



中国银河证券股份有限公司 CHINA GALAXY SECURITIES CO., LTD.

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

Stock Code: 06881

INTERIM REPORT
2021



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DEFINITIONS

“A Share(s)”	domestic share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the SSE and traded in Renminbi
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“ASEAN”	the Association of Southeast Asian Nations
“Board” or “Board of Directors”	the board of Directors of the Company
“CG Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Stock Exchange Listing Rules
“CIC”	China Investment Corporation (中國投資有限責任公司)
“Company”	China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司), a joint stock limited company incorporated in the PRC on 26 January 2007, the H Shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 06881), and the A Shares of which are listed on the SSE (Stock Code: 601881)
“Company Law”	the Company Law of the People’s Republic of China
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“CSRC Beijing Bureau”	China Securities Regulatory Commission Beijing Bureau
“Director(s)”	director(s) of the Company
“ETF”	exchange-traded funds
“End of the Reporting Period”	30 June 2021
“FICC”	fixed income, currencies and commodities
“FOF”	fund of funds, a fund with funds as investment objectives
“Futures IB Business”	the business activities in which securities firms, as commissioned by futures companies, introduce clients to the futures companies to provide futures brokerage and other related services
“Galaxy Capital”	Galaxy Capital Management Company Limited (銀河創新資本管理有限公司), owned as to 100% by the Company
“Galaxy Financial Holdings”	China Galaxy Financial Holdings Company Limited (中國銀河金融控股有限責任公司), the controlling shareholder of the Company, holding 51.16% of the issued share capital of the Company as at the End of the Reporting Period
“Galaxy Fund Management”	Galaxy Fund Management Company Limited (銀河基金管理有限公司), owned as to 50% by Galaxy Financial Holdings

“Galaxy Futures”	Galaxy Futures Company Limited (銀河期貨有限公司), owned as to 100% by the Company as at the End of the Reporting Period
“Galaxy International Holdings”	China Galaxy International Financial Holdings Company Limited (中國銀河國際金融控股有限公司), owned as to 100% by the Company
“Galaxy Investment”	China Galaxy Investment Management Company Limited (中國銀河投資管理有限公司)
“Galaxy Jinhui”	Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司), owned as to 100% by the Company
“Galaxy Limited”	China Galaxy Securities Company Limited (中國銀河證券有限責任公司)
“Galaxy Yuanhui”	Galaxy Yuanhui Investment Co., Ltd. (銀河源匯投資有限公司), owned as to 100% by the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
“HK\$” or “HK dollars”	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
“Huijin”	Central Huijin Investment Ltd. (中央匯金投資有限責任公司), holding 69.07% equity interest of Galaxy Financial Holdings as at the End of the Reporting Period
“IPO”	initial public offering
“margin and securities refinancing”	a business in which securities firms can act as intermediaries to borrow funds or securities from the China Securities Finance Co., Ltd. and on-lend such funds and securities to their clients
“market share”	the portion of a market under control
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Stock Exchange Listing Rules
“New OTC Board”	the National Equities Exchange and Quotations for small and medium-sized enterprises
“QDII”	Qualified Domestic Institutional Investor
“QFII”	Qualified Foreign Institutional Investor
“REITs”	real estate investment trusts
“Reporting Period”	the period from 1 January 2021 to 30 June 2021

DEFINITIONS

“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RQFII”	Renminbi Qualified Foreign Institutional Investor, a pilot program launched in the PRC which allows Hong Kong subsidiaries of the PRC brokerage companies and fund houses to facilitate investments of offshore Renminbi into the PRC capital market
“S\$” or “Singapore dollar”	Singapore dollars, the lawful currency of Singapore
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“Securities Law”	the Securities Law of the People’s Republic of China
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
“SHCI”	the Shanghai Composite Index
“SSE”	the Shanghai Stock Exchange (上海證券交易所)
“SSE Listing Rules”	the Rules Governing the Listing of Securities on the Shanghai Stock Exchange (as amended from time to time)
“Stock Exchange Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZCI”	the Shenzhen Component Index
“SZSE”	the Shenzhen Stock Exchange (深圳證券交易所)
“US\$” or “U.S. dollars” or “USD”	United States dollars, the lawful currency of the United States
“VaR”	Value at Risk (VAR), means the maximum possible loss of a financial asset or portfolio of securities in a given future period at a certain confidence level

Note:

In this report, any discrepancies between totals and sums of amounts listed are due to rounding.

COMPANY INFORMATION

NAME OF THE COMPANY

Chinese Name: 中國銀河證券股份有限公司
English Name: China Galaxy Securities Co., Ltd.

BOARD SECRETARY

Mr. Wu Chengming

JOINT COMPANY SECRETARIES

Mr. Wu Chengming, Mr. Lee Kwok Fai Kenneth

AUTHORIZED REPRESENTATIVES

Mr. Liu Dingping, Mr. Lee Kwok Fai Kenneth

HEADQUARTERS IN THE PRC

Registered address: 2-6/F, Tower C, Corporate Square,
35 Finance Street, Xicheng District,
Beijing, the PRC, 100033

Office address: Qinghai Finance Building,
Building No.1, No.8 Xiyiing Street,
Fengtai District,
Beijing, the PRC, 100073

Website of the Company: www.chinastock.com.cn

Email address: zgyh@chinastock.com.cn

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

20th Floor, Wing On Centre, 111 Connaught Road Central,
Sheung Wan, Hong Kong

AUDITORS

Domestic: Ernst & Young Hua Ming LLP
International: Ernst & Young

HONG KONG LEGAL ADVISOR

Latham & Watkins LLP

STOCK CODE

Hong Kong Stock Exchange
H Share Stock Code: 06881

SSE
A Share Stock Code: 601881

SHARE REGISTRARS

Share Registrar for A Shares: China Securities Depository and
Clearing Corporation Limited

Share Registrar for H Shares: Computershare Hong Kong Investor
Services Limited

FINANCIAL HIGHLIGHTS

(Accounting data and financial indicators contained in this report are prepared in accordance with the International Financial Reporting Standards)

MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

Items	January – June 2021	January – June 2020	Increase/decrease from the same period of last year
Operating results (RMB'000)			
Revenue and other income	19,457,793	14,520,567	34.00%
Profit before income tax	5,349,340	4,581,071	16.77%
Profit for the period – attributable to owners of the Company	4,254,888	3,552,441	19.77%
Net cash from/(used in) operating activities	14,266,803	10,602,937	34.56%
Earnings per share (RMB per share)			
Basic earnings per share	0.40	0.35	14.29%
Profitability ratio			
Weighted average return on net assets	5.11%	4.89%	increased by 0.22 percentage point

Items	As at 30 June 2021	As at 31 December 2020	Increase/decrease from the end of last year
Scale indicators (RMB'000)			
Total assets	487,195,720	445,730,215	9.30%
Total liabilities	393,710,588	363,722,157	8.24%
Accounts payable to brokerage clients	109,414,767	97,670,919	12.02%
Equity attributable to owners of the Company	92,719,761	81,254,531	14.11%
Total share capital (in thousand shares)	10,137,259	10,137,259	0.00%
Net assets value per share attributable to owners of the Company (RMB per share) ^{Note 1}	7.68	7.53	1.99%
Gearing ratio (%) ^{Note 2}	75.25%	76.44%	decreased by 1.19 percentage points

Notes:

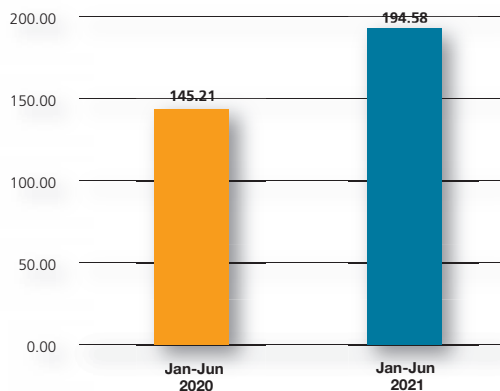
- 1 Net assets value per share attributable to owners of the Company = (equity attributable to owners of the Company – other equity instruments)/total share capital
- 2 Gearing ratio = (total liabilities – accounts payable to brokerage clients – funds payable to securities issuers)/(total assets – accounts payable to brokerage clients – funds payable to securities issuers)

Description of differences on accounting data by domestic and foreign accounting standards:

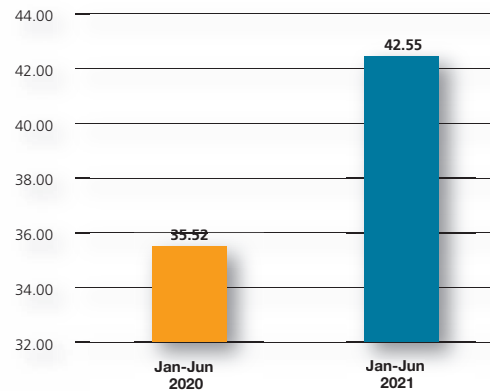
There was no difference between the Company's net profits and net assets shown in the consolidated financial statements prepared under the International Financial Reporting Standards and those shown in the consolidated financial statements prepared under the China Accounting Standards for Business Enterprises.

FINANCIAL HIGHLIGHTS

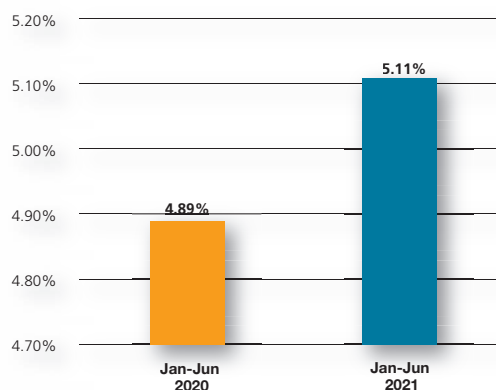
**Revenue and other income
(RMB100 million)**



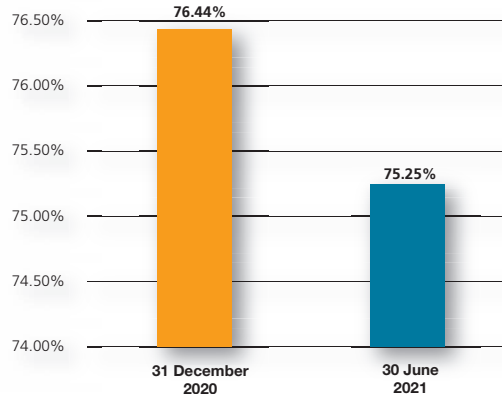
**Profit for the period –
attributable to owners of the Company
(RMB100 million)**



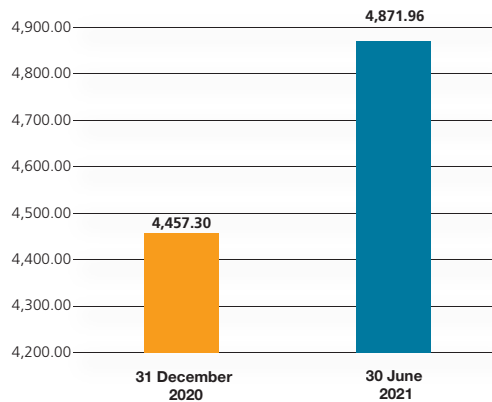
Weighted average return on net assets (%)



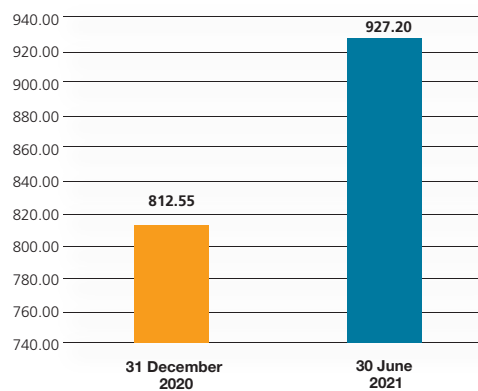
Gearing ratio (%)



**Total assets
(RMB100 million)**



**Equity attributable to owners of the Company
(RMB100 million)**



COMPANY BUSINESS OVERVIEW

I. DESCRIPTION OF PRINCIPAL BUSINESSES AND INDUSTRY IN WHICH THE COMPANY OPERATES DURING THE REPORTING PERIOD

(I) Types of principal businesses in which the Group operates

The Group is committed to becoming a leading investment bank in the Asian capital market and a systematically important financial institution in the securities industry, and provides comprehensive securities services, including brokerage, sales and trading, investment banking and investment management.

The principal businesses of the Group include:

Brokerage, Sales and Trading	Investment Banking	Investment Management	Overseas Business
Brokerage and wealth management	Equity financing	Proprietary trading and other securities trading services	Brokerage and sales
Institutional sales and investment research	Debt financing	Private equity investment	Investment banking
Margin financing and securities lending and stocks pledge	Financial advisory	Alternative investment	Investment management
Asset management			Asset management

Brokerage, Sales and Trading

1. Brokerage and wealth management: The Group executes trades on behalf of clients in stocks, funds, bonds, derivatives and futures, and provides comprehensive wealth management services to its clients.
2. Institutional sales and investment research: The Group markets and sells securities products and services to institutional investor clients and provides professional research services to facilitate their investment decisions.
3. Margin financing and securities lending and stocks pledge: The Group provides guaranteed or collateralized margin financing and securities lending services, which provide financial leverage for its clients to meet their financing demands and vitalize their equity assets.
4. Asset management: The Group charges management fees and performance-based compensation through providing professional asset management services for individual and institutional clients in the form of collective asset management schemes, targeted asset management schemes and special asset management schemes.

COMPANY BUSINESS OVERVIEW

Investment Banking

The Group charges underwriting commissions and sponsorship and advisory fees through underwriting stocks and bonds and providing financial advisory services.

Investment Management

The Group engages in proprietary trading and provides other securities trading services to enhance liquidity for clients and accommodates our clients' investment and financing needs. The Group also obtains investment income through conducting private equity investment and alternative investment.

Overseas Business

The Group provides brokerage and sales, investment banking, research and asset management services to global institutional clients, corporate clients and retail customers through Galaxy International Holdings, which is set up in Hong Kong as an overseas business platform.

During the Reporting Period, there was no significant change to the principal businesses of the Company.

(II) Operational model of the Group

During the Reporting Period, the Company's operational model was "Dual-wheel Drive and Coordinated Development". "Dual-wheel Drive": One wheel is wealth management, which represents the integration and development of the client-oriented investment and wealth management business, including brokerage, asset management and investment advisory business, to provide customers with comprehensive wealth management services. The other wheel is investment and financing to support the real economy and serve enterprises in investment and financing through coordination between investment banking business and investment business. "Coordinated Development": the wealth management and the investment and financing aim to meet the diversified financing demand of the public and the real economy and to make financial innovation to cater for the needs of consumers and investors. In accordance with the Company's new management system of "centralized planning + line supervision + hierarchical management", the Company strengthened its centralized planning and management, improved the development of its products, customer, data and service center, and strengthened the comprehensive business and management coordination mechanism in order to transform its branches into regional comprehensive financial service centers in full efforts.

To conform to the requirement of the opening up and development of the industry, the Company has timely adjusted its business development model and supporting management system to promote the coordination of its dual-wheel businesses, step up its overseas business development, and reshape the market position and public image of the Company, striving to achieve the strategic objective of "building a mega-corporation in securities brokerage and a modern investment bank" and become a leading comprehensive securities company in the industry.

COMPANY BUSINESS OVERVIEW

(III) Development characteristics of the industry of the Group

1. Economic environment

In the first half of 2021, the overall global economy was in the stage of growth in recovery, and China remained the best major economy in recovering from the COVID-19 pandemic. The monetary policies of different countries have also changed due to different levels of economic recovery and inflation.

2. Market environment

During the Reporting Period, the A share market rose sharply at the beginning of 2021 but retreated after the Spring Festival. A rebound was staged in the second quarter, but the market was clearly divided with the trend of Small and Medium Cap Index apparently being stronger than the SSE Composite Index. During the Reporting Period, SHCI, SZCI, ChiNext Index and STAR 50 Index rose 3.44%, 5.26%, 19.05% and 16.84% respectively. The average daily turnover of the Shanghai and Shenzhen markets amounted to RMB909.0 billion, representing a year-on-year increase of 19.89%. As at the End of the Reporting Period, the balance of financing of the Shanghai and Shenzhen markets amounted to RMB1,628.156 billion, representing an increase of 9.86% compared with the beginning of 2021. During the Reporting Period, the aggregated scale of equity financing businesses such as IPOs, issue of new shares, placements and preference shares was RMB783.230 billion, representing a year-on-year increase of 20.75%.

3. Industry situation

During the Reporting Period, China's economy continued to grow rapidly with relatively sufficient growth momentum, and the focus of fiscal policy shifted from supporting steady economic recovery to "preventing risks and deleveraging". However, under the pattern of "tightening credit and stabilizing money supply", capital flows remained relatively abundant. Benefiting from the higher-than-expected stability of monetary policy, the equity market in the PRC recorded gains in selected sectors, the bond market fluctuated in a narrow range, and the overall market environment of the securities industry was positive. According to the data in unaudited financial statements of the parent companies of securities firms published by the Securities Association of China, as at the End of the Reporting Period, the total assets, net assets and net capital of 134 securities companies amounted to RMB9.8 trillion, RMB2.4 trillion and RMB1.9 trillion, respectively; the operating income amounted to RMB233.0 billion and net profits were RMB90.4 billion, representing a year-on-year increase of 9.2% and 8.7% respectively.

(IV) Position of the Group in the industry

The Group is committed to becoming a leading investment bank and a systematically important securities financial institution in the Asian capital market, and its mission is to focus on the implementation of national strategies, support the development of the real economy, serve the people in wealth management, practise corporate social responsibilities, and achieve the organic combination of corporate value, shareholder returns, employee benefits as well as social responsibilities. Since its establishment, the Group has continued to maintain a strong comprehensive competitiveness. The Company's capital scale, profitability, business strength and risk management capabilities have always been at the forefront of the industry. According to the unaudited data in the financial statements of the parent companies of securities firms for the first half of 2021 published by the Securities Association of China, the Company ranked tenth in the industry in terms of both revenue and net profit, and ranked eighth, sixth and fourth in the industry in terms of total assets, net assets and net capital, respectively.

II. SIGNIFICANT CHANGES TO MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

As at the End of the Reporting Period, the total assets of the Group amounted to RMB487.196 billion, representing an increase of 9.30% as compared with the end of last year. Among them, the items with greater changes were: Monetary funds amounted to RMB100.123 billion, representing an increase of 7.98% as compared with the end of last year, which was mainly due to an increase in the size of clients' funds. Clearing settlement funds amounted to RMB23.831 billion, representing an increase of 35.53% as compared with the end of last year, which was mainly due to an increase in the size of clients' clearing settlement funds. Advances to customers amounted to RMB92.194 billion, representing an increase of 12.41% as compared with the end of last year, which was mainly due to the expansion of the business scale of advances to customers. Derivative financial assets amounted to RMB1.247 billion, representing an increase of 43.40% as compared with the end of last year, which was mainly due to the expansion of the business scale of equity derivative instruments and their price fluctuation. Receivables were RMB15.560 billion, representing an increase of 27.38% as compared with the end of last year, which was mainly due to an increase in the settlement amounts receivable of overseas subsidiaries. Financial assets held under resale agreements amounted to RMB23.897 billion, representing a decrease of 25.00% as compared with the end of last year, which was mainly due to the decrease in the scale of pledged government bond repurchase and stock pledge repurchase. Financial assets held for trading amounted to RMB107.990 billion, representing an increase of 16.56% as compared with the end of last year, which was mainly due to an increase in investment scale of bonds. Other debt investments amounted to RMB63.072 billion, representing an increase of 20.99% as compared with the end of last year, which was mainly due to an increase in bond investment. Other equity instruments investments amounted to RMB30.466 billion, representing a decrease of 10.04% as compared with the end of last year, which was mainly due to the disposal of other equity instruments. Right-of-use assets amounted to RMB1.365 billion, representing an increase of 48.01% as compared with the end of last year, which was mainly due to the addition of lease of new office space in the Company's headquarters. Other assets amounted to RMB6.561 billion, representing an increase of 54.97% as compared with the end of last year, which was mainly due to an increase in over-the-counter option performance bond.

Among them: overseas assets equivalent to RMB38.606 billion, representing 7.92% of the total assets.

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

(I) Leading position in terms of comprehensive strength

According to the unaudited data published by the Securities Association of China, as at the End of the Reporting Period, the parent company's total assets ranked eighth in the industry; its net assets ranked sixth in the industry; its net capital ranked fourth in the industry; and its comprehensive strength took the leading position in the industry.

(II) Leading position in brokerage business

The Company has established long-term brand influence for its brokerage business with a leading market position in terms of revenue. According to the unaudited data published by the Securities Association of China, for the first half of 2021, net income of the Company from its securities brokerage business ranked third in the industry among individual securities companies with a market share of 4.84%. Net income of the Company from agency sales of financial products business ranked fourth in the industry among individual securities companies with a market share of 5.00%, and interest income of the Company from the financing business ranked fourth among individual securities companies with a market share of 5.45%. The huge client base and client assets of the Company provide a sound foundation for its business development, and become a powerful driving force for the development and innovation of its businesses such as margin financing and securities lending, institutional sales and cash management.

(III) Well established brand recognition

The Company was a wholly state-owned securities company with the largest registered capital in China at the time of establishment. In 2021, the Company obtained an AA rating among Category A securities companies, and has been listed in Category A for more than twelve consecutive years, with a high recognition and reputation in China's capital market.

COMPANY BUSINESS OVERVIEW

(IV) Maintaining a large and stable client base

As at the End of the Reporting Period, the Company had 12.83 million brokerage clients and ranked seventh in the industry in terms of aggregate market value of securities in its client accounts, which amounted to RMB3.22 trillion and represented a market share of 4.93%. The Company ranked seventh in the industry in terms of the balance of clients' deposit margin accounts, which amounted to RMB72.4 billion and represented a market share of 4.0%. Benefitted from its client base, the Company has significant potential for cross-selling among its business lines, helping itself quickly seize opportunities to develop new business.

(V) Strong channel network of reasonable strategic layout

As at the End of the Reporting Period, the Company had 5 subsidiaries, 36 branches and 499 securities brokerage branches in 31 provinces, autonomous regions and municipalities across China. It is the securities company with the largest number of branches in China. With one overseas subsidiary, and leveraging on the platform of Galaxy International Holdings in Hong Kong and the business network of CGS-CIMB Securities International Pte. Ltd. (referred to as "CGS-CIMB Securities") and CGS-CIMB Holdings Sdn. Bhd. (referred to as "CGS-CIMB Holdings") in the ASEAN region, the Company has expanded its business to more than 20 countries and regions around the world, along the "Belt and Road", and well into the Guangdong-Hong Kong-Macau Greater Bay Area and the Free Trade Zones. Galaxy International Holdings and CGS-CIMB Securities and CGS-CIMB Holdings will leverage on the synergy of the Company as a whole, based in Asia and focusing on the world, so as to closely integrate funds and assets in Mainland China with those across the world, and strive to become "Asia's financial gateway".

(VI) Unique advantages from its shareholders

The de facto controller of the Company is Huijin. Huijin is authorized by the State Council to make equity investments in major state-owned financial enterprises to preserve and increase the value of state-owned financial assets. As an important securities financial platform under Huijin, the Company can grasp the national development policy in a timely manner and enjoy the synergy of resources.

MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERALL OPERATION OF THE COMPANY

In the first half of 2021, the Company effectively coped with the ever-changing market environment by stimulating business vitality with deeper reforms and strengthening risk management with more rigorous measures, aiming to enhance its core competitiveness in all rounds. It also continued to carry out business led by party building and implemented the business model of “Dual-wheel Drive and Coordinated Development”, and all businesses showed a good development trend. In particular, the Company unswervingly promoted the transformation of wealth management business and accelerated the second phase of reform of investment banking business. The Company’s margin financing and securities lending business achieved steady growth in income generation, and its investment management business realized diversified development and achieved good investment performance. The asset management business strengthened independent management capability and deepened the layout of product portfolios, and the international business continued to record a revenue growth and significant enhanced profitability. As at the End of the Reporting Period, the Group’s total assets amounted to RMB487.196 billion, and equity attributable to owners of the Company amounted to RMB92.720 billion. During the Reporting Period, the Group achieved revenue and other income of RMB19.458 billion, representing a year-on-year increase of 34.00%, net profit attributable to owners of the Company amounted to RMB4.255 billion, representing a year-on-year increase of 19.77%, and the weighted average return on net assets was 5.11%, representing a year-on-year increase of 0.22 percentage point.

II. ANALYSIS OF PRINCIPAL BUSINESSES

The Group’s businesses include the brokerage, sales and trading business, investment banking business, investment management business and overseas business.

1. Brokerage, sales and trading business

Guided by its strategy of “Dual-wheel Drive and Coordinated Development”, the Company continued to optimize and integrate its resources, and also developed service models, profit models, organizational models and synergistic cooperation models with innovation for its brokerage business, aiming to accelerate the transformation of wealth management. During the Reporting Period, the Group’s brokerage, sales and trading business achieved revenue and other income of RMB13.188 billion, representing a year-on-year increase of 33.03%.

(1) Securities brokerage

During the Reporting Period, the Company continued to deepen “+ Internet” and develop institutionalized trading, with the proportion of institutional trading steadily increasing from 4.67% in 2017 to 14.59%. The Company explored the platform-based development model driven by the headquarters, and launched the performance assessment platform, wealth management platform and equity management system to fully empower the professional needs of investment advisors and develop the Company’s product and service matrix. The Company further enriched the “Wealth Star” product series to improve customer experience and build brand image by enhancing the professional wealth management and customer service capabilities of the headquarters and branches. As at the End of the Reporting Period, the Company had 12.83 million brokerage clients, representing a year-on-year increase of 10.2%, and its securities brokerage business achieved revenue and other income of RMB6.838 billion, representing a year-on-year increase of 6.94%. The Company’s securities brokerage business achieved net income (including trading rights) of RMB2.47 billion for the first half of 2021, ranking seventh and down one place from last year, with a market share of 4.25%. The securities brokerage business ranked third in terms of net income (excluding trading rights), remaining the same as last year.

During the Reporting Period, the Company formed a vertical business team covering personnel from headquarters to branches for the cooperation in carrying out the business of agency sale of financial products. Meanwhile, the Company continued to promote the establishment of its product center, and further optimized and enhanced the business management model, system functions and business processes of its agency sale of financial products business. At present, the Company’s agency sale of financial products business is based on customers’ needs and aims at enhancing product innovation through adjusting product structure, which plays an active role in enhancing the Company’s service capability and improving the Company’s income structure, becoming the driving force for the Company to promote the transformation of wealth management.

(2) Futures business

During the Reporting Period, Galaxy Futures seized favorable opportunities by organizing a series of marketing activities such as “To Grasp Opportunities and Promote Volume Growth” and “To Generate Income by Increasing Volume on the China Financial Futures Exchange (referred to as the “CFFE”)”, launching a series of training on “Derivatives Development” for business leaders of operating institutions, holding over 80 marketing activities, and signing an introduction service agreement with its subsidiary, namely Galaxy Derivatives Financial Service Co., Ltd. (hereafter referred to as “Galaxy Derivatives”), utilizing over-the-counter derivatives tools to explore more target customers such as customers from key regions, financial institutions and various industries as well as high-net-worth customers, thereby achieving a rapid growth in the number of customers and interests of customers. During the Reporting Period, Galaxy Futures achieved revenue and other income of RMB6.100 billion, representing a year-on-year increase of 91.81%. As at the End of the Reporting Period, Galaxy Futures recorded daily average customer equity of RMB36.327 billion, representing a year-on-year increase of 59.91%, and total trading volume (one-side) of 92 million lots and total trading amount (one-side) of RMB7.19 trillion, representing a year-on-year increase of 58.60% and 75.41%, respectively. In particular, Galaxy Derivatives, a subsidiary of Galaxy Futures, gave full play to its role of serving as the derivatives trading platform in the business transformation, and achieved operating income of RMB5.421 billion and net profit of RMB0.149 billion during the Reporting Period, representing a year-on-year increase of 93.02% and 146.49%, respectively. As at the End of the Reporting Period, Galaxy Futures had a total of 48 branches, representing a decrease of 1 branch as compared with the end of 2020.

(3) Margin financing and securities lending and stocks pledge

For the credit business, the Company closely followed the direction of regulatory policies, grasping the general trend of industry development, and continued a steady and healthy development under the overall idea featuring “structure adjustment, return assurance, and risk control”. In particular, for the margin financing and securities lending business, the Company adhered to customer-oriented approach, and strengthened the application of financial technology to optimize the customer service system step-by-step; it also actively explored various sources to raise proceeds from bonds and focused on the exploitation of professional investors and institutional customers to constantly optimize its customer structure; meanwhile it established a sound and comprehensive risk prevention and control system to enhance its risk management and prevention ability. For the stock pledge business, the Company adhered to its practice of serving the real economy and continued to optimize its project portfolios by focusing on quality customers from the region and industry, as well as enhanced its integrated service capability in all rounds through measures such as risk differentiation identification, synergistic business cooperation and system support. As at the End of the Report Period, the scale of stock pledge from the Company’s customers reached RMB20.3 billion, representing a decrease of RMB3.0 billion or 13% from the end of 2020, with average performance guaranteed ratio reaching 372%; the margin financing and securities lending balance from customers of the Company amounted to RMB88.6 billion, representing an increase of 9% from the end of 2020, with the average guaranteed ratio maintaining at 279%. The overall risks were under control. The proportion of margin financing and securities lending business to the credit business of the Company continued to increase, resulting in the further optimized business structure.

(4) Asset management

During the Reporting Period, adhering to the general principle of “generating income by synergistic cooperation”, Galaxy Jinhui focused on serving the development of the real economy and actively improved its independent management capability as well as deepened the development of its product portfolio by strengthening the supply of various elements, thereby developing its professional capability on an ongoing basis to strive for becoming a refined and characteristic product brand. During the Reporting Period, Galaxy Jinhui maintained a stable scale of fixed income products and recorded an increase of more than RMB13.0 billion in the scale of equity and FOF products. At the same time, Galaxy Jinhui strictly complied with the regulatory requirements, and continued to reduce the scale of business that did not meet the requirements of the new asset management regulations. As a result, the asset management business achieved revenue and other income of RMB0.251 billion, representing a year-on-year decrease of 26.16%. As at the End of the Reporting Period, the size of entrusted asset under the management of Galaxy Jinhui amounted to RMB137.886 billion, representing a decrease of 9.67% from the end of 2020, among which, the scale of assets under active management amounted to RMB72.309 billion, accounting for over 50% of the scale under active management and representing an increase of 11 percentage points. In particular, the scale of entrusted assets under collective management amounted to RMB47.237 billion, and the scale of entrusted assets under individual management amounted to RMB85.860 billion, and the scale of entrusted assets under special management amounted to RMB4.789 billion.

2. Investment banking business

For the Company’s investment banking business, after the first phase of reform, it has realized the “five comprehensive restructurings” in implementation systems of practicing rules, business development models, coordinated service mechanisms, organizational operation systems and evaluation systems, which has laid a solid foundation for the development of the Company’s investment banking business. In 2021, the development of the investment banking business is guided by the spirit of the 5th Plenary Session of the 19th CPC Central Committee and focused on realization of the Company’s development plans and optimization measures with an aim to gradually build an “enterprise-oriented” investment and financing business system, further deepen the implementation of the “principles of four fulls” (full-employee contracting, full-licensed operation, full-process risk control, and full coordination), further expedite the “four integrations” (integration of investment and financing, integration of regional comprehensive services, integration of client comprehensive services, and integration of domestic and foreign comprehensive services), construct the “six service chains” (whole business service chains, whole client service chains, coordinated service chains for investment and financing by micro, small and medium-sized enterprises, regional comprehensive service chains, service chains for structural reforms of the supply side, and service chains for technological innovation and industrial development), as well as enhance the “three service capabilities” (service for the real economy, service for the national strategies, and service for technological innovation), so as to gradually increase the core competitiveness of the investment banking business. During the Reporting Period, the Group’s investment banking business achieved revenue and other income of RMB0.188 billion, representing a year-on-year decrease of 24.59%, mainly due to the adjustment of business structure.

(1) Equity financing and financial advisory

With the steady implementation of the comprehensive reform of capital market and the continuous improvement of the basic system, the securities industry showed a trend of “strict supervision” in accordance with the policy of “system establishment, non-intervention, and zero tolerance”. During the Reporting Period, the Company’s investment banking business actively implemented the national strategy to serve the real economy, and consistently implemented the Company’s five-year strategic development plan to transform to high-quality development with the gradual establishment of a long-term effective development model of “thematic funds + foundational services”. During the Reporting Period, the Company completed 2 IPO projects and 3 refinancing projects (including refinancing projects in relation to convertible bonds). The Company increased the reserve of its equity business and the scale of refinancing projects with approvals in relation to the equity pending for issuance amounted to RMB14.858 billion.

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(2) Bond financing

According to the statistics from WIND Data, the total principal amount of bonds issued in the PRC market in the first half of 2021 was RMB29.51 trillion, representing a year-on-year increase of 13.90%. While strengthening synergistic business cooperation, the Company further explored business opportunities in relation to bonds issued by financial institutions, bonds issued by local government and asset securitization. During the Reporting Period, the Company underwrote 193 bonds with a total underwriting amount of RMB100.809 billion, representing a year-on-year increase of 114.16%. Of which, the underwriting amount of non-policy financial bonds, bonds issued by local government and asset securitization was RMB45.699 billion, RMB18.820 billion and RMB18.088 billion, respectively. Meanwhile, the Company actively developed innovative business and promoted the development of green bond business, striving for the goals of reaching the carbon peak and carbon neutrality. During the Reporting Period, the Company successfully underwrote 3 green bonds and 1 carbon-neutral bond, with the underwriting amount of RMB1.822 billion.

(3) M&As and restructuring and financial advisory

Compared to the impact of COVID-19 pandemic and changes in the business environment in 2020, the scale and number of M&A transactions in the M&A market of the PRC increased in the first half of 2021. According to the statistics of the M&As in the PRC from WIND Data, the number of transactions completed in the M&A market of the PRC in the first half of 2021 was 6,170, with the transaction amount of RMB1.80 trillion, representing a year-on-year increase of 6.51%. During the Reporting Period, the Company strengthened its customer reserves of M&A project investors, thereby focusing on developing the business in relation to the M&As and restructuring of listed companies and expanding the business in relation to corporate bankruptcy and reorganization. As a financial advisor, the Company completed the project in relation to the judicial restructuring of Guirenniao Co., Ltd. (貴人鳥股份有限公司), involving creditors' rights of RMB4.093 billion; as an independent financial advisor, the Company completed the transfer and registration of the assets under the project in relation to the material assets restructuring of Harbin High-Tech during the first half of 2021, with a consideration of RMB2.674 billion.

(4) New OTC Board

During the Reporting Period, the Company completed 1 public offering project at the selected layer and 2 projects in relation to the non-public offering of shares on New OTC Board. As at the End of the Reporting Period, 2 projects at the selected layer of the New OTC Board sponsored by the Company were under review; and the Company maintained 49 projects which were under constant monitoring, including 1 project at the selected layer, 17 projects at the innovative layer, and 31 projects at the basic layer.

3. Investment management business

(1) Proprietary trading and other securities trading services

During the Reporting Period, the Company actively responded to the highly volatile domestic and overseas capital market environment. Leveraging the effective prevention and control of business risks, the Company maintained good investment portfolios by investing more resources to the deployment of major asset classes, resulting in the steady growth in the investing scale and income. During the Reporting Period, the Group's proprietary trading and other securities trading services generated revenue and other income of RMB4.367 billion, representing a year-on-year increase of 41.84%.

① *Equity investment*

During the Reporting Period, the Company continued to strengthen the study on its proprietary investment, focus on core assets and adhere to the philosophy of value investing. While expanding investment in Hong Kong and US stocks, the Company also kept seeking diversification of investment, expanded the business scale of quantitative investment and fund investment, and flexibly adopted futures hedging methods to effectively control drawdowns in the highly volatile market.

② *Fixed income investment*

For the business of fixed income investment, the Company continued to enrich its investment business types and diversified its sources of income, thereby maintaining the leading position in the industry for various businesses. As at the End of the Reporting Period, the Company's bond pledged quotation repurchase business (product named "Daily Profits (天天利)") has ranked first on the Shanghai Stock Exchange for nine consecutive years, and its market making business scale and profit has maintained the momentum of vigorous growth.

The Company seized the opportunity of deepening the reform and development of capital market to accelerate the successive commencement of innovative business, and assisted in the optimization and promotion of proprietary investment business. First, the Company, as one of the first batch of participating brokers in publicly offered REITs, successfully participated in the investment or market making activities of the first batch of all 9 projects of publicly offered REITs, and actively participated in the promotional activities of public offered REITs to guide investors to properly understand and participate in the investment in projects of public offered REITs. Second, the Company became a core dealer of credit risk mitigation tools and an institution for creating credit risk mitigation certificates and credit-linked bills, which was beneficial to the optimization of credit risk distribution, the improvement of the Company's risk management capability, and the enhancement of the Company's supportive role and service function in serving the real economy. Third, the Company obtained the qualification for inter-bank gold inquiry business from the Shanghai Gold Exchange. With the gold business as the starting point, the Company actively expanded its FICC business types, which helped the Company enrich the strategic trading tools and financing channels to satisfy the requirements for proprietary major asset deployment and customers' needs for diversified products.

③ **Derivatives investment**

During the Reporting Period, the Company focused on the development of over-the-counter options and equity swap business, and at the same time, provided institutional and retail customers with floating income-linked income certificate products to meet customers' needs for wealth management and major asset deployment. The Company will further strengthen the foundation of its over-the-counter business by optimizing the business operating flow and continuously developing the information system, thereby maintaining the continuous business growth of over-the-counter options.

④ **New OTC Board market making business**

During the Reporting Period, the prosperity of the New OTC Board improved with well-performed index. The Company actively responded to the call of "serving entities and small and medium-sized enterprises" by constantly enhancing its investment and research capabilities and increasing investment in companies listed at the selected layer in a timely manner, making adequate preparations for the commencement of mixed transactions. As at the End of the Reporting Period, the Company provided market making quotation services for 9 stocks.

(2) **Private equity investment**

Since 2021, Galaxy Capital has commenced its private equity fund business in key areas based on national and regional policies, thereby supporting the continuous growth and expansion of regional quality enterprises and the development of the real economy through promoting the establishment of private equity fund platforms and the operation of fund investment. During the Reporting Period, Galaxy Capital actively promoted the implementation of thematic funds in key areas such as Guangdong and Hainan Free Trade Port, and at the same time continued to pay attention to the key regions such as Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, the Pearl River Delta and Beijing-Tianjin-Hebei regions, and deepened the development of the national demonstration zone for independent innovation to promote the establishment of regional thematic funds. During the Reporting Period, Galaxy Capital achieved operating income of RMB54 million, and net profit of RMB26 million.

(3) **Alternative asset investment**

During the Reporting Period, while striving to realize the potential appreciation of its owned assets, Galaxy Yuanhui also gave priority to scientific and technological innovative enterprises and innovative investment products, in order to attract high-quality customer resources and explore high-quality investment and financing projects as well as develop high-quality wealth management products for the Company, thereby constantly discovering value and even creating value. Meanwhile, Galaxy Yuanhui adhered to compliance operations by steadily promoting its investment portfolios in high technology fields such as advanced manufacturing, medical equipment and corporate services, and continued to enhance its risk management and control capability by strengthening the post-investment management of existing projects. During the Reporting Period, Galaxy Yuanhui achieved operating income of RMB0.157 billion and net profit of RMB0.097 billion.

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4. Overseas Business

During the Reporting Period, the Hong Kong Hang Seng Index fluctuated, and the stock market stayed active with booming fund-raising activities. Galaxy International Holdings seized market opportunities to diversify sources of income through implementing various measures. While strengthening output capability of the three major conventional businesses, namely the brokerage business, financing business and investment banking business, Galaxy International Holdings was committed to its proprietary investment in securities to develop and promote fixed income and its business of cross-border income exchange. During the Reporting Period, Galaxy International Holdings recorded a year-on-year increase of 43% in total trading volume of its brokerage business, driving the increase in commissions and interest income of its brokerage business; for the investment banking business, it completed 4 underwriting projects in relation to the listed companies on the Main Board of the Hong Kong Stock Exchange and 7 underwriting projects in relation to bonds; for the cross-border business, it maintained stable growth. Benefiting from the active stock market in the place it operates and the growth in the diversified revenue contributed by its innovative business, along with its continuously strengthened cost control, Galaxy International Holdings achieved consolidated revenue and other income of RMB1.794 billion and net profit of RMB148 million during the Reporting Period, representing a year-on-year increase of 44.23% and 69%, respectively.

During the Reporting Period, CGS-CIMB Securities and CGS-CIMB Holdings maintained their leading positions in the Southeast Asian market in stock brokerage business, ranking first and third in the Singapore market and Malaysia market respectively. While achieving rapid growth in commission and interest income in their brokerage business, CGS-CIMB Securities and CGS-CIMB Holdings diversified their sources of income by making tremendous efforts to develop innovative business. During the Reporting Period, CGS-CIMB Securities recorded profit after taxation of S\$16.59 million (approximately RMB90 million), representing a year-on-year increase of 116%; and CGS-CIMB Holdings recorded profit after taxation of S\$12.28 million (approximately RMB60 million), representing a year-on-year increase of 13%.

III. CHALLENGES AND PROSPECTS FOR THE SECOND HALF OF 2021

In the second half of 2021, under the development environment of the securities industry where opportunities and challenges coexist, the Company will continue to adhere to the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era to thoroughly implement various working requirements of CIC and Huijin, and adopt various strategic measures to facilitate the Company in constantly increasing its competitiveness under the macroeconomic policies which continue to promote the supply-side structural reform and establish new development pattern, thereby striving for the high-quality growth of the Company.

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First, the Company will focus on its principal businesses by enhancing innovative development capability, with an aim to create its core competitiveness for high-quality development. For the brokerage business, the Company will continue to strengthen the foundation of “+Internet”, in order to vigorously improve, under the direction of performance appraisal reform, its capability in exploring and serving institutional clients and high-net-worth customers through professional strategic trading, investment advisory services, product allocation and integrated finance, thereby securing its leading market position in brokerage business. For the credit business, the Company will focus on the margin financing and securities lending business, being its core competitiveness, by expanding the margin financing business and strengthening the securities lending business, aiming to further increase the proportion of income from these margin financing and securities lending businesses, and meanwhile, it will precisely adopt the policies to effectively manage and control stock pledge risks, in order to maintain the stable ranking in the credit business market, thereby improving the risk-adjusted return on assets. For the asset management business, the Company will invest more resources in innovation, aiming to enrich the diversified supply sources and effectively enhance the capabilities in research and development, initiation and sales of equity products, thereby promoting the transformation towards active management and attaining higher market ranking. For the business of agency sale of products, the Company will develop a series of financial products with “diversified strategies, styles and product types” to provide customers with scenario-based, differentiated and customized service solutions for different product portfolios, thereby meeting clients’ increasing and advancing needs for wealth management on an on-going basis.

Second, the Company will accelerate the development of its “enterprises-oriented” investment and financing business. For the investment banking business, the Company will establish the development model of “thematic funds + foundational services”, thereby seizing opportunities arisen from the policy that selected companies have been gradually allowed to carry out business under the “sponsoring + direct investment” mode, to further create business synergy from investment and financing business integration, and at the same time thoroughly enhance the capabilities in research pricing, institutional sales, synergistic cooperation and internal control, thereby providing customers with diversified and full life-cycle comprehensive financial service solutions.

Third, the Company will accelerate the development of its “Asia-based” international business. Looking forward to the second half of 2021, Galaxy International Holdings will accelerate its business transformation and development by expanding the cross-border trading business to consolidate its diversified sources of income through the cross-border income exchange business. At the same time, it will facilitate the implementation of the increase in its registered capital and strengthen the development of the risk management and control system and the internal control system, thereby ensuring the long-term sustainable development of the Company’s business and operation. The joint ventures of CGS-CIMB (CGS-CIMB Securities and CGS-CIMB Holdings) will continue to strengthen their positions in various businesses and markets.

Fourth, the Company will continue to enhance the value-added capability of its proprietary capital investment and the capability in providing integrated services for businesses based on customers’ needs, as well as effectively control its risk exposure to improve the efficiency of balance sheet utilization and the level of comprehensive income.

Fifth, the Company will effectively expand the scope and enhance the quality of its research services, with an aim to improve its comprehensive research capability, and target at the formation of a think tank through the vigorous commencement of synergistic cooperation service internally and the rapid enhancement of its industry positioning and brand influence externally.

Sixth, the Company will focus on “synergistic cooperation” and “income generation” by thoroughly implementing the principles of market-oriented management, strengthening business synergy and resource integration between the Company and its subsidiaries, enhancing the penetrating management system to deploy resources in the aspects of capital, manpower, and assessment, aiming to fully support its subsidiaries to become bigger and stronger and increase contributions to its revenue and profit.

IV. ANALYSIS OF FINANCIAL STATEMENTS

(I) Liquidity, financial resources and share capital structure

During the Reporting Period, the Group continuously maintained its profitability and realized capital preservation and appreciation. As at 30 June 2021, net assets attributable to owners of the Company amounted to RMB92.720 billion, representing an increase of RMB11.465 billion or 14.11% as compared with RMB81.255 billion as at the end of 2020, which was mainly attributable to an increase of RMB9.925 billion from the issue of perpetual bonds accounted as other equity instruments in the first half of 2021, an increase of RMB4.255 billion in realized profits, an increase of RMB199 million in other comprehensive income, an increase of RMB2.914 billion in profit distribution.

The asset structure was constantly improved and asset quality and liquidity remained satisfactory. As at 30 June 2021, the total assets of the Group, excluding clients' funds, amounted to RMB377.732 billion, representing an increase of RMB29.684 billion or 8.53% as compared with the comparable data of total assets of RMB348.048 billion as at the end of 2020. In particular, cash and bank balances accounted for 7.15% of the total assets. Investment assets, which mainly consisted of investments in high liquidity financial assets, accounted for 54.83% of the total assets. The scale of margin financing and securities lending business rose slightly, with advances to customers accounting for 24.41% of the total assets. Financial assets held under resale agreements accounted for 6.33% of the total assets.

The gearing ratio decreased slightly. As at 30 June 2021, the own gearing ratio of the Company was 75.25%, representing a decrease of 1.19 percentage points as compared with 76.44% as at the end of 2020. The operating leverage (own asset/net assets) of the Company was 4.07 times, representing a decrease of 4.91% as compared with 4.28 times as at the end of 2020. The decrease in the leverage ratio was mainly attributable to an increase in net assets as a result of the issuance of other equity instrument by the Company.

Currently, the Company is raising short-term capital by interbank lending, issuing income certificates and short-term commercial papers, etc. Meanwhile, the Company is also raising long-term capital by various means approved by other competent authorities, including the issuance of long-term corporate bonds and long-term subordinated debts, based on the market conditions and its own needs. At present, the Company has obtained comprehensive credit lines from various commercial banks and can use the above debt financing instruments to raise funds based on its business needs.

Excluding the effect of changes in clients' margins, the net increase in cash and cash equivalents of the Company during the Reporting Period was RMB134 million, representing a decrease of RMB1.830 billion as compared with RMB1.964 billion for the same period of 2020. The net cash flow from the operating activities of the Company during the Reporting Period was RMB14.267 billion, representing an increase of RMB3.664 billion as compared with RMB10.603 billion for the same period of 2020, which was mainly due to the increase in sales and repurchase of financial assets. The net cash flow from the investing activities of the Company during the Reporting Period was RMB-4.818 billion, representing an increase of RMB12.768 billion as compared with RMB-17.586 billion for the same period of 2020, which was mainly due to the decrease in investment in other equity instruments resulting in cash inflow. The net cash flow from the financing activities of the Company during the Reporting Period was RMB-9.315 billion, representing a decrease of RMB18.262 billion as compared with RMB8.947 billion for the same period of 2020, which was mainly due to the reduction in the size of the Company's debt financing in the first half of 2021.

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(II) Analysis of the Company's profitability during the Reporting Period

During the Reporting Period, the Group realized revenue and other income of RMB19.458 billion, representing an increase of 34.00% as compared to the same period of last year, of which brokerage business realized revenue and other income of RMB6.838 billion, representing an increase of 6.94% as compared to the same period of last year; futures business realized revenue and other income of RMB6.100 billion, representing an increase of 91.81% as compared to the same period of last year; proprietary and other securities trading services realized revenue and other income of RMB4.367 billion, representing an increase of 41.84% as compared to the same period of last year; investment banking business realized revenue and other income of RMB188 million, representing a decrease of 24.59% as compared to the same period of last year; asset management business realized revenue and other income of RMB251 million, representing a decrease of 26.16% as compared to the same period of last year; private equity and alternative investment business realized revenue and other income of RMB214 million, representing an increase of 16.97% as compared to the same period of last year; overseas business realized revenue and other income of RMB1.794 billion, representing an increase of 44.23% as compared to the same period of last year. During the Reporting Period, expenses paid by the Group amounted to RMB14.138 billion, representing an increase of 41.87% as compared to the same period of last year.

During the Reporting Period, the Group realized net profits attributable to owners of the Company of RMB4.255 billion, representing an increase of 19.77% as compared to the same period of last year. The Group realized basic earnings per share of RMB0.40, representing an increase of 14.29% as compared to the same period of last year, and the weighted average return on net assets amounted to 5.11%, representing an increase of 0.22 percentage point as compared to the same period of last year.

(III) Structure of assets and liabilities

As at 30 June 2021, the total assets of the Group amounted to RMB487.196 billion, representing an increase of 9.30% as compared to the end of 2020, of which monetary funds amounted to RMB100.123 billion, accounted for 20.55% of the total assets; clearing settlement funds amounted to RMB23.831 billion, accounted for 4.89% of the total assets; advances to customers amounted to RMB92.194 billion, accounted for 18.92% of the total assets; derivative financial assets amounted to RMB1.247 billion, accounted for 0.26% of the total assets; receivables amounted to RMB15.560 billion, accounted for 3.19% of the total assets; financial assets held under resale agreements amounted to RMB23.897 billion, accounted for 4.91% of the total assets; financial assets held for trading amounted to RMB107.990 billion, accounted for 22.17% of the total assets; other debt investments amounted to RMB63.072 billion, accounted for 12.95% of the total assets; investment in other equity instruments amounted to RMB30.466 billion, accounted for 6.25% of the total asset; right-of-use assets amounted to RMB1.365 billion, accounted for 0.28% of the total assets; other assets amounted to RMB6.561 billion, accounted for 1.35% of the total assets. The Group's assets were highly liquid with reasonable structure. In addition, according to the requirements of its accounting policy, the Group made provision for corresponding impairment of financial instruments and confirmed loss reserves based on expected credit losses, and the asset quality was favorable.

As at 30 June 2021, the total liabilities of the Group amounted to RMB393.711 billion, and the Group's own liabilities, i.e. excluding securities brokerage services and funds payable to securities issuers, amounted to RMB284.247 billion, of which the Group's own current liabilities and non-current liabilities amounted to RMB249.329 billion and RMB34.918 billion, representing a share of 87.72% and 12.28%, respectively. The Group's own liabilities were mainly comprised of short-term loans of RMB11.270 billion, representing a share of 3.96%; short-term financing payables of RMB31.334 billion, representing a share of 11.02%; placements of RMB8.363 billion, representing a share of 2.94%; financial assets sold under repurchase agreements of RMB116.993 billion, representing a share of 41.16%; payables of RMB15.347 billion, representing a share of 5.40%; bond payables, including long-term subordinated bonds, long-term corporate bonds and long-term income certificates, of RMB62.311 billion, representing a share of 21.92%; and other liabilities of RMB18.806 billion, representing a share of 6.62%. The gearing ratio of the Group was 75.25%, which represented a reasonable liabilities structure. The Group did not have any unpaid due debts, and its business was in sound conditions with strong profitability and good long-term and short-term solvency as well as favorable liquidity.

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V. ESTABLISHMENT AND DISPOSAL OF SECURITIES BRANCHES AND BRANCH OFFICES

1. Establishment and disposal of securities branches and branch offices

As at the End of the Reporting Period, the Company established 36 branch offices and 499 securities branches.

(1) Establishment of new branches

During the Reporting Period, the Company commenced the preparation for the establishment of 11 new branches in accordance with the requirements under the Announcement on Various Issues in relation to the Cancellation or Adjustment of Certain Administrative Approval Projects of Securities Companies (《關於取消或調整證券公司部分行政審批項目等事項的公告》) and the Decision on the Amendment to and Repeal of Certain Documents regarding Securities and Futures Systems (《關於修改、廢止部分證券期貨制度文件的決定》) issued by the China Securities Regulatory Commission and the Notice on Commencement of the Preparation for the Establishment of New Securities Branches in 2020 (《關於實施2020年新設證券營業部籌建工作的通知》) (Galaxy Zheng Fa [2020] No. 112) issued by the Company. The establishment of new branches is currently in steady progress. As at the End of the Reporting Period, a total of 8 new branches obtained the Business License for Operating Securities and Futures Business.

No.	Province/ autonomous region/ municipality	Name of securities branch	Address
1	Hainan Province	Danzhou Zhongxing Street Securities Branch	West side of the 1st Floor, No. 112-1, Zhongxing Street, Nada, Danzhou City, Hainan Province
2	Beijing City	Beijing Times Garden South Road Securities Branch	No. 102, 1st Floor, Building 1, Courtyard 19, Times Garden South Road, Shijingshan District, Beijing City
3	Guangxi Zhuang Autonomous Region	Nanning Jinh South Road Securities Branch	No. 1, Shop C1, Building C, Shengzhan Independent Commune, Jinh South Road, Qingxiu District, Nanning City, Guangxi Zhuang Autonomous Region
4	Hubei Province	Jingzhou Securities Branch	No. 101B, S5 Commercial Street, Hengxin Chunqiu Mansion, No.192, Jiangjin West Road, Shashi District, Jingzhou City, Hubei Province
5	Beijing City	Beijing Youth Road Securities Branch	No. 31608, 16th Floor, Building 3, Courtyard 7, Qingnian Road, Chaoyang District, Beijing City
6	Beijing City	Beijing Old Palace Securities Branch	No. 107, 1st Floor, Building 10, Courtyard 10, Jiuzhong Road, Beijing Economic and Technological Development Area (Daxing), Beijing City
7	Beijing City	Beijing West Dawang Road Securities Branch	No. 102, 1st Floor, Building 1, Courtyard 16, Nanmofang Road, Chaoyang District, Beijing City
8	Jilin Province	Tonghua Binjiang West Road Securities Branch	No. 1-9, Building 1-7, Bishui Haoting, Binjiang West Road, Dongchang District, Tonghua City, Jilin Province

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(2) Relocation of branch offices and securities branches

The Company has constantly adjusted and optimized its branch layout. During the Reporting Period, the Company relocated 12 branches within the same city, including 1 branch office and 11 securities branches.

① Relocation of branch offices

No.	Province/ autonomous region/ municipality	Branch office	Current address
1	Heilongjiang Province	Heilongjiang Branch	3rd Floor, Commercial Service, Floor 1-4 Blue Waterfront, No. 209 Zhongshan Road, Nangang District, Harbin City, Heilongjiang Province

② Relocation of securities branches

No.	Province/ autonomous region/ municipality	Original name of securities branch	Current name of securities branch	Current address
1	Henan Province	Zhengzhou Longhai Road Securities Branch	Zhengzhou Longhai Road Securities Branch	No. 03, 1st Floor, North Side, No. 19 Songshan South Road, Erqi District, Zhengzhou City, Henan Province
2	Guangdong Province	Foshan Securities Branch	Foshan Lvjing 1st Road Securities Branch	3rd Floor, No. 8, Lvjing 1st Road, Chancheng District, Foshan City, Guangdong Province
3	Henan Province	Zhumadian Wenming Avenue Securities Branch	Zhumadian Zhidi Plaza Securities Branch	Shop 118, Building 2, Zhidi International Plaza, Northwest Corner of the Intersection of Huaihe Avenue and Tongshan Avenue, Municipal District of Zhumadian City, Henan Province
4	Hubei Province	Yichang New Century Securities Branch	Yichang New Century Securities Branch	6th Floor, Xingguangtiandi Office Building, No. 121, Yiling Avenue, Yichang City, Hubei Province
5	Guangdong Province	Zhanjiang Renmin Avenue Middle Securities Branch	Zhanjiang Haibei Road Securities Branch	Shop 12, 1st Floor, Building 1, Country Garden House, No. 35, Haibei Road, Chikan District, Zhanjiang City, Guangdong Province
6	Zhejiang Province	Taizhou Yinquan Road Securities Branch	Taizhou Huangyan Weiyu Street Securities Branch	No. 328, No. 330, No. 332, Weiyu Street, Xicheng Street Office, Huangyan District, Taizhou City, Zhejiang Province
7	Sichuan Province	Mianyang Yuejin Road Securities Branch	Mianyang Anchang Road Securities Branch	1st Floor, No. 33, Anchang Road, Fucheng District, Mianyang City, Sichuan Province
8	Heilongjiang Province	Harbin Zhongshan Road Securities Branch	Harbin Zhongshan Road Securities Branch	1st and 3rd Floor, Commercial Service, Floor 1-4 Blue Waterfront, No. 209 Zhongshan Road, Nangang District, Harbin City, Heilongjiang Province

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No.	Province/ autonomous region/ municipality	Original name of securities branch	Current name of securities branch	Current address
9	Jiangxi Province	Nanchang Liantang Securities Branch	Nanchang Liantang Securities Branch	Shops 103 and 104, Chenghu Qianbaiwei Commercial and Residential Building, Chenghu Middle Road, Nanchang County, Nanchang City, Jiangxi Province
10	Shanxi Province	Yuncheng Yuxi Road Securities Branch	Yuncheng Hedong Street Securities Branch	Shop 14, Floor 1-2, Building 21, Shui'an Huating, Hedong East Street, Yanhu District, Yuncheng City, Shanxi Province
11	Guangdong Province	Guangzhou Panyu Wanbo 4th Road Securities Branch	Guangzhou Panyu Wanbo 1st Road Securities Branch	Shop 216, No. 25, Huizhi 3rd Road, No. 01, Shop 101, No. 141, Wanbo 1st Road, Shop 101, No. 143, Wanbo 1st Road, Nancun Town, Panyu District, Guangzhou City, Guangdong Province

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VI. CORPORATE BOND FINANCING ACTIVITIES

1. As of the date of this report, the issued and existing corporate bonds of the Company are detailed as follows:

Unit: RMB100 million

Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance	Interest rate (%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Is there any risk of termination of listing and trading
2018 Non-public Issued Subordinated Bonds (Tranche 3) (Type 2) of China Galaxy Securities Co., Ltd.	18 Galaxy C6	150770.SH	2018/10/24	2018/10/25	2021/10/25	50	4.48	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for qualified investors.	Quotation, inquiry and agreed trading methods	No
2018 Non-public Issued Subordinated Bonds (Tranche 4) (Type 2) of China Galaxy Securities Co., Ltd.	18 Galaxy C8	150953.SH	2018/12/14	2018/12/17	2021/12/17	15	4.28	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for qualified investors.	Quotation, inquiry and agreed trading methods	No
2019 Non-public Issued Subordinated Bonds (Tranche 1) (Type 2) of China Galaxy Securities Co., Ltd.	19 Galaxy C2	151144.SH	2019/1/29	2019/1/30	2022/1/30	40	4.05	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for qualified investors.	Quotation, inquiry and agreed trading methods	No

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Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance	Interest rate (%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Is there any risk of termination of listing and trading
2019 Non-public Issued Subordinated Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd.	19 Galaxy C4	151198.SH	2019/2/26	2019/2/27	2022/2/27	34	4.2	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for qualified investors.	Quotation, inquiry and agreed trading methods	No
2019 Non-public Issued Subordinated Bonds (Tranche 3) (Type 2) of China Galaxy Securities Co., Ltd.	19 Galaxy C6	151243.SH	2019/3/7	2019/3/11	2022/3/11	34	4.25	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for qualified investors.	Quotation, inquiry and agreed trading methods	No
2020 Non-public Issued Subordinated Bonds (Tranche 1) (Type 1) of China Galaxy Securities Co., Ltd.	20 Galaxy C1	162908.SH	2020/1/13	2020/1/14	2022/1/14	10	3.65	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for qualified investors.	Quotation, inquiry and agreed trading methods	No

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Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance	Interest rate (%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Is there any risk of termination of listing and trading
2020 Non-public Issued Subordinated Bonds (Tranche 1) (Type 2) of China Galaxy Securities Co., Ltd.	20 Galaxy C2	162909.SH	2020/1/13	2020/1/14	2023/1/14	40	3.75	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for qualified investors.	Quotation, inquiry and agreed trading methods	No
2020 Non-public Issued Corporate Bonds (Tranche 1) (Type 1) of China Galaxy Securities Co., Ltd.	20 Galaxy F1	166073.SH	2020/2/14	2020/2/17	2022/2/17	32	3.15	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for qualified investors.	Quotation, inquiry and agreed trading methods	No
2020 Non-public Issued Corporate Bonds (Tranche 1) (Type 2) of China Galaxy Securities Co., Ltd.	20 Galaxy F2	166074.SH	2020/2/14	2020/2/17	2023/2/17	18	3.25	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for qualified investors.	Quotation, inquiry and agreed trading methods	No

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Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance	Interest rate (%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Is there any risk of termination of listing and trading
2020 Non-public Issued Corporate Bonds (Tranche 2) (Type 1) of China Galaxy Securities Co., Ltd.	20 Galaxy F3	166228.SH	2020/3/10	2020/3/11	2022/3/11	40	2.88	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for qualified investors.	Quotation, inquiry and agreed trading methods	No
2020 Non-public Issued Corporate Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd.	20 Galaxy F4	166229.SH	2020/3/10	2020/3/11	2023/3/11	10	3.03	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for qualified investors.	Quotation, inquiry and agreed trading methods	No
2020 Non-public Issued Corporate Bonds (Tranche 4) (Type 1) of China Galaxy Securities Co., Ltd.	20 Galaxy F6	167315.SH	2020/7/28	2020/7/29	2022/7/29	30	3.5	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for qualified investors.	Quotation, inquiry and agreed trading methods	No

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Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance	Interest rate(%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Is there any risk of termination of listing and trading
2020 Non-public Issued Corporate Bonds (Tranche 4) (Type 2) of China Galaxy Securities Co., Ltd.	20 Galaxy F7	167316.SH	2020/7/28	2020/7/29	2023/7/29	30	3.72	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for qualified investors.	Quotation, inquiry and agreed trading methods	No
2020 Corporate Bonds (Tranche 1) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	20 Galaxy S1	163820.SH	2020/8/27	2020/8/31	2021/8/31	35	3.04	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	No
2020 Corporate Bonds (Tranche 2) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	20 Galaxy S2	163838.SH	2020/10/21	2020/10/23	2021/10/23	20	3.17	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	No

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Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance	Interest rate (%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Is there any risk of termination of listing and trading
2020 Corporate Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	20 Galaxy G2	175272.SH	2020/10/21	2020/10/23	2023/10/23	30	3.7	The interest shall be calculated annually at a simple rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	No
2020 Public Issued Perpetual Subordinated Bonds (Tranche 1) of China Galaxy Securities Co., Ltd.	20 Galaxy Y1	175196.SH	2020/11/23	2020/11/24	N/A (Note 1)	50	4.8	The interest shall be paid annually if the issuer does not exercise the right for deferred interest payment.	SSE	The bonds shall be issued and traded for professional institutional investors.	Bidding, quotation, inquiry and agreed trading methods	No
2020 Corporate Bonds (Tranche 3) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	20 Galaxy S3	163847.SH	2020/11/25	2020/11/27	2021/11/27	20	3.58	The interest shall be calculated annually at a simple rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	No
2020 Corporate Bonds (Tranche 3) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	20 Galaxy G3	175482.SH	2020/11/25	2020/11/27	2022/11/27	40	3.8	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	No

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Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance	Interest rate(%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Is there any risk of termination of listing and trading
2020 Short-term Corporate Bonds (Tranche 1)(Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	20 Galaxy S4	163857.SH	2020/12/23	2020/12/24	2021/9/23	30	3.1	The interest shall be calculated annually at a simple rate rather than a compound rate, and shall be paid together with the principal amount in full at the maturity date.	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	No
2020 Short-term Corporate Bonds (Tranche 1)(Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	20 Galaxy S5	163858.SH	2020/12/23	2020/12/24	2021/12/24	20	3.12	The interest shall be calculated annually at a simple rate rather than a compound rate, and shall be paid together with the principal amount in full at the maturity date.	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	No
2021 Corporate Bonds (Tranche 1) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	21 Galaxy G1	175652.SH	2021/1/19	2021/1/21	2023/1/21	18	3.24	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	No
2021 Corporate Bonds (Tranche 1) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	21 Galaxy G2	175653.SH	2021/1/19	2021/1/21	2024/1/21	32	3.58	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	No

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Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance	Interest rate (%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Is there any risk of termination of listing and trading
2021 Corporate Bonds (Tranche 2) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	21 Galaxy G3	175730.SH	2021/2/2	2021/2/4	2023/2/4	15	3.5	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	No
2021 Corporate Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	21 Galaxy G4	175731.SH	2021/2/2	2021/2/4	2024/2/4	25	3.67	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	No
2021 Public Issued Perpetual Subordinated Bonds (Tranche 1) of China Galaxy Securities Co., Ltd.	21 Galaxy Y1	175879.SH	2021/3/26	2021/3/29	N/A (Note 2)	50	4.57	The interest shall be paid annually if the issuer does not exercise the right for deferred interest payment.	SSE	The bonds shall be issued and traded for professional institutional investors.	Bidding, quotation, inquiry and agreed trading methods	No
2021 Public Issued Perpetual Subordinated Bonds (Tranche 2) of China Galaxy Securities Co., Ltd.	21 Galaxy Y2	188024.SH	2021/4/20	2021/4/21	N/A (Note 3)	50	4.3	The interest shall be paid annually if the issuer does not exercise the right for deferred interest payment.	SSE	The bonds shall be issued and traded for professional institutional investors.	Bidding, quotation, inquiry and agreed trading methods	No

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Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance	Interest rate(%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Is there any risk of termination of listing and trading
2021 Corporate Bonds (Tranche 3) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	21 Galaxy G5	188399.SH	2021/7/16	2021/7/20	2024/7/20	32	3.13	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	No
2021 Corporate Bonds (Tranche 3) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	21 Galaxy G6	188400.SH	2021/7/16	2021/7/20	2026/7/20	18	3.45	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	No
2021 Non-public Issued Corporate Bonds (Tranche 1) (Type 1) of China Galaxy Securities Co., Ltd.	21 Galaxy F1	178269.SH	2021/8/6	2021/8/9	2023/8/9	20	2.93	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	No

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Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance	Interest rate (%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Is there any risk of termination of listing and trading
2021 Non-public Issued Corporate Bonds (Tranche 1) (Type 2) of China Galaxy Securities Co., Ltd.	21 Galaxy F2	178270.SH	2021/8/6	2021/8/9	2024/8/9	40	3.15	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount.	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	No

Note 1: On 24 November 2020, the Company publicly issued 2020 perpetual subordinated bonds (Tranche 1) of RMB5 billion, with an interest rate of 4.80%, which will remain unchanged for the first five interest-bearing years of the duration of the bonds. If the Company does not exercise its redemption right, the coupon rate shall be reset every five years commencing from the sixth interest-bearing year.

Note 2: On 29 March 2021, the Company publicly issued 2021 perpetual subordinated bonds (Tranche 1) of RMB5 billion, with an interest rate of 4.57%, which will remain unchanged for the first five interest-bearing years of the duration of the bonds. If the Company does not exercise its redemption right, the coupon rate shall be reset every five years commencing from the sixth interest-bearing year.

Note 3: On 21 April 2021, the Company publicly issued 2021 perpetual subordinated bonds (Tranche 2) of RMB5 billion, with an interest rate of 4.30%, which will remain unchanged for the first five interest-bearing years of the duration of the bonds. If the Company does not exercise its redemption right, the coupon rate shall be reset every five years commencing from the sixth interest-bearing year.

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2. As of the date of this report, the issued and existing short-term commercial papers of the Company in the inter-bank market are detailed as follows:

Unit: RMB100 million

Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance	Interest rate(%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Is there any risk of termination of listing and trading
2021 Fifth Tranche of Short-term Commercial Paper of China Galaxy Securities Co., Ltd.	21 Galaxy Securities CP005	072100103	2021/6/18	2021/6/22	2021/9/17	40	2.35	The interest shall be paid together with the principal amount in full at the maturity date.	National Inter-bank Bond Market	Institutional investors of the National Inter-bank Bond Market	No
2021 Sixth Tranche of Short-term Commercial Paper of China Galaxy Securities Co., Ltd.	21 Galaxy Securities CP006	072100117	2021/7/12	2021/7/14	2021/10/13	40	2.15	The interest shall be paid together with the principal amount in full at the maturity date.	National Inter-bank Bond Market	Institutional investors of the National Inter-bank Bond Market	No
2021 Seventh Tranche of Short-term Commercial Paper of China Galaxy Securities Co., Ltd.	21 Galaxy Securities CP007	072100141	2021/8/6	2021/8/10	2021/11/9	40	2.10	The interest shall be paid together with the principal amount in full at the maturity date.	National Inter-bank Bond Market	Institutional investors of the National Inter-bank Bond Market	No
2021 Eighth Tranche of Short-term Commercial Paper of China Galaxy Securities Co., Ltd.	21 Galaxy Securities CP008	072100152	2021/8/24	2021/8/26	2021/11/25	40	2.15	The interest shall be paid together with the principal amount in full at the maturity date.	National Inter-bank Bond Market	Institutional investors of the National Inter-bank Bond Market	No

VII. EXTERNAL GUARANTEE, MORTGAGE, PLEDGE AND MATERIAL CONTINGENT LIABILITIES OF THE COMPANY

The external guarantees of the Company during the Reporting Period and up to the End of the Reporting Period are as follows:

- (1) In August 2016 and August 2017, the Company successively provided net capital guarantee to its subsidiary, Galaxy Jinhui, of RMB1 billion and RMB2 billion to satisfy its business development requirements.
- (2) On 22 June 2017, the “Proposal for the Increase of Net Capital Guarantee to Galaxy Jinhui” was considered and passed at the 2016 annual general meeting, pursuant to which it was agreed that the Company would additionally provide net capital guarantee to Galaxy Jinhui of RMB3 billion to satisfy its business development requirements. As at 30 June 2021, the guarantee had not been fulfilled.
- (3) On 26 February 2019, the “Proposal for Reviewing the Authorization of Galaxy International for the Provision of Bank Loan Guarantee to CGS-CIMB” was considered and approved at the 48th meeting (extraordinary) of the third session of the Board of the Company, pursuant to which it was agreed that Galaxy International Holdings would provide a loan guarantee of not more than RMB3.5 billion to CGS-CIMB Securities in the next three years according to business development needs. As at 30 June 2021, the amount of guarantees provided by Galaxy International Holdings was RMB2.629 billion, and the amount of outstanding guarantees authorized was RMB871 million.

During the Reporting Period, there was no off balance sheet item or contingent liability which may have a material impact on the financial condition and operating results of the Company, such as material mortgage and pledge.

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VIII. ANALYSIS ON MAJOR CONTROLLED COMPANIES AND INVESTEEES

1. Galaxy Futures Company Limited has a registered capital of RMB2.3 billion, in which the Company holds an equity interest of 100%. Its major business scope is commodity futures brokerage, financial futures brokerage, futures investment consultancy, assets management and sale of funds. According to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises, as at 30 June 2021, the total assets and net assets of Galaxy Futures were RMB50.716 billion and RMB3.929 billion, respectively. In the first half of 2021, it achieved an operating income and a net profit of RMB6.076 billion and RMB363 million, respectively.
2. Galaxy Capital Management Company Limited has a registered capital of RMB1.0 billion, in which the Company holds an equity interest of 100%. Its major business scope is assets management, project investment and investment management. According to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises, as at 30 June 2021, the total assets and net assets of Galaxy Capital were RMB1.358 billion and RMB1.121 billion, respectively. In the first half of 2021, it achieved an operating income and a net profit of RMB54 million and RMB26 million, respectively.
3. Galaxy International Holdings Company Limited has a registered capital of HK\$3.261 billion, in which the Company holds 100% equity interest. Its major business scope is to provide services of securities and futures brokerage, research and analysis, investment banking, margin financing and securities lending, asset management, wealth management, foreign exchange trading and derivatives, etc. in regions and countries such as Hong Kong, Singapore, Malaysia, Indonesia, Thailand, India, South Korea, the United Kingdom and the United States and other countries through a number of wholly-owned subsidiaries and joint ventures, CGS-CIMB Securities and CGS-CIMB Holdings. According to the financial statements prepared in accordance with Chinese Accounting Standards for Business Enterprises, as at 30 June 2021, the total assets and net assets of Galaxy International Holdings were RMB38.547 billion and RMB4.100 billion, respectively. In the first half of 2021, it achieved an operating income, a net profit and a net profit attributable to the parent company of RMB1.054 billion, RMB148 million and RMB118 million, respectively.
4. Galaxy Jinhui Securities Assets Management Co., Ltd. has a registered capital of RMB1.0 billion, in which the Company holds an equity interest of 100%. Its major business scope is securities assets management. According to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises, as at 30 June 2021, the total assets and net assets of Galaxy Jinhui were RMB2.046 billion and RMB1.338 billion, respectively. In the first half of 2021, it achieved an operating income and a net profit of RMB241 million and RMB12 million, respectively.
5. Galaxy Yuanhui Investment Co., Ltd. has a registered capital of RMB3.0 billion, in which the Company holds an equity interest of 100%. Its major business scope is proprietary investment to enterprises business (including equity investment or bond investment), or to invest in other investment funds related to equity investment and bond investment. According to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises, as at 30 June 2021, the total assets and net assets of Galaxy Yuanhui were RMB3.544 billion and RMB3.386 billion, respectively. In the first half of 2021, it achieved an operating income and a net profit of RMB157 million and RMB97 million, respectively.

IX. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

As at the End of the Reporting Period, the Group consolidated 48 structured entities, including asset management schemes and partnerships. For asset management schemes with the Group as the manager and partnerships with the Group as a general partner or the investment manager, it identified the control right over certain asset management schemes and certain partnerships and incorporated them into the consolidation after considering its investment decision-making right on them, the exposure to variable returns and other factors. As at 30 June 2021, the equity of the above structured entities incorporated into the consolidation were RMB8.155 billion.

X. MAJOR FINANCING CHANNELS, MEASURES ADOPTED FOR MAINTAINING LIQUIDITY LEVEL AND RELEVANT MANAGEMENT POLICIES, FINANCING CAPABILITY AND CONTINGENT LIABILITIES (IF ANY) AND THEIR EFFECTS ON THE FINANCIAL POSITION

The Company maintains a long-term and stable financial policy, focusing on liquidity management of assets and guaranteeing a smooth financing channel. Currently, the Company is raising short-term funding primarily by means of interbank lending, issuance of short-term corporate bonds and income certificates. Meanwhile, the Company may also finance long-term capital through issuance of long-term corporate bonds, long-term subordinated bonds and other ways approved by the competent authorities according to market environment and its own needs. At present, the Company has obtained consolidated credit line from several commercial banks and may employ the foregoing debt financing instruments in a comprehensive manner for raising funds according to its own business needs.

As at the End of the Reporting Period, line of credit granted to the Group amounted to approximately RMB439.3 billion; the cap of borrowing for national inter-bank lending business of the Company approved by the People's Bank of China amounted to RMB20 billion; and the cap for dealer-quoted bond repurchase transactions in interbank bond market amounted to RMB80 billion.

XI. NUMBER OF EMPLOYEES, REMUNERATION AND TRAINING PLAN

As at the End of the Reporting Period, the Group had 11,772 employees (including sales account managers), of which 9,165 were employees of the Company (including sales account managers).

The remuneration of employees of the Company comprises basic remuneration, allowances, performance-based bonus and welfare benefits. The Company's basic remuneration is a relatively fixed part in the composition of remuneration. The allowances include allowances for management positions and for professional and technical personnel, which are supplemental to the basic remuneration. The performance-based bonus will be distributed based on the results of performance assessment. The Company has provided social insurance, housing provident fund and other statutory benefits to its employees according to the relevant requirements of the PRC. Meanwhile, the Company has also provided welfare, such as annuity fund and supplementary medical insurance, to its employees.

In terms of trainings for employees, the Company has adhered to the management model that combines project management with quota management. The Company has reasonably distributed training resources, enhanced training efficiency, and put more efforts on training so as to achieve the objective of the overall appreciation of human capital. During the Reporting Period, the Company organized over 30 training sessions which trained nearly 30,000 employees. In order to improve the general quality, professionalism, implementation capability and innovation of the professional personnel of each business line, the content of the training involved party history learning, education and training, management training, business training, general skills training for employees, professional skills training, and training for new employees, etc.

MANAGEMENT DISCUSSION AND ANALYSIS

XII. RISK MANAGEMENT

During the Reporting Period, by pursuing a sound risk management culture, continuously strengthening the construction of comprehensive risk management system, and further improving the comprehensive risk management system and comprehensive risk management organizational system, the Company clarified the risk management responsibilities of the “three-layer defense”. It implemented hierarchical risk indicator management, continued to optimize the mechanism for risk identification, assessment, measurement, monitoring, reporting and response, attached importance to and strengthened the construction of risk management talent teams, continued to promote the construction of various risk management systems, deepened the vertical risk management of its subsidiaries and effectively improved its risk management ability. Besides, the Company has always attached great importance to compliance risk. It has gradually established and improved an internal control mechanism for all staff and the whole process to ensure its operation in compliance with laws and regulations. The Company continued to increase IT investment, conducted IT basic research and construction, promoted the comprehensive and in-depth independent development to ensure safe and steady system operation, and established and improved a customer service system to provide effective support for its business development. To meet the needs of business development, operation and management, the Company actively assigned additional risk control, compliance and IT personnel to further enhance its core competitiveness of comprehensive risk management.

1. Major risks affecting the operation of the Company

The operating activities of the Company expose to risks mainly including market risk, credit risk, liquidity risk, operational risk, etc. During the Reporting Period, the Company adopted effective measures and actively responded to risks so as to comprehensively prevent the occurrence of significant risks and ensure the secure operation of business activities.

(1) Market risk

Market risk is originated from the fluctuation of the fair value or future cash flows in respect of financial instruments held by the Company resulting from the changes in securities price, interest rate and currency rate, including price risk, interest rate risk and currency rate risk.

① Price risk

Price risk is originated from the loss of the Company's position caused by the fluctuation of the fair value of future cash flows of financial instruments due to the changes in market prices (other than changes resulting from interest rate risk or currency rate risk).

The price risk of the Company was mainly derived from the positions held in businesses such as proprietary investment and market making business. In order to control risks effectively, the Company mainly adopted the following measures. Firstly, by creating investment portfolios, the Company made use of financial derivatives to carry out effective risk hedging. Secondly, the risk exposures of the Company's positions were managed on a unified basis. Through the defensive lines of the internal risk division of the business department and the risk management department, the Company implemented independent risk monitoring, analysis and reporting to discover and handle risks in a timely manner. Thirdly, the Company implemented the stratified and categorized risk limit management to control indicators such as the scale of risk exposure, concentration level and limit of loss, and made adjustments irregularly to respond to the ever-changing market conditions, business conditions or risk tolerance. Fourthly, the Company adopted quantitative measurements such as VaR and combined with other methods such as scenario analysis, stress test and sensitivity analysis to assess the relative and absolute risks of the portfolios.

During the Reporting Period, the Group made active use of such ways as risk hedging and limit management, and effectively monitored, measured and managed the position risks held by the Company. As at the End of the Reporting Period, the VaR of the total investment portfolio of the Group amounted to approximately RMB123 million, and the VaR of the total investment portfolio of the Company amounted to RMB92 million.

MANAGEMENT DISCUSSION AND ANALYSIS

② **Interest rate risk**

Interest rate risk refers to the risk resulting from the change in market interest rate. The assets of the Company exposed to interest rate risks mainly include bank deposits, clearing settlement fund, refundable deposits and bonds, etc. The Company used sensitivity analysis as the main instrument for monitoring interest rate risk. Meanwhile, the Company reduced the interest rate risks of portfolios by allocating the duration and convexity of its investment portfolios of fixed income. During the Reporting Period, the overall interest rate risk of the Company was under control.

③ **Exchange rate risk**

Exchange rate risk is originated from the fluctuation of the fair value or future cash flow of financial instruments resulting from the change of currency rates of other countries. Given that the Company settles most of its transactions in RMB and the proportion of foreign currency assets, liabilities and incomes of the Company in its total assets, liabilities and incomes is small, the exchange rate risk actually encountered by the Company is limited. The Company hedges and manages exchange rate risks in a reasonable and effective manner mainly by adopting various exchange rate derivatives.

(2) **Credit risk**

Credit risk refers to the risk of incurring losses resulting from the failure of the borrower or counterparty to timely fulfill its contractual obligations. The Company managed credit risk mainly by evaluating credit risk in advance and following up credit risk afterward. On one hand, the Company has established and improved counterparty credit-rating and credit limit management mechanism to determine the threshold for entry of the business and client's credit qualification differentiation standards and adjusted the credit limit of clients in a timely manner based on their credit rating to control risk concentration. On the other hand, within the duration of business, the Company regularly evaluated and monitored the credit risks, continuously traced significant events that would affect clients' credit, closely monitored the credit exposure of clients, and identified, reported and dealt with risk of default in a timely manner.

During the Reporting Period, the Company's bond investment credit risk appetite remained relatively stable. Investments in credit bonds were mainly centred on central enterprises and state-owned enterprises, with credit rating of AA+ and above accounting for 92.96%. They generally had high credit rating and low default risk. As at the End of the Reporting Period, the Company maintained an average margin ratio of 279% for its margin financing and securities lending clients with outstanding liabilities and an average margin ratio of 372% for its stock-pledged repurchase clients with outstanding liabilities. The overall credit risk of the Company was within acceptable range.

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Liquidity risk

Liquidity risk refers to the risk resulting from the failure to make payment, settlement, reimbursement, redemption and to meet obligations in connection with financial liabilities due to shortage of funds in the ordinary course of business of the Company.

To cope with and manage liquidity risk effectively, the Company has strengthened the real-time monitoring and management of usage of large amounts of funds in order to continue to optimize cash flow forecasting models and financial asset realization models and strengthen centralized fund allocation and coordinated liquidity risk management; requirements such as debt financing and leverage ratio were included in the risk limit with the establishment and continued optimization of the liquidity risk indicator system; the liquidity of the Company was monitored and reported on a daily basis in order to make risk warning in a timely manner; regular stress tests were conducted to analyze and evaluate the level of liquidity risk; regular liquidity contingency drillings were organized to assess and enhance liquidity risk management contingency capabilities; prudent asset-debt management was implemented to build a multi-level liquidity reserve system; and the diversification of capital replenishment channels through accessing the currency market, capital market and bank credit was achieved. During the Reporting Period, the overall liquidity risk of the Company was under control. Various financial indicators had excellent performance. The liquidity risk control indicators met regulatory requirements continuously.

(4) Operational risk

Operational risk refers to the risk of incurring losses resulting from internal events including the defect of the Company's process, misconduct of personnel or system failures, or from such external events as natural disaster and fraud.

In order to manage operational risk effectively, the Company has established a well-established internal control system and regularly carried out effective assessment of internal control and compliance management throughout the Company. The risk management headquarter has a designated second-level department for operational risk management and effectively employs three major management tools of operational risk to assist with the regulation and optimization of relevant business procedures, to identify, monitor and analyze operational risks, and to implement the unified management of risk events and data loss. Besides, the Company has constantly strengthened the suitability of behaviors and standardization of operations of personnel at all positions through internal training, supervision and assessment, etc., and promoted and optimized the functions of the systems. During the Reporting Period, the overall operational risk of the Company was under control.

(5) Cyber Security Risk

Cyber security risk refers to the risks involved in the availability or integrity of data generated by the use of information and communication technologies of the Company, as well as risks including property damage caused by business interruptions as a result of the Company's cyber operation technologies.

In order to effectively cope with and manage the cyber security risks, the Company mainly adopted the following measures: establishing and improving the network security management system, making full use of various technologies, building a network security management ensuring system; formulating a system for disaster recovery and offsite backup within the same city, and ensuring a safe physical network environment; using data backup technology and hardware redundancy backup technology to improve the security level of hardware, software and data. The Company also strived to achieving information security management and control in key matters, including network planning and isolation, information system security baseline, access to network, office terminal control and so on; deploying anti-virus and data anti-leakage systems, installing firewalls and other anti-network attack security devices at network boundaries; regularly conducting security vulnerability scanning on important systems and engaging external security companies to carry out security assessments and penetration tests for essential systems. During the Reporting Period, the Company's overall cyber security risk was under control and important information technology systems were operated in a safe and stable manner.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Actions and measures taken or proposed to be taken by the Company

The Company continuously deepened the establishment of the comprehensive risk management system, strengthened the setup and application of risk management tools, expedited the construction of the information system for risk management, carried out risk management throughout the whole process, and actively promoted the combined financial statements management system to support stable and sustainable business development from the perspective of the Group.

(1) Deepening the establishment of the comprehensive risk management system

With a top-down approach, the Board and the management of the Group attached great importance to risk management. In view of external regulatory requirements and internal management needs, the Company organized and deepened various risk management work, continued to improve the risk management environment, perfected the risk management mechanism, and enhanced protection with improved risk management. By setting a clear top-level risk management strategy, formulating the risk appetite of the Group and continuing to perfect the risk management rules, strengthening the management of authority and risk limit, enhancing the building of a risk control and reporting system, implementing risk management culture promotion and training and including its subsidiaries into the comprehensive risk management framework, the Company embedded risk management into its full business process, which is appropriate and compatible with the Company's business development.

(2) Strengthening the setup and application of risk management tools

By strengthening the setup and application of risk management tools, the Group supported effective identification of risks, prudently evaluated risks, constantly monitored risks, actively responded to risks, and timely and comprehensively reported risks. The Company has developed and applied a series of risk management methods and tools for risk assessment and measurement to effectively facilitate the quantitative assessment and control of risks: such market risk evaluation techniques such as sensitivity analysis, scenario analysis, value at risk (VaR), and pressure tests, etc. were enhanced; credit risk management tools and mechanisms such as internal credit rating, same customer, negative list, and risk warning were established and continuously optimized; three major operational risk management tools, namely loss data collection (LDC), key risk index (KRI), and risk and control self-assessment (RCSA) were established and implemented; while financing capacity analysis, asset realization analysis, dynamic and static cash flow forecasting stress testing and other liquidity risk assessment methods were adopted; and the Company continued to deepen economic capital measurement research and management applications.

(3) Expediting the construction of the information system for risk management

Based on the principle of "fast effect in the short term and expandable in the long term", the Group constructed the risk management system cluster with uniform structure, clear layers and well-developed functions to vigorously support the implementation of comprehensive risk management system. The idea of "integrated design, use in advance in case of urgent demands, planning the implementation as a whole and crushing one by one" was adopted, and the data integration and governance were used as basis and the demands for risk management were used as a guide to design the overall structure of the risk management system and to cooperate in synchronization in completing the transformation of relevant production system and supporting system. As at the End of the Reporting Period, the Company had completed the setup and operation of the market risk measuring system, internal credit rating system and operational risk management system, financing risk monitoring system, liquidity risk management system, statement consolidation management system and other professional risk management systems and developed a group risk data mart and a comprehensive risk management platform, and has continued to make improvement on various system functions.

MANAGEMENT DISCUSSION AND ANALYSIS

(4) Adopting a risk management throughout the whole process

The Group adopted risk management throughout its whole business process, including risk assessment, risk control procedure design, risk control indicator design and indicator setting, risk management supporting system design and related construction of risk monitoring information system before conducting business, pre-assessment and review, risk measurement, independent control and risk reporting in conducting business, and post-risk assessment and risk handling so that risk management effectively covered the whole business process.

(5) Actively promoting the combined financial statements management system

Starting with statement consolidation management, the Group vigorously promoted the risk management of the Group of “full coverage with penetration”. The Company vigorously proceeded with the construction of statement consolidation management capabilities in terms of management mechanism, rules and workflow, personnel allocation and system building. The Company’s risk management, finance and information technology departments collaborated with its branches and established a statement consolidation data and information collection mechanism between the Company and its subsidiaries, and vigorously pushed forward the development and improvement of statement consolidation management system. A comprehensive vertical risk management system for the Company and its subsidiaries has been further implemented.

3. RISK CONTROL INDICATORS OF THE PARENT COMPANY

The Company has a sound organizational system for risk control indicator management. The management and monitoring of risk control indicators, stress test, internal audit review and other related work are carried out by designated staff of related departments. In 2021, the Company has conducted dynamic monitoring of routine net capital and liquidity risk control indicators using the risk control indicator dynamic monitoring system, realizing realtime and dynamic monitoring and pre-warning of the Company’s net capital and liquidity risk control indicators. In order to prevent any shock and impact on risk control indicators at the end of the period due to various factors, such as maturity of large debts, effective measures have been promptly taken, such as short-term borrowings and issuance of long-term bonds through earlier calculation and predicting net capital and liquidity risk control indicators at the end of the period, so as to prevent the possible risk of exceeding the limit of risk control indicators. The dynamic monitoring in the first half of 2021 showed that all of the Company’s net capital and liquidity risk control indicators continued to conform to regulatory provisions. Based on the market and business development needs, the Company carried out stress test mechanism and sensitivity analysis on both regular and ad hoc basis to analyze the conditions which may appear in the future and their impact on the net capital and liquidity risk control indicator of the Company, and formulated the relevant response measures to ensure that all risk control indicators reached the target levels.

In the first half of 2021, the Company strengthened the matching management of assets and liabilities, so as to ensure the safety of the Company’s liquidity, the reasonable pricing of assets and optimization of asset allocation for striving to enhance the Company’s level of management of assets and liabilities. The Company established a dynamic top-up mechanism and made long-term top-up plans for net capital. The Company raised short-term capital to increase its liquidity coverage rate by issuing income certificates and short-term commercial papers, etc. It replenished the long-term available stable fund to increase the net stable funding rate through the issuance of long-term corporate bonds and perpetual subordinated bonds so as to ensure a dynamic balance between the business development and risk resistance capability of the Company. The Company made proper capital allocation and debt financing arrangements. When the capital adequacy target continued to fall or there were potentially significant adverse factors, the Company could initiate the financing plan at an appropriate time based on the market conditions to guarantee the level of capital adequacy. As at 30 June 2021, the Company issued 7 long-term subordinated debts and 3 perpetual subordinated debts to replenish net capital of subsidiaries with RMB17 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Company's net capital and other risk control indicators continued to meet the relevant regulatory requirements. As at the End of the Reporting Period, the major risk control indicators of the Company were as follows:

Items	As at 30 June 2021	As at 31 December 2020
Net capital (RMB)	74,603,559,899.57	70,522,133,720.18
Net assets (RMB)	89,550,529,963.85	78,619,442,508.78
Net capital/Sum of risk provisions (%)	244.35	251.09
Net capital/Net assets (%)	83.31	89.70
Net capital/Liabilities (%)	30.33	29.97
Net assets/Liabilities (%)	36.40	33.42
Proprietary equity securities and securities derivatives/Net capital (%)	14.24	28.00
Proprietary fixed-income securities/Net capital (%)	234.82	204.67
Capital leverage (%)	17.03	18.12
Liquidity coverage (%)	255.92	280.88
Net stable funding ratio (%)	122.95	133.56

XIII. CONNECTED TRANSACTIONS

The Group conducts connected transactions in strict accordance with the Stock Exchange Listing Rules, the "Administrative System for the Disclosure of Corporate Information" and the "Administrative Measures for Connected Transactions" of the Company. The Group's connected transactions are conducted based on the principles of justice, openness and fairness, and the connected transaction agreements are entered into based on the principles of equality, voluntariness, equivalence and compensation. During the Reporting Period, the Group conducted the following non-exempt connected transactions in accordance with the Stock Exchange Listing Rules:

Securities and Financial Services Framework Agreement entered into between the Company and Galaxy Financial Holdings

On 2 May 2013, the Company entered into the Securities and Financial Services Framework Agreement with Galaxy Financial Holdings, pursuant to which, the Group shall provide securities and financial services based on normal commercial terms to Galaxy Financial Holdings and its subsidiaries ("Galaxy Financial Holdings Group"), including (1) securities brokerage services; (2) sales agency services; (3) leasing of exchange trading units; and (4) other related securities and financial services. The Group shall receive service charges and commissions from Galaxy Financial Holdings Group for the provision of such services and shall pay interest to Galaxy Financial Holdings Group in respect of its funds entrusted to the Group in connection with such services. The service charges and commissions receivable and interest payable by the Group shall be determined based on negotiation between the parties with reference to the prevailing market rates and shall be in compliance with the applicable laws and regulations. The framework agreement came into force on the listing date of H Shares (being 22 May 2013) for a term of three years. On 29 December 2015, the Company and Galaxy Financial Holdings entered into the Supplemental Agreement to the Securities and Financial Services Framework Agreement, whereby the term of the framework agreement was renewed to 31 December 2018. On 21 December 2018, the Company and Galaxy Financial Holdings entered into the "Second Supplemental Agreement to the Securities and Financial Services Framework Agreement", whereby the term of the Framework Agreement was further extended to 31 December 2021. Galaxy Financial Holdings is the controlling shareholder and therefore a connected person of the Company. As such, the above transactions constitute continuing connected transactions of the Company under the Stock Exchange Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

For the three years ending 31 December 2021, the annual caps of the service charges and commissions payable by Galaxy Financial Holdings Group to the Group for the provision of securities and financial services under the framework agreement and the supplemental agreement will be RMB267 million, RMB320 million and RMB416 million, respectively, and the annual caps of the interest payable by the Group to Galaxy Financial Holdings Group for the entrusted funds will be RMB10 million, RMB15 million and RMB20 million, respectively. As the applicable percentage ratios under the Stock Exchange Listing Rules in respect of the annual caps are more than 0.1% but less than 5%, the Company is subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under the Stock Exchange Listing Rules.

During the Reporting Period, the income received and expenses paid by the Group in respect of the securities and financial services provided to Galaxy Financial Holdings Group are as follows:

Unit: RMB million

	From January to June 2021 (Actual Transaction Amount)	Annual cap for 2021
Income(inclusive of tax)		
Securities brokerage services	2.15	
Sales agency services	8.62	
Leasing of exchange trading units	6.58	
Other related securities and financial services	0.87	
Total	18.22	416
Expenses		
Interest expenses	0.26	
Total	0.26	20

XIV. ADMINISTRATIVE REGULATORY MEASURES IMPOSED ON THE COMPANY DURING THE REPORTING PERIOD AND RELEVANT MATTERS

During the Reporting Period, the Company was not subject to any administrative penalties or administrative regulatory measures by the financial regulatory authorities.

XV. CAPITAL INCREASE OF A SUBSIDIARY

On 6 January 2021, the registered capital of Galaxy Futures was increased to RMB2.3 billion. The Company holds 100% of the equity of Galaxy Futures.

In August 2021, the Company received the “Letter on Matters Concerning the Proposal by China Galaxy Securities Co., Ltd. to Increase the Capital of Its Hong Kong Subsidiary” (Organization Department Han [2021] No. 2388) (《關於中國銀河證券股份有限公司擬向香港子公司增資有關事項的函》(機構部函[2021]2388號)) issued by the CSRC. According to the letter, the CSRC had no objection to the capital increase of HK\$1,738,791,750 by the Company to its wholly-owned subsidiary Galaxy International Holdings. Funds from the capital increase were used in the second phase of the Acquisition and Merger Project of CIMB, in which Galaxy International Holdings shall exercise its subscription right to acquire 25% of the issued shares in (i) CGS-CIMB Securities and (ii) CGS-CIMB Holdings respectively. As at the End of the Reporting Period, the Company held 50% of the issued shares in CGS-CIMB Securities and CGS-CIMB Holdings through Galaxy International Holdings respectively. As at the date of this report, the Company and Galaxy International Holdings have completed the decision-making procedure related to the acquisition in the second phase of the Acquisition and Merger Project of CIMB. Once approved by the relevant regulatory authorities, Galaxy International Holdings shall complete the acquisition of 25% of the issued shares in CGS-CIMB Securities and CGS-CIMB Holdings respectively in accordance with the acquisition agreement, upon which Galaxy International Holdings will hold 75% of the issued shares in CGS-CIMB Securities and CGS-CIMB Holdings respectively.

XVI. INFORMATION ON ENVIRONMENTAL AND SOCIAL RESPONSIBILITY DURING THE REPORTING PERIOD

The Company strictly complies with laws and regulations on environmental protection such as the Environmental Protection Law of the People’s Republic of China, the Law of the People’s Republic of China on Prevention and Control of Water Pollution, the Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution and the Law of the People’s Republic of China on Prevention and Control of Environmental Pollution by Solid Waste. The Company was not subject to any punishment for violating relevant laws and regulations on environmental protection. The Company’s impact on the environment is mainly the consumption of energy and related emissions in its daily operation, and the impact is relatively small.

Environmental Protection, Prevention and Control of Pollution, and Performance of Environmental Responsibilities

During the Reporting Period, the Company assisted Wuhan Metro Group Co., Ltd., China Suntien Green Energy Corporation Ltd., Wuhan Metro Group Co., Ltd. and China Huadian Corporation Ltd. respectively to issue four green bonds with a total issue amount of RMB6.04 billion, of which RMB1.821 billion was underwritten by the Company.

In the area of research, the Company’s research institute has worked on green finance in-depth for years, and actively contributed to the promotion of the development of green finance and the effort of achieving carbon emissions peak and carbon neutrality. In particular, the Company has acted as the director institution of Green Finance Cooperation Committee under the Asian Financial Cooperation Association since 2018, and Mr. Chen Gongyan, the chairman of the Company, acts as the chairman of the Green Finance Cooperation Committee. The Company compiled and released the Chinese and English versions of the “Asian Financial Cooperation Association Green Finance Practice Report” in both 2019 and 2020. The Company’s research institute established an editorial committee and a coordinating group for the above report. Based on its own green finance research, the institute edited and compiled more than 60 cases of green and low-carbon development which may serve as references and are implementable, with the aim of promoting the green and low-carbon development of the financial industry in Asia.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the Company actively responded to the government's call for achieving carbon emissions peak and carbon neutrality. Based on the foundation of relevant researches of its research institute, the Company rapidly established a carbon neutrality research team, comprising post-doctoral green finance researchers and carbon neutrality-related investment and research teams (environmental protection, coal, steel, transportation, cement, non-ferrous metals, new energy, etc.). The team members gave full play to their respective strength and held carbon neutrality working conferences from time to time. The team has published about 20 reports, including carbon neutral weekly reports, carbon neutral strategy research reports, carbon neutral related listed companies' reviews, carbon market and related policy interpretations, etc. Through internal and external postdoctoral seminars on carbon neutrality, ESG seminars for international clients, investor conference calls, on-site roadshows and other activities jointly organized with CGS-CIMB, we provide carbon neutral concepts, consultation and investment advice to domestic and foreign institutional investors, general investors, listed companies and practitioners in related fields, actively promoting the implementation of carbon neutrality in the capital market.

Measures Taken to Reduce its Carbon Emissions during the Reporting Period and their Effectiveness

The Company is a financial enterprise focusing on business office affairs and with low energy consumption and light pollution, and does not cause significant impact on the natural environment and natural resources. The routine resources consumption mainly includes office power, gasoline for official business vehicles, tap water and office paper. Major emissions are carbon emission from energy consumption, domestic sewage, office and domestic garbage from routine office and other harmless wastes.

The Company has completed the optimization and upgrade of the corporate portals, the back-office system and centralized digital file management system, with further improvement in work processes and significant reduction in the use of paper in the offices. We make full use of the systems to share information resources and strive to achieve "risk-free" and "paper-free", which has achieved good environmental benefits while enhancing office efficiency.

Regarding the management of official business vehicles, the Company continued to optimize and adjust the use and management of official vehicles, strengthen the management of official vehicles during holidays, and regulate the use of fuel cards and speed cards to eliminate the risk of private use of official vehicles. The Company encourages employees to take public transportation and advocates low-carbon travel.

In terms of saving water and electricity, the Company's office buildings are equipped with faucets with sensors to save water, and a timer system is used to switch on and off the lighting in public areas at fixed times, and the building's nighttime lighting hours are adjusted according to the seasons. In order to reduce the use of air conditioning, the Company optimizes the setting of air conditioning temperature and usage time in public areas to save electricity and help reduce carbon emissions.

MANAGEMENT DISCUSSION AND ANALYSIS

Consolidate and Extend Achievements in Poverty Alleviation and Rural Revitalisation

During the Reporting Period, the Company held seven meetings to plan for poverty alleviation, of which five meetings focused on learning the instructions of the Central Committee of the Party and General Secretary Xi Jinping on the revitalization of rural areas. The poverty alleviation leading team held two researches to promote poverty alleviation. The Group planned to provide poverty alleviation funds of RMB48.10 million in 2021. The Company attached great importance to and further strengthened the support for designated counties for assistance, and provided poverty alleviation funds of RMB35.50 million to Jingning County in Gansu, a designated county for assistance. Meanwhile, combining with the Party history learning and education of the “I do practical things for the masses” practical activity in relation to the requirements of “focusing on consolidating and extension of the achievements of poverty alleviation”, we carried out poverty alleviation for Yinhe Primary School in Shuangfeng Village, Xiluodu Township, Yongshan County, Yunnan, and Bingxi Yinhe Hope Primary School in Ma Hao Township, Shibing County, Guizhou.

In the second half of 2021, the Company will be guided by the Xi Jinping Thought on Socialism with Chinese Characteristics in the New Era, thoroughly implement the important remarks of President Xi Jinping on the implementation of the rural revitalization strategy, seriously implement the relevant decisions and deployments of the Party Central Committee, the State Council and the Party Committee of CIC on rural revitalization, actively respond to the call of China Securities Regulatory Commission and Securities Association of China, continue to increase organizational leadership and protection efforts. In addition, we will fully implement annual poverty alleviation projects, strengthen supervision and inspection on the use of poverty alleviation projects and funds, ensure the dedicated use of alleviation funds and maximize their effectiveness, and continue to promote the poverty alleviation work in depth, so as to make greater contributions to consolidate and extend the achievement of poverty alleviation and promote rural revitalization in a comprehensive manner.

CHANGES IN ORDINARY SHARES AND OTHER SITUATION

I. CHANGE IN SHARE CAPITAL

During the Reporting Period, there was no change in the total number of shares and the share capital structure of the Company.

II. SHAREHOLDERS

(i) Total number of shareholders:

Total number of ordinary shareholders as at the End of the Reporting Period (person)	105,747
Total number of preference shareholders with voting rights restored as at the End of the Reporting Period (person)	0

Note: The total number of shareholders includes A-share ordinary shareholders and H-share registered shareholders. As at the End of the Reporting Period, there were 105,051 A-share shareholders and 696 H-share registered shareholders.

CHANGES IN ORDINARY SHARES AND OTHER SITUATION

(ii) Shareholdings of the top 10 shareholders and top 10 holders of circulating shares (or shareholders not subject to trading restriction) as at the End of the Reporting Period

Unit: Share(s)

Shareholdings of the top 10 shareholders

Name of shareholders (Full name)	Increase or decrease during Reporting Period	Number of shares held as at the End of Reporting Period	Percentage (%)	Number of shares subject to trading restriction held	Pledged, marked or frozen		Nature of shareholders
					Status of shares	Number	
China Galaxy Financial Holdings Company Limited	0	5,186,538,364	51.16	0	Nil	0	State-owned legal person
HKSCC Nominees Limited (Note 1)	9,000	3,688,177,046	36.38	0	Nil	0	Overseas legal person
China Securities Finance Corporation Limited	0	84,078,210	0.83	0	Nil	0	State-owned legal person
Hong Kong Securities Clearing Company Limited (Note 2)	-4,371,126	62,770,016	0.62	0	Nil	0	Overseas legal person
Bank of Lanzhou Co., Ltd.	0	41,941,882	0.41	0	Nil	0	Domestic non-state-owned legal person
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	-2,667,400	25,738,383	0.25	0	Nil	0	Other
Zhongshan Financial Investment Holdings Co., Ltd.	0	19,241,213	0.19	0	Nil	0	State-owned legal person
Joincare Pharmaceutical Industry Group Co., Ltd.	0	18,979,863	0.19	0	Nil	0	Domestic non-state-owned legal person
China Construction Bank Corporation – Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	2,004,970	17,905,082	0.18	0	Nil	0	Other
Jiaxing Highway Investment Co., Ltd.	0	11,497,828	0.11	0	Nil	0	State-owned legal person

Note 1: HKSCC Nominees Limited is the nominee holder on behalf of the non-registered shareholders of the H shares of the Company, which holds the H shares on behalf of various customers, including 25,927,500 H shares of the Company held by Galaxy Financial Holdings.

Note 2: Hong Kong Securities Clearing Company Limited is the nominee holder of the A shares of the Company held by the investors of Northbound Trading of Shanghai-Hong Kong Stock Connect.

CHANGES IN ORDINARY SHARES AND OTHER SITUATION

Shareholdings of the top 10 shareholders not subject to trading restriction

Name of shareholders	Number of circulating shares not subject to trading restriction held	Type and number of shares	
		Type	Number
China Galaxy Financial Holdings Company Limited	5,186,538,364	Renminbi ordinary Shares	5,160,610,864
		Overseas-Listed Foreign-Invested Shares	25,927,500
HKSCC Nominees Limited	3,688,177,046	Overseas-Listed Foreign-Invested Shares	3,688,177,046
China Securities Finance Corporation Limited	84,078,210	Renminbi ordinary Shares	84,078,210
Hong Kong Securities Clearing Company Limited	62,770,016	Renminbi ordinary Shares	62,770,016
Bank of Lanzhou Co., Ltd.	41,941,882	Renminbi ordinary Shares	41,941,882
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	25,738,383	Renminbi ordinary Shares	25,738,383
Zhongshan Financial Investment Holdings Co., Ltd.	19,241,213	Renminbi ordinary Shares	19,241,213
Joincare Pharmaceutical Industry Group Co., Ltd.	18,979,863	Renminbi ordinary Shares	18,979,863
China Construction Bank Corporation – Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	17,905,082	Renminbi ordinary Shares	17,905,082
Jiaxing Highway Investment Co., Ltd.	11,497,828	Renminbi ordinary Shares	11,497,828

CHANGES IN ORDINARY SHARES AND OTHER SITUATION

Shareholdings of the top 10 shareholders not subject to trading restriction

Name of shareholders	Number of circulating shares not subject to trading restriction held	Type and number of shares	
		Type	Number
Description of repurchase accounts among the top ten shareholders	Nil		
Description of the voting rights exercised by proxy of the above shareholders, the voting rights exercised by the above shareholders as authorized by and on behalf of other shareholders, the voting rights the above shareholders abstained from	Nil		
Details of the connected relationship amongst, or parties acting-in-concert between, the above shareholders	The Company is not aware of any related-party/connected shareholders/or any shareholders acting in concert. Shares held by HKSCC Nominees Limited are H Shares held by agents entrusted by overseas investors and shares held by Hong Kong Securities Clearing Company Limited are A Shares held by overseas investors through northbound trading of Shanghai Connect.		
Preference shareholders with voting rights restored and number of shares held	Nil		



OTHER INFORMATION

I. INTERIM DIVIDEND

The Board does not recommend to declare the payment of interim dividend to the shareholders of the Company for the six months ended 30 June 2021.

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

Based on the information available to the Company and so far as the Directors are aware, as at the End of the Reporting Period, none of the Directors, Supervisors and chief executive of the Company has interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) which are required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or (iii) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

During the Reporting Period and as at the End of the Reporting Period, there was no arrangement to which the Company, its subsidiaries or holding company or a subsidiary of its holding company was a party and the purpose or one of the purposes of which was to benefit any Director, Supervisor, their respective spouses or any of their minor children under 18 years of age through acquisition of any shares or debentures of the Company or any other body corporation.

IV. INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY HELD BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as Directors are aware after making all reasonable enquiries, as at the End of the Reporting Period, the following persons (other than the Directors, Supervisors or chief executive of the Company) held interests or short positions in shares or underlying shares which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and which are 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 (share) (Note 1)	Percentage of the	Percentage of the	Long positions/short positions/shares available for lending
				total number of issued shares of the Company (%)	total number of issued A Shares/H Shares of the Company (%)	
Huijin (Note 2)	A Shares	Interests of controlled corporation	5,160,610,864	50.91	80.06	Long position
	H Shares	Interests of controlled corporation	25,927,500	0.26	0.70	Long position
Galaxy Financial Holdings (Note 2)	A Shares	Beneficial owner	5,160,610,864	50.91	80.06	Long position
	H Shares	Beneficial owner	25,927,500	0.26	0.70	Long position
Wenze International Investment Limited (Notes 3 & 4)	H Shares	Beneficial owner	219,524,000	2.17	5.95	Long position
Wang Yili (Note 3)	H Shares	Interests of controlled corporation	219,524,000	2.17	5.95	Long position
Yan Yuqing (Note 4)	H Shares	Interests of controlled corporation	219,524,000	2.17	5.95	Long position

Note 1: According to Section 336 of the SFO, when the shareholdings of the shareholders in the Company change, it is not necessary for the shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange.

Note 2: Huijin directly held approximately 69.07% equity interest in Galaxy Financial Holdings and is therefore deemed to be interested in 5,160,610,864 A Shares and 25,927,500 H Shares directly held by Galaxy Financial Holdings.

Note 3: Wang Yili holds 50% equity interest in Wenze International Investment Limited and is therefore deemed to be interested in 219,524,000 H Shares held by Wenze International Investment Limited.

Note 4: Yan Yuqing holds 50% equity interest in Wenze International Investment Limited and is therefore deemed to be interested in 219,524,000 H Shares held by Wenze International Investment Limited.

Save as disclosed above, as at the End of the Reporting Period, the Company was not aware of any other person (other than Directors, Supervisors and chief executive of the Company) who held interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

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

Save as disclosed in the sub-section “Bond Financing Activities of the Company” under the section “Management Discussion and Analysis”, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the Reporting Period.

VI. COMPLIANCE WITH THE CG CODE

As a company listed in Hong Kong and Shanghai and incorporated in Mainland China, the Company strictly conforms to the requirements of the laws, regulations and regulatory documents of the jurisdictions where the Company is listed and Mainland China, operates in compliance with law, and is continually dedicated to maintaining and improving the good social image of the Company. According to the Company Law, the Securities law and other laws, regulations and regulatory requirements, the Company has established a power-balanced and duty-segregated governance structure between the general meeting, the Board of Directors, the Supervisory Committee and the management, which ensures the operation of the Company in a regulated manner. The convening and voting process of the general meeting and the meetings of the Board of Directors and the meetings of the Supervisory Committee are legal and valid. The information disclosed by the Company is true, accurate, timely and complete. The investor relationship is managed effectively and the corporate governance is scientific, rigorous and orderly.

During the Reporting Period, the Company had been in strict compliance with the CG Code complied with all code provisions other than code provision A.4.2, and met the requirements of the recommended best practice provisions set out in the CG Code. Under code provision A.4.2 of the CG Code, as the term of the third session of the Board and the Supervisory Committee has exceeded three years, the Company actively promoted the nomination of candidates for Directors of the fourth session of the Board and candidates for supervisors of the Supervisory Committee. Also, in accordance with the Articles of Association, members of the current third session of the Board and the Supervisory Committee shall continue to perform duties until the establishment of the next session of the Board and the Supervisory Committee. On 29 June 2021, the Company held the 2020 annual general meeting and elected Chen Gongyan, Chen Liang, Liu Dingping, Yang Tijun, Liu Chang, Liu Zhihong, Liu Ruizhong, Wang Zhenjun, Liu Chun, Law Cheuk Kin Stephen as non-employee representative Directors of the fourth session of the Board; elected Ms. Chen Jing as a shareholder supervisor of the fourth session of the Supervisory Committee; and elected Mr. Tao Libing as an external supervisor of the fourth session of the Supervisory Committee accordingly through statutory procedures. In the meantime, during the sixth meeting of the second session of the employee representatives’ meeting, Mr. Jiang Yuesheng was elected as an employee Director, and Mr. Chen Jijiang and Mr. Fan Minfei were elected as employee supervisors.

VII. COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for securities transactions by Directors and Supervisors. The Company has made specific enquiries to all Directors and Supervisors with respect to their compliance with the Model Code, and all Directors and Supervisors confirmed that they have complied with all of the codes and requirements set out in the Model Code during the Reporting Period.

VIII. OPERATION OF THE BOARD AND ITS SPECIAL COMMITTEES

The Board currently comprises 11 Directors, including 2 executive Directors, 5 non-executive Directors and 4 independent non-executive Directors.

The Strategy and Development Committee, the Compliance and Risk Management Committee, the Nomination and Remuneration Committee and the Audit Committee have been established under the Board. The responsibilities of each committee are clearly divided and defined. The committees assist the Board in conducting work within the terms of reference as specified in the rules of procedure, and are accountable to and report to the Board. The majority of the members of the Nomination and Remuneration Committee and the Audit Committee are independent non-executive Directors, and the chairman of each of the two committees is an independent non-executive Director.

Committees	Members
Strategy and Development Committee	Chairman: Chen Gongyan Members: Chen Liang, Liu Dingping, Yang Tijun, Liu Zhihong, Liu Ruizhong, Wang Zhenjun
Compliance and Risk Management Committee	Chairman: Liu Dingping Members: Chen Liang, Yang Tijun, Wang Zhenjun, Liu Chun, Jiang Yuesheng
Nomination and Remuneration Committee	Chairman: Liu Ruizhong Members: Wang Zhenjun, Liu Chun, Law Cheuk Kin Stephen, Liu Dingping, Liu Chang
Audit Committee	Chairman: Liu Chun Members: Liu Ruizhong, Wang Zhenjun, Law Cheuk Kin Stephen, Yang Tijun, Liu Chang

All Directors performed their duties faithfully and diligently in accordance with the relevant requirements of laws, regulations and the Articles of Association, so as to protect the interests of the Company and its shareholders. During the Reporting Period, all Directors faithfully and diligently performed their duties entitled by laws and regulations, and protected the overall interests of the Company, especially the legitimate interests of small and medium shareholders.

During the Reporting Period, the Board convened 1 annual general meeting, 1 A Share class meeting and 1 H Share class meeting, and submitted 25 proposals for shareholders' consideration. The Board actively organized, supervised and followed up the implementation of the resolutions passed at general meetings. The Board convened 5 Board meetings to consider 43 proposals. The Strategy and Development Committee convened 3 meetings, the Compliance and Risk Management Committee convened 3 meetings, the Nomination and Remuneration Committee convened 3 meetings, and the Audit Committee convened 3 meetings. The special committees gave full play to their own professional strengths, provided strong support for the decision-making of the Board and further enhanced the efficiency and level of decision-making of the Board.

In particular, the Audit Committee and the management have reviewed the accounting policies adopted by the Company, discussed matters including the risk management, internal control and financial statements of the Company, and fully reviewed the consolidated interim financial information and interim report of the Company for the six months ended 30 June 2021. The external auditor of the Company has reviewed the interim financial information in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

The financial data set forth in this interim report is unaudited.

IX. OPERATION OF THE SUPERVISORY COMMITTEE

The Supervisory Committee currently comprises 4 Supervisors, including 2 employee Supervisors.

Supervisory Committee	Chairman	Supervisors
Supervisor	Chen Jing	Tao Libin, Chen Jijiang (employee Supervisor), Fan Minfei (employee Supervisor)

The Supervisors performed their duties diligently and supervised the operation of the Company in accordance with relevant laws and regulations, including the Company Law and the Securities Law of the PRC, and the relevant requirements of the Articles of Association, so as to protect the legitimate interests of the Company and its shareholders. During the Reporting Period, the Supervisory Committee convened 5 meetings.

X. MATERIAL LITIGATIONS

During the Reporting Period, the Company had no material litigation or arbitration involving an amount of over RMB10 million and representing over 10% of the absolute value of the latest audited net assets of the Company.

XI. PUNISHMENT OR PUBLIC CENSURE, INCLUDING PUNISHMENT IMPOSED OR PUBLIC CENSURE MADE BY THE CSRC, THE SECURITIES ASSOCIATION OF CHINA, STOCK EXCHANGES AND FINANCIAL FUTURES EXCHANGE AGAINST THE COMPANY AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT, SUBSTANTIAL SHAREHOLDERS AND DE FACTO CONTROLLERS

During the Reporting Period, the Directors, Supervisors and senior management of the Company had not been punished or publicly censured by the CSRC, the Securities Association of China, stock exchanges, financial futures exchange, finance and taxation, foreign exchange and auditing authorities.

During the Reporting Period, the Company had not been subject to any administrative penalties by the CSRC, the Securities Association of China, stock exchanges, financial futures exchanges, finance and taxation, foreign exchange and auditing authorities.

XII. DESCRIPTION OF OTHER MATTERS

1. In January 2021, the office address of the Company was changed from “Tower C, Corporate Square, 35 Finance Street, Xicheng District, Beijing” to “Qinghai Finance Building, Building No. 1, No. 8 Xiyiing Street, Fengtai District, Beijing”. This change does not involve the change of the Company’s registered address.
2. At the 68th meeting (extraordinary) of the third session of the Board held on 10 May 2021 and the 2020 annual general meeting held on 29 June 2021, the Company passed the “Resolution on Amendments to the Articles of Association” and agreed to change the registered address of the Company and revise the provisions of the Articles of Association concerning further improvement of the Company’s governance structure and operational mechanism in accordance with the relevant requirements under the Company Law, the Securities Law, the Guidelines for the Articles of Association of Listed Companies, the Code of Corporate Governance for Listed Companies and the Provisions on the Administration of Equities of Securities Companies and based on the Company’s actual operating conditions.
3. In July 2021, the Company completed the filings with the CSRC Beijing Branch and the Beijing Municipal Administration for Market Regulation in connection with the above-mentioned amendments to the Articles of Association. For the revised Articles of Association, please see the website of Shanghai Stock Exchange (<http://www.sse.com.cn>), the website of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the website of the Company (<http://www.chinastock.com.cn>). Currently, the Company is proceeding with the registration of the change of its registered address. The Company will perform its obligations of information disclosure in this regard in due course.

XIII. RELEVANT SUBSEQUENT EVENTS

1. Material equity investment

For details, please refer to the information about the capital increase of a subsidiary as set out in the section headed “Management Discussion and Analysis” contained in this report.

2. Issuance of bonds

For details, please refer to the information about the corporate bond financing activities as set out in the section headed “Management Discussion and Analysis” contained in this report.

XIV. EVALUATION RESULTS OF THE COMPANY BY SECURITIES REGULATORY AUTHORITY

In the evaluation of securities companies of 2021 carried out by the CSRC, the Company was assigned an AA rating in A class.

XV. CHANGE IN DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

1. On 29 June 2021, the Company held the 2020 annual general meeting of shareholders to elect the members of the fourth session of the Board and the Supervisory Committee. At the meeting, Mr. Chen Gongyan and Mr. Chen Liang were elected as executive Directors of the fourth session of the Board; Mr. Liu Dingping, Mr. Yang Tijun, Ms. Liu Chang, and Mr. Liu Zhihong were elected as non-executive Directors of the fourth session of the Board; Mr. Liu Ruizhong, Mr. Wang Zhenjun, Ms. Liu Chun, and Mr. Law Cheuk Kin Stephen were elected as independent non-executive Directors of the fourth session of the Board. Due to the expiry of her tenure, Ms. Xiao Lihong ceased to be non-executive Director of the Company. During the Meeting, Ms. Chen Jing was elected as a shareholder supervisor of the fourth session of the Supervisory Committee of the Company, and Mr. Tao Libin was elected as an external supervisor of the fourth session of the supervisory committee of the Company. Due to the expiry of her tenure, Ms. Fang Yan ceased to be external Supervisor of the Company. Meanwhile, the Company held the sixth meeting of the second session of the employee representatives' meeting and elected Mr. Jiang Yuesheng as an employee Director of the fourth session of the Board of the Company; Mr. Chen Jijiang and Mr. Fan Minfei as employee supervisors of the fourth session of the Supervisory Committee.
2. At the 68th (extraordinary) meeting of the third session of the Board held on 10 May 2021, the Company passed the Resolution on Consideration and Approval of Removal of Mr. Yin Yanwu as a member of the Executive Committee and Chief Business Officer and agreed to remove Mr. Yin Yanwu as a member of the Executive Committee and Chief Business Officer due to other work arrangement.
3. On 29 June 2021, the Company held the first (extraordinary) meeting of the fourth session of the Board and elected Mr. Chen Gongyan as the chairman of the fourth session of the Board of the Company and Mr. Chen Liang as the vice-chairman of the fourth session of the Board of the Company.
4. On 29 June 2021, the Company held the first (extraordinary) meeting of the fourth session of the Supervisory Committee and elected Ms. Chen Jing as the chairman of the fourth session of the Supervisory Committee of the Company.

XVI. DETAILS OF, REASONS FOR AND IMPACT FROM THE CHANGES TO THE ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND AUDIT METHODS COMPARED WITH THE PREVIOUS ACCOUNTING PERIOD

During the Reporting Period, there was no changes to the accounting policies, accounting estimates and audit methods of the Company.

XVII. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

1. Lease

Unit: ten thousands yuan Currency: RMB

Name of lessor	Name of lessee	Leased assets	Amount of leased assets	Commencement date of lease	Termination date of lease	Lease income	Determination basis for lease income	Impact of lease income on the Company	Connected transaction or not	Related party relationship
Beijing West Mine Construction Co., Ltd.	The Group	Property	59,235.69	5 January 2021	4 January 2026	N/A	Property lease contract	N/A	No	Others
Galaxy Investment	The Group	Property	19,234.22	1 January 2020	28 February 2021	N/A	Property lease contract	N/A	Yes	Sister company of the Group
Galaxy Investment	The Group	Property	1,005.52	1 March 2021	31 July 2021	N/A	Property lease contract	N/A	Yes	Sister company of the Group
TravelSky Technology Limited	The Group	Leased server room and office area	13,242.80	1 April 2019	31 March 2029	N/A	Property lease contract	N/A	No	Others
Wing On Company Limited (永安有限公司)	The Group	Property	6,694.56	1 August 2017	31 July 2023	N/A	Property lease contract	N/A	No	Others
Wing On Company Limited (永安有限公司)	The Group	Property	4,578.14	1 March 2020	31 July 2023	N/A	Property lease contract	N/A	No	Others
S.L Development Pte. Ltd.	The Group	Property	7,660.85	1 January 2017	31 December 2021	N/A	Property lease contract	N/A	No	Others
China United Network Communications Group Co., Ltd.	The Group	Property	5,827.93	1 November 2015	28 February 2021	N/A	Property lease contract	N/A	No	Others
China Life Real Estate Co., Limited	The Group	Property	5,167.63	6 September 2017	5 September 2022	N/A	Property lease contract	N/A	No	Others
Shanghai Jingang North Bund Real Estate Company Limited	The Group	Property	4,027.69	1 June 2019	30 September 2023	N/A	Property lease contract	N/A	No	Others
Financial Street Holdings Company Limited	The Group	Property	2,011.83	16 January 2021	15 January 2026	N/A	Property lease contract	N/A	No	Others
PT First Jakarta International	The Group	Property	1,114.02	1 January 2020	19 October 2023	N/A	Property lease contract	N/A	No	Others

Lease description

During the Reporting Period, the Group and Beijing West Mine Construction Co., Ltd. entered into a property lease contract, under which the rent for the first half of 2021 was RMB56.6653 million. The Group and Galaxy Investment entered into a property lease contract, under which the rent for the first half of 2021 was RMB35.5216 million. Pursuant to the cooperation agreement (leasing of server room) entered into between the Group and TravelSky Technology Limited, the rent for the first half of 2021 was RMB14.0539 million. The Group and Wing On Company Limited entered into a property lease contract, under which the rent for the first half of 2021 was HK\$14.7561 million (equivalent to RMB12.2785 million). The Group and S.L Development Pte. Ltd. entered into a property lease contract, under which the rent for the first half of 2021 was SGD1.5947 million (equivalent to RMB7.6588 million). The Group and China Life Real Estate Co., Limited entered into a property lease contract, under which the rent for the first half of 2021 was RMB5.44 million. The Group and Shanghai Jingang North Bund Real Estate Company Limited entered into a property lease contract, under which the rent for the first half of 2021 was RMB3.21 million. The Group and Financial Street Holdings Company Limited entered into a property lease contract, under which the rent for the first half of 2021 was RMB2.1888 million. The Group and PT First Jakarta International entered into a property lease contract, under which the rent for the first half of 2021 was IDR326,378.29 (equivalent to RMB1.4531 million). Save as disclosed in the table and notes above, the Company did not engage in any material lease (with an amount of over RMB10 million) during the Reporting Period, and no such matters were carried forward to the Reporting Period from the previous period.

OTHER INFORMATION

2. Other material contracts

As at the End of the Reporting Period, the Company's major procurement matters and such matters extended from the previous period to the Reporting Period are set out below:

Unit: Ten thousands Yuan Currency: RMB

Full Name of Partners of the Contracts	Date of the Contracts	Period and Expiration date of the Contracts	Summary of the Contracts	Amount of the Contracts	Notes
SSE Technology Co., Ltd.	18 December 2017	The contract is valid from 1 January 2019 to 31 December 2019. If either party fails to submit a written notice to the other party to terminate the Contract two months before the expiration date of this Contract (including the extended period of this Contract), the period of this Contract shall be automatically extended for one year, and so on.	SSE Technology Co., Ltd. Provides data center services to the Company.	1,029.34	–
SSE Technology Co., Ltd.	25 January 2021	The contract is valid from 1 June 2021 to 31 May 2025. If either party fails to submit a written notice to the other party to terminate the Contract two months before the expiration date of this Contract (including the expiration date of the extended Contract), the period of this Contract shall be automatically extended for one year as agreed in the fourth year of the contract, and so on.	SSE Technology Co., Ltd. Provides data center services to the Company.	12,954.04	RMB26.9441 million in the first year of the contract; RMB27.3961 million in the second year of the contract; RMB28.3001 million in the third year of the contract; RMB46.9001 million in the fourth year of contract
Beijing Anda Xintong System Integration Co., Ltd.	12 March 2021	The contract is valid until the date on which all obligations of both parties are fulfilled.	The Company procures equipment such as switches and routers from Beijing Anda Xintong System Integration Co., Ltd..	1,730.00	–
Wind Information Co., Ltd	10 September 2020	The contract is valid from 1 January 2020 to 31 December 2021.	Wind Information Technology Co., Ltd. Provides services of the use of Wind terminal software and training services to the Company.	1,058.90	–

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF CHINA GALAXY SECURITIES CO., LTD.

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the accompanying interim financial information of China Galaxy Securities Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the interim condensed consolidated statement of financial position as at 30 June 2021 and the related interim condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

30 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021
(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
CONTINUING OPERATIONS			
Revenue			
Commission and fee income	5	4,740,769	4,068,572
Interest income	6	6,350,441	4,885,572
Investment income and gains or losses	7	3,006,511	2,927,658
Total Revenue		14,097,721	11,881,802
Income from bulk commodity trading		5,208,027	2,559,213
Other income, gains and losses	8	152,045	79,552
Total revenue, gains and other income		19,457,793	14,520,567
Impairment losses, net of reversal	14	21,990	(59,267)
Depreciation and amortization	9	(408,329)	(385,090)
Staff costs	10	(3,252,002)	(2,726,718)
Commission and fee expenses	11	(646,079)	(388,935)
Interest expenses	12	(3,699,046)	(2,941,441)
Cost from bulk commodity trading		(5,088,243)	(2,650,382)
Other operating expenses	13	(1,066,626)	(814,119)
Total expenses		(14,138,335)	(9,965,952)
Share of result of a joint venture		29,882	26,456
Profit before income tax		5,349,340	4,581,071
Income tax expense	15	(1,063,419)	(985,517)
Profit for the period		4,285,921	3,595,554
Profit for the period attributable to:			
Owners of the Company		4,254,888	3,552,441
Non-controlling interests		31,033	43,113
Earnings per share (Expressed in RMB per share)			
– Basic	16	0.40	0.35

The accompanying notes form an integral part of this interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021
(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit for the period	4,285,921	3,595,554
Other comprehensive income/(expense):		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value gains/(losses) on investments in equity instruments measured at fair value through other comprehensive income	193,096	(62,412)
Income tax effect on changes in fair value	(47,670)	15,603
Subtotal	145,426	(46,809)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(79,196)	25,322
Fair value changes arising during the period	229,030	81,315
Reclassification adjustments included in profit or loss	(55,720)	(301,128)
Income tax that may be reclassified subsequently	(43,327)	54,953
Fair value gains/(losses) on hedging instruments designated in cash flow hedges	–	(4,084)
Share of other comprehensive expense of a joint venture, net of income tax	(15,891)	–
Subtotal	34,896	(143,622)
Other comprehensive income/(expense) for the period (net of tax)	180,322	(190,431)
Total comprehensive income for the period (net of tax)	4,466,243	3,405,123
Total comprehensive income for the period attributable to:		
Owners of the Company	4,454,400	3,344,270
Non-controlling interests	11,843	60,853
	4,466,243	3,405,123

The accompanying notes form an integral part of this interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	18	441,739	435,732
Investment properties		7,739	7,838
Right-of-use assets	19	1,365,439	922,538
Goodwill	20	424,160	426,454
Other intangible assets	21	555,853	525,101
Interest in a joint venture	22	1,399,171	1,308,173
Financial assets measured at fair value through profit or loss	23	23,030,948	22,294,039
Debt instruments measured at fair value through other comprehensive income	25	83,917	85,272
Equity instruments measured at fair value through other comprehensive income	26	30,466,237	33,868,191
Debt instruments measured at amortized cost	27	3,663,432	3,773,063
Financial assets held under resale agreements	24	8,974,065	12,035,795
Deposits with exchanges and non-bank financial institutions	29	751,248	1,108,410
Other receivables and prepayments	28	1,386,244	1,312,467
Advances to customers	31	19,216	19,726
Deferred tax assets	30	54,748	69,192
Bank balances – fixed deposits	35	200,000	298,000
Total non-current assets		72,824,156	78,489,991
Current assets			
Advances to customers	31	92,174,843	81,998,721
Accounts receivable	32	15,559,588	12,215,070
Tax recoverable		476,519	116,876
Other receivables and prepayments	28	4,606,733	2,699,614
Financial assets measured at fair value through profit or loss	23	84,958,589	70,352,971
Debt instruments measured at fair value through other comprehensive income	25	62,987,917	52,044,960
Debt instruments measured at amortized cost	27	1,911,176	2,016,189
Financial assets held under resale agreements	24	14,923,197	19,827,276
Derivative financial assets	33	1,246,878	869,501
Deposits with exchanges and non-bank financial institutions	29	11,771,624	15,085,636
Clearing settlement funds	34	23,831,192	17,583,856
Bank balances	35	99,923,308	92,429,554
Total current assets		414,371,564	367,240,224
Total assets		487,195,720	445,730,215

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021
(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	36	10,137,259	10,137,259
Other equity instruments	37	14,886,700	4,962,172
Reserves		44,069,113	43,854,243
Retained profits		23,626,689	22,300,857
Equity attributable to owners of the Company		92,719,761	81,254,531
Non-controlling interests		765,371	753,527
Total equity		93,485,132	82,008,058
Liabilities			
Non-current liabilities			
Bonds payable	38	29,350,840	39,674,644
Debt instruments	39	192,130	787,081
Financial liabilities measured at fair value through profit or loss	40	2,981,938	182,709
Other payables and accruals	41	895,005	752,388
Lease liabilities	19	874,003	679,144
Deferred tax liabilities	30	624,384	191,231
Total non-current liabilities		34,918,300	42,267,197

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Current liabilities			
Bonds payable	38	26,944,725	20,017,727
Due to banks and other financial institutions	42	19,632,959	23,610,748
Debt instruments	39	37,157,118	53,476,353
Accounts payable to brokerage clients	43	109,414,767	97,670,919
Accrued staff costs	44	3,469,683	3,714,225
Other payables and accruals	41	33,630,520	22,668,420
Lease liabilities	19	489,192	234,354
Current tax liabilities		119,705	127,359
Financial liabilities measured at fair value through profit or loss	40	8,043,626	9,848,038
Derivative financial liabilities	33	2,896,802	1,973,412
Financial assets sold under repurchase agreements	45	116,993,191	88,113,405
Total current liabilities		358,792,288	321,454,960
Total liabilities		393,710,588	363,722,157
Total equity and liabilities		487,195,720	445,730,215
Net current assets		55,579,276	45,785,264
Total assets less current liabilities		128,403,432	124,275,255

The accompanying notes form an integral part of this interim financial information.

Approved and authorized for issue by the Board of Directors on 30 August 2021 and were signed on its behalf by:

CHEN GONGYAN

DIRECTOR

CHEN LIANG

DIRECTOR

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021
(Amounts in thousands of Renminbi, unless otherwise stated)

Equity attributable to owners of the Company

	Reserves											Total equity
	Share capital	Other equity instruments	Capital reserves	Investment revaluation reserve	Cash flow hedging reserve	Translation reserves	General reserves	Other reserves	Retained profits	Subtotal	Non-controlling interests	
At 1 January 2021 (audited)	10,137,259	4,962,172	25,227,335	392,189	-	14,777	18,254,578	(34,636)	22,300,857	81,254,531	753,527	82,008,058
Profit for the period	-	-	-	-	-	-	-	-	4,254,888	4,254,888	31,033	4,285,921
Other comprehensive income for the period	-	-	-	275,409	-	(60,007)	-	(15,891)	-	199,511	(19,189)	180,322
Total comprehensive income for the period	-	-	-	275,409	-	(60,007)	-	(15,891)	4,254,888	4,454,399	11,844	4,466,243
Appropriation to general reserves	-	-	-	-	-	-	17,773	-	(17,773)	-	-	-
Issue of perpetual bonds	-	9,924,528	-	-	-	-	-	-	-	9,924,528	-	9,924,528
Dividend declared (Note 17)	-	-	-	-	-	-	-	-	(2,230,197)	(2,230,197)	-	(2,230,197)
Distribution to other equity instrument holders (Note 17)	-	-	-	-	-	-	-	-	(683,500)	(683,500)	-	(683,500)
Other comprehensive income that has been reclassified to retained profits	-	-	-	(2,414)	-	-	-	-	2,414	-	-	-
At 30 June 2021 (unaudited)	10,137,259	14,886,700	25,227,335	665,184	-	(45,230)	18,272,351	(50,527)	23,626,689	92,719,761	765,371	93,485,132

The accompanying notes form an integral part of this interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021
(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to owners of the Company										
	Reserves									Non-controlling interests	Total equity
	Share capital	Capital reserves	Investment revaluation reserve	Cash flow hedging reserve	Translation reserves	General reserves	Other reserves	Retained profits	Subtotal		
At 1 January 2020 (audited)	10,137,259	25,022,896	613,277	330	259,843	16,017,019	(70,943)	18,915,914	70,895,595	1,026,104	71,921,699
Profit for the period	-	-	-	-	-	-	-	3,552,441	3,552,441	43,113	3,595,554
Other comprehensive income for the period	-	-	(211,669)	(4,084)	7,582	-	-	-	(208,171)	17,740	(190,431)
Total comprehensive income for the period	-	-	(211,669)	(4,084)	7,582	-	-	3,552,441	3,344,270	60,853	3,405,123
Appropriation to general reserves	-	-	-	-	-	96,351	-	(96,351)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	75,432	75,432
Acquisition of non-controlling interests	-	201,911	-	-	-	-	-	-	201,911	(402,350)	(200,439)
Dividend declared (Note 17)	-	-	-	-	-	-	-	(1,621,962)	(1,621,962)	-	(1,621,962)
At 30 June 2020 (unaudited)	10,137,259	25,224,807	401,608	(3,754)	267,425	16,113,370	(70,943)	20,750,042	72,819,814	760,039	73,579,853

The accompanying notes form an integral part of this interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021
(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
OPERATING ACTIVITIES			
Operating cash flows before movements in working capital		6,941,521	6,762,276
Increase in advances to customers		(10,157,664)	(3,348,557)
Increase in accounts receivable and other receivables and prepayments		(5,263,031)	(8,331,590)
Decrease in financial assets held under resale agreements		7,951,101	2,162,146
Increase in financial assets at fair value through profit or loss and derivative financial assets		(14,055,081)	(14,848,797)
Decrease/(increase) in deposits with exchanges and a non-bank financial institution		3,671,173	(2,275,548)
Increase in clearing settlement funds – clients		(5,773,098)	(1,407,654)
Increase in cash held on behalf of customers		(8,236,152)	(20,584,763)
Increase in accounts payable to brokerage clients, accrued staff costs and other payables and accruals		19,590,690	33,873,724
Increase in financial liabilities measured at fair value through profit or loss and derivative financial liabilities		579,254	1,656,329
Increase in financial assets sold under repurchase agreements		28,795,536	20,341,384
Decrease in amounts due to banks and other financial institutions		(7,205,000)	(1,544,000)
Decrease in restricted bank deposits		358,028	–
Cash from operations		17,197,277	12,454,950
Income taxes paid		(1,074,117)	(846,545)
Interests paid		(1,856,357)	(1,005,468)
NET CASH FROM OPERATING ACTIVITIES		14,266,803	10,602,937
INVESTING ACTIVITIES			
Dividends and interest received from investments		1,910,960	625,333
Purchases of property and equipment and other intangible assets		(205,980)	(256,534)
Proceeds from disposals of property and equipment and other intangible assets		1,155	5,525
Capital injection to a joint venture		(106,853)	(3,300)
Purchases of debt instruments at fair value through other comprehensive income		(50,162,006)	(36,649,718)
Proceeds from disposals of debt instruments at fair value through other comprehensive income		39,619,899	21,461,307
Purchases of equity instruments at fair value through other comprehensive income		(8,162,849)	(4,097,059)
Proceeds from disposals of equity instruments at fair value through other comprehensive income		11,755,484	–
Purchases of debt instruments measured at amortized cost		(1,118,574)	(592,589)
Placement of bank deposits with original maturity of more than three months		(554,810)	(539,156)
Maturity of bank deposits with original maturity of more than three months		802,082	1,025,519
Proceeds from disposals of debt instruments measured at amortized cost		1,403,965	1,434,576
NET CASH USED IN INVESTING ACTIVITIES		(4,817,527)	(17,586,096)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021
(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
FINANCING ACTIVITIES			
Transaction costs paid on issuance of bonds		(16,981)	(56,604)
Proceeds from bonds issued		9,000,000	15,000,000
Repayment of bonds issued		(12,000,000)	(16,720,000)
Cash injection by third-party holders to consolidated structured entities		92,620	13,077
Proceeds from borrowing and financing payables		3,279,270	36,694,032
Proceeds from financing instrument payables issued		33,838,704	–
Repayment of financing instrument payables issued		(51,211,425)	(22,465,599)
Cash repayment of third-party interests in consolidated structured entities		–	(8,680)
Interests paid in respect of bonds, borrowing and financial instrument payables		(2,026,123)	(3,233,366)
Payment of lease liabilities		(195,689)	(112,197)
Capital injection by non-controlling shareholders of subsidiaries		–	75,432
Cash payment to acquire additional interests in subsidiaries		–	(239,424)
Proceeds from issuance of a perpetual bond		9,924,528	–
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(9,315,096)	8,946,671
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		134,180	1,963,512
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		19,408,579	10,499,839
Effect of foreign exchange rate changes		(40,230)	22,872
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	46	19,502,529	12,486,223
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		6,800,374	5,803,782

The accompanying notes form an integral part of this interim financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021
(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

Pursuant to the approval from the China Securities Regulatory Commission (the “CSRC”), China Galaxy Securities Co., Ltd. (the “Company”) was established in Beijing, the People’s Republic of China (the “PRC”) on 26 January 2007. In May 2013, the Company issued H shares which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). On 23 January 2017, the Company completed its A-Share Offering of 600 million shares on the Shanghai Stock Exchange.

The registered office of the Company is located at 2-6F, Tower C, Corporate Square, 35 Finance Street, Xicheng District, Beijing, the PRC.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in securities and futures brokerage, institutional sales and investment research, proprietary trading and other securities trading services, margin financing and securities lending, asset management and wealth management, and equity investment management.

The Company’s immediate holding company is China Galaxy Financial Holdings Company Limited (中國銀河金融控股有限責任公司) (“Galaxy Financial Holdings”).

The unaudited interim condensed consolidated financial information was approved by the Board of Directors (the “Board”) on 30 August 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated 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 consolidated financial statements as at 31 December 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021
(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principal accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 9, IAS 39,

IFRS 7, IFRS 4 and IFRS 16

Amendment to IFRS 16

Interest Rate Benchmark Reform – Phase 2

Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

The application of the revised IFRSs has had no significant impact on the interim condensed consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021
(Amounts in thousands of Renminbi, unless otherwise stated)

4. SEGMENT REPORTING

Information reported to the board of directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group's basis of organization, whereby the businesses are organized and managed separately as individual strategic business units that offer different products and serve different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the board of directors, which are consistent with the accounting and measurement criteria in the preparation of the interim condensed consolidated financial information.

Specifically, the Group's operating segments are as follows:

- (a) Securities brokerage: This segment engages in the provision of securities dealing and broking, margin financing to margin clients and securities lending;
- (b) Futures brokerage: This segment engages in futures dealing and broking, futures information consulting and training;
- (c) Proprietary trading and other securities trading services: This segment engages in trading of equities, bonds, funds, derivatives and other financial products for the Group;
- (d) Investment banking: This segment engages in the provision of corporate finance services including underwriting of equity and debt securities and financial advisory services to institutional clients;
- (e) Asset management: This segment engages in the provision of portfolio management, investment advisory and transaction execution services;
- (f) Private equity and alternative investment: This segment makes equity investments in private companies and realizes capital gains by exiting from these private equity investments through initial public offerings or share sales, or receives dividends from these portfolio companies;
- (g) Overseas business: This segment mainly represents the business operations in securities brokerage, futures brokerage, securities research, investment banking, margin financing, money lending, asset management and insurance brokerage business that are carried out overseas; and
- (h) Others mainly represent head office operations, investment holding as well as interest income and interest expense arising from general working capital.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during both periods. Segment profit or loss represents the profit earned or loss incurred by each segment without allocation of income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Segment assets or liabilities are allocated to each segment, excluding deferred tax assets and liabilities. Inter-segment balance mainly resulted from futures brokerage transaction carried out by the futures brokerage segment for the proprietary trading and other securities trading services segment and are eliminated upon consolidation. The segment result excludes income tax expense while the segment assets and liabilities include prepaid taxes and current tax liabilities, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021
(Amounts in thousands of Renminbi, unless otherwise stated)

4. SEGMENT REPORTING (CONTINUED)

The Group operates in Mainland China, Hong Kong and other overseas areas, representing the location of both income from external customers and assets of the Group. Segment revenue and all assets of the Group in respect of the overseas business segment are attributable to operations in Hong Kong and other overseas areas, while other segment revenue and assets of the Group are attributable to operations in Mainland China. No single customer contributes more than 10% to the Group's revenue for the six months 30 June 2021 and 2020.

The operating and reportable segment information provided to the CODM for the six months ended 30 June 2021 and 2020 is as follows:

	Securities brokerage	Futures brokerage	Proprietary trading and other securities services	Investment banking	Asset management	Private equity and alternative investments	Overseas business	Reportable segment total	Others	Eliminations	Consolidated total
For the six months ended											
30 June 2021 (Unaudited)											
Segment revenue and results											
Revenue and net investment gains											
– External	6,625,999	849,829	4,366,622	188,385	248,408	211,851	1,737,428	14,228,522	90,786	(221,587)	14,097,721
– Inter-segment	171,938	312	–	–	1,929	–	–	174,179	–	(174,179)	–
Other income	39,679	5,249,886	–	–	352	1,651	56,575	5,348,143	11,929	–	5,360,072
Segment revenue and other income	6,837,616	6,100,027	4,366,622	188,385	250,689	213,502	1,794,003	19,750,844	102,715	(395,766)	19,457,793
Segment expenses	(3,996,474)	(5,614,651)	(1,978,298)	(213,595)	(234,601)	(56,792)	(1,617,727)	(13,712,138)	(603,466)	177,269	(14,138,335)
Segment result	2,841,142	485,376	2,388,324	(25,210)	16,088	156,710	176,276	6,038,706	(500,751)	(218,497)	5,319,458
Share of result of a joint venture	–	–	–	–	–	–	29,882	29,882	–	–	29,882
Profit/(loss) before income tax	2,841,142	485,376	2,388,324	(25,210)	16,088	156,710	206,158	6,068,588	(500,751)	(218,497)	5,349,340
As at 30 June 2021 (Unaudited)											
Segment assets and liabilities											
Segment assets	189,067,761	50,693,578	212,198,065	273,142	2,026,827	4,920,619	38,540,721	497,720,713	169,062,386	(179,642,127)	487,140,972
Deferred tax assets	–	–	–	–	–	–	–	–	–	–	54,748
Group's total assets	–	–	–	–	–	–	–	–	–	–	487,195,720
Segment liabilities	181,133,097	46,771,923	201,843,432	73,694	708,039	309,046	34,447,050	465,286,281	99,850,124	(172,050,201)	393,086,204
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–	624,384
Group's total liabilities	–	–	–	–	–	–	–	–	–	–	393,710,588
Other segment information											
Depreciation and amortization	246,812	23,158	8,857	16,358	7,620	2,198	44,715	349,718	58,611	–	408,329
Impairment losses	1,978	6,746	(23,441)	(41,193)	15,356	–	18,556	(21,998)	8	–	(21,990)
Additions to non-current assets	93	–	9,083	–	–	–	–	9,176	131,886	–	141,062
Interest income from operations	3,715,164	242,323	78,636	11	74,892	3,243	904,908	5,019,177	89,395	4,725	5,113,297
Interest income from investments	–	4,325	1,213,041	–	19,778	–	–	1,237,144	–	–	1,237,144
Interest expenses	340,016	20,698	1,267,400	–	7,819	–	192,623	1,828,556	1,870,490	–	3,699,046

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021
(Amounts in thousands of Renminbi, unless otherwise stated)

4. SEGMENT REPORTING (CONTINUED)

	Securities brokerage	Futures brokerage	Proprietary trading and other securities trading services	Investment banking	Asset management	Private equity and alternative investments	Overseas business	Reportable segment total	Others	Eliminations	Consolidated total
For the six months ended											
30 June 2020 (Unaudited)											
Segment revenue and results											
Revenue and net investment gains											
- External	6,178,856	590,563	3,078,501	249,824	335,047	180,585	1,221,190	11,834,566	47,236	-	11,881,802
- Inter-segment	198,183	1,063	-	-	3,434	-	-	202,680	200,001	(402,681)	-
Other income	16,833	2,588,630	-	-	1,000	1,941	22,686	2,631,090	7,675	-	2,638,765
Segment revenue and other income	6,393,872	3,180,256	3,078,501	249,824	339,481	182,526	1,243,876	14,668,336	254,912	(402,681)	14,520,567
Segment expenses	(4,011,965)	(2,967,108)	(980,849)	(250,049)	(292,923)	(38,749)	(1,154,826)	(9,696,469)	(471,239)	201,756	(9,965,952)
Segment result	2,381,907	213,148	2,097,652	(225)	46,558	143,777	89,050	4,971,867	(216,327)	(200,925)	4,554,615
Share of result of a joint venture	-	-	-	-	-	-	26,456	26,456	-	-	26,456
Profit/(loss) before income tax	2,381,907	213,148	2,097,652	(225)	46,558	143,777	115,506	4,998,323	(216,327)	(200,925)	4,581,071
As at 31 December 2020											
Segment assets and liabilities											
Segment assets	178,690,464	40,158,349	182,665,482	132,513	1,950,104	4,760,022	31,093,149	439,450,083	183,306,966	(177,096,015)	445,661,024
Deferred tax assets											69,192
Group's total assets											445,730,216
Segment liabilities	177,187,165	36,599,736	177,001,176	362,375	643,253	298,793	27,060,840	419,153,338	115,755,044	(171,377,455)	363,530,927
Deferred tax liabilities											191,231
Group's total liabilities											363,722,158
Other segment information											
Depreciation and amortization	238,695	21,858	7,902	12,916	4,803	2,590	48,445	337,209	47,881	-	385,090
Impairment losses	18,047	8,878	7,369	761	15,708	(7,636)	15,745	58,872	395	-	59,267
Additions to non-current assets	17,384	6,390	-	-	65	87	24,371	48,297	85,510	-	133,807
Interest income from operations	3,526,513	170,181	71,072	71	12,544	1,665	309,947	4,091,993	82,096	-	4,174,089
Interest income from investments	-	2,483	705,394	-	3,606	-	-	711,483	-	-	711,483
Interest expenses	209,263	359	812,833	-	12,454	-	135,688	1,170,597	1,770,844	-	2,941,441

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021
(Amounts in thousands of Renminbi, unless otherwise stated)

5. COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Commission on securities dealing and broking and handling fee income	3,881,343	3,265,778
Underwriting and sponsors' fees	179,329	249,624
Commission on futures and option contracts dealing and broking and handling fee income	332,376	161,964
Consultancy and financial advisory fee income	74,024	48,025
Asset management fee income	259,261	310,582
Others	14,436	32,599
	4,740,769	4,068,572

6. INTEREST INCOME

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Deposits with exchanges and non-bank financial institutions and bank balances	1,174,899	1,107,049
Advances to customers and securities lending	3,204,452	2,174,860
Financial assets held under resale agreements	684,831	892,180
Debt instruments measured at fair value through other comprehensive income	1,118,635	631,523
Debt instruments measured at amortized cost	118,502	79,960
Interest income from other financial assets	49,122	–
	6,350,441	4,885,572

7. INVESTMENT INCOME AND GAINS OR LOSSES

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Realized and unrealized gains/(losses) from		
– debt instruments measured at FVTOCI	96,212	312,978
– debt instruments measured at amortized cost	11,523	2,143
– financial assets measured at FVTPL	3,691,660	3,685,986
– financial liabilities designated at FVTPL	(313,766)	(443,750)
– derivatives	(1,146,817)	(788,383)
– financial liabilities held for trading	(57,948)	57,883
Dividend income from		
– equity instruments measured at FVTOCI	725,647	100,801
	3,006,511	2,927,658

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8. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Government grants	9,664	8,179
Gains or loss on disposals of property and equipment and other intangible assets	1,090	109
Foreign exchange gains or losses	13,861	17,626
Gross rental income	3,314	2,671
Others	124,116	50,967
	152,045	79,552

These government grants were received by the Group from the local governments to support operations in designated locations.

9. DEPRECIATION AND AMORTIZATION

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Depreciation for right-of-use assets	266,223	257,600
Depreciation for property and equipment	93,886	88,520
Depreciation for investment properties	99	98
Amortization of other intangible assets	48,121	38,872
	408,329	385,090

10. STAFF COSTS

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Salaries, bonus and allowances	2,657,957	2,333,400
Social welfare	357,009	209,732
Contributions to annuity schemes	61,075	80,726
Supplementary retirement benefits	3,292	3,463
Others	172,669	99,397
	3,252,002	2,726,718

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11. COMMISSION AND FEE EXPENSES

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Securities and futures dealing and broking expenses	618,184	373,421
Underwriting and sponsors' fee expenses	7,875	12,145
Other service expenses	20,020	3,369
	646,079	388,935

12. INTEREST EXPENSES

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Presented below are interest expenses on the following liabilities:		
– Bonds payable	1,254,997	1,450,048
– Financial assets sold under repurchase agreements	1,137,150	739,378
– Debt instruments	615,495	320,787
– Accounts payable to brokerage clients	243,777	131,577
– Due to banks and other financial institutions	382,523	262,268
– Third-party interests in consolidated structured entities and others	65,104	37,383
	3,699,046	2,941,441

13. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
General and administrative expenses	444,258	307,294
Value-added tax and surcharges	66,275	62,790
Minimum operating lease rentals in respect of rented premises	94,667	41,813
Data transmission expenses	109,090	146,776
Securities investor protection funds	40,652	35,403
Business travel expenses	27,251	11,816
Utilities expenses	17,912	16,348
Auditors' remuneration	6,470	4,920
Sundry expenses	260,051	186,959
	1,066,626	814,119

For the six months ended 30 June 2021, included in "Other operating expenses" were operating lease expenses related to lease liabilities of RMB28 million.

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For the six months ended 30 June 2021
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14. IMPAIRMENT LOSSES, NET OF REVERSAL

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Impairment losses recognized/(reversed) on:		
– Financial assets held under resale agreements (Note 24)	14,709	(1,921)
– Advances to customers (Note 31)	2,645	24,592
– Accounts receivable (Note 32)	(28,192)	10,585
– Other receivables (Note 28)	16,339	(4,723)
– Debt instruments measured at FVTOCI (Note 25)	(1,879)	11,850
– Debt instruments measured at amortized cost (Note 27)	(32,162)	6,933
– Bank balances	33	2,851
– Inventories	6,517	8,878
– Intangible assets	–	222
	(21,990)	59,267

15. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Current income tax		
PRC Enterprise Income Tax	627,270	497,785
Overseas Profits Tax	68,731	9,439
Underprovision in prior periods:		
PRC Enterprise Income Tax	14,646	9,531
Overseas Profits Tax	(3,827)	–
Subtotal	706,820	516,755
Deferred income tax (Note 30)	356,599	468,762
	1,063,419	985,517

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate applicable to PRC enterprises is 25%.

Taxation on profits of Hong Kong, Singapore and other countries and regions has been calculated on the estimated assessable profits in accordance with local tax regulations at the rates of taxation prevailing in the countries or regions in which the Group operates.

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16. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company and the number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to equity holders of the Company	4,254,888	3,552,441
Less: Profit attributable to other equity holders of the Company ⁽¹⁾	244,668	–
Profit attributable to ordinary equity holders of the Company	4,010,220	3,552,441
Weighted average number of shares in issue (thousand)	10,137,259	10,137,259
Basic earnings per share (in RMB)	0.40	0.35

(1) For the purpose of calculating basic earnings per ordinary share in respect for the six months period ended 30 June 2021, RMB245 million (2020: RMB0 million) attributable to perpetual subordinated bonds were deducted from profits attributable to equity holders of the Company.

No diluted earnings per share was presented for the six months ended 30 June 2021 and 2020 as there were no potential ordinary shares in issue during the periods.

17. DIVIDENDS

Dividends for ordinary shareholders of the Company declared during the six months:

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Dividends declared	2,230,197	1,621,962
Distribution to other equity instrument holders	683,500	–

A dividend in respect of 2020 of RMB2.2 per 10 shares (inclusive of tax), or a total of RMB2,230.20 million, based on a total of 10,137,258,757 shares in issue, was approved at the Annual General Meeting on 29 June 2021.

A dividend in respect of 2019 of RMB1.6 per 10 shares (inclusive of tax), or a total of RMB1,621.96 million, based on a total of 10,137,258,757 shares in issue, was approved at the Annual General Meeting on 29 June 2020.

The dividend distributions by the Company triggered the mandatory interest payment event for perpetual subordinated bonds. As at 30 June 2021, the Company has recognized the dividend payable to other equity instrument holders of RMB683.50 million (31 December 2020: RMB0 million).

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18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Electronic and communication equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
COST						
As at 1 January 2020 (Audited)	250,095	828,511	85,917	137,848	367,558	1,669,929
Additions	27,600	133,865	4,306	6,064	67,918	239,753
Exchange gains or losses	(70)	(2,100)	(183)	(325)	(1,708)	(4,386)
Disposals/write-off	(543)	(40,225)	(8,233)	(14,149)	(43,593)	(106,743)
As at 31 December 2020 (Audited)	277,082	920,051	81,807	129,438	390,175	1,798,553
ACCUMULATED DEPRECIATION						
As at 1 January 2020 (Audited)	163,352	677,174	77,094	108,032	261,457	1,287,109
Charge for the year	10,570	86,709	2,395	11,731	67,583	178,988
Disposals/write-off	-	(38,876)	(7,981)	(12,826)	(43,593)	(103,276)
As at 31 December 2020 (Audited)	173,922	725,007	71,508	106,937	285,447	1,362,821
CARRYING VALUE						
As at 31 December 2020 (Audited)	103,160	195,044	10,299	22,501	104,728	435,732
COST						
As at 1 January 2021 (Audited)	277,082	920,051	81,807	129,438	390,175	1,798,553
Additions	45	78,559	-	3,234	14,756	96,594
Exchange gains or losses	(173)	2,459	(77)	1,762	873	4,844
Disposals/write-off	-	(55,371)	(3,421)	(8,599)	(40,048)	(107,439)
As at 30 June 2021 (Unaudited)	276,954	945,698	78,309	125,835	365,756	1,792,552
ACCUMULATED DEPRECIATION						
As at 1 January 2021 (Audited)	173,922	725,007	71,508	106,937	285,447	1,362,821
Charge for the period	5,157	51,903	1,122	5,587	30,117	93,886
Disposals/write-off	-	(53,123)	(3,421)	(8,129)	(41,221)	(105,894)
As at 30 June 2021 (Unaudited)	179,079	723,787	69,209	104,395	274,343	1,350,813
CARRYING VALUE						
As at 30 June 2021 (Unaudited)	97,875	221,911	9,100	21,440	91,413	441,739

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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19. LEASES

(a) RIGHT-OF-USE ASSETS

	Buildings
Cost	
As at 1 January 2020(Audited)	1,817,712
Additions	334,809
Deductions	(449,804)
Exchange gains or losses	(15,764)
As at 31 December 2020(Audited)	1,686,953
Accumulated depreciation	
As at 1 January 2020(Audited)	478,058
Charge for the year	547,489
Deductions	(261,132)
As at 31 December 2020(Audited)	764,415
Net book value	
As at 1 January 2020(Audited)	1,339,654
As at 31 December 2020(Audited)	922,538
Cost	
As at 1 January 2021(Audited)	1,686,953
Additions	716,590
Deductions	(236,148)
Exchange gains or losses	(4,732)
As at 30 June 2021(Unaudited)	2,162,663
Accumulated depreciation	
As at 1 January 2021(Audited)	764,415
Charge for the period	266,223
Deductions	(233,414)
As at 30 June 2021(Unaudited)	797,224
Net book value	
As at 1 January 2021(Audited)	922,538
As at 30 June 2021(Unaudited)	1,365,439

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19. LEASES (CONTINUED)

(b) LEASE LIABILITIES

The Group's lease liability is analysed by the maturity date – undiscounted analysis

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Less than 1 year	426,452	259,750
Over 1 years	978,228	727,488
Undiscounted lease liability	1,404,680	987,238
Lease liability	1,363,195	913,498

20. GOODWILL

	Goodwill
Gross carrying amount	
As at 1 January 2021(Audited)	426,454
Exchange loss	(2,294)
As at 30 June 2021(Unaudited)	424,160
Accumulated impairment losses	
As at 1 January 2021(Audited)	–
Impairment losses recognized during the reporting period	–
As at 30 June 2021(Unaudited)	–
Net book value	
As at 1 January 2021(Audited)	426,454
As at 30 June 2021(Unaudited)	424,160

The Group acquired the securities brokerage business, investment banking business together with the relevant assets and liabilities, and the interest in Galaxy Futures Company Limited from China Galaxy Securities LLC. (the “former Galaxy”) in January 2007. The Group recognized the excess of acquisition cost over the fair value of the net identifiable assets acquired as the goodwill. As at 30 June 2021 and 31 December 2020, the gross carrying amount and net book value of goodwill were both RMB223 million.

The Group acquired the CGS-CIMB in April 2019. The Group recognized the excess of acquisition cost over the fair value of the net identifiable assets acquired as the goodwill. As at 30 June 2021, the gross carrying amount and net book value of goodwill were RMB201 million (31 December 2020: RMB203 million).

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21. OTHER INTANGIBLE ASSETS

	Trading rights	Trademark	Computer software and others	Total
COST				
As at 1 January 2020(Audited)	305,531	7,852	515,207	828,590
Additions	69	–	133,350	133,419
Acquisition of subsidiaries	–	–	–	–
Exchange gains or losses	(546)	–	901	355
Disposals/write-off	–	(2,947)	(81,551)	(84,498)
As at 31 December 2020(Audited)	305,054	4,905	567,907	877,866
ACCUMULATED AMORTIZATION				
As at 1 January 2020(Audited)	–	1,668	333,384	335,052
Charge for the year	–	2,181	82,025	84,206
Disposals/write-off	–	–	(66,493)	(66,493)
As at 31 December 2020(Audited)	–	3,849	348,916	352,765
CARRYING VALUE				
As at 31 December 2020(Audited)	305,054	1,056	218,991	525,101
COST				
As at 1 January 2021(Audited)	305,054	4,905	567,907	877,866
Additions	–	–	81,553	81,553
Exchange gains or losses	(47)	(6)	(2,627)	(2,680)
Disposals/write-off	–	–	(65,146)	(65,146)
As at 30 June 2021(Unaudited)	305,007	4,899	581,687	891,593
ACCUMULATED AMORTIZATION				
As at 1 January 2021(Audited)	–	3,849	348,916	352,765
Charge for the period	–	1,050	47,071	48,121
Disposals/write-off	–	–	(65,146)	(65,146)
As at 30 June 2021(Unaudited)	–	4,899	330,841	335,740
CARRYING VALUE				
As at 30 June 2021(Unaudited)	305,007	–	250,846	555,853

Trading rights mainly comprise the trading rights on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Stock Exchange and Hong Kong Futures Exchange. These rights allow the Group to trade securities and futures contracts on or through these exchanges.

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21. OTHER INTANGIBLE ASSETS (CONTINUED)

Impairment testing on intangible assets with indefinite useful lives

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. These intangible assets will not be amortized until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. They are assessed for impairment individually or attached to the relevant CGUs.

The respective recoverable amounts of these trading rights or CGUs where the trading rights are allocated to, using a value in use calculation, exceed their carrying amounts. Accordingly, there was no impairment of the trading rights as at 30 June 2021 and 31 December 2020.

22. INTEREST IN A JOINT VENTURE

(1) Details of the Group's investment in a joint venture are as follows:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
As at 1 January	1,308,173	1,320,136
Cost of investment in a joint venture	106,853	9,164
Share of post-acquisition profits and other comprehensive income	13,991	60,639
Exchange adjustments and other	(29,846)	(81,766)
	1,399,171	1,308,173

(2) Details of the Group's joint venture at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group 30/6/2021	Proportion of voting rights held by the Group 30/6/2021	Principal activities
CGS-CIMB Holdings Sdn. Bhd.	Malaysia	Malaysia	50.00%	50.00%	Securities and futures broking, securities margin trading and research
China Securities Lize Real Estate (Beijing) Co., Ltd. *	China	China	34.16%	34.16%	Real estate development and property management
Gansu Jingning Galaxy Development Fund Co., Ltd.*	China	China	1.00%	33.33%	Equity investment and project investment

* The joint venture does not have an official English name.

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

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Non-current		
Debt securities	10,952,881	12,920,158
Equity securities	–	7,701
Funds	9,802	2,801,139
Trust schemes	20,464	–
Other investments ^(a)	12,047,801	6,565,041
	23,030,948	22,294,039
Current		
Debt securities	43,307,733	36,613,904
Equity securities	16,475,379	14,644,360
Funds	13,959,861	12,507,529
Structured deposits and wealth management products	1,959,740	2,883,160
Trust schemes	588,937	43,964
Other investments ^(a)	7,719,449	2,838,125
Add: Accrued interest	947,490	821,929
	84,958,589	70,352,971

- (a) The balance mainly represents investments in: (i) collective asset management schemes issued and managed by the Group, whereby the Group's interest in and exposure to them are not significant, (ii) targeted asset management schemes (or trust investments) managed by non-bank financial institutions, which mainly invest in debt securities, publicly traded equity securities listed in the PRC, funds and loans, (iii) limited partnerships managed by non-bank financial institutions, which mainly invest in unlisted enterprises, (iv) equity investments in unlisted enterprises, and (v) perpetual bond.

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24. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Non-current		
Analyzed by collateral type:		
Equity securities	8,989,659	12,048,508
Less: Impairment	(15,594)	(12,713)
	8,974,065	12,035,795
Analyzed by market of collateral:		
Stock exchanges	8,974,065	12,035,795
Current		
Analyzed by collateral type:		
Equity securities	11,820,110	11,588,253
Debt securities	3,602,225	8,704,122
Add: Accrued interest	84,218	106,434
Less: Impairment	(583,356)	(571,533)
	14,923,197	19,827,276
Analyzed by market of collateral:		
Stock exchanges	14,923,197	19,827,276

The movements in the allowance for impairment of financial assets held under resale agreements are set out below:

	Six months ended 30 June 2021 (Unaudited)	Year ended 31 December 2020 (Audited)
At the beginning of the period/year	584,246	364,831
Impairment losses recognized, net of reversal (Note 14)	14,709	214,460
Others	(5)	4,955
At the end of the period/year	598,950	584,246

As at 30 June 2021, the fair values of collateral received by the Group were approximately RMB85,177million (31 December 2020: RMB90,196 million).

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25. DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Non-current		
Debt securities	83,917	85,272
Current		
Debt securities	61,981,895	51,159,260
Add: Accrued interest	1,006,022	885,700
	62,987,917	52,044,960

The movements in the allowance for impairment of debt instruments measured at fair value through other comprehensive income are set out below:

	Six months ended 30 June 2021 (Unaudited)	Year ended 31 December 2020 (Audited)
At the beginning of the period/year	206,830	98,339
Impairment losses recognized, net of reversal (Note 14)	(1,879)	108,491
At the end of the period/year	204,951	206,830

26. EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Non-current		
Perpetual bonds	30,466,237	25,687,191
Equity investments	-	8,181,000
	30,466,237	33,868,191

These equity instruments are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies. At the date of initial application of IFRS 9, the Group elected to present in OCI the subsequent changes in fair value of these investments previously classified as available-for-sale financial assets carried at fair value under IAS 39.

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27. DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Non-current		
Debt securities ⁽¹⁾	3,746,095	3,885,905
Less: Impairment	(82,663)	(112,842)
	3,663,432	3,773,063
Current		
Debt securities ⁽¹⁾	1,723,835	1,796,033
Others	92,045	165,482
Add: Accrued interest	100,459	61,873
Less: Impairment	(5,163)	(7,199)
	1,911,176	2,016,189

(1) As at 30 June 2021, the interest rates on these debt securities are between 3.12%-7.45% per annum. (31 December 2020: 3.12%-7.45% per annum).

(2) The movements in the allowance for impairment of debt instruments measured at amortized cost are set out below:

	Six months ended 30 June 2021 (Unaudited)	Year ended 31 December 2020 (Audited)
At the beginning of the period/year	120,041	18,279
Impairment losses recognized, net of reversal (Note 14)	(32,162)	101,947
Exchange difference and others	(53)	(185)
At the end of the period/year	87,826	120,041

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28. OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Non-current		
Prepayments	1,133,631	1,133,631
Others	252,613	178,836
	1,386,244	1,312,467
Current		
Prepaid taxes	138,069	18,964
Interest receivable	9,602	25,883
Prepayments	332,233	251,967
Margin financing clients receivable	204,416	202,967
Inventories	1,915,996	1,035,476
Customer trading deposits	1,252,214	613,546
Others	1,021,692	811,556
Subtotal	4,874,222	2,960,359
Less: Impairment	(267,489)	(260,745)
Total	4,606,733	2,699,614

The movements in the allowance for impairment of other receivables are set out below:

	Six months ended 30 June 2021 (Unaudited)	Year ended 31 December 2020 (Audited)
At the beginning of the period/year	260,745	302,890
Impairment losses recognized, net of reversal (Note 14)	16,339	16,059
Exchange difference and others	(9,595)	(58,204)
At the end of the period/year	267,489	260,745

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29. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Non-current		
Deposits with stock exchanges	232,739	208,839
Deposits with futures and commodity exchanges	4,767	4,087
Guarantee fund paid to the Shenzhen Stock Exchange	164,108	188,193
Others	349,634	707,291
	751,248	1,108,410
Current		
Deposits with futures and commodity exchanges	11,300,614	13,867,770
Deposits with CSFCL	471,010	1,217,866
	11,771,624	15,085,636

30. DEFERRED TAXATION

For presentation purpose, certain deferred tax assets and deferred tax liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Deferred tax assets	54,748	69,192
Deferred tax liabilities	624,384	191,231
	(569,636)	(122,039)

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30. DEFERRED TAXATION (CONTINUED)

The movements of deferred tax assets and liabilities are set out below:

	Changes in fair value of financial assets at fair value through profit or loss	Changes in fair value of financial assets at FVTOCI	Accrued staff costs	Allowance for impairment losses	Accrued interest expenses	Accrued expenses	Changes in fair value of derivative instruments	Accrued interest income	Others	Total
As at 1 January 2020(Audited)	(205,524)	(204,424)	243,833	229,373	565,966	22,315	39,307	(849,332)	(3,074)	(161,560)
(Charge)/credit to profit or loss	(206,234)	-	(7,472)	112,317	(28,706)	23,998	226,427	(151,076)	(3,429)	(34,175)
Credit to other comprehensive income	-	73,696	-	-	-	-	-	-	-	73,696
As at 31 December 2020 (Audited)	(411,758)	(130,728)	236,361	341,690	537,260	46,313	265,734	(1,000,408)	(6,503)	(122,039)
(Charge)/credit to profit or loss	(238,403)	-	(25,779)	(21,154)	(58,118)	20,797	134,930	(170,371)	1,499	(356,599)
Credit to other comprehensive income	-	(90,998)	-	-	-	-	-	-	-	(90,998)
As at 30 June 2021(Unaudited)	(650,161)	(221,726)	210,582	320,536	479,142	67,110	400,664	(1,170,779)	(5,004)	(569,636)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes, if any, and the taxes are to be levied by the same tax authority, and of the same taxable entity.

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31. ADVANCES TO CUSTOMERS

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Non-current		
Other loans and advances	19,216	19,726
Current		
Loans to margin clients	89,361,057	79,335,879
Other loans and advances	545,722	663,569
Add: Accrued interest	2,442,421	2,191,577
Less: Impairment	(174,357)	(192,304)
	92,174,843	81,998,721

- (1) The credit facility limits for margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value to the users of these interim condensed consolidated financial information in view of the nature of business of securities margin financing.

The Group determines the allowance for advances to customers based on the evaluation of collectability and on management's judgment including the assessment of change in credit quality and collateral.

- (2) The movements in the allowance for impairment are set out below:

	Six months ended 30 June 2021 (Unaudited)	Year ended 31 December 2020 (Audited)
At the beginning of the period/year	192,304	131,242
Impairment losses recognized, net of reversal (Note 14)	2,645	41,340
Amounts written off	(18,246)	(29,624)
Exchange difference and others	(2,346)	49,346
At the end of the period/year	174,357	192,304

The concentration of credit risk is limited due to the customer base being large and diversified.

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32. ACCOUNTS RECEIVABLE

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Accounts receivable of:		
Client securities settlement	4,465,786	5,440,679
Brokers and dealers	6,752,461	4,701,809
Clearing house	3,865,478	1,468,273
Underwriting and sponsors fee	78,003	172,042
Trading rights rental commission	86,572	103,784
Asset management and funds distribution handling fees	363,908	259,603
Others	38,569	199,711
Subtotal	15,650,777	12,345,901
Less: Impairment	(91,189)	(130,831)
Total	15,559,588	12,215,070

An aging analysis of accounts receivable is as follows:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Within 1 year	15,458,632	12,089,535
Between 1 and 2 years	47,152	35,946
Between 2 and 3 years	21,623	24,832
Over 3 years	32,181	64,757
	15,559,588	12,215,070

The movements in the allowance for impairment of accounts receivable are set out below:

	Six months ended 30 June 2021 (Unaudited)	Year ended 31 December 2020 (Audited)
At the beginning of the period/year	130,831	128,287
Impairment losses recognized, net of reversal (Note 14)	(28,192)	13,637
Amounts written off	(72)	(8,273)
Exchange difference and others	(11,378)	(2,820)
At the end of the period/year	91,189	130,831

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33. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2021			As at 31 December 2020		
	(Unaudited)			(Audited)		
	Nominal amounts	Asset	Liability	Nominal amounts	Asset	Liability
Non-hedging instruments:						
– Equity Derivatives	94,926,261	1,241,230	2,633,840	39,179,413	628,799	1,260,784
– Interest Rate Derivatives	368,140,000	–	–	286,434,186	2,609	197,113
– Other derivatives	44,959,889	5,648	262,962	78,120,639	219,693	509,835
Hedging instruments:						
– Currency forward	–	–	–	183,575	2,870	–
– Commodity forward	32,729	–	–	286,719	15,530	5,680
Total	508,058,879	1,246,878	2,896,802	404,204,532	869,501	1,973,412

Under the daily mark-to-market and settlement arrangement, stock index futures, interest rate swap, treasury bond futures and commodity futures were settled daily and the corresponding receipts and payments were included in clearing settlement funds.

34. CLEARING SETTLEMENT FUNDS

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Clearing settlement funds held with clearing houses for:		
– House accounts	5,697,123	5,222,885
– Clients accounts	18,087,390	12,316,799
Add: Accrued interest	46,679	44,172
Total	23,831,192	17,583,856

These clearing settlement funds are held by the clearing houses for the Group and these balances carry interest at prevailing market interest rates.

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35. BANK BALANCES

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
House accounts	14,903,056	15,743,453
Cash held on behalf of customers	84,906,495	76,851,885
Add: Accrued interest	313,757	132,216
	100,123,308	92,727,554

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

The Group maintains accounts with banks to hold customers' deposits arising from normal business transactions. The corresponding liabilities are recorded as accounts payable to brokerage clients (Note 43).

As at 30 June 2021, the expected credit losses("ECLs") allowance for bank balances amounted to RMB3.64 million(31 December 2020: RMB3.64 million).

36. SHARE CAPITAL

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

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Issued and fully paid ordinary shares of RMB1 each (in thousands)		
Domestic shares	6,446,274	6,446,274
H shares	3,690,985	3,690,985
	10,137,259	10,137,259
Share capital (in RMB'000)		
Domestic shares	6,446,274	6,446,274
H shares	3,690,985	3,690,985
	10,137,259	10,137,259

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37. OTHER EQUITY INSTRUMENTS

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Perpetual subordinated bonds	14,886,700	4,962,172

On 25 March 2021 and on 19 April 2021 the company issued RMB5 billion perpetual subordinated bonds (“21 Yinhe Y1”) at par, with a coupon rate of 4.57%, and RMB5 billion perpetual subordinated bonds (“21 Yinhe Y2”) at par, with a coupon rate of 4.30%. The bonds are redeemable or repayable at the company’s option at the end of each repricing period, which is every 5 years. There is no redemption option for the holders of the bonds.

The coupon rate for the perpetual subordinated bonds is fixed in the first 5 years and will be repriced every 5 years. The coupon rate will be repriced as the sum of the current basis rate, the initial spread, and an additional 300 basis points. The repriced coupon rate will remain unchanged in the next 5 years. The current basis rate is defined as the average yields of 5 years treasury bonds from the interbank fixed rate bond yield curve published on China Bond website 5 working days before the interest repricing date.

The issuer has the right to defer interest payments, unless “Mandatory interest payments events” have been triggered, so that at each interest payment date, the issuer may choose to defer the current interest payment, as well as any previously deferred interest payments and accreted interests thereon, to the next payment date, without being subject to any limitation with respect to the number of deferrals. Mandatory interest payment events are only triggered when there are distributions of dividends to ordinary equity holders or reductions of registered capital.

The perpetual subordinated bonds issued by the Company are classified as equity instruments and presented under equity in the Group’s statement of financial position.

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38. BONDS PAYABLE

As at 30 June 2021 and 31 December 2020, bonds payable comprised subordinated bonds and corporate bonds.

Details of the bonds issued by the Group are as follows:

Non-current

Issue date	Maturity date	Coupon rate	As at	As at
			30 June 2021 (Unaudited) Carrying amount	31 December 2020 (Audited) Carrying amount
29 January 2019	30 January 2022	4.05%	–	4,144,541
26 February 2019	27 February 2022	4.20%	–	3,516,258
7 March 2019	11 March 2022	4.25%	–	3,512,590
14 January 2020	14 January 2022	3.65%	–	1,033,413
14 January 2020	14 January 2023	3.75%	4,061,494	4,135,006
17 February 2020	17 February 2022	3.15%	–	3,281,556
17 February 2020	17 February 2023	3.25%	1,817,892	1,846,410
11 March 2020	11 March 2022	2.88%	–	4,084,617
11 March 2020	11 March 2023	3.03%	1,007,201	1,021,847
29 July 2020	29 July 2022	3.50%	3,091,285	3,036,386
29 July 2020	29 July 2023	3.72%	3,095,492	3,038,264
23 October 2020	23 October 2023	3.70%	3,072,086	3,016,099
27 November 2020	27 November 2022	3.80%	4,084,919	4,007,657
21 January 2021	21 January 2023	3.24%	1,823,178	–
21 January 2021	21 January 2024	3.58%	3,245,500	–
04 February 2021	04 February 2023	3.50%	1,518,903	–
04 February 2021	04 February 2024	3.67%	2,532,890	–
			29,350,840	39,674,644

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38. BONDS PAYABLE (CONTINUED)

Current

Issue date	Maturity date	Coupon rate	As at	As at
			30 June 2021 (Unaudited) Carrying amount	31 December 2020 (Audited) Carrying amount
18 April 2018	19 April 2021	5.30%	–	3,318,411
7 March 2019	11 March 2021	4.10%	–	3,305,751
16 January 2018	17 January 2021	5.65%	–	1,581,267
9 February 2018	12 February 2021	5.70%	–	1,050,466
14 March 2018	14 March 2021	5.15%	–	2,602,305
1 June 2016	1 June 2021	3.35%	–	611,385
23 August 2016	23 August 2021	3.14%	1,026,677	1,009,606
24 October 2018	25 October 2021	4.48%	5,151,852	5,037,628
14 December 2018	17 December 2021	4.28%	1,533,688	1,500,908
29 January 2019	30 January 2022	4.05%	4,064,947	–
26 February 2019	27 February 2022	4.20%	3,446,018	–
7 March 2019	11 March 2022	4.25%	3,441,884	–
14 January 2020	14 January 2022	3.65%	1,015,857	–
17 February 2020	17 February 2022	3.15%	3,233,484	–
11 March 2020	11 March 2022	2.88%	4,030,318	–
			26,944,725	20,017,727

All of these bonds are denominated in RMB.

39. DEBT INSTRUMENTS

	As at 30 June 2021 (Unaudited) Carrying Amount	As at 31 December 2020 (Audited) Carrying Amount
Non-current		
Structured notes ⁽³⁾	192,130	787,081
Current		
Corporate short-term bonds ⁽¹⁾	16,876,337	16,597,054
Short-term financing bills ⁽²⁾	8,012,652	18,077,082
Structured notes ⁽³⁾	12,268,129	18,802,217
Total	37,157,118	53,476,353

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39. DEBT INSTRUMENTS (CONTINUED)

(1): Corporate short-term bonds

The details of corporate short-term bonds as at 30 June 2021 are as follows:

Name	Issue amount RMB'000	Value date	Maturity date	Coupon rate
20 CGS F5	4,000,000	17 July 2020	17 July 2021	3.28%
20 CGS S1	3,500,000	31 August 2020	31 August 2021	3.04%
20 CGS S2	2,000,000	23 October 2020	23 October 2021	3.17%
20 CGS S3	2,000,000	27 November 2020	27 November 2021	3.58%
20 CGS S4	3,000,000	24 December 2020	23 September 2021	3.10%
20 CGS S5	2,000,000	24 December 2020	24 December 2021	3.12%

(2): Short-term financing bills

The details of short-term financing bills as at 30 June 2021 are as follows:

Name	Issue amount RMB'000	Value date	Maturity date	Coupon rate
20 CGS CP004	4,000,000	21 May 2021	20 August 2021	2.30%
20 CGS CP005	4,000,000	22 June 2021	17 September 2021	2.35%

(3): Structured notes

Structured notes are a special type of financing allowed by CSRC.

As at 30 June 2021, for Structured notes issued by the Company, their coupon rates are from 1.60% to 6.00% (31 December 2020: 1.60% to 10.24%).

40. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

(1) Financial liabilities held for trading:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Current		
Equity Securities	77,285	1,686,972
Debt Securities	478,402	716,280
	555,687	2,403,252

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40. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(2) Financial liabilities designated as at fair value through profit or loss:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Non-current		
Equity-linked Financing payables ⁽¹⁾	2,981,938	182,709
Current		
Equity-linked Financing payables ⁽¹⁾	2,322,363	3,116,055
Gold-linked Financing payables	3,221,717	2,302,254
Structured products embedded with equity swaps ⁽²⁾	1,943,859	2,026,477
Total	7,487,939	7,444,786

(1) Equity-linked Financing payables are financing instruments issued by the Group and its returns to holders are linked to the performance of stock index.

(2) Structured products embedded with equity swaps are payable to the clients at maturity of the corresponding derivatives and its balance is linked to the performance of the corresponding equity swaps.

41. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Non-current		
Third-party interests in consolidated structured entities	895,005	752,388
Current		
Customer trading deposits	10,009,077	4,231,804
Payables to margin clients	7,975,231	6,083,763
Payables to other trading clients	2,913,847	5,212,951
Settlement payable	7,303,847	5,446,484
Value-added tax and other taxes	323,505	442,634
Accrued expenses	526,618	411,885
Sundry payables	50,766	36,977
Payable for the securities investor protection fund	69,711	62,253
Dividends payable	2,935,110	-
Others	1,522,808	739,669
Total	33,630,520	22,668,420

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42. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Secured short-term bank loans ⁽¹⁾	3,405,651	–
Unsecured short-term bank loans ⁽²⁾	11,209,000	13,540,381
Margin funds loans ⁽³⁾	5,000,000	10,000,000
Add: Accrued interest	18,308	70,367
	19,632,959	23,610,748

- (1) As at 30 June 2021, the secured short-term bank loans bear variable interest rate at 0.87%-5.50% and are repayable within 1 year. As at 31 December 2020, there is no secured short-term bank loans.
- (2) As at 30 June 2021, the unsecured short-term bank loans bear variable interest rate at 1.26%-3.60% (31 December 2020: 1-week HIBOR plus 140 to 180 basis points per annum or 0.89%-7.00% per annum) and are repayable within 1 year (31 December 2020: within 1 year).
- (3) The margin funds loans borrowed by the Group from CSFCL are secured by cash collateral of RMB448 million (31 December 2020: RMB1,174 million) and shares listed in the PRC with a fair value of approximately RMB1,917 million (31 December 2020: RMB2,010 million). These margin funds loans bear interest at 2.50% per annum (31 December 2020: 2.50% and 2.80% per annum) and are repayable within 6 months (31 December 2020: within 3 months and 6 months).

43. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value to the readers of these interim condensed consolidated financial information in view of the nature of these businesses.

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group, and are interest-bearing at the prevailing market interest rate.

As at 30 June 2021, included in the Group's accounts payable to brokerage clients were approximately RMB10,252 million (31 December 2020: RMB8,942 million) received from clients for margin financing and securities lending arrangement.

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44. ACCRUED STAFF COSTS

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Salaries, bonus and allowances	2,848,446	3,126,686
Social welfare	31,942	16,779
Annuity schemes	12,255	9,829
Supplementary retirement benefits	381,695	384,973
Early retirement benefits	571	631
Others	194,774	175,327
	3,469,683	3,714,225

45. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Current		
Analyzed by collateral type:		
Debt securities	109,376,238	85,239,622
Stocks	583,071	-
Golds	6,317,384	2,799,752
Others	558,217	-
Add: Accrued interest	158,281	74,031
	116,993,191	88,113,405
Analyzed by market of collateral:		
Stock exchanges	58,310,354	53,915,636
Interbank bond market	51,154,381	31,323,986
Over the counter	7,370,175	2,799,752
Add: Accrued interest	158,281	74,031
	116,993,191	88,113,405

Financial assets sold under repurchase agreements bear effective interest at 1.82%-4.79% (31 December 2020: 1.62%-5.61% per annum).

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46. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Bank balances – house accounts	13,805,406	14,185,694
Clearing settlement funds – house accounts	5,697,123	5,222,885
	19,502,529	19,408,579

Cash and cash equivalents do not include bank deposits with original maturity of more than three months held by the Group. As at 30 June 2021, bank deposits with original maturity of more than three months held by the Group were RMB13,185 million (31 December 2020: RMB15,252 million) and there were RMB398 million bank deposits restricted for use (31 December 2020: RMB756 million)

47. INTERESTS IN STRUCTURED ENTITIES

(a) Structured entities set up and managed by the Group

Structured entities consolidated by the Group include the asset management schemes, funds and other investments where the Group involves as investment manager or investment consultant and also as investor. These special vehicles issue units to investors, including the Group, to finance its operations, which are primarily investments in various debt and equity instruments.

As at 30 June 2021, the total assets of the consolidated structured entities are RMB9,057 million (31 December 2020: RMB6,949 million) and the total net assets of the consolidated structured entities are RMB9,050 million (31 December 2020: RMB6,903 million). The carrying amount of third party interests in the consolidated structured entities are RMB895 million (31 December 2020: RMB752 million), and these interests are presented in Note 41.

The Group also has interests in unconsolidated collective asset management schemes which the remuneration of the Group is commensurate with the services provided and the variable returns the Group exposed are not considered to be significant. The Group therefore considers such decision-making rights are acting as an agent for the investors and hence did not consolidate these structured entities.

The size of unconsolidated structured entities managed by the Group amounted to RMB135,478 million as at 30 June 2021 (31 December 2020: RMB152,187 million). The Group's interests are equal to the maximum exposure to loss of interests held by the Group in these unconsolidated structured entities, which amounted to RMB359 million as at 30 June 2021 (31 December 2020: RMB232 million).

During the period, management fee income and investment gains from the unconsolidated asset management schemes managed by the Group amounted to RMB173 million (Six months ended 30 June 2020: RMB195 million).

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47. INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

(b) Structured entities set up and managed by third party institutions in which the Group holds interests

The types of structured entities that the Group does not consolidate but in which it holds interests include funds, asset management schemes, trust schemes, asset-backed securities and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statement of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities as at 30 June 2021 and 31 December 2020, which are listed below:

	As at 30 June 2021 Financial assets measured at fair value through profit or loss (Unaudited)	As at 31 December 2020 Financial assets measured at fair value through profit or loss (Audited)
Carrying amount of interests held by the Group		
– Funds	13,969,663	15,308,668
– Trust schemes and wealth management products	1,716,774	2,275,769
– Asset management schemes	359,240	231,908
– Others	7,908,346	3,829,094
Total	23,954,023	21,645,439

48. CAPITAL COMMITMENTS

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Contracted but not provided for		
Leasehold improvements	155,344	125,958
Property and equipment	27,691	16,977
	183,035	142,935

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49. RELATED PARTY TRANSACTIONS

(a) Transactions and balances with governmental related entities operated in the PRC

(1) Immediate holding company and its fellow subsidiaries

Galaxy Financial Holdings is a financial holding company approved by the State Council of the PRC and was established in Beijing on 8 August 2005. Galaxy Financial Holdings owned 5,186,538,364 shares (31 December 2020: 5,187,196,364 shares), representing 51.16% of the entire equity interest of the Company as at 30 June 2021 (31 December 2020: 51.17%). The shareholders of Galaxy Financial Holdings are Central Huijin Investment Ltd. ("Central Huijin") with 69.07% equity interest, the Ministry of Finance (the "MOF") with 29.32% equity interest and the National Council for Social Security Fund (the "SSF") with 1.61% equity interest.

Central Huijin is a wholly-owned subsidiary of China Investment Corporation Limited, and is established in Beijing, PRC. Central Huijin was established to hold certain equity investments as authorized by the State Council and does not engage in other commercial activities. Central Huijin exercises legal rights and obligations in the Group on behalf of the PRC Government.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies.

The SSF is a government agency at the ministerial level directly under the State Council of the PRC, primarily responsible for the management and operation of National Social Security Fund.

During the six months ended 30 June 2021 and 30 June 2020, the Group provided securities brokerage and asset management services to Galaxy Financial Holdings and its subsidiaries and details of the significant transactions and balances as at 30 June 2021 and 31 December 2020 are set out below.

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Accounts receivable	7,726	2,504
Accounts payable to brokerage clients	75,903	54,646
Financial assets measured at fair value through profit or loss	511,810	511,810
Right-of-use assets	–	25,569
Lease liabilities	–	25,454

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49. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions and balances with governmental related entities operated in the PRC (Continued)

(1) Immediate holding company and its fellow subsidiaries (Continued)

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Commission and fee income	18,217	40,020
Other income, gains and losses	–	532
Interest expenses	263	759
Rental expenses paid or payable	39,624	68,093

As at 30 June 2021, accounts payable to brokerage clients from Galaxy Financial Holdings amount to RMB0.03 million (31 December 2020: RMB0.02 million).

The Group's housing rental expenditure to Galaxy Investment was RMB40 million for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB68 million).

(2) Central Huijin Group

Central Huijin holds equity interests in a number of banks and non-bank financial institutions in the PRC under the direction of the Chinese government (collectively referred to as the "Central Huijin Group"). The Group enters into transactions with Central Huijin Group under normal commercial terms. Such transactions mainly include deposits at banks, securities and futures dealing and broking, underwriting of equity and debt securities, and purchase and sale of equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group.

The Group's material transactions with the Central Huijin Group

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Commission and fee income	15,839	30,373
Interest income from banks and other financial institutions within the Central Huijin Group	444,120	636,528
Investment gains of equity and debt securities issued by banks and other financial institutions within the Central Huijin Group	79,959	32,460
Interest expenses to brokerage clients within the Central Huijin Group	22,557	18,366
Other operating expenses	33,529	484

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49. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions and balances with governmental related entities operated in the PRC (Continued)

(2) Central Huijin Group (Continued)

The Group's material balances with the Central Huijin Group

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group classified as		
– debt instruments measured at FVTOCI	2,197,068	2,445,704
– equity instruments measured at FVTOCI	1,006,609	–
– financial assets measured at FVTPL	3,101,611	1,174,435
Bank balances deposited with banks within the Central Huijin Group	50,906,290	42,547,077
Derivative financial assets	34,792	5,833
Derivative financial liabilities	618,668	505,903
Accounts receivable	5,263	6,984
Due to banks and other financial institutions	2,336,462	2,040,038
Accounts payable to brokerage clients within the Central Huijin Group	1,202,936	483,349
Other payables and accruals	75,615	80,471
Financial assets sold under repurchase agreements	10,965,856	11,806,268

(3) Transactions with other government-related entities in the PRC

Other than disclosed above, a significant portion of the Group's transactions are entered into with government-related entities including securities and futures dealing and broking, underwriting of debt securities, purchase and sales of government bonds, and equity and debt securities issued by other government-related entities. These transactions are entered into under normal commercial terms and conditions. At the end of the reporting period, the Group holds such investments in equity and debt securities and has balances with these government-related entities including accounts payable to brokerage clients.

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

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49. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other related parties

(1) Other related parties which have transactions with the Group are as follows:

Name	Relationship
E-Capital Transfer Co., Ltd. (“E-Capital Transfer”) 證通股份有限公司	Note
China Securities Lize Real Estate (Beijing) Co., Ltd. (“China Securities Lize Real Estate”) 中證麗澤置業(北京)有限責任公司	Joint venture

Note: Mr. Wu Chengming serves as the Company’s board secretary from August 2012 and also as the director of E-Capital Transfer from June 2018.

The Group’s material transactions with other related parties

Expenses paid or payable to

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
E-Capital Transfer	107	98

Financial assets measured at fair value through profit or loss

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
	E-Capital Transfer	43,789

Other receivables and prepayments

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
	China Securities Lize Real Estate	1,133,631

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49. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other related parties (Continued)

(2) Key management personnel compensations

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and other members of senior management.

The key management compensation for the six months ended 30 June 2021 and 2020 comprises:

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Salaries, allowances, bonuses, social welfare and annuity scheme contribution	19,148	22,560

The key management personnel's final compensation packages for the six months ended 30 June 2021 have not yet been finalized in accordance with regulations of the PRC relevant authorities. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the interim condensed consolidated financial statements of the Group.

50. FINANCIAL RISK MANAGEMENT

Overview

The Group's risk management objectives are to ensure its development within a sustainable and healthy direction, its business operated orderly within an acceptable risk framework and its overall risks within a measurable, controllable and acceptable manner, aiming to achieve the Group's overall development strategy. The Group's risk management strategy is to identify and analyze the various risks faced by the Group, establish appropriate risk tolerance, and reliably measure and monitor the risks on a timely and effective manner to ensure the risks are controlled within the tolerance level.

In daily operation, the Group is mainly exposed to credit risk, market risk, operational risk and liquidity risk. The Group has established risk management policies and procedures to identify and analyze these risks, set appropriate risk indicators, risk limits, risk policies and internal control processes, and monitor and manage the risks continuously through its information system.

Risk management principles include the consideration of the levels of comprehensiveness, prudence, counter checking and balancing and independence.

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50. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management organizational structure

The risk management of the Company at the upper level involving the Board of Directors, the Board of Supervisors and the management as the major bodies of the comprehensive risk management system and according to the “three-layer defence” lays down the foundation of risk management, incorporates risk management of subsidiaries in a single system and implements a vertical management of risks, among which:

The Board of Directors is the highest decision-making body of the risk management system, taking the ultimate responsibility for the Company’s risk management duties through its sub-committees, Compliance and Risk Management Committee and Audit Committee. The Board of Supervisors monitors whether the Board of Directors and the management have fulfilled their responsibilities in respect of risk management on a timely and effective manner according to laws and regulations. The management is responsible for the implementation of risk management strategies, objectives and policies. The chief risk officer is in charge of overall risk management.

Business departments, functional departments and branches are charged with the primary responsibility for risk management. They shall execute the Company’s risk management strategies and policies, understand and give due consideration to various risks when making decisions, and timely and effectively identify, assess, monitor and report relevant risks. The Company deploys dedicated/part-time risk management and compliance personnel in business departments and branches to be responsible for the management of specific risks and compliance management. Risk Management Headquarters, Legal and Compliance Headquarters, Financial and Capital Headquarters, Audit Headquarters and Disciplinary Committee Office are responsible for monitoring and managing various risks.

Each subsidiary establishes its own risk management framework, policies, IT system and risk control indicator system according to the risk appetite and framework of the Company and the Company’s requirement on comprehensive risk management for its subsidiaries. It has to ensure consistency and effectiveness of overall risk management, taking into account of factors such as its own capital level, risk tolerance and complexity of business.

50.1 Credit risk

Credit risk is the risk of loss due to failures or inability to fulfil obligations by counterparties, or the downgrade of credit rating of them. The Group’s financial assets exposed to credit risk mainly include advances to customers, accounts receivable, other financial assets, financial assets measured at amortized cost, financial assets measured at FVTOCI, financial assets held under resale agreements, financial assets measured at FVTPL, deposits with exchanges and non-bank financial institutions, clearing settlement funds and bank balances. Taking no account of collateral or other credit enhancements, the maximum credit exposure of financial assets to the extent exposed to credit risk approximates to their carrying amount at the reporting date.

Bank balances of the Group are mainly deposited in state-owned commercial banks or joint-stock commercial banks with good credit rating, and clearing settlement funds are deposited with the China Securities Depository and Clearing Corporation Limited (the “CSDCC”).

For proprietary trading business, when the transactions are conducted through stock exchanges and the CSDCC, the counterparty default risk is considered to be low. For transactions conducted through the interbank market, counterparties are evaluated and only parties with good credit rating are authorized to trade with.

In order to manage the risk of its investment portfolio, except for investments in short-term bonds with rating of A-1, which represents the highest rating of the short-term bonds, the Group invests primarily in bonds with rating of AA or above. Therefore, the Group considers the credit exposure of proprietary trading business is not significant.

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50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.1 Credit risk (Continued)

Margin trading assets consist of advances to customers and securities lent to customers. The main credit risk of these financial assets is customers' failure to repay the principal, interest or securities lent to them. The Group monitors margin trading clients' accounts on an individual customer basis and call for additional margin deposits, cash collateral or securities, whenever necessary. The advances to margin clients are monitored through their collateral ratios, which ensure the value of the pledged assets is sufficient to cover the advances. As at 30 June 2021 and 31 December 2020, the collateral ratios of most of the Group's margin clients were above 130%.

The credit risk of the Group also arises from their securities and futures brokerage business. In the case of customers failing to deposit adequate funds, the Group may have to complete trade settlements by using their own funds. To mitigate these credit risks, the Group requires cash deposit of full amounts for all transactions before they settle on behalf of customers.

As at 30 June 2021, other than those financial assets whose carrying amounts represent maximum exposure to credit risks, the Group is also exposed to credit risks arising from security lending and borrowing activities as clients may default on returning securities borrowed. Securities lent to clients may include securities collateral received from other clients under similar lending and borrowing arrangements. Therefore, these securities may not be recognized in the consolidated statement of financial position of the Group. As at 30 June 2021, the total amount of the securities (both the Group's own securities and securities borrowed by the Group) lent to clients was RMB13,588 million (31 December 2020: RMB6,637 million).

The concentration of credit risk is limited due to the counterparty and customer base being large and diversified.

Impairment under the ECLs model

Since 1 January 2018, the Group has recognized a loss allowance for ECLs on financial assets which are subject to impairment under IFRS 9 using the ECLs models, including debt instruments measured at FVTOCI or amortized cost, advances to customers, accounts receivable, other receivables, financial assets held under resale agreements, deposits with exchanges and non-bank financial institutions, clearing settlement funds and bank balances. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition.

The key inputs used for measuring ECLs based on the "probability of default" approach are the probability of default (PD), loss given default (LGD) and exposure at default (EAD); or, based on the loss rate approach, the key input is the loss rate. These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

Significant increase in credit risk

Except for accounts receivable without significant financing component which are always measured on the lifetime ECLs basis, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECLs.

In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets.

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50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.1 Credit risk (Continued)

Impairment under the ECLs model (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life;
- an actual or expected significant change in the financial instrument's external credit rating;
- an actual or expected internal credit rating downgrade for the borrower;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;
- an actual or expected significant change in the operating results of the borrower;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- an actual or expected significant change in the quality of credit enhancement; and
- significant changes in the expected performance and behaviour of the borrower.

Internal credit risk ratings

The Group has developed internal credit rating models and functional internal credit rating systems based on the characteristics of different industries and target customer bases, to perform rating for borrowers or bond issuers. The Group gradually apply the internal credit rating results to business authorization, limit measurement, quota approval, risk monitoring, asset quality management and etc., which have become important tools for decision-making and risk management in credit business.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase in credit risk as well as in its measurement of ECLs. The Group generates a base case scenario of future forecast of relevant economic variables, along with a series of representative ranges of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

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50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.1 Credit risk (Continued)

Impairment under the ECLs model (Continued)

Measurement of ECLs

The measurement of ECLs is a function of the PD, LGD and EAD based on the probability of default approach. The assessment of the PD and LGD is based on historical data adjusted by forward-looking information.

Generally, the ECLs is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitments, the ECLs is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

The Group measures ECLs considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is a common business practice.

The measurement of ECLs is based on the probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to perform the assessment on a collective basis as noted below.

Groupings based on shared risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as instrument type, credit risk grade, collateral type, remaining term to maturity and the value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (loan-to-value ratios). The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

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50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.2 Market risk

Market risk is the risk of loss arising from adverse change in fair value or movement in cash flows in respect of financial instruments, due to interest rate risk, currency risk or price risk.

Within the scope of risk partiality, the Group formulates market risk authorization for proprietary business lines, including transaction limit, risk value, sensitivity, stop loss limit, stress test, concentration and other risk indicators. According to the role and limitations of different indicators, the Group establishes complementary indicator systems of different types and levels, and manages them according to different dimensions. The Group continuously monitors the market risk status and the implementation of relevant risk authorization, and takes timely control and mitigation measures to limit, transfer and reduce market risk.

The Risk Management Headquarters, which is independent of the business department, is the centralized department of market risk management. It identifies, evaluates, monitors and reports the market risks faced by its own funds participating in business and products, and independently evaluates and verifies the valuation methods and risk measurement models of financial instruments used in the process of business development. The Risk Management Headquarters monitors the implementation of risk authorization of the business department, timely reveals the risks, reports the market risk status to the operation management or its authorized organization, the board of directors and its Risk Management Committee on a regular basis, and makes special risk reports on special or major risk issues from time to time. Each business department is the first person in charge of market risk management. According to the market risk monitoring results, they select the market risk hedging and risk mitigation strategies suitable for risk preference, mainly including risk dispersion and risk hedging, and actively transfers, controls and reduces market risk. Regularly or irregularly feed back the market risk management status of the Department to the risk management headquarters.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The securities price risk of the Group was mainly derived from the positions held in businesses such as proprietary investment, and market making business. In order to control risks effectively, the Group mainly adopted the following measures. Firstly, by creating securities investment portfolios, the Group made use of financial derivatives to carry out effective risk hedging. Secondly, the risk exposures of the Group's positions were managed on an unified basis. Through the defensive lines of the internal risk division of the business department and the risk management headquarters, the Group implemented independent risk monitoring, analysis and reporting to discover and handle risks in a timely manner. Thirdly, the Company implemented the risk permit management to control indicators such as the scale of risk exposure, concentration level and limit of loss, and made adjustments irregularly to respond to the ever-changing market conditions, business conditions or risk tolerance. Fourthly, the Group adopted quantitative means such as VaR and combined with other methods such as scenario analysis and stress test to assess the relative and absolute risks of the portfolios.

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50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.2 Market risk (Continued)

Price risk (Continued)

The Company, Galaxy International, which takes a great market risk adopts Value at Risk (“VaR”) as the risk evaluation tool for measuring the market risk of the entire securities investment portfolio which comprises various financial instruments, and utilise stress testing as an effective supplement to the VaR analysis. VaR analysis is a statistical technique that estimates the potential maximum losses that could occur on risk positions due to movements in interest rates, stock prices or currency rates over a specified time period and at a given level of confidence.

The analysis of the Company’s VaR (confidence level of 95% and a holding period of one trading day) by types of risks is as follows:

The Company	2021/6/30	2021/1/1-2021/6/30		
		Average	Lowest	Highest
VaR of equity price	54,340	107,556	54,340	189,492
VaR of interest rate	124,936	119,555	16,809	178,199
VaR of commodity price	943	1,199	134	8,140
Total portfolio VaR	92,305	136,162	76,337	219,626

The Company	2020/12/31	2020/1/1-2020/12/31		
		Average	Lowest	Highest
VaR of equity price	74,441	76,268	41,493	125,989
VaR of interest rate	138,379	152,848	11,531	266,252
VaR of commodity price	139	72	6	229
Total portfolio VaR	114,418	120,181	54,195	202,834

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group utilizes sensitivity analysis as the main tool of monitoring interest rate risk and measuring the impact to profit and equity for a reasonable and possible change of interest rates, assuming all other variables were held constant. Debt securities of the Group mainly comprise corporate bonds, and the Group mitigates the interest rate risk through monitoring the durations and convexities of its bond portfolios. Interest rate risk in connection with cash held on behalf of customers in bank balances and clearing settlement funds is offset by the associated accounts payable to brokerage clients because their terms match with each other.

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50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.2 Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The Group uses sensitivity analysis as the main tool to monitor interest rate risk, and measures the impact on the Group's total profit and other comprehensive income without considering the impact of corporate income tax, when the interest rate changes reasonably and possibly under the assumption that other variables remain unchanged as follows:

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit before income tax for the period		
Increase by 100 basis points	(1,182,110)	(1,552,441)
Decrease by 100 basis points	1,182,110	1,552,441
	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Other comprehensive income before income tax		
Increase by 100 basis points	(3,410,074)	(1,462,519)
Decrease by 100 basis points	3,410,074	1,462,519

The influence on the total profit refers to the influence of certain changes in the interest rate in the middle of the next year on the net interest-generating position interest income and the changes in the fair value after the revaluation of the trading financial assets and trading financial liabilities held at the end of the period/year.

The influence on other comprehensive income refers to the influence of the changes in the fair value of other debt investments held at the end of the period based on the revaluation when a certain interest rate changes.

The above sensitivity analysis assumes that the rates of return on assets and liabilities of each maturity move up or down in parallel, so it does not reflect the possible impact for only interest rate changes while the remaining interest rate remains unchanged. The forecast is also based on other simplified assumptions, including that all positions to be held to maturity.

This assumption does not represent the Group's policy on the use of funds and the management of interest rate risk, so the effects above may differ from the actual situation.

Moreover, the above analysis of the impact of interest rate changes is only an example to show the estimated changes in total profit and other comprehensive income under various projected income scenarios and the current interest rate risk profile of the Group. However, this effect does not take into account the risk management activities that management may take to manage interest rate risk.

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50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.2 Market risk (Continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Group's currency risk primarily relates to the Group's operating activities whose settlements and payments are denominated in foreign currencies which are different from the respective group entity's functional currency.

The foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In terms of the Group's revenue structure, the majority of the business transactions are denominated in RMB, and the proportion of foreign currency transactions is not significant to the Group. The Group considers that the currency risk of the Group's operations is immaterial due to the relatively low proportion of the Group's foreign currency denominated assets, liabilities, income and expense, as compared to the Group's total assets, liabilities, income and expenses. The currency risk of the Group's business is not significant.

50.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to shortages of capital or funds. During the normal course of business, the Group may face liquidity risk caused by macroeconomic policy change, market fluctuations, poor operations, credit downgrades, mismatch of assets and liabilities, low turnover rate of assets, underwriting on a firm commitment basis, significant proprietary trading position, or any significant illiquid long-term investments. If the Group fails to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on certain risk indicators, the Group could be penalized by the regulatory authority, which could cause adverse impacts to the Group's operations and reputations.

The measures of the group's liquidity risk management mainly include:

- (1) Establish a centralized fund management mechanism and an effective fund regulation mechanism.

To cope with and manage liquidity risk effectively, the Company has strengthened monitoring and management over fund transfers of significant amounts in order to achieve centralized fund allocation and coordinated liquidity risk management: incorporated debt financing and leverage ratios into risk authorization systems; established liquidity risk index system; monitored and reported liquidity of the Company on a daily basis; risk warning in a timely manner; conducted regular and ad-hoc stress tests to analyze and evaluate the level of liquidity risk; continuously optimized asset-liability structure to build a multi-level liquidity reserve system; and achieved diversification of financing channels through money market, capital market and bank borrowings.

- (2) Establish a stable liquidity risk management report system.

The Group prepares different financing plans for different periods, and reports implementations of financing plans to reflect the management of liquidity risk.

- (3) Increase working capital and liquidity by issuing shares and corporate bonds.

The Group increases its working capital and liquidity by issuing shares, corporate bonds, debt instruments, transfer of rights and interests in margin loans to support the development of margin financing and other businesses.

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS

51.1 Fair value of the Group's financial assets and financial liabilities that are not measured on a recurring basis

The carrying amounts of the Group's financial assets and financial liabilities not measured at fair value approximate to their fair values as at 30 June 2021 and 31 December 2020 except for the following financial assets and financial liabilities, for which their carrying amounts including accrued interest and fair value are disclosed below:

	As at 30 June 2021	
	(Unaudited)	
	Carrying amounts	Fair value
Non-current		
Bonds payable	29,350,840	29,558,826
Debt instruments	192,130	192,394
Financial assets held under resale agreements	8,974,065	9,080,535
Debt instruments measured at amortized cost	3,663,432	3,768,119
	As at 31 December 2020	
	(Audited)	
	Carrying amounts	Fair value
Non-current		
Bonds payable	39,674,644	38,792,862
Debt instruments	787,081	787,747
Financial assets held under resale agreements	12,035,795	12,186,680
Debt instruments measured at amortized cost	3,773,063	3,820,254

Fair values of these financial instruments are determined by contractual cash flows discounted by observable yield curves.

51.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting periods. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Level 1 to 3) based on the degree to which the inputs to the fair value measurements are observable and the significance.

Level 1: fair value measurements are those derived from quoted prices (unadjusted in active markets for identical assets or liabilities);

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

51.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 30 June 2021 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets:				
Debt instruments measured at FVTOCI:	25,017,338	38,054,496	–	63,071,834
– Debt securities	25,017,338	38,054,496	–	63,071,834
Equity instruments measured at FVTOCI:	18,022,306	12,443,931	–	30,466,237
– Perpetual bonds	18,022,306	12,443,931	–	30,466,237
Financial assets measured at FVTPL:	26,753,863	73,797,196	7,438,478	107,989,537
– Debt securities	10,737,825	44,466,130	–	55,203,955
– Equity securities	10,286,581	319,817	5,868,981	16,475,379
– Funds	1,910,009	12,059,654	–	13,969,663
– Asset management plan	–	359,240	–	359,240
– Structured deposits and wealth management products	–	1,959,740	–	1,959,740
– Trust schemes	–	609,401	–	609,401
– Other investments	3,819,448	14,023,214	1,569,497	19,412,159
Derivative financial assets	451,364	508,619	286,895	1,246,878
Total	70,244,871	124,804,242	7,725,373	202,774,486
Financial liabilities:				
Financial liabilities held for trading:	77,285	478,402	–	555,687
– Debt securities	–	478,402	–	478,402
– Equity securities	77,285	–	–	77,285
Financial liabilities designated as at fair value through profit or loss:	2,245,305	8,224,572	–	10,469,877
– Structured products embedded with equity swaps	1,943,859	–	–	1,943,859
– Equity-linked Financing payables	301,446	5,002,855	–	5,304,301
– Gold-linked Financing payables	–	3,221,717	–	3,221,717
Derivative financial liabilities	245,999	1,639,218	1,011,585	2,896,802
Total	2,568,589	10,342,192	1,011,585	13,922,366

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

51.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

As at 31 December 2020

(Audited)	Level 1	Level 2	Level 3	Total
Financial assets:				
Debt instruments measured at FVTOCI:	22,485,527	29,644,705	–	52,130,232
– Debt securities	22,485,527	29,644,705	–	52,130,232
Equity instruments measured at FVTOCI:	17,119,553	16,748,638	–	33,868,191
– Perpetual bonds	17,119,553	8,567,638	–	25,687,191
– Equity investments	–	8,181,000	–	8,181,000
Financial assets measured at FVTPL:	27,721,129	57,728,149	7,197,732	92,647,010
– Debt securities	11,710,752	38,644,261	–	50,355,013
– Equity securities	9,049,146	166,795	5,517,985	14,733,926
– Funds	4,575,885	10,732,783	–	15,308,668
– Asset management plan	–	231,908	–	231,908
– Structured deposits and wealth management products	–	2,883,160	–	2,883,160
– Trust schemes	–	43,964	–	43,964
– Other investments	2,385,346	5,025,278	1,679,747	9,090,371
Derivative financial assets	176,513	343,328	349,660	869,501
Total	67,502,722	104,464,820	7,547,392	179,514,934
Financial liabilities:				
Financial liabilities held for trading:	1,686,972	716,280	–	2,403,252
– Debt securities	–	716,280	–	716,280
– Equity securities	1,686,972	–	–	1,686,972
Financial liabilities designated as at fair value through profit or loss:	2,111,675	5,515,820	–	7,627,495
– Structured products embedded with equity swaps	2,026,477	–	–	2,026,477
– Equity-linked Financing payables	85,198	3,213,566	–	3,298,764
– Gold-linked Financing payables	–	2,302,254	–	2,302,254
Derivative financial liabilities	301,265	996,649	675,498	1,973,412
Total	4,099,912	7,228,749	675,498	12,004,159

There were no significant transfers between Level 1 and 2 during the six months ended 30 June 2021 and 2020.

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

51.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

51.2.1 Basis for recurring fair value measurement categorised within Level 1

For the measurement for Level 1, the Group adopts the closing price in active markets. Instruments included in Level 1 comprise primary debt securities, equity securities, funds and other investments traded on stock exchanges.

51.2.2 Valuation techniques used and the qualitative information of key parameters for recurring fair value measurement categorised within Level 2

For debt instruments at FVTPL and at FVTOCI, and securities lending whose value is available on bond pricing system on the valuation date is measured using the latest valuation results published by bond pricing system. The future cash flows are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.

For equity investments at FVTOCI, unlisted funds (open-ended mutual funds, structured deposits, wealth management products and other investments at FVTPL), the fair value is calculated based on the fair value of the underlying investments which are money market instruments, debt securities and publicly traded equity investments listed in the PRC in each portfolio.

For equity securities at FVTPL traded on National Equities Exchange and Quotations, recent transaction prices and the latest quoted bid prices and adjusted based on the index of National Equities Exchange and Quotations is used.

For Equity-linked Financing payables designated as at fair value through profit or loss, the fair value is determined based on the bid prices of stock index in an active market.

For derivative financial instruments, the fair value is determined by different valuation techniques. For interest rate swaps, equity return swaps and currency forward, the fair value is measured by discounting the differences between the contract prices and market prices of the underlying financial instruments.

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

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

51.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

51.2.3 Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3

The quantitative information of fair value measurement for Level 3 is as follows:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial assets				
Financial assets measured at FVTPL:				
– Equity securities traded on National Equities Exchange and Quotations	3,230	–	Discounted cash flow with future cash flows that are estimated based on contract terms, discounted at a rate that reflects the credit risk of underlying investments.	Discount rate (Note 2)
– Equity securities traded on National Equities Exchange and Quotations	15,261	63,643	Multiples valuation, with an adjustment of discount for lack of marketability.	Marketability discount (Note 3)
– Equity securities traded on stock exchanges with lock-up periods	5,850,490	5,454,341	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by the option pricing model. The key input is the implied volatility of the share prices of the securities.	Implied volatility (Note 1)
– Other investments	290,907	603,616	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Implied volatility (Note 1)
– Other investments	160,556	152,881	Discounted cash flow with future cash flows that are estimated based on contract terms, discounted at a rate that reflects the credit risk of underlying investments.	Discount rate (Note 2)
– Other investments	1,118,034	923,251	Multiples valuation, with an adjustment of discount for lack of marketability.	Marketability discount (Note 3)
Derivative financial instruments:				
– Over-the-counter options-assets	281,483	331,514	Calculated based on the Black-Scholes option pricing model.	Implied volatility (Note 1)
– Other forward contract-assets	5,412	18,146	Discounted cash flows with future cash flows that are estimated based on contractual amounts, discounted at a rate that reflects the credit risk of the counterparty.	Discount rate (Note 2)
Total	7,725,373	7,547,392		
Financial liabilities				
Derivative financial instruments:				
– Over-the-counter options-liabilities	1,010,476	664,890	Calculated based on the Black-Scholes option pricing model.	Implied volatility (Note 1)
– forward contract-liabilities	1,109	10,609	Discounted cash flows with future cash flows that are estimated based on contractual amounts, discounted at a rate that reflects the credit risk of the counterparty.	Discount rate (Note 2)
Total	1,011,585	675,499		

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

51.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

51.2.3 Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 (Continued)

The quantitative information of fair value measurement for Level 3 is as follows: (Continued)

Notes:

- (1) The significant unobservable input to fair value measurement is the implied volatility of the underlying securities, which ranges from 23.40% to 77.78% (31 December 2020: 15.52% to 92.45%).
- (2) The unobservable input to fair value is the discount rate, determined by reference to the credit risk of underlying investments, ranging from 38.17% to 96.68% (31 December 2020: 36.03% to 97.30%). The higher is the discount rate, the lower is the fair value.
- (3) The unobservable input to fair value is the discount for lack of marketability, which ranges from 18.18% to 87.54% (31 December 2020: 10.94% to 88.00%). The higher is the discount for lack of marketability, the lower is the fair value.
- (4) As disclosed in Note 33, except for stock index futures and interest rate swap not under the daily mark-to-market and settlement arrangement are presented gross at the end of the reporting period, the other derivatives are under daily mark-to-market and settlement arrangements. Accordingly, the net position of the treasury bond futures, and commodity futures, stock index futures and interest rate swap was nil at the end of each reporting period. The above analysis only presents the fair value of derivative financial instruments.

There were no transfers between Level 1 and Level 2 fair value measurements during the six months ended 30 June 2021 and 2020.

51.3 Reconciliation of Level 3 fair value measurements

	Financial assets measured at fair value through profit or loss
As at 1 January 2021 (Audited)	7,197,732
Total losses:	
– in profit or loss	(177,211)
Purchases	6,472,577
Transfers out (Note)	(6,054,620)
As at 30 June 2021 (Unaudited)	7,438,478
Total gains for assets held at 30 June 2021	
– unrealized gains recognized in profit or loss	581,937

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For the six months ended 30 June 2021
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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

51.3 Reconciliation of Level 3 fair value measurements (Continued)

	Financial assets measured at fair value through profit or loss
As at 1 January 2020 (Audited)	4,248,910
Total losses:	
– in profit or loss	(1,572,857)
Purchases	4,690,550
Transfers out (Note)	(168,871)
As at 31 December 2020 (Audited)	7,197,732
Total losses for assets held at 31 December 2020	
– unrealized losses recognized in profit or loss	1,199,551

Note: These are equity securities traded on stock exchanges with lock-up periods or asset management schemes which holds listed shares with lock-up periods. They were transferred from Level 3 to Level 1 when the lock-up period lapsed and became unrestricted.

52. EVENTS AFTER THE END OF THE REPORTING PERIOD

Issuance of short-term financing bonds

Subsequent to the end of reporting period, the Company has completed the non-publicly issuance of short-term financing bonds of RMB4,000 million (Tranche 6) in July 2021. These bonds bear interest rates at 2.15% per annum and the terms are 91 days. Proceeds from the issue will be used to increase working capital of the Company.

Issuance of corporate bonds

Subsequent to the end of reporting period, the Company obtained approval from China Securities Regulatory Commission of publicly issuance of corporate bonds with no more than RMB30 billion and has completed the publicly issuance of corporate bonds (Tranche 3) of RMB3,200 million (Type 1), RMB1,800 million (Type 2) in July 2021. These bonds bear interest rates at 3.13%-3.45% per annum and the terms are from 3 years to 5 years. Proceeds from the issue will be used to increase working capital of the Company or pay off debt on the maturity date.

Non-publicly issuance of corporate bonds

Subsequent to the end of reporting period, the Company obtained approval from Shanghai Stock Exchange of non-publicly issuance of corporate bonds with no more than RMB30 billion and has completed the non-publicly issuance of corporate bonds (Tranche 1) of RMB2,000 million (Type 1), RMB4,000 million (Type 2) in August 2021. These bonds bear interest rates at 2.93%-3.15% per annum and the terms are from 2 years to 3 years. Proceeds from the issue will be used to pay off debt on the maturity date.

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52. EVENTS AFTER THE END OF THE REPORTING PERIOD (CONTINUED)

Issuance of short-term financing bonds

Subsequent to the end of reporting period, the Company has completed the non-publicly issuance of short-term financing bonds of RMB4,000 million (Tranche 7) in August 2021. These bonds bear interest rates at 2.10% per annum and the terms are 91 days. Proceeds from the issue will be used to increase working capital of the Company.

Issuance of short-term financing bonds

Subsequent to the end of reporting period, the Company has completed the non-publicly issuance of short-term financing bonds of RMB4,000 million (Tranche 8) in August 2021. These bonds bear interest rates at 2.15% per annum and the terms are 91 days. Proceeds from the issue will be used to increase working capital of the Company.

For more information, please refer to :

