Email: dongban@cnht.com.cn

### VIII. PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong

### **IX. AUDITORS**

International accounting firm: Grant Thornton Hong Kong Limited  
Domestic accounting firm: Grant Thornton Certified Public Accountants

### **X. HONG KONG LEGAL ADVISOR**

Morgan, Lewis & Bockius

### **XI. H SHARE REGISTRAR**

Computershare Hong Kong Investor Services Limited

### **XII. STOCK CODE (H SHARES)**

01476

# Section III Summary of Accounting Data and Financial Indexes

## I. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEXES

(Unaudited accounting data and financial indexes set out in this report are prepared in accordance with the International Financial Reporting Standards)

Item	1 January 2021 to 30 June 2021	1 January 2020 to 30 June 2020	Increase/ (decrease) from last period
<b>Operating results (RMB'000)</b>			
Total revenue and other income	1,672,879	1,609,646	3.93%
Profit/(loss) before tax	(15,991)	152,583	(110.48%)
Profit/(loss) for the period – attributable to ordinary shareholders of the Company	(12,490)	138,928	(108.99%)
Net cash generated from/(used in) operating activities	(900,601)	2,593,285	(134.73%)
<b>Earnings per share (RMB/share)</b>			
Basic earnings/(losses) per share <sup>1</sup>	(0.0048)	0.0341	(114.08%)
Diluted earnings/(losses) per share <sup>1</sup>	(0.0048)	0.0341	(114.08%)
<b>Profitability index</b>			
Weighted average rate of return on net assets (%) <sup>2</sup>	(0.14)	1.03	Decreased by 1.17 percentage point
Item	30 June 2021	31 December 2020	Increase/ (decrease) from the end of last year
<b>Scale indicators (RMB'000)</b>			
Total assets	35,235,274	33,596,031	4.88%
Total liabilities	25,811,174	24,160,266	6.83%
Accounts payable to brokerage clients	12,044,754	11,392,900	5.72%
Equity attributable to ordinary shareholders and holders of perpetual capital securities	9,026,207	9,031,233	(0.06%)
<b>Total share capital (000 shares)</b>	<b>2,604,567</b>	2,604,567	0.00%
<b>Net assets per share attributable to ordinary shareholders<sup>3</sup> (RMB/share)</b>	<b>3.47</b>	3.47	0.00%
<b>Gearing ratio (%)<sup>4</sup></b>	<b>59.36</b>	57.50	Increased by 1.86 percentage point

## Section III Summary of Accounting Data and Financial Indexes

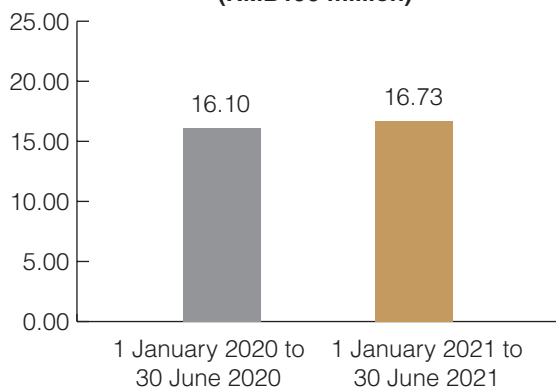
### I. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEXES (CONTINUED)

*Notes:*

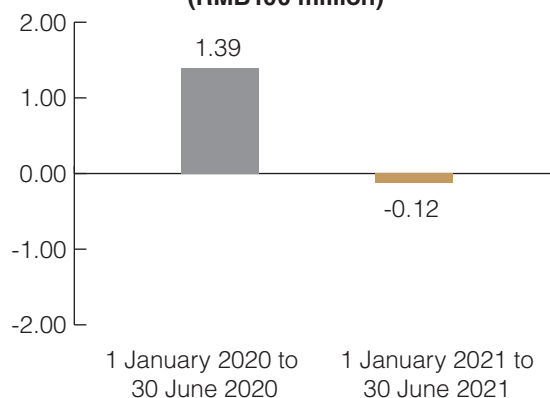
1. The index is calculated based on the assumption of deducting the dividends of the holders of cumulative perpetual capital securities.
2. Weighted average rate of return on net assets (%) =  $P / (E_o + P \div 2 + E_i \times M_i \div M_o - E_j \times M_j \div M_o)$ , in which P represents net profit attributable to ordinary shareholders of the Company during the Reporting Period;  $E_o$  represents net assets attributable to ordinary shareholders of the Company at the beginning of the period;  $E_i$  represents additional net assets from issuance of new shares or from debt to equity attributable to ordinary shareholders of the Company during the Reporting Period;  $E_j$  represents reduced net assets from repurchase or from cash dividend attributable to ordinary shareholders of the Company during the Reporting Period;  $M_o$  represents the number of months of the Reporting Period;  $M_i$  represents the accumulative number of months calculated from the month following the additional net assets to the end of the Reporting Period;  $M_j$  represents the accumulative number of months calculated from the month following the reduced net assets to the end of the Reporting Period.
3. Net assets per share attributable to ordinary shareholders = (equity attributable to ordinary shareholders and holders of perpetual capital securities – perpetual capital securities)  $\div$  total share capital.
4. Gearing ratio (%) = (total liabilities – account payables to brokerage clients) / (total assets – account payables to brokerage clients).

## Section III Summary of Accounting Data and Financial Indexes

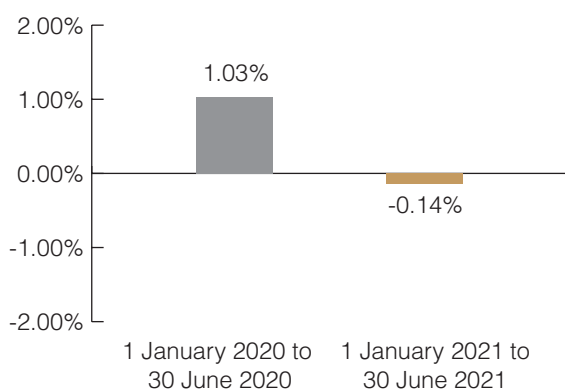
**Revenue and other income  
(RMB100 million)**



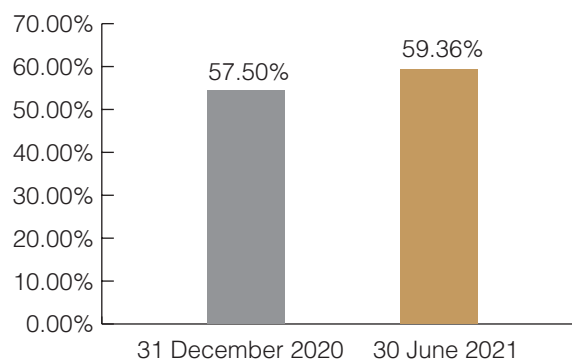
**Profit for the period – attributable to ordinary  
shareholders of the Company  
(RMB100 million)**



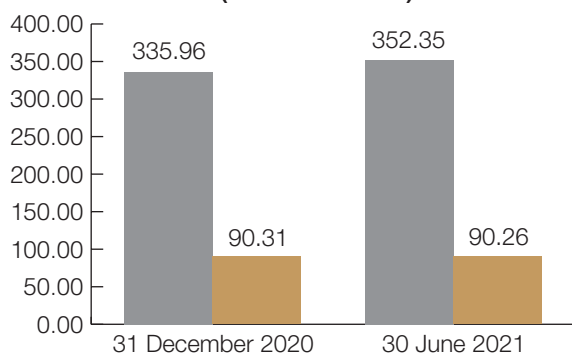
**Weighted average  
return on net assets**



**Gearing ratio**



**Scale indicators  
(RMB100 million)**



Total assets  
 Equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities

## Section III Summary of Accounting Data and Financial Indexes

### II. NET CAPITAL AND OTHER RISK CONTROL INDEXES OF THE COMPANY

As at 30 June 2021, the Company's net capital amounted to RMB7,389.49 million, representing an increase of RMB268.56 million as compared with RMB7,120.93 million as at the end of 2020. During the Reporting Period, the net capital and related risk control indexes of the Company met the regulatory requirements.

*Unit: in RMB'000*

Item	30 June 2021	31 December 2020	Regulatory standard
Net capital	<b>7,389,493</b>	7,120,928	N/A
Including: Net core capital	<b>6,289,493</b>	6,020,928	N/A
Net supplement capital	<b>1,100,000</b>	1,100,000	N/A
Net assets	<b>8,510,835</b>	8,389,860	N/A
Total risk capital provision	<b>3,270,197</b>	3,159,231	N/A
Total assets on and off statement of financial position	<b>21,213,294</b>	19,843,769	N/A
Risk coverage ratio	<b>225.96%</b>	225.40%	≥100%
Capital leverage ratio	<b>29.65%</b>	30.34%	≥8%
Liquidity coverage ratio	<b>1,664.55%</b>	1,181.45%	≥100%
Net stable funding ratio	<b>199.92%</b>	194.63%	≥100%
Net capital/net assets	<b>86.82%</b>	84.88%	≥20%
Net capital/liabilities	<b>59.04%</b>	63.12%	≥8%
Net assets/liabilities	<b>68.00%</b>	74.37%	≥10%
Proprietary equity securities and securities derivatives/net capital	<b>16.40%</b>	22.13%	≤100%
Proprietary non-equity securities and securities derivatives/net capital	<b>123.46%</b>	101.67%	≤500%

# Section IV Management Discussion and Analysis

## I. ECONOMIC AND MARKET ENVIRONMENT DURING THE REPORTING PERIOD

During the Reporting Period, the achievements in the overall planning of pandemic prevention and control, as well as economic and social development witnessed a continuous expansion and cement, and China's economic operation recovered in a continuous and stable manner, and also consolidated and improved. However, currently, the worldwide pandemic still keeps evolving, with amounting unstable and uncertain external factors existing, also, imbalance in the recovery of domestic economy. In the first half of 2021, GDP recorded a year-on-year increase of 12.7%, among which, a year-on-year increase of 18.3% and 7.9% for the first quarter and the second quarter, respectively. The contribution of added-value of the service industry to the economic growth reached 53%, representing an increase of 2.1 percentage points as compared to the first quarter. The proportion of the manufacturing industry increased, and the added-value of the manufacturing industry accounted for 27.9% of the GDP, representing an increase of 1.3 percentage point as compared to the same period last year. The driving force of consumption was enhanced, and the contribution of final consumption expenditure to economic growth reached 61.7%. The average growth rate of investments in high-tech industry and social sector for the two years was 14.6% and 10.7%, respectively. In the first half of 2021, the total financial resources grew moderately and the liquidity was reasonable and sufficient. The balance of broad monetary amounted to RMB231.78 trillion, representing a year-on-year increase of 8.6%, and the balance of social financing scale amounted to RMB301.56 trillion, representing a year-on-year increase of 11%.

During the Reporting Period, the major indexes in China's securities market staged a rebound following the fluctuations in the first quarter. In the first half of 2021, the Shanghai Stock Exchange Composite Index rose by 3.40%, the Shenzhen Stock Exchange Component Index rose by 4.78%, and the total trading volumes of stocks and funds on the Shanghai Stock Exchange and the Shenzhen Stock Exchange amounted to RMB115,732.186 billion. Among which, the total trading volumes of stocks and funds on the Shanghai Stock Exchange amounted to RMB54,899.531 billion, representing an increase of 39.52% as compared with the same period in 2020, and the total trading volumes of stocks and funds on the Shenzhen Stock Exchange amounted to RMB60,832.655 billion, representing an increase of 9.90% as compared with the same period in 2020. (Sources: websites of National Bureau of Statistics, The People's Bank of China, the Shanghai Stock Exchange and the Shenzhen Stock Exchange and Wind Info)

## II. ANALYSIS OF PRINCIPAL BUSINESSES

During the Reporting Period, the Group recorded revenue and other income of RMB1,672.88 million, representing an increase of 3.93% as compared with the same period of 2020, and a loss of RMB11.93 million, representing a decrease of 108.17% as compared with the same period of 2020.

### (I) Brokerage and Wealth Management Business

During the Reporting Period, the revenue and other income from brokerage and wealth management business amounted to RMB946.47 million, representing an increase of 26.18% as compared with the same period of 2020.

## Section IV Management Discussion and Analysis

### II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

#### (I) Brokerage and Wealth Management Business (Continued)

##### 1. Securities brokerage

During the Reporting Period, the Company, based on its “customer-centric” service concept, explored and established a digital operation and service system, increased investment in financial technology, promoted digital intelligent marketing and actively collaborated with various online and offline channels to enhance customer acquisition capability and customer service efficiency. In response to changes in market demand, the Company strengthened the investment advisory and product research system and made great efforts to develop comprehensive financial services so as to satisfy the increasingly diverse needs of customers, which has significantly improved customer experience. In terms of the management and supervision of the securities business department, in order to protect the interests of investors while enhancing the Company’s business, the Company has strengthened the compliance and risk management of the securities business department by increasing the number of compliance and risk control work force.

During the Reporting Period, the number of new accounts opened reached 347,400, and total number of clients reached 3,002,200, representing an increase of 12.73% as compared with the end of 2020. The total assets under custody for clients reached RMB159,802 million, representing an increase of 16.84% as compared with the end of 2020. The turnover of stocks and funds reached RMB995,938 million, representing an increase of 11.73% as compared with the same period of 2020, while the market share of stocks and funds was 0.4408%, representing a decrease of 6.37% as compared with the same period of 2020.

##### 2. Futures brokerage

During the Reporting Period, Hengtai Futures continued to build a professional market team, continued to enhance its private equity and public offering institution business, accelerated the expansion of financial institution business such as banks and brokerages, increased the reserve of institutional clients and promoted the implementation of new projects. It achieved a breakthrough in the variety and scale of market-making support business, applied the power of financial technology to continuously improve operational efficiency, and enhanced key indicators such as equity size, market share and revenue, adding 5,529 new clients.



## Section IV Management Discussion and Analysis

### II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

#### (I) Brokerage and Wealth Management Business (Continued)

##### 3. Wealth management

During the Reporting Period, the Company continued to be client-centric and continuously promoted the transformation of wealth management. It established a professional fund access system, created exclusive brands for investors, and guided its clients to make reasonable, professional and long-term investment. The Company vigorously promoted the allocation of securities company settlement-modded public offering themed funds, and deepened the concept of portfolio investment and long-term allocation; in terms of private funds, the Company implemented specialized product customization, to better serve the clients. During the Reporting Period, the Company sold 305 financial products and recorded sales of RMB8,010.61 million. As at the end of the Reporting Period, the existing size of its financial products was RMB15,187.79 million.

##### 4. Capital-based intermediary

During the Reporting Period, while strictly controlling margin financing and securities lending business risks, the Company further improved the construction of client credit investigation and credit extension system, focused on promoting the development of securities lending business, optimized the process and systematic functions of securities lending business, to meet the needs of high net worth clients in their securities lending business. As at the end of the Reporting Period, the balance of the margin financing and securities lending businesses amounted to RMB5,271.38 million, and the balance of stock pledged repurchase transaction amounted to RMB497.01 million.

##### 5. Asset custody

During the Reporting Period, the Company actively performed its custody responsibilities, made continuous investment in the construction of business system, continuously optimized and improved the business processes, and the custody business was moving in a smooth and orderly manner. As at the end of the Reporting Period, the Company provided custody services for 1,008 funds, fund services for 290 funds and fund raising supervision services for 386 funds. The total size of asset custody, fund services and fund raising supervision amounted to RMB149,192 million, representing an decrease of RMB20,345 million as compared with that at the end of 2020.

## Section IV Management Discussion and Analysis

### II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

#### (II) Investment Banking Business

During the Reporting Period, the revenue and other income from investment banking business amounted to RMB120.77 million, representing an increase of 32.06% as compared with the same period of 2020.

##### 1. Equity financing

During the Reporting Period, with further improvement of the supporting system for capital market, Hengtai Changcai continued to seize the opportunities brought about by the reform in capital market. Through retaining of core clients and solidifying of relationship with them, strong customer stickiness and a stable business scale developed in its mergers and acquisitions and restructuring, IPO, refinancing businesses. 1 IPO project was submitted for approval.

##### 2. Debt financing

During the Reporting Period, Hengtai Changcai completed 19 projects in which it served as lead underwriter and joint lead underwriter, with credit bond financing scale amounting to approximately RMB9,251 million, a significant growth as compared with the same period of 2020. Hengtai Changcai proactively grasped the industry trend, strengthened its internal management, strictly controlled project application, issuance and other key links, and performed strictly its responsibilities as intermediary of the projects. Hengtai Changcai successfully completed issuance projects at core business-conducting areas such as Jiangsu Province, Zhejiang Province, Shandong Province, Hunan Province, etc, and established industry-wide public reputation for further development of its business.

##### 3. NEEQ referral business

During the Reporting Period, there were 42 new listing projects in total in the NEEQ market, declining by 57.14% as compared with the same period in 2020 (data source: Oriental Fortune choice Financial Terminal). Overall, due to the impact by the COVID-19 pandemic, the market situation was still in the process of gradual recovery. In this situation, the NEEQ business adhered to the principles of risk control, quality improvement and efficiency enhancement, screened out projects subject to risks, cultivated high-quality projects, organized internal training and exchanges for many times to improve the personnel quality and working ability of the staff, actively and proactively promoted the business collaboration with other departments, and achieved preliminary results. During the Reporting Period, Hengtai Changcai completed 1 listing project, 7 targeted capital increase projects, and provided continuous steering services for 140 listed companies.

## Section IV Management Discussion and Analysis

### II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

#### (III) Investment Management Business

During the Reporting Period, the revenue and other income from investment management business amounted to RMB390.34 million, representing an increase of 24.34% as compared with the same period of 2020.

##### 1. Assets management

During the Reporting Period, the performance of the Company's collective management schemes with fixed returns ranked high among similar products in the industry during the same period and the equity-focused collective management schemes managed by the Company also recorded outstanding performance. During the Reporting Period, the Company planned for and developed FOF business and launched 3 new FOF products, which further enriched its asset management product line and increased the scale of the collective asset management business compared with the end of 2020. During the Reporting Period, the investment managers of the asset management business deeply communicated with customers through roadshow, online question and answer and live broadcasting, which improved the customer experience, expanded the sales team and sales channels, and laid a good foundation for the business development in the second half of 2021.

As at the end of the Reporting Period, the total size of asset management business was RMB26,257.85 million, of which the size of collective asset management schemes amounted to RMB3,288.49 million, the size of targeted asset management schemes amounted to RMB2,665.87 million, the size of the asset-backed securities special schemes amounted to RMB20,303.49 million.

As at the end of the Reporting Period, the numbers of subsisting products of the collective, targeted asset management schemes and the asset-backed securities special schemes were 45, 14 and 11, respectively.

##### 2. Fund management

During the Reporting Period, New China Fund kept enhancing its compliance management, leveling up risk management standard, implementing reforms of integration of investment and research, enhancing connectivity between investment and research and constantly improving its brand image, resulting in an overall improvement in the management standard of its middle and back offices and the steady development of its business. During the Reporting Period, New China Fund's overall yield of equity funds ranked among the top 1/3 in the industry. During the Reporting Period, New China Fund completed the fund raising of 3 fund products, with an initial offering in an aggregate amount of approximately RMB2,539 million.

As at the end of the Reporting Period, New China Fund had 52 publicly-raised funds with total management size amounting to RMB55,856 million, representing a year-on-year increase of RMB24,244 million or 76.69%. The size of asset management with special accounts reached RMB14,269 million, representing a year-on-year decrease of RMB12,952 million or 47.58%.

## Section IV Management Discussion and Analysis

### II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

#### (III) Investment Management Business (Continued)

##### 3. Private equity investment

During the Reporting Period, as required by the relevant regulatory authorities, Hengtai Capital continued to implement rectification. The signing of assets transfer agreements for 8 directly invested projects was completed, and the follow-up industrial and commercial registration of changes was being advanced; the final liquidation for 1 private fund was completed. In terms of new business, Hengtai Capital actively explored new business models with the partners, and new projects were in the process of development. As at the end of the Reporting Period, Hengtai Capital managed 7 private equity funds with a total size of RMB9,662.12 million.

##### 4. Alternative investment

During the Reporting Period, Hengtai Pioneer has conducted in-depth research on equity investment projects, added 10 new equity investment projects, and continuously strengthened the post-investment management while expanding the investment scale; continued to follow the investment in film funds; properly managed cash while maintaining the stable operation of the company. As at the end of the Reporting Period, Hengtai Pioneer invested in 22 directly invested projects with its own funds for an investment size of RMB786.22 million.

#### (IV) Proprietary Trading Business

During the Reporting Period, the revenue and other income from the proprietary trading business amounted to RMB189.56 million, representing a decrease of 52.91% as compared with the same period of 2020.

During the Reporting Period, the successive recovery of major global economies brought about the rotation of investment hotspots. The expectation of tightening monetary policy of the People's Bank of China tended to slow down. After the fluctuation in the first quarter, the stock market continued to differentiate, and the main indexes of the market fluctuated upward. In the second half of 2021, the Company will dynamically optimize the position structure, control the pace of investment, and explore investment opportunities in line with the development trend of the industry, so as to effectively improve the overall profitability.

## Section IV Management Discussion and Analysis

### II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

#### (IV) Proprietary Trading Business (Continued)

In terms of stock investment, there were rare targets with high certainty of performance growth, strong valuation digestion ability and excellent fundamentals, and the stock price had strong resilience. The Company adjusted the position allocation according to the market situation, and reduced the portfolio fluctuation risk by adjusting the position structure and hedging stock index futures. While dynamically maintaining the position of key varieties, the Company strengthened risk control and effectively controlled staged investment opportunities.

In terms of fixed income business, the macro fundamentals showed a pulse downward trend under the base effect. Under the background of stricter real estate regulation and weak infrastructure investment, the central bank still maintained reasonable and abundant liquidity, and the fundamentals and policies were relatively favorable to the bond market. The Company maintained a prudent investment strategy, actively allocated medium and short term credit bonds of medium and high grade, flexibly used interest rate derivatives and other tools to conduct interest rate band and related arbitrage transactions.

In terms of the share transfer market-making business, the NEEQ market tended to be improving with the implementation of various reform measures, so as its liquidity. In response to market changes, the Company has strengthened its research, and actively developed investment opportunities therein.

#### (V) International Business

During the Reporting Period, the Company continued to push ahead its international business, cooperated with international asset management companies to develop QDII index products, and continued to expand its global resource network based on its financial origin, with the original intention of serving customers, the orientation of satisfying customer needs and the drive of wealth management business.

## Section IV Management Discussion and Analysis

### III. PROSPECTS AND FUTURE PLANS

#### (I) Development Prospect of the Industry

The high-quality development of the securities industry has made good progress in recent years. The capacity to serve the real economy and investors has been continuously enhanced, the compliance and risk management system has been gradually improved, significant achievements have been made in fulfilling social responsibilities in the industry, and the construction of industrial culture has been put into practice. Currently, the formation of a new development pattern of dual-circulation, i.e., domestic circulation and international circulation, is accelerating, and the role of capital market is becoming increasingly prominent. China's capital market will become more standardized, transparent, open, dynamic and resilient. For the high quality development of the securities industry, we shall not only try to expand its scale, but also closely centre on the main responsibility and main business, to be more expert, excellent, refined and stronger. We need to firmly implement the new development concept, focus on the real economy to improve service capacity, adhere to the path of professional development, continue to strengthen the risk control capacity and compliance awareness, effectively enhance the effectiveness of corporate governance, and promote the construction of the culture in securities industry. In the future, the development of China's securities industry will present a trend of standardized operation, diversified business, application of science and technology and intensified competition. The securities companies need to improve their professional ability in the segmentation fields based on their own comparative advantages, and to create a new mode featuring high-quality and professional development, thus forming a differentiated and characteristic development pattern for the industry.

#### (II) Development Plan of the Company

With the deepening capital market reform, the development of the financial market will accelerate. In the face of intensified homogeneous competition in the securities industry, the Company needs to continue to promote business transformation, change the existing modes for business development and profitability, create our unique features and strengths in specific fields of expertise, so as to build up differentiated core competitive advantages. The Company will strengthen its governance over the subsidiaries in all respects, further constantly improving the compliance and risk control system, optimizing the construction of human resources system, comprehensively enhancing the information and operation security capability, so as to provide technical support for the smooth development of various businesses. For brokerage business, we will continue to focus on wealth management, uphold the service concept of "customer-centered", relying on the financial technology for precise positioning, to dig deeper into customer needs, and accelerate the transformation by virtue of data-driven and intelligence-driven engines; construct a professional fund access system, implement professional product customization, to create an exclusive brand of Hengtai for investors, guide its clients to make rationalized, professional, and long-term investment, and provide investors with more convenient and efficient financial services. The reform of the registration system will continue to drive the investment banking business to enter into an advanced stage of development, and the latter will continue to promote the establishment of the business philosophy of "market-oriented, professional, standardized and risk-minimized", continue to promote the strategy of talent introduction and innovative business development, adhere to the construction of a stable and efficient investment banking platform to provide clients with a comprehensive investment banking service. For asset management business, we will continue to be based on fixed-income businesses, focus on building a distinctive equity business, steadily expand the sales team, increase business coverage through channel expansion, continue to strengthen the construction of the investment and research system, accelerate investment and research output capabilities, and acquire quality clients with professional and comprehensive service solutions to achieve sustainable growth in business scale. As for proprietary business, we will strengthen prospective research on the macro economy and related policies, strengthening risk control while dynamically maintaining the holding of key product varieties, to effectively seize investment opportunities in stages, improve the flexibility of various asset allocations, and pay attention to the promotion of policies on transfer of listing of select companies and the investment opportunities.

## Section IV Management Discussion and Analysis

### IV. FINANCIAL STATEMENTS ANALYSIS

#### (I) Analysis on Profitability during the Reporting Period

During the Reporting Period, the Group recorded revenue and other income of RMB1,672.88 million, representing an increase of 3.93% as compared to the same period in 2020; net profit attributable to the shareholders of the Company amounted to RMB-12.49 million, representing a decrease of 108.99% as compared to the same period in 2020; earnings per share amounted to RMB-0.0048, representing a decrease of 114.08% as compared to the same period in 2020; and the weighted average return on net assets was -0.14%, representing a decrease of 1.17 percentage point as compared to the same period in 2020.

#### (II) Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB35,235.27 million, increased by 4.88% as compared to RMB33,596.03 million as at the end of 2020. Total liabilities amounted to RMB25,811.17 million, increased by 6.83% as compared to RMB24,160.27 million as at the end of 2020. Equity attributable to ordinary shareholders and holders of perpetual capital securities of the Company amounted to RMB9,026.21 million, decreased by 0.06% as compared with RMB9,031.23 million as at the end of 2020.

The Group's asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, the total assets of the Group comprised of: cash assets, which primarily included cash and bank balances (including cash held on behalf of brokerage clients), clearing settlement funds and refundable deposits, amounted to RMB14,493.30 million, representing 41.13% of the Group's total assets; margin assets, which primarily included margin accounts receivable, financial asset held under resale agreements and placements with a financial institution, amounted to RMB6,591.79 million, representing 18.71% of the Group's total assets; financial investment assets, amounted to RMB12,536.54 million, representing 35.58% of the Group's total assets; and property, equipment and other operating assets, which primarily included property, equipment, investment properties, intangible assets, rights-of-use assets, amounted to RMB1,613.64 million, representing 4.58% of the Group's total assets.

The Group's gearing ratio and financial leverage ratio remained relatively stable. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients amounted to RMB13,766.42 million, representing an increase of RMB999.05 million or 7.83% as compared with that at the end of 2020. The gearing ratio of the Group was 59.36%, increased by 1.86 percentage point from 57.50% as at the end of 2020 (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Financial leverage ratio was 2.57 folds, increased by 4.47% from 2.46 folds as at the end of 2020 (Note: financial leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to ordinary shareholders and holders of perpetual capital securities of the Company).

## Section IV Management Discussion and Analysis

### IV. FINANCIAL STATEMENTS ANALYSIS (CONTINUED)

#### (III) Financing Channels and Financing Ability

During the Reporting Period, the Company met its operating capital requirement through debt financing. Debt financing of the Company included the issuance of beneficiary certificates, and margin and securities refinancing.

During the Reporting Period, the Company raised accumulated proceeds of RMB2,200.00 million from issuance of beneficiary certificates. Meanwhile, the Company received comprehensive credit line with greater limit granted by several banks.

#### (IV) Liquidity Management

The Company pays attention to the liquidity management, and has established a specific department responsible for liquidity management. The Company's liquidity management focused on the organic combination of the security, liquidity and profitability of capital. As requested by the CSRC, the Company established sound management system and contingency measure for liquidity risk. The Company has prepared monthly liquidity monitor statement. The liquidity monitor index of the Company in each month throughout the Reporting Period complied with the regulatory requirements.

#### (V) Cash Flow

During the Reporting Period, net cash flow arising from operating activities amounted to RMB-900.60 million, decreased by RMB3,493.89 million from RMB2,593.29 million in the corresponding period of 2020; net cash flow arising from investment activities amounted to RMB70.10 million, increased by RMB1,679.57 million from RMB-1,609.47 million in the corresponding period of 2020; net cash flow arising from financing activities amounted to RMB900.69 million, increased by RMB2,161.12 million from RMB-1,260.43 million in the corresponding period of 2020. Cash and cash equivalents at the end of the Reporting Period amounted to RMB2,609.12 million, increased by RMB105.03 million from RMB2,504.09 million in the corresponding period in 2020.

#### (VI) Changes in Significant Accounting Policies

During the Reporting Period, there is no material change in the significant accounting policies of the Company.



## Section IV Management Discussion and Analysis

### V. BRANCHES AND SUBSIDIARIES

#### (I) Branch Offices and Securities Branches

As at the end of the Reporting Period, the Company had 2 branch offices and 122 securities branches.

##### 1. Establishment of securities branches and changes in securities branches

###### (1) Newly-established securities branches

None in the Reporting Period.

###### (2) Relocation of securities branches

During the Reporting Period, 8 securities branches of the Company were relocated, details of which are as follows:

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
1	Hengtai Securities Co., Ltd Qianguo Hasaer Road Securities Branch (恒泰证 券股份有限公司前郭哈薩爾 路證券營業部)	Hengtai Securities Co., Ltd Qianguo Hasaer Road Securities Branch <sup>1</sup> (恒泰证 券股份有限公司前郭哈薩爾 路證券營業部 <sup>1</sup> )	No.7, 1-2/F, No.70, Building 70, Phase III, Century New Town, Wenwuwei, Chagannaer Community, Hasaer Road, Qianguo County, Jilin (吉林省前 郭縣哈薩爾路查干淖爾社區文武 委世紀新城三期70幢70號1-2層7 號)
2	Hengtai Securities Co., Ltd Dalian Southwest Road Securities Branch (恒泰证 券股份有限公司大連西南路 證券營業部)	Hengtai Securities Co., Ltd Dalian Southwest Road Securities Branch <sup>1</sup> (恒泰证 券股份有限公司大連西南路 證券營業部 <sup>1</sup> )	No. 40, 17th Floor, No.25, Xinghe 2nd Street, Shahekou District, Dalian, Liaoning (遼寧省大連市 沙河口區星河二街25號17層40 號)
3	Hengtai Securities Co., Ltd Shenzhen Jintian Road Securities Branch (恒泰证 券股份有限公司深圳金田路 證券營業部)	Hengtai Securities Co., Ltd Shenzhen Fuhua First Road Securities Branch (恒泰证券股份有限公司深 圳福華一路證券營業部)	Unit 04, 25th Floor, China Life Building, 123 Fuhua 1st Road, Fu'an Community, Futian Street, Futian District, Shenzhen, Guangdong Province (廣東省深 圳市福田區福田街道福安社區福 華一路123號中國人壽大廈25樓 04單元)

## Section IV Management Discussion and Analysis

### V. BRANCHES AND SUBSIDIARIES (CONTINUED)

#### (I) Branch Offices and Securities Branches (Continued)

##### 1. Establishment of securities branches and changes in securities branches (Continued)

##### (2) Relocation of securities branches (Continued)

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
4	Hengtai Securities Co., Ltd Chaozhou Chengxinxi Road Securities Branch (恒泰证券股份有限公司潮州城新西路證券營業部)	Hengtai Securities Co., Ltd Chaozhou Xitai Avenue Securities Branch (恒泰证券股份有限公司潮州熙泰大道證券營業部)	Shop 13, Haibo Xitai Lihu Pavilion, Xitai Avenue, Shangpu Village, Chengxi Street, Xiangqiao District, Chaozhou, Guangdong (廣東省潮州市湘橋區城西街道上埔村熙泰大道海博熙泰麗湖閣13號商舖)
5	Hengtai Securities Co., Ltd Shenzhen Shennan Avenue Securities Branch (恒泰证券股份有限公司深圳深南大道證券營業部)	Hengtai Securities Co., Ltd Shenzhen Shennan Avenue Securities Branch <sup>1</sup> (恒泰证券股份有限公司深圳深南大道證券營業部 <sup>1</sup> )	1301, Jindi Center, 2007 Shennan Avenue, Gangxia Community, Futian Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區福田街道崗廈社區深南大道2007號金地中心1301)
6	Hengtai Securities Co., Ltd Erdos Dalad Banner Securities Branch (恒泰证券股份有限公司鄂爾多斯達拉特旗證券營業部)	Hengtai Securities Co., Ltd Erdos Kangbashi District Securities Branch (恒泰证券股份有限公司鄂爾多斯市康巴什區證券營業部)	No. A3-1014, Jinxin Shibo Plaza, No. 15, Shifu South Street, Kangbashi District, Erdos, Inner Mongolia (內蒙古自治區鄂爾多斯市康巴什區市府南街15號金信仕博廣場A3-1014號)
7	Hengtai Securities Co., Ltd Dongguan Dalang Meijing Middle Road Securities Branch (恒泰证券股份有限公司東莞大朗美景中路證券營業部)	Hengtai Securities Co., Ltd Dongguan Dongcheng Yingbin Road Securities Branch (恒泰证券股份有限公司東莞東城迎賓路證券營業部)	Room 175, 13 Dongcheng Yingbin Road, Dongcheng Street, Dongguan, Guangdong (廣東省東莞市東城街道東城迎賓路13號175室)
8	Hengtai Securities Co., Ltd Guangzhou Zhujiang East Road Securities Branch (恒泰证券股份有限公司廣州珠江東路證券營業部)	Hengtai Securities Co., Ltd Guangzhou Zhujiang East Road Securities Branch <sup>1</sup> (恒泰证券股份有限公司廣州珠江東路證券營業部 <sup>1</sup> )	Room 801 (Unit 03), No. 11 Zhujiang East Road, Tianhe District, Guangzhou, Guangdong Province (廣東省廣州市天河區珠江東路11號801室(部位：自編03單元))

Note:

1. Name of the securities branch remained unchanged after relocation.

## Section IV Management Discussion and Analysis

### V. BRANCHES AND SUBSIDIARIES (CONTINUED)

#### (I) Branch Offices and Securities Branches (Continued)

##### 1. Establishment of securities branches and changes in securities branches (Continued)

###### (3) Deregistration of securities branches

None in the Reporting Period.

##### 2. Establishment of new branch offices and changes in branch offices

None in the Reporting Period.

#### (II) Subsidiaries of the Company

During the Reporting Period, no change in the Company's major subsidiaries.

### VI. MAJOR FINANCING

#### (I) Equity Financing

None in the Reporting Period.

#### (II) Major Debt Financing

##### 1. Issue of beneficiary certificates

The Company raised an aggregate of RMB2,200 million through issue of beneficiary certificates during the Reporting Period. As at 30 June 2021, the outstanding balance of the beneficiary certificates amounted to RMB3.060 billion. The particulars of the issuance of beneficiary certificates of the Company during the Reporting Period are set out below:

Name	Size of the Issuance (RMB'00 million)	Interest rate	Term (days)	Issue date	Maturity date
Hengchuangtaifu No. 26	4.00	4.58%	305	22 January 2021	22 November 2021
Hengchuangtaifu No. 27	3.00	4.20%	186	18 March 2021	20 September 2021
Hengchuangtaifu No. 28	1.00	4.30%	214	18 March 2021	18 October 2021
Hengchuangtaifu No. 29	3.00	4.35%	364	19 March 2021	18 March 2022
Hengfu No. 31	1.00	4.20%	364	14 April 2021	13 April 2022
Hengchuangtaifu No. 30	6.00	4.65%	364	30 April 2021	29 April 2022
Hengchuangtaifu No. 31	4.00	4.65%	364	18 May 2021	17 May 2022

## Section IV Management Discussion and Analysis

### VI. MAJOR FINANCING (CONTINUED)

#### (II) Major Debt Financing (Continued)

##### 2. Issue of subordinated bonds by the Company

During the Reporting Period, the Company has not issued subordinated bonds. As at 30 June 2021, the outstanding balance of the subordinated bonds amounted to RMB1.6 billion.

##### 3. Issue of corporate bonds

During the Reporting Period, the Company has not issued corporate bonds. As at 30 June 2021, the outstanding balance of the corporate bonds amounted to RMB1.950 billion.

### VII. MAJOR INVESTMENT

None in the Reporting Period.

### VIII. USE OF PROCEEDS

On 15 October 2015, the Company raised total proceeds of HK\$1,767,316,320 through public issue of 450,846,000 H Shares on the Hong Kong Stock Exchange. The actual proceeds finally received by the Company (deducting the Listing related expenses and the amount directly transferred into the national treasury pool due to share selling by the selling shareholders (namely reduction of state-owned shares)) was RMB1,306,244,936.55 due to the impact arising from foreign exchange gains or losses, interest and other related fees.

The funds raised as specified in the Prospectus shall be used as the following purposes:

1. about 50% of the funds will be used for the Company's capital-based intermediary business, including margin financing and securities lending and stock pledged repurchase transaction business and for the development of online margin financing and securities lending and stock pledged repurchase transaction services.
2. about 30% of the funds will be used for the development of the NEEQ market-making business.
3. about 20% of the funds will be used for the development and enhancement of the internet-based finance business of the Company.

On 22 December 2017, the resolution in relation to "Change of the Use of Proceeds of the Company" was considered and approved at the 2017 first extraordinary general meeting of the Company to change the use of the remaining available proceeds for NEEQ market-making business and use RMB320 million thereof for the Company's capital-based intermediary business and replenishing working capital.

On 7 February 2020, the resolution in relation to the "Change of the Use of Proceeds of the Company" was considered and approved at the 2020 first extraordinary general meeting of the Company, pursuant to which it was approved to change the use of the remaining available proceeds and use all the balance to replenish the Company's working capital.

## Section IV Management Discussion and Analysis

### VIII. USE OF PROCEEDS (CONTINUED)

As of 31 December 2020, the remaining amount of proceeds available for use is RMB15,646,202.42. During the reporting period, the use of the remaining proceeds of the Company was detailed in the table below:

<b>Item</b>	<b>Available</b> <i>(RMB)</i>	<b>Utilized</b> <i>(RMB)</i>	<b>Unutilized</b> <i>(RMB)</i>	<b>Expected timeframe for full utilization</b>
Replenish the Company's working capital	15,646,202.42	15,646,202.42	0.00	N/A
Total	15,646,202.42	15,646,202.42	0.00	

The proceeds were used according to the intentions previously disclosed.

### IX. ACQUISITION OR DISPOSAL OF MATERIAL ASSETS, EXTERNAL GUARANTEE, MORTGAGE, PLEDGE AND MATERIAL CONTINGENT LIABILITIES

During the Reporting Period, there was no acquisition and disposal of the Company's material assets and business merger, nor any external guarantee, mortgage, pledge, material contingent liabilities that may affect the Company's financial position and operating results.

## Section IV Management Discussion and Analysis

### X. RISK MANAGEMENT

#### (I) Major Risks and Countermeasures relating to Operation of the Company

##### 1. Credit Risk

Credit risk is the possibility of loss caused by our counterparty's failure to perform a contract or a change in its credit rating or ability to perform. Credit risk of the Company is mainly generated from two aspects: (i) financing business such as margin financing and securities lending and stock pledged repurchase transaction; and (ii) proprietary credit bond and other investment business.

Credit risk from financing activities can be controlled by (i) determination of reasonable credit line which is managed through client suitability management, margin translation, daily mark to market, risk reminders and forced liquidation of client's positions upon credit investigation via the internal credit rating system; and (ii) conducting sufficient due diligence on the financier and analysis on the fundamentals of pledge target prior to the implementation of securities pledged projects to reasonably determine key risk factors including pledge rate and performance guarantee proportion, and maintaining constant risk monitoring over projects in performance to address problems once detected. Credit risks for investment business can be managed by establishing, internal rating, blacklist and whitelist, risk monitoring indicator limit and other measures.

##### 2. Market Risk

Market risk refers to risk of unexpected potential value losses of the financial assets held by the Company resulting from adverse changes in securities price, interest rate and exchange rate. In particular, risk of adverse price fluctuations refers to the risk that the stock market may fluctuate and cause the prices of stocks and other securities products to change, which may incur losses for the Company. Interest rate risk refers to the risk arising from changes in market interest rates and credit spread that could result in changes in the prices of bonds and other fixed-income securities. Exchange rate risk refers to possibility that the Company may incur losses due to changes in exchange rates during operating activities involving possession or use of foreign exchanges. Market risk of the Company mainly derives from proprietary businesses including equity securities investment, fixed income securities investment, financial derivatives investment and NEEQ market making business.

Market risk is mainly managed by the Company through implementation of limit management, securities pool system, daily mark to market, stress test, monitoring and warning, stop-loss and stop-profit, risk hedge, risk report and other systems and measures. Based on risk tolerance preferences, the Company sets the annual overall limits of market risk for proprietary businesses which are decomposed and assigned to the respective business departments level by level. The Company has established a market risk indicator system including Value at Risk (VaR), Basis Point Value (DV01) and Max Drawdown. The risk management department conducts a daily monitoring over the proprietary position risk and regularly carries out stress test to estimate the losses under extreme circumstances and timely make risk warning and urge relevant business department to handle it when the risk control indicator exceeds the warning threshold.

## Section IV Management Discussion and Analysis

### X. RISK MANAGEMENT (CONTINUED)

#### (I) Major Risks and Countermeasures relating to Operation of the Company (Continued)

##### 3. Liquidity Risk

Liquidity risk refers to risk where the Company fails to obtain sufficient funds in time at reasonable costs in order to repay mature debts, fulfill other payment obligations and satisfy the funding needs for carrying on normal business. The planning and financing department of the Company takes the lead in liquidity risk management. The Company constantly monitors Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and other liquidity risk control indicators and conducts semi-annual liquidity risk stress tests through which its liquidity risk level under the extreme circumstance is evaluated and the risk emergency plans are established. The Company has set threshold values for liquidity risk control indicators, and a risk warning will be sent to the relevant department of the Company once such threshold values are exceeded. The Company monitors and analyzes the matching of the Company's assets and liabilities from various time periods under both normal and stressed situations, the diversification and stability of the Company's capital resources, the capability of high-quality liquid assets and market liquidity and at the same time strengthens the management of the Company's liquidity during operating hours and makes reasonable arrangements for financing activities to maintain adequate intraday liquidity position.

##### 4. Compliance Risk

Compliance risk refers to the risk that securities fund management companies may be investigated for legal liabilities, subjected to regulatory measures, disciplinary actions, or suffers property loss or reputation loss due to violation of laws, regulation and rules arising from the management or practices of the securities fund management company or its staff. The Company has established an effective and sound compliance management system and compliance management framework. In accordance with regulatory requirements, the compliance management department of the Company manages compliance risk through compliance review, compliance monitoring, compliance examination, compliance supervision and compliance training.

##### 5. Operational Risk

Operational risk is possibility of losses caused by the failures of internal systems and procedures, improper employee behaviors, information system defect and the influence of external events. The Company has formulated operational risk management system and internal management system of various businesses and regulated its business activities. It has established an identification, assessment and control system for operational risk that fully covers the Company's business activities. The Company mainly managed operational risks through self-appraisal of risks and control (RCSA), loss data collection (LDC), key risk indicator (KRI) monitoring, and other measures.

## Section IV Management Discussion and Analysis

### X. RISK MANAGEMENT (CONTINUED)

#### (I) Major Risks and Countermeasures relating to Operation of the Company (Continued)

##### 6. Reputational Risk

Reputational risk is the risk of negative assessment or comments on the Company from stakeholders as a result of its operation, management and other companies or external events. The Board Office of the Company takes the lead in reputational risk management. The Company has established a sound reputation risk management system and workflow, to provide guarantee for the improvement of the all-round risk management system, the enhancement of the reputation risk management capability and the maintenance and promotion of the reputation and image of the Company. Through real-time monitoring of the evolution and development of various reputational risk events, the Company organized the information about the overall situation of the reputational risk events and the corresponding measures to be taken and reported the same to the senior management of the Company in a timely manner, so as to negotiate and determine the final solution.

#### (II) Construction of Risk Management System and Comprehensive Risk Management Implementation of the Company

During the Reporting Period, the Company actively implemented various requirements of the Norms for the All-round Risk Management of Securities Companies (《證券公司全面風險管理規範》), conducted routine risk management and various key projects based on the requirements of full coverage, detectability, measurability, analysis and risk-response ability on risk management and continuously improved the comprehensive risk management system.

##### 1. Management System

The Company established the Measures for All-round Risk Management of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司全面風險管理辦法》), which set overall requirements on the comprehensive risk management. It has established special risk management systems on liquidity risks, market risks, credit risks, operation risks, reputation risks and other risks. In the first half of 2021, in order to further improve its risk management system, the Company newly formulated three systems including the Risk Control and Reporting on Management Regulations of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司風險監控與報告工作管理規定》); and amended twenty-nine systems including the Measures for All-round Risk Management of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司全面風險管理辦法》).



## Section IV Management Discussion and Analysis

### X. RISK MANAGEMENT (CONTINUED)

#### (II) Construction of Risk Management System and Comprehensive Risk Management Implementation of the Company (Continued)

##### 2. Framework

The Company established a four-level risk management system including the Board, the management, the risk management department and business departments. It specified the responsibilities of the Board, the Supervisory Committee, the management, all departments, branches and subsidiaries in performing the comprehensive risk management and established a multi-layered and inter-connected operation mechanism with effective balances. Meanwhile, the Company has gradually incorporated all subsidiaries into the comprehensive risk management system and guided subsidiaries in establishing and improving the governance structure, setting risk preference and perfecting the risk monitoring, reporting and response mechanism. It specified the responsible person for the risk management of subsidiaries and the chief risk officer of the Company conducts appraisal on the responsible person.

##### 3. Information Technology

The Company has established a securities risk monitoring and management platform with the integration of dynamic risks monitoring on net capitals, market risk management, credit risk management, operation risk management, liquidity risk management, abnormal transaction monitoring and other functions on the basis of its business practice. It supports the collection, identification, measurement, appraisal, monitoring and reporting of various risk information and can meet the demands of the Company in risk management and decision-making.

##### 4. Indicator System

The Company has established a risk preference indicator system with net capital and liquidity as the core covering market risks, credit risks, operation risks and concentration risks. The risk preference of the Company has covered all business line, including proprietary investment business, asset management business, securities brokerage business and investment banking business. Based on the development strategy, operation targets and financial conditions of the Company, it set management and control quota on major risks, including but not limited to risk quota, business size, value at risk, sensitivity indicator, concentration, stop-loss and stop-profit. It also regularly appraises the risk tolerance through stress test and other methods and guides resources allocation.

## Section IV Management Discussion and Analysis

### X. RISK MANAGEMENT (CONTINUED)

#### (II) Construction of Risk Management System and Comprehensive Risk Management Implementation of the Company (Continued)

##### 5. Talent Team

The risk management department of the Company has established four secondary department professional teams for market risk, credit risk, operation risk and comprehensive risks. The planning and financial department and the board office designate special persons to be responsible for the management of liquidity risks and reputation risks. Currently, risk management staff with over three years of relevant working experience account for over 2% of the total staff at the head office of the Company, which provided talent guarantees to effectively conducting the comprehensive risk management work. In addition, all business and major functional departments of the Company have set risk management positions as an integral part of the risk management system. They accept the business guidance of the risk management department and serve as the bridge link.

##### 6. Response Mechanism

The Company established a working mechanism on net assets trend monitoring, risk authorization, regular risk reporting and regular stress test to identify significant potential risks in the business process in a timely manner and actively take prevention and response measures. The Company also has risk emergency plans on significant risks and emergencies, specified the emergency triggering conditions, the organizational system, measures, methods and procedures in risk disposal and continuously improved them through emergency exercises. The Company has established a performance appraisal and accountability mechanism linked to risk management results. It regularly appraises the risk management performance of all business departments and branches and the appraisal results are included in the performance appraisal system. Meanwhile, the audit department regularly appraises the comprehensive risk management system to guarantee the effectiveness of the comprehensive risk management.

# Section V Other Material Particulars

## I. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PLAN

### (I) Implementation of the 2020 Profit Distribution Plan

The Company held the 2020 annual general meeting on 28 May 2021 to consider and approve the resolution in relation to the 2020 Profit Distribution Plan, pursuant to which, the Company did not conduct profit distribution for the year ended 31 December 2020.

### (II) The 2021 Interim Profit Distribution Plan

The Company did not have any profit distribution plan for the first half of 2021.

## II. SHARE OPTION SCHEME OR EQUITY INCENTIVE SCHEME

During the Reporting Period, the Company did not adopt nor implement any share option scheme or equity incentive scheme.

## III. SIGNIFICANT LAWSUITS AND ARBITRATIONS

### (I) New Significant Lawsuits and Arbitration Cases in the Reporting Period

None in the Reporting Period.

### (II) Subsequent Progress of the Significant Lawsuits and Arbitration Cases in the Previous Year

#### 1. **The dispute with regard to the Qinghui Leasing asset-backed special scheme Phase I under the management of the Company**

For details of the case, please refer to II. Significant Lawsuits and Arbitrations in Section 7 Other Material Particulars of the 2018 annual report, the 2019 annual report and the 2020 annual report of the Company.

On 26 February 2021, the Beijing Second Intermediate People's Court ruled the Company to compensate Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. the outstanding subscription principals (i.e. RMB60 million, RMB130 million and RMB100 million, respectively) and relevant losses. The Company has appealed to the Beijing Municipal Supreme People's Court on 15 March 2021. The case between the Company and Bank of Nanjing Co., Ltd. was heard at the Beijing Municipal Supreme People's Court on 21 July 2021.

On 28 June 2021, the People's Court of Xicheng District, Beijing ruled the Company to compensate Xinyuan Fund Management Limited, Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd., the principals (i.e., RMB20 million, RMB40 million and RMB35 million, respectively), and relevant losses. The Company has appealed to the Beijing Financial Court on 8 July 2021.

### III. SIGNIFICANT LAWSUITS AND ARBITRATIONS (CONTINUED)

#### (II) Subsequent Progress of the Significant Lawsuits and Arbitration Cases in the Previous Year (Continued)

##### 2. **The lawsuit filed by the Company against Ms. Li Shuyang, a client, in relation to the dispute on margin financing and securities lending transaction**

For details of the case, please refer to II. Significant Lawsuits and Arbitrations in Section 7 Other Material Particulars of the 2019 annual report and the 2020 annual report of the Company.

On 30 April 2021, the People's Court of Shenhe District of Shenyang issued a civil judgment, and ruled Ms. Li Shuyang to repay the Company the principal and interest. The Company submitted the relevant application procedures for preservation and enforcement to the People's Court of Shenhe District of Shenyang on 26 July 2021.

##### 3. **The lawsuit filed by the Company against six clients in relation to the dispute on stock pledged repurchase transaction**

For details of the case, please refer to II. Significant Lawsuits and Arbitrations in Section 7 Other Material Particulars of the 2019 annual report and the 2020 annual report of the Company.

On 20 April 2021, the Higher People's Court of Inner Mongolia Autonomous Region issued the second-instance judgment against the two cases of Mr. Helin and Mr. Jiang Dehu, and ruled that the appeal request of Mr. Helin and Mr. Jiang Dehu be rejected and the original judgment be upheld. Given that the first-instance judgment has been effective, the Company has applied to the Hohhot Intermediate People's Court for enforcement against Mr. He Lin and Mr. Jiang Dehu, and the case has been filed. The second-instance cases of Mr. Weng Huayin, Mr. Li Enping and Guangzhou Ruide Jinsheng Investment Management Partnership (Limited Partnership) (廣州瑞德金晟投資管理合夥企業有限合夥)) are pending for a hearing at the Higher People's Court of Inner Mongolia Autonomous Region.

### IV. SIGNIFICANT CONTRACTS AND CONTRACT FULFILLMENT

The Company entered into a property lease contract with China Life Real Estate Co., Limited on 1 March 2016, pursuant to which the Company leased from China Life Real Estate Co., Limited the space of the Unit 1101, 11/F, China Life Centre, Financial Street, Xicheng District, Beijing, China for a term of 3 years commencing from 1 March 2016. The property lease contract was renewed on 1 March 2019 for a term of 3 three years commencing from 1 March 2019. The rental paid by the Company for the Reporting Period was approximately RMB13,705,000.

### V. ENGAGEMENT OF AUDITORS

During the Reporting Period, the Company re-appointed Grant Thornton Certified Public Accountants as its domestic auditor for the year 2021 for providing relevant audit service based on China Accounting Standards for Business Enterprises. The Company also re-appointed Grant Thornton Hong Kong Limited as its international auditor for the year 2021 for providing relevant audit and review services based on the International Financial Reporting Standards.

## Section V Other Material Particulars

### VI. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company exerts its effort in maintaining high quality corporate governance in order to protect the interest of its shareholders and enhance its corporate value and accountability. During the Reporting Period, the Company has been in strict compliance with all the code provisions of Corporate Governance Code (if applicable). The Company will continue to review and enhance its corporate governance practice so as to ensure the compliance with the Corporate Governance Code.

### VII. CORPORATE GOVERNANCE

#### (I) General Meeting

The Articles of Association and the Rules of Procedure for General Meetings of the Company have stipulated the rights and obligations of shareholders and the convocation, voting and proposal of general meetings. During the Reporting Period, the Company convened 2 general meetings.

#### (II) Operation of the Board and its Special Committees

The Board comprises 8 Directors, including 1 executive Director (Mr. Wu Yigang (*Acting Chairman, Vice Chairman*)), 4 non-executive Directors (Mr. Yu Lei, Mr. Wang Linjing, Ms. Dong Hong and Ms. Gao Liang) and 3 independent non-executive Directors (Dr. Lam Sek Kong, Mr. Xie Deren and Mr. Dai Genyou).

The Board consists of 4 special committees, including Strategy and Investment Committee, Risk Control and Supervisory Committee, Audit Committee and Remuneration and Nomination Committee. The special committees of the Board shall, within their terms of reference specified in the rules of respective procedures, conduct work and be accountable to the Board.

Composition of the current special committees of the Board:

Strategy and Investment Committee:	Mr. Yu Lei ( <i>non-executive Director</i> ), Dr. Lam Sek Kong ( <i>independent non-executive Director</i> )
Risk Control and Supervisory Committee:	Mr. Wu Yigang ( <i>executive Director</i> ), Mr. Dai Genyou ( <i>independent non-executive Director</i> )
Audit Committee:	Mr. Xie Deren ( <i>Chairman of the Committee, independent non-executive Director</i> ), Mr. Wang Linjing ( <i>non-executive Director</i> ), Dr. Lam Sek Kong ( <i>Independent non-executive Director</i> )
Remuneration and Nomination Committee:	Mr. Xie Deren ( <i>Chairman of the Committee, independent non-executive Director</i> ), Dr. Lam Sek Kong ( <i>Independent non-executive Director</i> )

During the Reporting Period, the Board convened 5 meetings to consider 32 proposals; the Strategy and Investment Committee convened 1 meeting, the Risk Control and Supervisory Committee convened 2 meetings, the Audit Committee convened 4 meetings, and the Remuneration and Nomination Committee convened 2 meetings.

The Audit Committee has reviewed and confirmed this report.

### **VII. CORPORATE GOVERNANCE (CONTINUED)**

#### **(III) Operation of the Supervisory Committee**

Supervisory Committee consists of 3 members, namely, Mr. Guo Liwen, the chairman, Mr. Chen Feng, the shareholder representative Supervisor, and Mr. Wang Hui, the employee representative Supervisor. During the Reporting Period, the Supervisory Committee convened 1 meeting to consider 7 proposals. The Supervisors performed their duties diligently and supervised the operation of the Company in accordance with relevant laws and regulations and the relevant requirements of the Articles of Association, so as to protect the legitimate interests of the Company, shareholders and investors.

### **VIII. COMPLIANCE WITH MODEL CODE**

The Company has also adopted the Model Code as its code of conduct regarding securities transactions by the Directors and Supervisors. The Company has made specific enquiry with all Directors and Supervisors, and all Directors and Supervisors confirmed that they had complied with the required standards set out in the Model Code during the Reporting Period.

### **IX. DIRECTOR AND SUPERVISOR SERVICE CONTRACT**

No Directors or Supervisors entered into any service contract with the Company or its subsidiaries which shall be compensated (except for statutory compensation) upon termination within one year.

### **X. DIRECTORS' AND SUPERVISORS' RIGHT TO PURCHASE SHARES OR DEBENTURES**

During the Reporting Period, no Directors, Supervisors of the Company or their respective spouse or children under the age of 18 purchased the shares or debentures of the Company to obtain rights, or such persons exercised any such right; or no arrangements have been made by the Company or any of its subsidiaries to entitle such right to the Company's Directors, Supervisors or their respective spouse or children under the age of 18 in any other body corporate.

### **XI. CLASSIFIED EVALUATION RESULTS OF THE COMPANY FROM SECURITIES REGULATORY AUTHORITY**

In the classified evaluation of the PRC securities companies in 2021 carried out by the CSRC, the Company was assigned a CCC rating in Class C.

# Section VI Changes in Shareholdings and Particulars about Shareholders

## I. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2021, to the knowledge of the Directors after having made reasonable enquiries, the following persons (excluding the Directors, Supervisors or chief executives of the Company) had interests or short positions in shares or underlying shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name of substantial shareholders	Class of Shares	Nature of interest	Number of shares held (shares)	Approximate percentage of total number of issued shares of the Company <sup>1</sup> (%)	Approximate	Long positions/ short positions/ shares available for lending
					percentage of the Company's total issued Domestic Shares/ H Shares <sup>1</sup> (%)	
Huarong Infrastructure <sup>2</sup>	Domestic Shares	Beneficial owner	155,079,698	5.95	7.20	Long positions
Finance Street Xihuan Properties <sup>3</sup>	Domestic Shares	Beneficial owner	211,472,315	8.12	9.82	Long positions
Finance Street Investment <sup>2, 3, 4</sup>	Domestic Shares	Interests of controlled corporation	366,552,013	14.07	17.02	Long positions
	Domestic Shares	Beneficial owner	165,418,345	6.35	7.68	Long positions
	Domestic Shares	Total:	531,970,358	20.42	24.70	Long positions
Finance Street Capital <sup>2, 3, 4</sup>	Domestic Shares	Interest of controlled corporation	531,970,358	20.42	24.70	Long positions
SASAC Xicheng District <sup>2, 3, 4</sup>	Domestic Shares	Interests of controlled corporation	531,970,358	20.42	24.70	Long positions
Baotou Huazi <sup>5</sup>	Domestic Shares	Beneficial owner	308,000,000	11.83	14.30	Long positions
Tomorrow Holding <sup>5</sup>	Domestic Shares	Interests of controlled corporation	308,000,000	11.83	14.30	Long positions
Huifa Investment <sup>6</sup>	Domestic Shares	Beneficial owner	154,000,000	5.91	7.15	Long positions
Ms. Chen Shan <sup>6</sup>	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Mr. Shen Weimin <sup>6</sup>	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Hongzhi Huitong <sup>7, 8</sup>	Domestic Shares	Beneficial owner	123,500,000	4.74	5.73	Long positions
Shaanxi Tianchen <sup>7, 8</sup>	Domestic Shares	Interests of controlled corporation	123,500,000	4.74	5.73	Long positions
Hangzhou Ruisi <sup>7, 8</sup>	Domestic Shares	Interests of controlled corporation	123,500,000	4.74	5.73	Long positions
Suzhou Bingtai <sup>7, 8</sup>	Domestic Shares	Interests of controlled corporation	123,500,000	4.74	5.73	Long positions
Mr. Zhou Zhiqiang <sup>7, 8</sup>	Domestic Shares	Interests of controlled corporation	123,500,000	4.74	5.73	Long positions
Guotai Fund Management Co., Ltd. (國泰基金管理有限公司)	H Shares	Investment manager	72,161,000	2.77	16.01	Long positions
Tianfeng Securities Co., Ltd. <sup>9</sup>	Domestic Shares	Beneficial owner	781,365,375	29.99	36.28	Long positions

### Notes :

- As at 30 June 2021, there was a total of 2,604,567,412 shares of the Company in issue, comprising 2,153,721,412 Domestic Shares and 450,846,000 H Shares.
- Huarong Infrastructure is wholly-owned by Finance Street Investment. Therefore, Finance Street Investment is deemed to be interested in 155,079,698 Domestic Shares held by Huarong Infrastructure.

## Section VI Changes in Shareholdings and Particulars about Shareholders

### I. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

3. 90.00% of the equity interest in Finance Street Xihuan Properties is held by Finance Street Investment. Therefore, Finance Street Investment is deemed to be interested in 211,472,315 Domestic Shares held by Finance Street Xihuan Properties.
4. 62.06% and 37.94% of the equity interest in Finance Street Investment is held by Finance Street Capital and SASAC Xicheng District, respectively, and 100% of the equity interest of Finance Street Capital is held by SASAC Xicheng District. Therefore, each of Finance Street Capital and SASAC Xicheng District is deemed to be interested in 165,418,345 Domestic Shares held directly and 366,552,013 Domestic Shares held indirectly by Finance Street Investment.
5. 54.32% of the equity interest in Baotou Huazi is held by Tomorrow Holding. Therefore, Tomorrow Holding is deemed to be interested in 308,000,000 Domestic Shares held by Baotou Huazi.
6. 53.33% and 46.67% of the equity interest in Huifa Investment is held by Mr. Shen Weimin (沈為民) and Ms. Chen Shan (陳姍), respectively. Therefore, each of Mr. Shen Weimin (沈為民) and Ms. Chen Shan (陳姍) is deemed to be interested in 154,000,000 Domestic Shares held by Huifa Investment.
7. 97.67% of the equity interest in Hongzhi Huitong is held by Shaanxi Tianchen. 98.67% of the equity interest in Shaanxi Tianchen is held by Hangzhou Ruisi. 97.00% of the equity interest in Hangzhou Ruisi is held by Suzhou Bingtai. 81.82% of the equity interest in Suzhou Bingtai is held by Mr. Zhou Zhiqiang (周志強). Therefore, each of Shaanxi Tianchen, Hangzhou Ruisi, Suzhou Bingtai and Mr. Zhou Zhiqiang (周志強) is deemed to be interested in 123,500,000 Domestic Shares held by Hongzhi Huitong.
8. On 17 June 2019, Beijing Qingyun Intercontinental Technology Co., Ltd., Beijing Huijin Jiaye Investment Co., Ltd., Hongzhi Huitong, Jinan Bojie Narong Information Technology Co., Ltd., Zhongchang Hengyuan Holdings Limited, Shanghai Yida Technology Investment Co., Ltd., Weifang Keyu Technology Co., Ltd., Beijing Huacheng Hongtai Industrial Co., Ltd. and Beijing Huifutong International Investment Co., Ltd. (collectively, the "Domestic Shares Sellers") entered into an equity transfer agreement (the "Equity Transfer Agreement") with Tianfeng Securities, pursuant to which the Domestic Shares Sellers agreed to sell, and Tianfeng Securities agreed to purchase a total of 781,365,375 Domestic Shares, representing approximately 29.99% of the issued share capital of the Company. The Equity Transfer Agreement is subject to approval by shareholders of Tianfeng Securities and the relevant regulatory approvals including but not limited to the approval from the CSRC. On 13 April 2020, the procedure of the lawful transfer to Tianfeng Securities of 690,015,375 Domestic Shares of the Company, accounting for approximately 26.49% of the total issued shares of the Company, had been completed. For details, please refer to the Company's announcements dated 29 May 2019, 17 June 2019, 9 March 2020, 12 March 2020 and 13 April 2020.

Save as disclosed above, as at 30 June 2021, the Company is not aware of any other persons (excluding the Directors, Supervisors and senior management of the Company) having any interest or short position in the shares or underlying shares of the Company which will be required to be recorded in the register under Section 336 of the SFO.



## Section VI Changes in Shareholdings and Particulars about Shareholders

### **II. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ANY OF ITS ASSOCIATED CORPORATIONS**

As at 30 June 2021, based on the information acquired by the Company and to the knowledge of the Directors, the Directors, Supervisors and chief executives of the Company have no (i) interests and short positions (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Sections 7 and 8 of Part XV under the SFO, or (ii) interests or short positions which shall be recorded in the interests register in accordance with section 352 of the SFO, or (iii) interest and short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO).

### **III. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

# Section VII Directors, Supervisors, Senior Management and Employees

## I. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save for the followings, there was no change in details of Directors and Supervisors which are required to be disclosed pursuant to Rule 13.51B of the Listing Rules as compared with those disclosed in the 2020 annual report :

### (I) Changes in Directors

None in the Reporting Period.

### (II) Changes in Supervisors

None in the Reporting Period.

### (III) Changes in Senior Management

None in the Reporting Period.

### (IV) Change in Directors' and Supervisors' information

1. Ms. Dong Hong, a non-executive Director, ceased to be a director, member of and secretary to the Party Committee of Huarong Infrastructure with effect from July 2021.
2. Mr. Xie Deren, an independent non-executive Director, has served as an independent director and the chairman of the audit committee of the board of directors of Qingdao Innovation Technology Group Co., Ltd. (青島創新奇智科技集團股份有限公司) with effect from May 2021.
3. Mr. Chen Feng, a shareholder representative Supervisor, ceased to be the administrative director of Tianfeng Securities with effect from June 2021.

## Section VII Directors, Supervisors, Senior Management and Employees

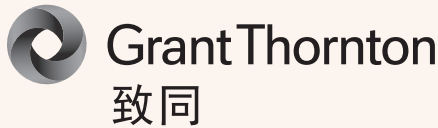
### II. EMPLOYEES, REMUNERATION POLICY AND TRAINING

As at the end of the Reporting Period, the Group had 2,767 employees in total, including 2,220 employees of the Company and 547 employees of its subsidiaries.

The remuneration of the Company's employees comprises of basic wage, performance-based wage, allowances, benefits and others. The performance-based wage and allowances are paid according to the results of performance assessment. The Company has made contributions to schemes such as social insurance and housing provident fund on behalf of employees in accordance with relevant requirements of the PRC. The Company has strictly observed the Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China and other applicable laws and regulations, and has established a sound human resources management system and process to bring its hiring under regulation, thus effectively protecting the rights and interests of the employees.

The Company has always paid special attention to staff training. The Company made investigations and surveys in respect of training needs for the ordinary staff, middle management and senior management of the Company through interviews and questionnaires at the beginning of the year and compiled the 2021 annual training plan in accordance with the results of investigations and surveys. A quarterly training needs investigation was added this year to improve the relevance and timeliness of training; a training working group covering all branches of the Company was set up to empower the branches from the headquarters level to ensure efficient and high quality training work; training assessment was strengthened and training satisfaction was made one of the annual assessment indicators of the human resources department. During the Reporting Period, 6 face-to-face trainings on wealth management business, 7 live broadcast trainings on various compliance risk management, integrity practice and business skills enhancement were organized, and daily online trainings for employees were conducted through the Company's online learning platform, with a total of 18 online courses. At the same time, through the "Free Learning (暢學)" service of the Securities Association of China, sufficient learning resources were provided for all staff.

# Independent Review Report



## **To the Board of Directors of Hengtou Securities**

*(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English))*

## **INTRODUCTION**

We have reviewed the interim financial information of Hengtou Securities (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 45 to 86, which comprises the condensed consolidated statement of financial position as at 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, 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” issued by the International Accounting Standards Board. 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 Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants. A review of 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 Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# Independent Review Report

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

### **Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

Level 12

28 Hennessy Road

Wanchai

Hong Kong

20 August 2021

### **Chiu Wing Ning**

Practising Certificate No.: P04920

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Fees and commission income	3	975,033	800,674
Interest income	4	389,637	322,582
Net investment income	5	285,238	464,307
Other income and gains	6	22,971	22,083
<b>Total operating income</b>		<b>1,672,879</b>	1,609,646
Fees and commission expenses	7	(108,540)	(91,067)
Interest expenses	8	(267,742)	(201,473)
Staff costs	9	(570,365)	(446,817)
Depreciation and amortisation	10	(97,943)	(94,831)
Taxes and surcharges		(9,245)	(9,000)
Other operating expenses	11	(299,713)	(213,213)
Impairment losses	12	(25,510)	(111,708)
Unrealised fair value losses from financial assets at fair value through profit or loss		(309,812)	(288,954)
<b>Total operating expenses</b>		<b>(1,688,870)</b>	(1,457,063)
<b>(Loss)/Profit before tax</b>		<b>(15,991)</b>	152,583
Income tax credit/(expense)	13	4,062	(6,622)
<b>(Loss)/Profit for the period</b>		<b>(11,929)</b>	145,961
<b>Other comprehensive income/(expense):</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Debt investments at fair value through other comprehensive income			
– Net change in fair value		9,952	(10,687)
– Income tax impact		(2,488)	2,672
<b>Other comprehensive income/(expense) for the period, net of tax</b>		<b>7,464</b>	(8,015)
<b>Total comprehensive (expense)/income for the period</b>		<b>(4,465)</b>	137,946

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>(Loss)/Profit for the period attributable to:</b>			
Ordinary shareholders of the Company		(12,490)	138,928
Non-controlling interests		561	7,033
		<u>(11,929)</u>	<u>145,961</u>
<b>Total comprehensive (expense)/income for the period attributable to:</b>			
Ordinary shareholders of the Company		(5,026)	130,913
Non-controlling interests		561	7,033
		<u>(4,465)</u>	<u>137,946</u>
<b>(Loss)/Earnings per share</b>			
Basic and diluted	14	<u>RMB(0.0048)</u>	<u>RMB0.0341</u>

# Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	<i>Note</i>	<b>As at 30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 <i>RMB'000</i> (audited)
<b>Non-current assets</b>			
Property and equipment	16	<b>361,342</b>	375,780
Right-of-use assets	17	<b>134,488</b>	145,765
Investment properties		<b>37,825</b>	38,811
Goodwill		<b>43,739</b>	43,739
Intangible assets		<b>130,202</b>	147,909
Refundable deposits		<b>905,308</b>	648,715
Debt investments measured at amortised cost		<b>318,748</b>	199,063
Deferred tax assets		<b>241,344</b>	267,371
Other non-current assets	18	<b>86,292</b>	47,848
<b>Total non-current assets</b>		<b>2,259,288</b>	1,915,001
<b>Current assets</b>			
Margin account receivables	19	<b>5,241,563</b>	5,086,791
Other current assets	20	<b>578,407</b>	748,762
Placements with a financial institution		<b>375,000</b>	225,000
Financial assets held under resale agreements	21	<b>975,227</b>	1,003,845
Financial assets at fair value through other comprehensive income	22	<b>1,615,471</b>	1,523,820
Financial assets at fair value through profit or loss	23	<b>10,602,323</b>	9,771,480
Cash held on behalf of brokerage clients	24	<b>11,607,875</b>	10,935,722
Clearing settlement funds		<b>743,246</b>	671,838
Cash and bank balances	25	<b>1,236,874</b>	1,713,772
<b>Total current assets</b>		<b>32,975,986</b>	31,681,030
<b>Total assets</b>		<b>35,235,274</b>	33,596,031



# Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	<i>Note</i>	<b>As at 30 June 2021 RMB'000 (unaudited)</b>	As at 31 December 2020 RMB'000 (audited)
<b>Current liabilities</b>			
Debt instruments	26	<b>3,060,000</b>	2,060,000
Placements from a financial institution		<b>1,000,000</b>	1,000,000
Account payables to brokerage clients	27	<b>12,044,754</b>	11,392,900
Employee benefit payables		<b>433,194</b>	622,660
Contract liabilities		<b>5,659</b>	12,106
Lease liabilities		<b>61,763</b>	66,710
Other current liabilities	28	<b>1,180,472</b>	1,179,071
Current tax liabilities		<b>11,547</b>	68,098
Financial assets sold under repurchase agreements	29	<b>4,425,870</b>	4,130,449
<b>Total current liabilities</b>		<b>22,223,259</b>	20,531,994
<b>Net current assets</b>		<b>10,752,727</b>	11,149,036
<b>Total assets less current liabilities</b>		<b>13,012,015</b>	13,064,037
<b>Non-current liabilities</b>			
Debt instruments	26	<b>3,495,434</b>	3,487,697
Lease liabilities		<b>74,021</b>	78,931
Deferred tax liabilities		<b>18,460</b>	61,644
<b>Total non-current liabilities</b>		<b>3,587,915</b>	3,628,272
<b>Net assets</b>		<b>9,424,100</b>	9,435,765

# Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	<i>Note</i>	<b>As at 30 June 2021 RMB'000 (unaudited)</b>	As at 31 December 2020 RMB'000 (audited)
<b>Equity</b>			
Share capital	30	<b>2,604,567</b>	2,604,567
Share premium		<b>1,665,236</b>	1,665,236
Reserves		<b>4,756,404</b>	4,761,430
<b>Total equity attributable to ordinary shareholders of the Company</b>		<b>9,026,207</b>	9,031,233
Non-controlling interests		<b>397,893</b>	404,532
<b>Total equity</b>		<b>9,424,100</b>	9,435,765

Approved by the Board of Directors on 20 August 2021 and are signed on its behalf by:

\_\_\_\_\_  
**Wu Yigang**

*Acting Chairman of Board of Directors*

\_\_\_\_\_  
**Sun Hang**

*Chief Financial Officer*

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to ordinary shareholders of the Company and holders of perpetual capital securities										
	Share capital	Share premium	Perpetual capital securities	Surplus reserve	General risk reserve	Transaction risk reserve	Investment revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	2,604,567	1,665,236	-	610,541	904,940	721,239	(15,800)	2,540,510	9,031,233	404,532	9,435,765
Loss for the period	-	-	-	-	-	-	-	(12,490)	(12,490)	561	(11,929)
Other comprehensive income for the period	-	-	-	-	-	-	7,464	-	7,464	-	7,464
<b>Total comprehensive income/ (expense) for the period</b>	-	-	-	-	-	-	7,464	(12,490)	(5,026)	561	(4,465)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(7,200)	(7,200)
Appropriation to general risk reserve	-	-	-	-	11,580	-	-	(11,580)	-	-	-
<b>At 30 June 2021 (unaudited)</b>	<b>2,604,567</b>	<b>1,665,236</b>	<b>-</b>	<b>610,541</b>	<b>916,520</b>	<b>721,239</b>	<b>(8,336)</b>	<b>2,516,440</b>	<b>9,026,207</b>	<b>397,893</b>	<b>9,424,100</b>
At 1 January 2020	2,604,567	1,665,236	1,500,000	557,218	819,026	664,879	-	2,364,021	10,174,947	403,466	10,578,413
Profit for the period	-	-	-	-	-	-	-	138,928	138,928	7,033	145,961
Other comprehensive expense for the period	-	-	-	-	-	-	(8,015)	-	(8,015)	-	(8,015)
Total comprehensive income for the period	-	-	-	-	-	-	(8,015)	138,928	130,913	7,033	137,946
Dividend paid (Note 15)	-	-	-	-	-	-	-	(102,000)	(102,000)	(7,202)	(109,202)
Redemption of perpetual capital securities	-	-	(1,500,000)	-	-	-	-	-	(1,500,000)	-	(1,500,000)
Appropriation to general risk reserve	-	-	-	-	9,645	-	-	(9,645)	-	-	-
<b>At 30 June 2020 (unaudited)</b>	<b>2,604,567</b>	<b>1,665,236</b>	<b>-</b>	<b>557,218</b>	<b>828,671</b>	<b>664,879</b>	<b>(8,015)</b>	<b>2,391,304</b>	<b>8,703,860</b>	<b>403,297</b>	<b>9,107,157</b>

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>Net cash (used in)/from operating activities</b>		<b>(900,601)</b>	2,593,285
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property and equipment and intangible assets		219	–
Purchases of property and equipment, intangible assets and other non-current assets		(64,440)	(40,243)
Purchases of financial assets at fair value through other comprehensive income		(81,704)	(1,642,000)
Purchases of debt investments measured at amortised cost		(119,979)	–
Decrease in time deposits with original maturities exceeding three months		336,000	72,700
Other investing activities		–	70
<b>Net cash from/(used in) investing activities</b>		<b>70,096</b>	(1,609,473)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of debt instruments		2,200,000	1,200,000
Repayments of debt instruments		(1,200,000)	(765,150)
Redemption of perpetual capital securities		–	(1,500,000)
Interest paid for financing activities		(50,942)	(53,718)
Dividends paid to perpetual capital securities		–	(102,000)
Dividends paid to non-controlling interests		(7,200)	(7,202)
Payment of lease liabilities		(41,172)	(32,358)
<b>Net cash from/(used in) financing activities</b>		<b>900,686</b>	(1,260,428)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>70,181</b>	(276,616)
<b>Cash and cash equivalents at beginning of period</b>		<b>2,539,211</b>	2,780,256
<b>Effect of foreign exchange rate changes</b>		<b>(275)</b>	449
<b>Cash and cash equivalents at end of period</b>	25	<b>2,609,117</b>	2,504,089

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 1. BASIS OF PREPARATION

These condensed consolidated financial statements (the “Interim Financial Information”) of the Company’s and its subsidiaries (together, referred to as the “Group”) for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by International Accounting Standards Board (“IASB”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020. The accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with those used in the annual financial statements for the year ended 31 December 2020 except as stated below.

The Interim Financial Information are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

## 2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

### 2.1 Amended IFRSs that are effective for annual periods beginning on or after 1 January 2021

The Interim Financial Information have been prepared in accordance with the accounting policies adopted in the Group’s annual financial statements for the year ended 31 December 2020, except for the adoption of the following amended IFRSs effective as of 1 January 2021. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

Amendment to IFRS 16

Covid-19-Related Rent Concessions

Amendments to IFRS 9, IAS 39,  
IFRS 7, IFRS 4 and IFRS 16

Interest Rate Benchmark Reform – Phase 2

The adoption of these newly effective amended IFRSs has no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

### 2.2 Issued but not yet effective IFRSs

At the date of authorisation of the Interim Financial Information, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 17	Insurance Contracts and related amendments <sup>2</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>4</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>5</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018–2020 <sup>1</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective date not yet determined

<sup>4</sup> Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

<sup>5</sup> Effective for annual periods beginning on or after 1 April 2021

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended IFRSs are not expected to have a material impact on the Group's Interim Financial Information.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

### 2.2 Issued but not yet effective IFRSs (Continued)

#### Amendments to IAS 1 and IFRS Practice Statement 2 “Disclosure of Accounting Policies”

The amendments to IAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In addition, IFRS Practice Statement 2 was revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies in consolidated financial statements may need to be revised to cope with the above changes, the directors expect that the amendments have no other material impact on the Interim Financial Information.

## 3. FEES AND COMMISSION INCOME

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Fees and commission income arising from:		
– Securities brokerage business	517,968	458,450
– Assets management business	210,315	204,308
– Underwriting and sponsoring business	92,802	69,535
– Financial advisory business	19,373	15,461
– Future brokerage business	108,478	28,116
– Investment advisory business	6,103	2,822
– Custody business	19,994	21,982
<b>Revenue from contracts with customers within the scope of IFRS 15</b>	<b>975,033</b>	<b>800,674</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 3. FEES AND COMMISSION INCOME (CONTINUED)

The following table shows revenue disaggregation by timing of revenue recognition:

	<b>Securities and futures brokerage businesses RMB'000 (unaudited)</b>	<b>Assets management, financial and investment advisory businesses RMB'000 (unaudited)</b>	<b>Underwriting and sponsoring business RMB'000 (unaudited)</b>	<b>Custody business RMB'000 (unaudited)</b>	<b>Total RMB'000 (unaudited)</b>
<b>For the six months ended 30 June 2021</b>					
– Over time	–	235,791	–	19,994	255,785
– Point in time	626,446	–	92,802	–	719,248
	<u>626,446</u>	<u>235,791</u>	<u>92,802</u>	<u>19,994</u>	<u>719,248</u>
<b>For the six months ended 30 June 2020</b>					
– Over time	–	222,591	–	21,982	244,573
– Point in time	486,566	–	69,535	–	556,101
	<u>486,566</u>	<u>222,591</u>	<u>69,535</u>	<u>21,982</u>	<u>556,101</u>

## 4. INTEREST INCOME

	<b>Six months ended 30 June</b>	
	<b>2021 RMB'000 (unaudited)</b>	<b>2020 RMB'000 (unaudited)</b>
Interest income arising from:		
– Margin financing	188,166	154,126
– Deposits in financial institutions	143,846	137,814
– Financial assets held under resale agreements	18,820	18,621
– Financial assets at fair value through other comprehensive income (“FVTOCI”)	25,557	12,021
– Debt investments measured at amortised cost	6,531	–
– Placements with a financial institution	6,717	–
	<u>389,637</u>	<u>322,582</u>



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 5. NET INVESTMENT INCOME

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Dividend income from financial assets at fair value through profit or loss ("FVTPL")	127,977	137,145
Net realised gains from disposal of financial assets at FVTPL and derivative financial instruments	157,261	327,162
	<b>285,238</b>	<b>464,307</b>

## 6. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Foreign exchange (loss)/gain, net	(275)	449
Rental income	2,393	1,590
Government grants ( <i>note</i> )	4,113	5,242
Gain on disposal of property and equipment and intangible assets	167	–
Unrealised fair value gain from financial assets at FVTPL and derivative financial instruments	15,860	14,769
Others	713	33
	<b>22,971</b>	<b>22,083</b>

*Note:* Government grants were received from several local government authorities for supporting the Group's operation, of which the entitlement was unconditional.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 7. FEES AND COMMISSION EXPENSES

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Expenses arising from:		
– Securities brokerage business	106,536	91,020
– Underwriting and sponsoring business	2,004	47
	<b>108,540</b>	<b>91,067</b>

## 8. INTEREST EXPENSES

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Interest expenses arising from:		
– Account payables to brokerage clients	18,457	17,816
– Placements from a financial institution	13,798	25,268
– Financial assets sold under repurchase agreements	53,369	39,931
– Finance charges on lease liabilities	3,542	4,536
– Debt instruments	162,535	84,333
– Other investors of consolidated asset management schemes	15,995	29,589
– Others	46	–
	<b>267,742</b>	<b>201,473</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 9. STAFF COSTS

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Short-term benefits	537,148	432,796
Severance payment	1,311	353
Defined contribution plan ( <i>note</i> )	31,906	13,668
	<b>570,365</b>	<b>446,817</b>

*Note:* The Group is required to participate in pension schemes in the People's Republic of China ("PRC") whereby the Group is required to pay contributions for its employees at certain rates of the wages of employees. The Group has no other material obligations for payment of retirement benefits to its employees beyond the contributions described above.

## 10. DEPRECIATION AND AMORTISATION

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Depreciation of:		
– property and equipment	26,199	24,073
– investment properties	986	987
– right-of-use assets	39,050	40,619
Amortisation of:		
– intangible assets	25,542	23,149
– leasehold improvements, long-term prepaid expenses and other foreclosed assets	6,166	6,003
	<b>97,943</b>	<b>94,831</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 11. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Business entertainment expenses	14,124	6,645
Business travel expenses	11,515	5,540
Consulting fees	76,490	23,994
Donations	220	12,800
Electronic equipment operating expenses	26,775	42,020
Miscellaneous office expenses	8,338	1,600
Other commission expenses	49,570	28,277
Outsourcing fee	34,465	32,142
Postal and communication expenses	6,808	6,600
Lease charges for short-term leases	11,966	13,579
Securities investor protection funds	4,071	7,145
Utilities and building management fees	8,418	6,347
Others	46,953	26,524
	<b>299,713</b>	<b>213,213</b>

## 12. IMPAIRMENT LOSSES

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Impairment losses on:		
– margin financing	2,174	3,719
– financial assets held under resale agreements	8,106	89,189
– financial assets at FVTOCI	5	3,067
– debt investments measured at amortised cost	294	–
– other current assets	14,931	15,733
	<b>25,510</b>	<b>111,708</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 13. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Current tax	15,583	115,450
Deferred tax	(19,645)	(108,828)
<b>Total income tax (credit)/expense</b>	<b>(4,062)</b>	<b>6,622</b>

The provision for the PRC enterprise income tax is calculated based on the statutory income tax rate of 25% (six months ended 30 June 2020: 25%).

## 14. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue.

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
<b>(Loss)/Earnings</b>		
(Loss)/Profit for the period attributable to ordinary shareholders of the Company	(12,490)	138,928
Less: Dividends for cumulative perpetual capital securities	—	(50,022)
	<b>(12,490)</b>	<b>88,906</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares used in basic (loss)/earnings per share calculation (in thousands)	<b>2,604,567</b>	<b>2,604,567</b>

For the six months ended 30 June 2021 and 2020, there were no dilutive potential ordinary shares, hence the diluted (loss)/earnings per share equals to the basic (loss)/earnings per share.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 15. DIVIDENDS

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Dividend paid to holders of perpetual capital securities	-	102,000

The dividend paid during the six months ended 30 June 2020 was RMB102,000,000, being dividend calculated at 6.80% p.a. on the nominal value of perpetual capital securities.

The Company's directors do not recommend the payment of dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 16. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property and equipment of approximately RMB17,890,000 (six months ended 30 June 2020: RMB34,166,000).

## 17. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group entered into 27 (six months ended 30 June 2020: 21) new lease agreements in respect of properties for initial periods ranging from one to five years (six months ended 30 June 2020: one to five years). These leases do not contain any option to renew the lease and subject to monthly fixed rental payment. For the six months ended 30 June 2021, the total additions to right-of-use assets amounted to RMB32,223,000 (six months ended 30 June 2020: RMB37,564,000).

## 18. OTHER NON-CURRENT ASSETS

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Leasehold improvements, long-term prepaid expenses and other foreclosed assets ( <i>note</i> )	43,088	41,804
Prepayments	43,204	6,044
	<b>86,292</b>	<b>47,848</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 18. OTHER NON-CURRENT ASSETS (CONTINUED)

Note:

The movements of leasehold improvements, long-term prepaid expenses and other foreclosed assets are as below:

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
At beginning of the period/year	41,804	40,266
Transfer	6,077	5,113
Additions	1,373	8,651
Amortisation	<u>(6,166)</u>	<u>(12,226)</u>
At end of the period/year	<b><u>43,088</u></b>	<b><u>41,804</u></b>

## 19. MARGIN ACCOUNT RECEIVABLES

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Individual receivables	5,255,562	5,097,401
Institution receivables	15,815	17,030
Less: Accumulated impairment losses	<u>(29,814)</u>	<u>(27,640)</u>
	<b><u>5,241,563</u></b>	<b><u>5,086,791</u></b>

The fair value of collaterals for margin financing business is analysed as follows:

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Equity securities	15,453,602	14,656,848
Cash	<u>732,056</u>	<u>965,341</u>
	<b><u>16,185,658</u></b>	<b><u>15,622,189</u></b>

As at 30 June 2021, the margin account receivables carried interests at 5.8% to 8.6% (31 December 2020: 6.0% to 8.6%) per annum.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 20. OTHER CURRENT ASSETS

	<i>Notes</i>	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Accounts receivable	(a)	<b>142,871</b>	252,177
Interest receivables	(b)	<b>253,097</b>	232,180
Prepaid expenses		<b>15,578</b>	8,033
Income tax recoverable		<b>24,718</b>	299
Other receivables	(c)	<b>142,143</b>	256,073
		<b>578,407</b>	748,762

Notes:

### (a) Accounts receivable

The ageing analysis of accounts receivable, based on the invoice date, is as follows:

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Within one year	<b>349,323</b>	286,044
Over one year	<b>548</b>	167,597
Less: Accumulated impairment losses	<b>(207,000)</b>	(201,464)
	<b>142,871</b>	252,177

### (b) Interest receivables

Interest receivables arising from:

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Financial assets at FVTOCI	<b>25,082</b>	36,379
Financial assets at FVTPL	<b>167,099</b>	131,728
Debt investments measured at amortised cost	<b>6,852</b>	6,171
Margin financing	<b>68,749</b>	68,430
Bank deposits	<b>2,851</b>	4,076
Financial assets held under resale agreements	<b>65,170</b>	58,537
Placements with a financial institution	<b>40</b>	210
Less: Accumulated impairment losses	<b>(82,746)</b>	(73,351)
	<b>253,097</b>	232,180



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 20. OTHER CURRENT ASSETS (CONTINUED)

Notes: (Continued)

### (c) Other receivables

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Other receivables	<b>216,180</b>	330,110
Less: Accumulated impairment losses	<b>(74,037)</b>	(74,037)
	<b>142,143</b>	256,073

## 21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
<b>Analysis by collateral type:</b>		
– Equity securities	<b>497,009</b>	559,008
– Debt securities	<b>752,628</b>	742,293
Less: Accumulated impairment losses	<b>(274,410)</b>	(297,456)
	<b>975,227</b>	1,003,845
<b>Analysis by market:</b>		
– Shenzhen Stock Exchange	<b>605,394</b>	809,105
– Shanghai Stock Exchange	<b>637,843</b>	440,396
– Interbank	–	49,800
– Others	<b>6,400</b>	2,000
Less: Accumulated impairment losses	<b>(274,410)</b>	(297,456)
	<b>975,227</b>	1,003,845

As at 30 June 2021, the fair values of the collaterals were amounted to RMB1,066,331,000 (31 December 2020: RMB1,015,393,000).

As at 30 June 2021, the financial assets held under resale agreements carried interests at 2.8% to 9.0% (31 December 2020: 4.1% to 8.0%) per annum.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
<b>Analysis by collateral type:</b>		
Debt securities	<b>1,615,471</b>	1,523,820
<b>Analysis into:</b>		
Listed outside Hong Kong	<b>240,620</b>	284,904
Unlisted	<b>1,374,851</b>	1,238,916
	<b>1,615,471</b>	1,523,820
<b>Accumulated impairment losses</b>	<b>2,742</b>	2,737

Financial assets at FVTOCI comprise debt securities which are not held for trading. As at 30 June 2021, the financial assets at FVTOCI carried interest at 3.0% to 6.35% (31 December 2020: 3.0% to 6.35%) per annum.

## 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
<b>Held for trading:</b>		
Debt securities	<b>6,178,966</b>	5,035,757
Equity securities	<b>1,859,368</b>	2,603,001
Investment funds	<b>2,140,345</b>	1,795,669
Assets management schemes	<b>236,149</b>	144,719
Collective trust schemes	<b>187,495</b>	192,334
	<b>10,602,323</b>	9,771,480
<b>Analysis into:</b>		
Listed in Hong Kong	<b>122,172</b>	122,791
Listed outside Hong Kong	<b>5,210,379</b>	5,601,626
Unlisted	<b>5,269,772</b>	4,047,063
	<b>10,602,323</b>	9,771,480

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 24. CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the condensed consolidated statement of financial position, and recognised the corresponding account payables to the respective brokerage clients on the grounds that the Group is liable for any loss or misappropriation of their brokerage clients' monies. Cash held on behalf of brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions in accordance with China Securities Regulatory Commission ("CSRC") regulations.

## 25. CASH AND CASH EQUIVALENTS

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Cash in hand	<b>39</b>	44
Bank balances	<b>1,236,835</b>	1,713,728
Cash and bank balances per the condensed consolidated statement of financial position	<b>1,236,874</b>	1,713,772
Add: Clearing settlement funds	<b>743,246</b>	671,838
Add: Financial assets held under resale agreements with original maturities within three months	<b>752,628</b>	742,293
Add: Placements with a financial institution with original maturities within three months	<b>375,000</b>	225,000
Less: Time deposits with original maturities exceeding three months	<b>(157,000)</b>	(493,000)
Less: Restricted bank deposits	<b>(341,631)</b>	(320,692)
<b>Cash and cash equivalents per the condensed consolidated statement of cash flows</b>	<b>2,609,117</b>	2,539,211

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 26. DEBT INSTRUMENTS

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Beneficiary certificates	<b>3,060,000</b>	2,060,000
Subordinated bonds	<b>1,575,986</b>	1,574,554
Long-term corporate bonds	<b>1,919,448</b>	1,913,143
	<b>6,555,434</b>	5,547,697
<b>Analysis by remaining maturity:</b>		
<b>Current</b>		
Within one year	<b>3,060,000</b>	2,060,000
<b>Non-current</b>		
Between two years and five years	<b>3,495,434</b>	3,487,697
	<b>6,555,434</b>	5,547,697

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 26. DEBT INSTRUMENTS (CONTINUED)

Beneficiary certificates:

Name	Par value RMB'000	Issuance date	Due date	Interest rate	30 June 2021 (unaudited)				
					Par value			Book value	
					As at 1 January 2021 RMB'000	Issuance RMB'000	Redemption RMB'000	As at 30 June 2021 RMB'000	as at 30 June 2020 RMB'000
恒富No.28	100,000	06.02.2020	03.02.2021	4.50%	100,000	-	(100,000)	-	-
恒創泰富No.23	1,000,000	28.04.2020	28.04.2021	4.25%	1,000,000	-	(1,000,000)	-	-
恒富No.29	100,000	24.06.2020	21.06.2021	4.00%	100,000	-	(100,000)	-	-
恒富No.30	160,000	14.08.2020	10.08.2021	4.00%	160,000	-	-	160,000	160,000
恒創泰富No.24	500,000	25.12.2020	24.12.2021	5.30%	500,000	-	-	500,000	500,000
恒創泰富No.25	200,000	25.12.2020	24.12.2021	4.60%	200,000	-	-	200,000	200,000
恒創泰富No.26	400,000	22.01.2021	22.11.2021	4.58%	-	400,000	-	400,000	400,000
恒創泰富No.27	300,000	18.03.2021	20.09.2021	4.20%	-	300,000	-	300,000	300,000
恒創泰富No.28	100,000	18.03.2021	18.10.2021	4.30%	-	100,000	-	100,000	100,000
恒創泰富No.29	300,000	19.03.2021	18.03.2022	4.35%	-	300,000	-	300,000	300,000
恒富No.31	100,000	14.04.2021	13.04.2022	4.20%	-	100,000	-	100,000	100,000
恒創泰富No.30	600,000	30.04.2021	29.04.2022	4.65%	-	600,000	-	600,000	600,000
恒創泰富No.31	400,000	18.05.2021	17.05.2022	4.65%	-	400,000	-	400,000	400,000
					<u>2,060,000</u>	<u>2,200,000</u>	<u>(1,200,000)</u>	<u>3,060,000</u>	<u>3,060,000</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 26. DEBT INSTRUMENTS (CONTINUED)

Beneficiary certificates: (Continued)

Name	Par value RMB'000	Issuance date	Due date	Interest rate	31 December 2020 (audited)				
					Par value			Book value	
					As at 1 January 2020 RMB'000	Issuance RMB'000	Redemption RMB'000	As at 31 December 2020 RMB'000	as at 31 December 2020 RMB'000
恒創泰富No.19	300,000	16.11.2018	16.11.2020	5.75%	319,424	-	(319,424)	-	-
恒富No.16	140,140	11.04.2018	13.04.2020	6.20%	155,137	-	(155,137)	-	-
恒富No.18	148,350	11.07.2018	08.01.2020	5.80%	161,056	-	(161,056)	-	-
恒富No.20	85,090	26.12.2018	21.12.2020	5.00%	89,414	-	(89,414)	-	-
恒富No.21	31,980	27.12.2018	22.12.2020	5.00%	33,600	-	(33,600)	-	-
恒創泰富No.20	200,000	01.03.2019	28.02.2020	5.00%	200,000	-	(200,000)	-	-
恒創泰富No.21	200,000	19.04.2019	21.10.2020	5.20%	207,323	-	(207,323)	-	-
恒富No.24	160,420	12.06.2019	15.06.2020	4.80%	164,703	-	(164,703)	-	-
恒富No.25	116,240	13.06.2019	16.06.2020	4.80%	119,328	-	(119,328)	-	-
恒富No.26	160,000	15.08.2019	10.08.2020	4.90%	160,000	-	(160,000)	-	-
恒富No.28	100,000	06.02.2020	03.02.2021	4.50%	-	100,000	-	100,000	100,000
恒創泰富No.23	1,000,000	28.04.2020	28.04.2021	4.25%	-	1,000,000	-	1,000,000	1,000,000
恒富No.29	100,000	24.06.2020	21.06.2021	4.00%	-	100,000	-	100,000	100,000
恒富No.30	160,000	14.08.2020	10.08.2021	4.00%	-	160,000	-	160,000	160,000
恒創泰富No.24	500,000	24.12.2020	23.12.2021	5.00%	-	500,000	-	500,000	500,000
恒創泰富No.25	200,000	24.12.2020	23.12.2021	5.00%	-	200,000	-	200,000	200,000
					<u>1,609,985</u>	<u>2,060,000</u>	<u>(1,609,985)</u>	<u>2,060,000</u>	<u>2,060,000</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 26. DEBT INSTRUMENTS (CONTINUED)

Subordinated bonds:

Name	Issuance date	Due date	Nominal interest rate	30 June 2021 (unaudited)			
				As at	Issuance	Redemption	As at
				1 January 2021			30 June 2021
				RMB'000	RMB'000	RMB'000	RMB'000
恒泰证券股份有限公司2017次級債*	01.11.2017	01.11.2022	5.90%	100,000	-	-	100,000
20恒泰C1次級債(167799)**	28.09.2020	28.09.2023	5.80%	1,483,000	-	-	1,483,000
<b>Total</b>				<b>1,583,000</b>	<b>-</b>	<b>-</b>	<b>1,583,000</b>
<b>Amortised cost</b>				<b>1,574,554</b>			<b>1,575,986</b>

Name	Issuance date	Due date	Nominal interest rate	31 December 2020 (audited)			
				As at	Issuance	Redemption	As at
				1 January 2020			31 December 2020
				RMB'000	RMB'000	RMB'000	RMB'000
恒泰证券股份有限公司2017次級債*	01.11.2017	01.11.2022	5.90%	1,500,000	-	(1,400,000)	100,000
20恒泰C1次級債(167799)**	28.09.2020	28.09.2023	5.80%	-	1,483,000	-	1,483,000
<b>Total</b>				<b>1,500,000</b>	<b>1,483,000</b>	<b>(1,400,000)</b>	<b>1,583,000</b>
<b>Amortised cost</b>				<b>1,500,000</b>			<b>1,574,554</b>

\* With early redemption option on 1 November 2020.

\*\* The subordinated bond was listed at Shanghai Stock Exchange and the total par value was RMB1,500,000,000. The subordinated bond with par value of RMB17,000,000 were issued to the Group's consolidated asset management scheme and accordingly, the par value of the Group's subordinated bonds issued to external parties was amounted to RMB1,483,000,000.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 26. DEBT INSTRUMENTS (CONTINUED)

Long-term corporate bonds:

Name	Issuance date	Due date	Nominal interest rate	30 June 2021 (unaudited)		
				As at 1 January 2021	Issuance	As at 31 December 2020
				RMB'000	RMB'000	RMB'000
20恒泰G1公司債(175144)#	18.09.2020	18.09.2023	4.39%	950,000	-	950,000
20恒泰F1私募債(167957)#	27.10.2020	27.10.2023	5.40%	1,000,000	-	1,000,000
<b>Total</b>				<b>1,950,000</b>	<b>-</b>	<b>1,950,000</b>
<b>Amortised cost</b>				<b>1,913,143</b>		<b>1,919,448</b>

Name	Issuance date	Due date	Nominal interest rate	31 December 2020 (audited)		
				As at 1 January 2020	Issuance	As at 31 December 2020
				RMB'000	RMB'000	RMB'000
20恒泰G1公司債(175144)#	18.09.2020	18.09.2023	4.39%	-	950,000	950,000
20恒泰F1私募債(167957)#	27.10.2020	27.10.2023	5.40%	-	1,000,000	1,000,000
<b>Total</b>				<b>-</b>	<b>1,950,000</b>	<b>1,950,000</b>
<b>Amortised cost</b>				<b>-</b>		<b>1,913,143</b>

# The long-term corporate bonds were listed at Shanghai Stock Exchange.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 27. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Clients' deposits for:		
– margin financing business	<b>784,929</b>	619,032
– other brokerage business	<b>11,259,825</b>	10,773,868
	<b>12,044,754</b>	11,392,900

Account payables to brokerage clients represent the monies received from and repayable to brokerage clients. Account payables to brokerage clients are interest bearing at the prevailing interest rate.

The majority of the account payables balances are repayable on demand except where certain account payables to brokerage clients represent monies received from clients for the margin financing activities under normal course of business. Only the amounts in excess of the required amount of margin deposits and cash collateral are repayable on demand.

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

## 28. OTHER CURRENT LIABILITIES

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Third-party interests in consolidated asset management schemes (note a)	<b>724,335</b>	810,784
Third-party interests in consolidated partnership	<b>1,619</b>	12,876
Future risk reserve	<b>31,193</b>	25,767
Other payables (note b)	<b>195,326</b>	191,385
Interest payables	<b>189,532</b>	88,441
Taxes and surcharges payables	<b>18,052</b>	29,403
Provision of compensation	<b>20,415</b>	20,415
	<b>1,180,472</b>	1,179,071

Notes:

- a) Third-party interests in consolidated asset management schemes consist of third-party unit holders' interests in these consolidated structured entities which are recognised as a liability since they can be put back to the Group for cash.
- b) Other payables mainly consist of accrued professional fees, securities investor protection funds and other daily operating expenses and deposits received.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 29. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	<b>30 June 2020 RMB'000 (unaudited)</b>	31 December 2019 RMB'000 (audited)
<b>Analysis by collateral type:</b>		
Debt securities	<b>4,425,870</b>	4,130,449
<b>Analysis by market:</b>		
Inter-bank market	<b>2,921,210</b>	2,505,950
Shanghai Stock Exchange	<b>1,288,810</b>	1,432,340
Shenzhen Stock Exchange	<b>201,100</b>	124,250
Bank and other financial institutions	<b>14,750</b>	67,909
	<b>4,425,870</b>	4,130,449
<b>Analysis by transaction type:</b>		
Pledged	<b>4,425,870</b>	4,130,449

As at 30 June 2021, the financial assets sold under repurchase agreements carried interests at 2.73% to 8.0% (31 December 2020: 2.6% to 5.0%) per annum.

As at 30 June 2021 and 31 December 2020, the carrying amount of the financial assets that had been placed as financial assets sold under repurchase agreements are noted as below:

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Financial assets at FVTPL	<b>3,710,584</b>	3,238,266
Financial assets at FVTOCI	<b>1,218,121</b>	1,450,826
	<b>4,928,705</b>	4,689,092

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 30. SHARE CAPITAL

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

	Number of shares (in thousands)	RMB'000
At 1 January 2020, 31 December 2020 (audited), 1 January 2021 and 30 June 2021 (unaudited)	<u><u>2,604,567</u></u>	<u><u>2,604,567</u></u>

## 31. COMMITMENTS

### (a) Capital commitments

At the reporting date, the capital commitments outstanding not provided for in the Interim Financial Information are as follows:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Acquisition of property and equipment, intangible assets and other non-current assets	<u><u>75,118</u></u>	<u><u>191,925</u></u>

### (b) Lease commitments

The Group as lessee

At the reporting date, the lease commitments for short-term leases are as follows:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Properties	<u><u>4,081</u></u>	<u><u>6,929</u></u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 31. COMMITMENTS (CONTINUED)

### (b) Lease commitments (Continued)

The Group as lessor

At the reporting date, the total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Within 1 year (inclusive)	<b>4,150</b>	3,893
Later than 1 year and not later than 2 years	<b>3,902</b>	3,892
Later than 2 years and not later than 3 years	<b>3,420</b>	3,912
Later than 3 years and not later than 4 years	<b>3,044</b>	2,970
Later than 4 years and not later than 5 years	<b>2,623</b>	3,836
After 5 years	<b>7,667</b>	8,708
	<b>24,806</b>	27,211

### (c) Underwriting commitments

As at 30 June 2021, according to the relevant underwriting agreements, underwriting commitments taken but not provided for by the Group are amounted to RMB98,603,000,000 (31 December 2020: RMB83,030,000,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 32. CONTINGENT LIABILITIES

As at 30 June 2021 and 31 December 2020, the Group involved in the following legal, arbitration or administrative proceedings:

### **Lawsuits with regard to the Qinghui Leasing asset-backed special scheme Phase I (the “Special Scheme”)**

Since June 2018, the Company has successively received the civil indictments brought by Xinyuan Fund Management Limited (鑫元基金管理有限公司), Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司), Goldstate Capital Fund Management Co., Ltd. (金元順安基金管理有限公司), Bank of Nanjing Co., Ltd. (南京銀行股份有限公司), Chuangjin Hexin Fund Management Limited (創金合信基金管理有限公司) and Tianhong Asset Management Co., Ltd. (天弘基金管理有限公司), the preferential holders (collectively the “Plaintiffs”) of the Special Scheme, claiming for the repayment of the outstanding principals (i.e., RMB20 million, RMB60 million, RMB130 million, RMB100 million, RMB40 million and RMB35 million, respectively), and the interest payable and relevant charges from the Company. The Plaintiffs claimed that the Company, as the manager of the Special Scheme, had failed to perform its responsibilities in accordance with the laws and regulations as well as the requirements under the agreements and documents in relation to the Special Scheme, and therefore shall be liable for compensation to the Plaintiffs. Since August 2018, the Company has made counterplea against the Plaintiffs at the competent courts according to the time schedule of the competent courts in succession.

The Beijing Second Intermediate People’s Court ruled and rejected the lawsuit filed by Galaxy Jinhui Securities Asset Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. On 29 December 2018, the three companies have filed an appeal to the People’s High Court of Beijing. All three companies above have withdrawn their lawsuits in 2019.

In 2018, the lawsuit against the Company filed by Xinyuan Fund Management Limited, Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd. was heard at the Finance Street People’s Court of the People’s Court of the Xicheng District in Beijing. All three companies above have withdrawn their lawsuits in 2019.

In addition, on 1 March 2019, the Company received a lawsuit brought by China Resources SZITIC Trust Co., Ltd. (華潤深國投信託有限公司), another holder of the Special Scheme, claiming for the repayment of the outstanding principals of RMB30.0 million and the interest payable and relevant charges from the Company. The Company has filed a jurisdictional objection to the People’s Court of Futian District of Shenzhen. The People’s Court of Futian District of Shenzhen has ruled that the case will be transferred to the People’s Court of Xicheng District, Beijing for handling. On 31 May 2019, China Resources SZITIC Trust Co., Ltd. has filed an appeal to the Intermediate People’s Court of Shenzhen. On 25 July 2019, the Intermediate People’s Court of Shenzhen ruled that the case was under the jurisdiction of the People’s Court of Futian District of Shenzhen. On 12 October 2019, the People’s Court of Futian District of Shenzhen ruled and rejected the lawsuit filed by the plaintiff.

During the year ended 31 December 2020, Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. have respectively filed their appeals to the Beijing Second Intermediate People’s Court claiming for the repayment of the outstanding principals (i.e. RMB60 million, RMB130 million and RMB100 million, respectively), and the interest payable and relevant charges from the Company. On 7 May 2020 and 1 December 2020, the above three cases were heard at the Beijing Second Intermediate People’s Court, respectively.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 32. CONTINGENT LIABILITIES (CONTINUED)

### Lawsuits with regard to the Qinghui Leasing asset-backed special scheme Phase I (the “Special Scheme”) (Continued)

On 7 May 2020, the Company received the civil claims brought by Xinyuan Fund Management Limited, Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd., in which the above three companies refiled lawsuits to the People’s Court of Xicheng District, Beijing against the Company, claiming for the repayment of the outstanding principals (i.e., RMB20 million, RMB40 million and RMB35 million, respectively), and the interest payable and relevant charges by the Company. On 18 December 2020, the above three cases were heard at the People’s Court of Xicheng District, Beijing in the first instance.

On 26 February 2021, the Beijing Second Intermediate People’s Court ruled the Company to compensate Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. the outstanding principals (i.e. RMB60 million, RMB130 million and RMB100 million, respectively) and the interest payable (i.e. RMB1.32 million, RMB2.87 million and RMB2.2 million, respectively) and rejected the other appeals requested by the above three companies. Subsequently, the Company has filed an appeal to the Beijing High People’s Court. The case between the Company and Bank of Nanjing Co., Ltd. was heard at the Beijing Principal Supreme People’s Court on 21 July 2021 and judgement has yet been made.

On 28 June 2021, the People’s Court of Xicheng District, Beijing ruled the Company to compensate Xinyuan Fund Management Limited, Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd. the outstanding principals (i.e. RMB20 million, RMB40 million and RMB35 million, respectively) and the interest payable and rejected the other appeals requested by the above three companies. Subsequently, the Company has filed an appeal to the Beijing Financial Court.

The Company, based on the opinion of the legal advisors, considers it is probable that the above cases will be in its favour and has therefore not recognised a provision in relation to these lawsuits.

## 33. RELATED PARTY TRANSACTIONS AND BALANCES

(i) The Group has following transactions/balances with the related parties:

	<b>30 June 2021 RMB’000 (unaudited)</b>	31 December 2020 RMB’000 (audited)
Balances as at the end of the period/year:		
– Account payables to brokerage clients	<b>891</b>	2,418
– Other payables	<b>36,143</b>	40,472

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 33. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(i) The Group has following transactions/balances with the related parties: (Continued)

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Transactions during the period:		
– Fees and commission income	841	29
– Interest expenses	3	3
– Lease expenses	1,264	3,840
– Consulting fees	498	–

(ii) Key management personnel remuneration

Key management personnel are those persons who have the power to, directly or indirectly, plan, direct and control the activities of the Group, including members of the Board of Directors, board of supervisors and other members of the senior management. The total remuneration includes fees, salaries, bonus, allowances, benefits in kinds, discretionary bonuses (included deferred bonus paid) and contribution to social pension schemes.

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Fees, salaries, allowance and bonus	26,777	22,032
Contribution to pension schemes	324	91
	<b>27,101</b>	<b>22,123</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 34. SEGMENT REPORTING

	Brokerage and wealth management <i>RMB'000</i>	Investment banking <i>RMB'000</i>	Proprietary trading <i>RMB'000</i>	Investment management <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Six months ended 30 June 2021 (unaudited)</b>						
Revenue						
– External	941,119	120,711	189,399	376,296	22,383	1,649,908
– Inter-segment	(10)	–	8	2	–	–
Other income and gains	5,361	56	153	14,041	3,360	22,971
Segment revenue and other income	946,470	120,767	189,560	390,339	25,743	1,672,879
Segment expenses	(805,700)	(93,970)	(166,820)	(552,004)	(70,376)	(1,688,870)
Profit/(Loss) before tax	<u>140,770</u>	<u>26,797</u>	<u>22,740</u>	<u>(161,665)</u>	<u>(44,633)</u>	<u>(15,991)</u>
Other segment information:						
– Interest income	310,643	8,537	42,798	5,476	22,183	389,637
– Interest expenses	(128,147)	(215)	(116,788)	(21,903)	(689)	(267,742)
– Depreciation and amortisation	(61,207)	(1,870)	(2,815)	(14,881)	(17,170)	(97,943)
– Impairment losses	(19,367)	–	(4,457)	(1,686)	–	(25,510)
– Capital expenditure	60,178	203	1,948	1,523	410	64,262
– Right-of-use assets additions	25,587	944	–	5,692	–	32,223



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 34. SEGMENT REPORTING (CONTINUED)

	Brokerage and wealth management <i>RMB'000</i>	Investment banking <i>RMB'000</i>	Proprietary trading <i>RMB'000</i>	Investment management <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2020 (unaudited)						
Revenue						
– External	745,692	91,159	402,218	299,576	48,918	1,587,563
– Inter-segment	(5)	–	5	–	–	–
Other income and gains	4,395	291	312	14,362	2,723	22,083
Segment revenue and other income	750,082	91,450	402,535	313,938	51,641	1,609,646
Segment expenses	(662,065)	(71,610)	(206,062)	(414,069)	(103,257)	(1,457,063)
Profit/(Loss) before tax	88,017	19,840	196,473	(100,131)	(51,616)	152,583
Other segment information:						
– Interest income	254,080	6,162	20,590	5,170	36,580	322,582
– Interest expenses	(82,274)	(348)	(81,883)	(35,710)	(1,258)	(201,473)
– Depreciation and amortisation	(58,352)	(1,861)	(905)	(13,366)	(20,347)	(94,831)
– Impairment losses	(106,142)	776	(3,334)	(3,239)	231	(111,708)
– Capital expenditure	19,057	68	55	3,127	18,989	41,296
– Right-of-use assets additions	37,564	–	–	–	–	37,564

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 34. SEGMENT REPORTING (CONTINUED)

	Brokerage and wealth management <i>RMB'000</i>	Investment banking <i>RMB'000</i>	Proprietary trading <i>RMB'000</i>	Investment management <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 30 June 2021 (unaudited):</b>						
Segment assets	20,745,348	631,068	10,029,129	3,139,409	448,976	34,993,930
Deferred tax assets						241,344
Total assets						<u>35,235,274</u>
Segment liabilities	17,096,214	124,191	6,998,495	1,271,689	302,125	25,792,714
Deferred tax liabilities						18,460
Total liabilities						<u>25,811,174</u>
<b>At as 31 December 2020 (audited):</b>						
Segment assets	19,379,659	680,033	8,403,949	3,738,740	1,126,279	33,328,660
Deferred tax assets						267,371
Total assets						<u>33,596,031</u>
Segment liabilities	15,531,568	205,525	6,511,627	1,451,479	398,423	24,098,622
Deferred tax liabilities						61,644
Total liabilities						<u>24,160,266</u>

## 35. FAIR VALUE MEASUREMENTS

### (a) 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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three level inputs to valuation techniques used to measure fair value:

Level 1 inputs:	quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2 inputs:	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
Level 3 inputs:	significant unobservable inputs for the asset or liability.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 35. FAIR VALUE MEASUREMENTS (CONTINUED)

### (a) Fair value hierarchy (Continued)

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

Disclosures of level in fair value hierarchy:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Recurring fair value measurements:</b>				
<b>As at 30 June 2021 (unaudited)</b>				
Financial assets at FVTPL:				
– Debt securities	879,965	5,297,501	1,500	6,178,966
– Equity securities	1,573,723	100,852	184,793	1,859,368
– Investment funds	1,897,955	216,795	25,595	2,140,345
– Assets management schemes	–	236,149	–	236,149
– Collective trust schemes	–	187,495	–	187,495
	<u>4,351,643</u>	<u>6,038,792</u>	<u>211,888</u>	<u>10,602,323</u>
Financial assets at FVTOCI:				
– Debt securities	110,030	1,505,441	–	1,615,471
	<u>4,461,673</u>	<u>7,544,233</u>	<u>211,888</u>	<u>12,217,794</u>
<b>As at 31 December 2020 (audited)</b>				
Financial assets at FVTPL:				
– Debt securities	1,592,943	3,371,772	71,042	5,035,757
– Equity securities	1,823,354	633,428	146,219	26,003,001
– Investment funds	1,532,295	236,824	26,550	1,795,669
– Assets management schemes	–	144,719	–	144,719
– Collective trust schemes	–	192,334	–	192,334
	<u>4,948,592</u>	<u>4,579,077</u>	<u>243,811</u>	<u>9,771,480</u>
Financial assets at FVTOCI:				
– Debt securities	82,370	1,441,450	–	1,523,820
	<u>5,030,962</u>	<u>6,020,527</u>	<u>243,811</u>	<u>11,295,300</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 35. FAIR VALUE MEASUREMENTS (CONTINUED)

### (a) Fair value hierarchy (Continued)

There were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy except for:

During the six months ended 30 June 2021, one debt security with fair value of RMB20,000,000 was determined with reference to discounted cash flow in the previous year. During the period, the fair value of the debt security was determined by using the latest valuation results published by China bond pricing system. Thus, the investment was transferred from Level 3 to Level 2 category.

During the year ended 31 December 2020, one equity security with fair value of RMB174,222,000 was transferred from Level 2 to Level 1 upon the expiry of lock-up period. In addition, an unlisted investment fund with fair value of RMB25,400,000 was determined with reference to the market comparable company in the previous year. During the year ended 31 December 2020, the fair value of the unlisted investment fund was determined by the recent transactions price. Thus, the investment was transferred from Level 3 to Level 2 category.

### (b) Fair value of the financial instruments that are not presented at fair value

The carrying amount and fair value of debt instruments which are not presented at fair value are as below:

	30 June 2021		31 December 2020	
	Carrying amount RMB'000 (unaudited)	Fair value RMB'000 (unaudited)	Carrying amount RMB'000 (audited)	Fair value RMB'000 (audited)
Financial assets:				
– Debt investments measured at amortised cost	<b>318,748</b>	<b>315,326</b>	199,063	192,458
Financial liabilities:				
– Subordinated bonds	<b>1,575,986</b>	<b>1,528,295</b>	1,574,554	1,575,378
– Long-term corporate bonds	<b>1,919,448</b>	<b>1,963,335</b>	1,913,143	1,951,143
	<b>3,495,434</b>	<b>3,491,630</b>	3,487,697	3,526,521

Except as disclosed above, the directors of the Company considers that the carrying amount of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 35. FAIR VALUE MEASUREMENTS (CONTINUED)

- (c) Valuation process used by the Group and valuation techniques and inputs used in fair value measurements

The Group's financial market department is responsible for the fair value measurements of financial assets and liabilities required for financial reporting purposes. The financial market department reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial market department and the Board of Directors periodically.

### Level 1 fair value measurements

Fair value of financial instruments under level 1 fair value measurement is based on quoted prices (unadjusted) reflected in active markets.

### Level 2 fair value measurements

As at 30 June 2021, the Group's financial assets at FVTPL and FVTOCI under level 2 fair value measurements consist of debt securities, equity securities, investment funds, assets management schemes and collective trust schemes and their fair value measurements were determined as follows:

Debt securities of RMB6,802,942,000 (31 December 2020: RMB4,813,222,000), of which value are available on China bond pricing system on the valuation date, fair values are determined by using the latest valuation results published by China bond pricing system.

For equity securities of RMB100,852,000 (31 December 2020: RMB633,428,000), fair values are determined by using the latest quoted price adjusted with certain observable inputs.

For investment funds, assets management schemes and collective trust schemes of RMB216,795,000 (31 December 2020: RMB236,824,000), RMB236,149,000 (31 December 2020: RMB144,719,000) and RMB187,495,000 (31 December 2020: RMB192,334,000), respectively, fair values are determined based on the quoted prices or recent market transaction price of the underlying investments in each portfolio or the net asset values as published by the fund managers.

During the six months ended 30 June 2021, there were no significant changes of valuation techniques for level 2 fair value measurements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 35. FAIR VALUE MEASUREMENTS (CONTINUED)

- (c) Valuation process used by the Group and valuation techniques and inputs used in fair value measurements (Continued)

### Level 3

For financial instruments under level 3 fair value measurements, prices are determined using valuation methodologies such as market comparable method, discounted cash flow models or other similar techniques. The fair value measurements of these financial instruments may involve unobservable inputs such as price to book ratio, price to earnings ratio, liquidity discount, etc. The financial market department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in level 3 fair value measurements.

The quantitative information of fair value measurements for level 3 is as follows:

Description	Fair value as at		Valuation technique	Unobservable inputs	Relationship of unobservable input(s) to fair value
	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000			
Unlisted equity investments	184,793	146,219	Market comparable companies	Discount rate for lack of marketability – 40% (31 December 2020: 40%)	The higher the discount rate, the lower the fair value
Unlisted investment funds	25,595	26,550	Market comparable companies	Discount rate for lack of marketability – 40% (31 December 2020: 40%)	The higher the discount rate, the lower the fair value
Debt securities	1,500	71,042	Discounted cash flow	Risk adjusted discount rate 5.5% (31 December 2020: 1.15% – 7.5%)	The higher the discount rate, the lower the fair value
	<b>211,888</b>	<b>243,811</b>			

During the six months ended 30 June 2021, there were no significant changes of valuation techniques for level 3 fair value measurements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 35. FAIR VALUE MEASUREMENTS (CONTINUED)

- (d) Reconciliation of financial assets measured at fair value under level 3 fair value measurements:

	<b>Financial assets at FVTPL RMB'000</b>
<b>At 1 January 2021</b>	<b>243,811</b>
Changes in fair value recognised in profit or loss	(25,101)
Purchases	63,675
Transfer	(20,000)
Sales and settlements	(50,497)
<b>At 30 June 2021 (unaudited)</b>	<b>211,888</b>
<b>Total loss included in profit or loss during the period</b>	<b>(25,101)</b>
At 1 January 2020	241,600
Changes in fair value recognised in profit or loss	(36,697)
Purchases	88,089
Transfer	(25,400)
Sales and settlements	(23,781)
At 31 December 2020 (audited)	243,811
Total loss included in profit or loss during the year	(36,697)

## 36. APPROVAL OF FINANCIAL STATEMENTS

The Interim Financial Information were approved and authorised for issue by the Board of Directors on 20 August 2021.