



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

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

(於中華人民共和國註冊成立的股份有限公司)

Stock Code 股份代號 : 6806.HK 000166.SZ

申萬宏源
2021
Interim Report
中期報告

Important Notice

1. The Board of Directors, the Board of Supervisors and the directors, supervisors and senior management of the Company warrant the truthfulness, accuracy and completeness of the content contained in this interim report, and that there are no misstatements, misleading representations or material omission in the contents contained herein, and severally and jointly bear full legal responsibilities thereof.
2. This interim report was considered and approved at the 2nd meeting of the fifth session of the Board. 11 directors shall participate in the poll of the meeting and the actual number of directors participated was 11. No directors, supervisors, or senior management declares the inability to warrant or disagreement with the truthfulness, accuracy, and completeness of the content herein.
3. Mr. Huang Hao, the legal representative, an executive director and the general manager of the Company, Ms. Ren Quansheng, the chief financial officer of the Company, and Ms. Zhang Yan, the general manager of the planning and finance department of the Company, have declared that they warrant the truthfulness, accuracy, and completeness of the financial statements in this interim report.
4. The interim condensed consolidated financial report for 2021 prepared by the Company in accordance with the International Financial Reporting Standards are unaudited, but has been reviewed by PricewaterhouseCoopers, the auditor of the Company.
5. The forward-looking statements in this interim report, including future plans and development strategies do not constitute substantive commitments of the Company to investors. Investors should be aware of the investment risks.
6. The Company has described details of the possibly existing risks including market risk, credit risk, liquidity risk, operational risk, policy risk, legal and compliance risk, risk of innovative businesses and exchange rate risk in this interim report. Investors are advised to read the “Management Discussion and Analysis” as set out in section III of this interim report carefully and pay special attention to the above-mentioned risk factors.
7. The Company did not plan to distribute cash dividend, issue bonus share, or convert any capital reserve into share capital for the first half of 2021.
8. This interim report of the Company is prepared in both Chinese and English. In the event of any discrepancy, the Chinese version should prevail.
9. The Company did not have any preferred shares during the Reporting Period.



申萬宏源

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Section I Important Notice, Contents and Definitions

DOCUMENTS AVAILABLE FOR INSPECTION

1. Financial statements affixed with the signatures and stamps of the person in charge of the Company, the person in charge of the accounting work, the person in charge of the accounting organization (accounting supervisor).
2. Originals of all the Company's documents and announcements publicly disclosed during the Reporting Period.
3. Interim reports published in other securities markets.

Section I Important Notice, Contents and Definitions (continued)

DEFINITIONS

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

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

Section I Important Notice, Contents and Definitions (continued)

Term	Definition
“general meeting”	the general meeting of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign ordinary shares in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in HK dollars
“HK\$”, “HKD” or “HK dollars”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hongyuan Futures”	Hongyuan Futures Co., Ltd. (宏源期貨有限公司)
“Hongyuan Huifu”	Hongyuan Huifu Capital Co., Ltd. (宏源匯富創業投資有限公司)
“Hongyuan Huizhi”	Hongyuan Huizhi Investment Co., Ltd. (宏源匯智投資有限公司)
“IB Business”	the business in which the securities company, as entrusted by the futures broker, introduces clients to the futures broker
“ISAE 3402”	International Standard on Assurance Engagements (鑒證業務國際準則) No. 3402
“margin financing and securities lending”	provision of collateral by investors to securities firms who are qualified for conducting margin financing and securities lending business to borrow funds for securities purchases (margin financing) or to borrow and sell securities (securities lending)
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)

Section I Important Notice, Contents and Definitions (continued)

Term	Definition
“Net Capital”	equals net assets minus risk-adjusted financial assets minus other risk-adjusted assets and risk-adjusted contingent liability plus or minus capital from other adjustments recognized or approved by the CSRC
“PB System”	prime brokerage system
“Reporting Period”	the six months from January 1, 2021 to June 30, 2021
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Securities Law”	the Securities Law of the People's Republic of China (中華人民共和國證券法)
“Shenwan Futures”	Shenwan Futures Co., Ltd. (申銀萬國期貨有限公司)
“Shenwan Hongyuan Industrial Investment”	Shenwan Hongyuan Industrial Investment Management Company Limited (申萬宏源產業投資管理有限責任公司)
“Shenwan Hongyuan Securities”	Shenwan Hongyuan Securities Co., Ltd. (申萬宏源證券有限公司)
“Shenyin & Wanguo Alternative Investment”	Shenyin & Wanguo Alternative Investment Co., Ltd. (申銀萬國創新證券投資有限公司)
“Shenyin & Wanguo Investment”	Shenyin & Wanguo Investment Co., Ltd. (申銀萬國投資有限公司)
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange
“SSE Composite Index”	the composite price index of the Shanghai Stock Exchange
“STAR Market”	the Sci-Tech Innovation Board launched by the Shanghai Stock Exchange
“stock-backed lending”	a transaction in which a securities firm provides financing to qualified clients who pledge their stocks as collateral

Section I Important Notice, Contents and Definitions (continued)

Term	Definition
“structured notes”	marketable securities issued by securities firms with the payment of principal and return linked to specific underlying assets
“SWS MU”	SWS MU Fund Management Co., Ltd. (申萬菱信基金管理有限公司)
“SWS Research”	SWS Research Co., Ltd. (上海申銀萬國證券研究所有限公司)
“SZSE Component Index”	the component stock price index of the Shenzhen Stock Exchange
“US dollar” or “USD”	United States dollars, the lawful currency of the United States
“VaR”	value at risk
“Wind Information”	Wind Information Co., Ltd. (萬得資訊技術股份有限公司), a service provider of financial data, information and software in Mainland China
“%”	percent

In the 2021 interim report, any discrepancies between the last digit of total shown and the last digit of the sum of the amounts listed are due to rounding.

Section II Company Profile and Key Financial Indicators

I. COMPANY PROFILE

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

II. CONTACT PERSONS AND CONTACT METHODS

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

Section II Company Profile and Key Financial Indicators (continued)

III. OTHER INFORMATION

(I) Contact method of the Company

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

(II) Information Disclosure and Location for Inspection of Documents

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

Section II Company Profile and Key Financial Indicators (continued)

(III) Other Relevant Information

Share Registrars

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

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

Legal Advisors

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

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

Auditors

PricewaterhouseCoopers Zhong Tian LLP (Domestic)
11/F, PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin
Road, Huangpu District, Shanghai

PricewaterhouseCoopers (International)
22/F, Prince's Building, 5 Ice House Street, Central, Hong Kong

Section II Company Profile and Key Financial Indicators (continued)

IV. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

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

Unit: Thousand Yuan Currency: RMB

Items	January to June 2021	January to June 2020	Increase/decrease of the Reporting Period compared with the corresponding period of last year (%)
Total revenue and other income	21,280,128	17,790,098	19.62
Profit before income tax	5,347,139	4,955,930	7.89
Profit for the period attributable to shareholders of the Company	4,520,910	4,034,768	12.05
Net cash used in operating activities	-26,935,455	-7,610,668	N/A
Basic earnings per share (in Renminbi per share)	0.18	0.16	12.50
Weighted average return on equity (%)	5.01	4.75	Increased by 0.26 percentage point

Items	June 30, 2021	December 31, 2020	Increase/decrease as compared with the end of last year (%)
Total assets	520,597,662	491,124,277	6.00
Total liabilities	426,634,352	401,033,687	6.38
Total equity attributable to shareholders of the Company	92,269,280	88,464,617	4.30
Share capital	25,039,945	25,039,945	—
Equity per share attributable to shareholders of the Company (in Renminbi per share)	3.68	3.53	4.25
Gearing ratio (%) ^{Note}	77.76	77.08	Increased by 0.68 percentage point

Note: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients – proceeds from securities underwriting collected on behalf of clients) / (Total assets – Accounts payable to brokerage clients – proceeds from securities underwriting collected on behalf of clients) *100%

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

In terms of net profits and profit for the period attributable to the shareholders of the Company for January to June 2021 and January to June 2020, and total equity and total equity attributable to shareholders of the Company as of June 30, 2021 and December 31, 2020, there's no difference between the data set out in the financial statements disclosed by the Company prepared in accordance with International Financial Reporting Standards and that prepared in accordance with China Accounting Standards or Business Enterprises.

Section II Company Profile and Key Financial Indicators (continued)

VI. NET CAPITAL AND THE RELEVANT RISK CONTROL INDICATORS (CALCULATED BASED ON THE DATA OF THE PARENT COMPANY OF SHENWAN HONGYUAN SECURITIES)

Unit: Thousand Yuan Currency: RMB

Items	As of the end of the Reporting Period	As of the end of last year	Increase/decrease as compared with the end of last year
Core net capital	61,523,843	57,654,127	6.71%
Net supplementary capital	10,760,000	8,400,000	28.10%
Net capital	72,283,843	66,054,127	9.43%
Net assets	85,344,655	76,385,769	11.73%
Total risk capital reserves	38,716,131	40,349,612	-4.05%
Total on-balance sheet & off-balance sheet assets	391,199,809	359,331,502	8.87%
Risk coverage ratio	186.70%	163.70%	Increased by 23.00 percentage points
Capital leverage ratio	15.74%	16.06%	Decreased by 0.32 percentage point
Liquidity coverage ratio	203.82%	205.07%	Decreased by 1.25 percentage points
Net stable funding ratio	123.73%	133.71%	Decreased by 9.98 percentage points
Net capital/net assets	84.70%	86.47%	Decreased by 1.77 percentage points
Net capital/liabilities	21.98%	25.62%	Decreased by 3.64 percentage points
Net assets/liabilities	25.95%	29.63%	Decreased by 3.68 percentage points
Equity securities and derivatives held/net capital	54.38%	52.90%	Increased by 1.48 percentage points
Non-equity securities and derivatives held/net capital	268.74%	312.33%	Decreased by 43.59 percentage points

Note: The data as at the end of the Reporting Period is unaudited.

VII. REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Board has reviewed and confirmed the Company's Report on Review of Interim Financial Statements disclosed in accordance with International Financial Reporting Standards for the six months ended June 30, 2021, and has no objection against matters including the accounting policies and practice adopted by the Company.

Section III Management Discussion and Analysis

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

As an investment holding group, the Company is committed to providing diversified financial products and services to clients, footed the capital market and focusing on securities businesses. Utilizing the structure of “investment holding group + subsidiary securities firm”, the Company has established a business model with differentiated competitive advantages. The Company’s business mainly focuses on four segments, including enterprise finance, personal finance, institutional services and trading, as well as investment management. The specific business structure is as follows:

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

(I) Enterprise finance

The Company’s enterprise finance business consists of investment banking business and principal investment business. Investment banking business provides equity underwriting and sponsorship, debt underwriting and financial advisory services for corporate clients; and principal investment business mainly comprises equity investment and debt investment of non-listed companies.

(II) Personal finance

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

(III) Institutional services and trading

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

Section III Management Discussion and Analysis (continued)

(IV) Investment management

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

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

II. ANALYSIS ON CORE COMPETITIVENESS

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

(I) Leading comprehensive strength

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

(II) Comprehensive business layout

The Company has improved the whole industry chain business model based on the capital market and continuously consummated the product lines and service lines under securities business. With full licenses and leading business capabilities, the Company has achieved good development momentum and its position in the industry improves steadily. The Company proactively expands its investment layout of the capital market and securities business, to promote the efficient and coordinated development of securities business and investment business.

(III) Favorable regional advantage

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

(IV) Effective risk management

The Company attaches great importance to legal and compliance operation and internal control construction. It has established a comprehensive risk management system at group level covering all aspects and all staff throughout its entire business process, continuously improved risk policy, optimized risk identification and response, and effectively controlled operation risks, with risk control indicators of Shenwan Hongyuan Securities in compliance with the regulatory requirements. Moreover, its business maintains sustainable development momentum, providing a guarantee for the further improvement of the Company's comprehensive strength.

Section III Management Discussion and Analysis (continued)

(V) Well-established talent mechanism

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

III. PRINCIPAL BUSINESS ANALYSIS

In the first half of 2021, with the easing of the COVID-19 epidemic and the acceleration of vaccination, in conjunction with the ample liquidity and the easing of low interest rates brought about by the adjustment of monetary policy, the global economy showed a momentum of recovery. The domestic economy continued to recover and improve amidst stabilisation, and economic growth continued to lead the world. Driven by the global economic recovery and favourable domestic policies at the beginning of the “14th Five-Year” period, the domestic capital market presented a good development trend. The three major indexes rose collectively. In particular, the SSE Composite Index, the SZSE Component Index, and the ChiNext Price Index rose by 3.40%, 4.78%, and 17.22%, respectively, hitting a 6-year high. According to the operating data of the securities industry for the first half of 2021 issued by the Securities Association of China, the securities industry achieved operating income of RMB232.414 billion and net profit of RMB90.279 billion, representing a year-on-year increase of 8.91% and 8.58%, respectively.

The Company adhered to the correct political and business directions of the enterprise, to proactively serve the real economy, prevent and control financial risks and participate in financial reforms. Through adjustment of layout, acceleration of transformation, and prevention and control of risks, Shenwan Hongyuan Securities was successfully selected into the first batch of “whitelist” of the CSRC and continued to maintain Class AA rating in the classified evaluation. On the basis of the high growth base in the previous three years, the company's operating income and net profit continued to maintain a good growth momentum in the first half of the year, and the increase in operating income and net profit was higher than the industry average.

(I) General Condition

In the first half of 2021, the Company realized total revenue and other income of RMB21,280 million, representing an increase of 19.62% as compared to the corresponding period of last year; profit before income tax of RMB5,347 million, representing an increase of 7.89% as compared to the corresponding period of last year; net profit for the period attributable to shareholders of the Company of RMB4,521 million, representing an increase of 12.05% as compared to the corresponding period of last year; basic earnings per share of RMB0.18, representing an increase of 12.50% as compared to the corresponding period of last year; and a weighted average return on equity of 5.01%, representing an increase of 0.26 percentage point as compared to the corresponding period of last year. As of June 30, 2021, the Company has total assets of RMB520,598 million, representing an increase of 6.00% as compared to the beginning of the year, and its total equity attributable to shareholders of the Company amounted to RMB92,269 million, representing an increase of 4.30% as compared to the beginning of the year.

Section III Management Discussion and Analysis (continued)

(II) Principal Business Analysis

Shenwan Hongyuan Group is comprised of subsidiaries in the fields of securities, investment, fund and futures, and has four major business segments including enterprise finance, personal finance, institutional services and trading, and investment management. The Company continues to build the whole industry chain of investment and financial services relying on the capital market to provide diversified financial products and services to customers.

Information on each business segment of the principal business is as follows:

Segment	Total revenue and other income	Total expenses	Segment profit margin (%)	Unit: Thousand Yuan Currency: RMB		Change in segment profit margin as compared to the corresponding period of last year (percentage point)
				Change in total revenue and other income as compared to the corresponding period of last year (%)	Change in total expenses as compared to the corresponding period of last year (%)	
Enterprise finance	1,500,418	1,160,004	22.69	16.43	24.66	-5.10
Including: Investment banking	756,754	422,110	44.22	71.94	29.54	18.25
Principal investment	743,664	737,894	0.78	-12.36	22.03	-27.96
Personal finance	6,402,444	4,357,245	31.94	6.57	8.44	-1.18
Institutional services and trading	12,482,678	10,106,586	19.04	31.65	36.42	-2.83
Investment management	894,588	708,121	20.84	-11.57	5.64	-12.90
Total	21,280,128	16,331,956	23.25	19.62	25.37	-3.52

1. Enterprise Finance Business

Targeting enterprise clients, our enterprise finance business consists of investment banking business and principal investment business. The investment banking business includes equity financing, debt financing and financial advisory, while the principal investment business includes equity investment, debt investment and other investment. During the Reporting Period, the enterprise finance business of the Company recorded total income and other gains of RMB1,500 million, representing a year-on-year increase of 16.43%, including RMB757 million from the investment banking business and RMB744 million from the principal investment business.

Section III Management Discussion and Analysis (continued)

(1) *Investment banking business*

The Company carries out the investment banking business principally through its subsidiaries including Shenwan Hongyuan Securities.

In the first half of 2021, the total A Share equity financing amounted to RMB787.469 billion, representing a year-on-year increase of 21.40%; the number of fundraising enterprises was 568, representing a year-on-year increase of 198. In particular, IPO financing performed well, with the proceeds amounting to RMB210.950 billion, representing a significant increase of 51.46% over the same period of last year, and the number of IPO projects reached 245, hitting a new high; the total corporate bonds issued amounted to RMB1,666.590 billion, representing a year-on-year increase of 2.26%; the total financial bonds issued amounted to RMB4,722.695 billion, representing a year-on-year increase of 3.43% (Wind Information, 2021).

As the capital market reform continued to deepen, the Company's investment banking business proactively served the national strategy of capital market reform and technological innovation, and seized the opportunities for the selective layer, refinancing, and the registration system of ChiNext Board. On the basis of prioritizing development in key regions, the Company expanded the coverage of advantageous regions, to promote the balanced development of business nationwide and consolidate and expand the core customer base. The Company provided high-quality investment banking services for high-tech enterprises and served the national independent technical research and development. During the Reporting Period, in terms of domestic equity financing business, the Company completed 14 equity financing projects (excluding selective layer), including 4 IPOs and 10 refinancing projects with a financing amount of RMB16.243 billion. There were 2 projects of the selective layer, ranking the first in the industry; in terms of overseas equity financing business, the Company engaged in the underwriting and placement of 21 projects. The Company acted as the lead underwriter for 124 corporate bond projects with underwriting amount of RMB78.231 billion, ranking the seventh in the industry (based on the data from the Securities Association of China, Wind Information, 2021); the Company served as the lead underwriter for 35 financial bond projects with underwriting amount of RMB52.510 billion, ranking the seventh in the industry. The Company acted as the lead underwriter for 11 enterprise bond projects with underwriting amount of RMB6.869 billion, ranking the tenth in the industry. The number of enterprises for which the Company recommended for listing and placement projects on the primary market of OTC business was 27, ranking the second in the industry, and the proceeds amounted to RMB1.216 billion, ranking the first in the industry. (Wind Information, 2021)

Section III Management Discussion and Analysis (continued)

(2) *Principal investment business*

The Company and certain of its subsidiaries including Shenwan Hongyuan Securities conduct the principal investment business.

Based on the new development trends during the “14th Five-Year Plan” period, the Company seized business opportunities arising from industrial restructuring and capital market development and reform to vigorously strengthen construction of investment and research capabilities and steadily promote business innovation and development, transformation and upgrading. Besides, it deepened regional focus, industry focus and customer focus and further optimized asset allocation, to continuously improve the market competitiveness of the principal investment business.

Adhering to the customer-centric development concept, Hongyuan Huizhi improved the joint development model for capital intermediary and other fields, steadily developed the investment fields including infrastructure construction in key areas, securitization of credit assets of micro, small and medium-sized enterprises, and subscription of new shares listed on the “STAR Market and ChiNext Board”, and proactively participated in the subscription for the first batch of infrastructure REITs products; it continued to strengthen the support services for the real economy, and the investment in and financing for private, small and medium-sized enterprises increased by RMB720 million in the first half of the year.

Shenyin & Wanguo Alternative Investment carried out and promoted the investment with self-owned funds, mainly developed strategic placement business and equity investment business, and focused on investment fields including the next generation of information technologies, high-end equipment manufacturing, new materials, biotechnology, etc. During the Reporting Period, it obtained one new strategic placement investment on the STAR Market and one equity investment. As of the end of the Reporting Period, there were 5 strategic placements on the STAR Market.

Shenyin & Wanguo Investment vigorously strengthened business cooperation with large groups, listed companies, and local governments and propelled the establishment of science and technology innovation funds, industrial funds, merger and acquisition funds, and mother funds. During the Reporting Period, four investees were listed and a number of investees were in the process of application for IPO or IPO review.

2. Personal Finance Business

The personal finance business of the Company mainly covers securities brokerage, futures brokerage, margin financing and securities lending, stock-backed lending and sales of financial products. During the Reporting Period, the personal finance business of the Company recorded total revenue and other income of RMB6,402 million, representing a year-on-year increase of 6.57%.

Section III Management Discussion and Analysis (continued)

(1) *Securities brokerage business*

The Company carries out the securities brokerage business principally through its subsidiaries including Shenwan Hongyuan Securities.

In the first half of 2021, the overall capital market picked up and the trading of shares in the A-share market was active. The SSE Composite Index, the SZSE Component Index and the ChiNext Price Index appeared great growth, and the trading amount of shares in the Shanghai and Shenzhen stock markets was RMB107.20 trillion, representing a year-on-year increase of 20.86%. The Company's securities brokerage business proactively seized opportunities in the market to strengthen technology application, optimize user experience, strengthen investment advisory construction, improve professional services, promote customer stratification, and develop businesses in the trends through key measures including exerting efforts on high-end clients, product sales, quantitative private equity business and fund investment advisory, and intensified the introduction of customer assets and efforts to activate assets to proactively boost the systematic development of wealth management business and build professional capabilities to create value for customers in an all-round way. During the Reporting Period, the average monthly active users of the Big Winner APP of the Company was 1.6578 million, representing a year-on-year increase of 33.16%; client's securities under the custody of the Company amounted to RMB4.31 trillion, representing a market share of 6.41% and ranking the top in the industry; the net income from our agency trading business amounted to RMB1,895 million, steadily ranking among the top in the industry.

(2) *Futures brokerage business*

The Company carries out the futures brokerage business through its subsidiaries, i.e. Shenwan Futures and Hongyuan Futures.

In the first half of 2021, Shenwan Futures mainly leveraged on product business, institutional business, integrated financial business, etc., to continuously optimize the high-frequency quantitative system and serve key industries and institutional customers. It focused on online finance, promoted online channel marketing, intensified IB business collaboration with the branches of Shenwan Hongyuan Securities, and exerted great efforts to build CTA futures and options benchmark products, to diversify comprehensive financial services. The daily average customer equity amounted to RMB20.613 billion, representing a year-on-year increase of 38.66%, and it completed the first cum rights trading. During the Reporting Period, Shenwan Futures won 8 awards including the "Outstanding Member Platinum Award" by Dalian Commodity Exchange and China Financial Futures Exchange, and proactively discharged its social responsibilities as a futures company. The number and scale of "insurance + futures" projects for agricultural products significantly increased year-on-year.

Section III Management Discussion and Analysis (continued)

Hongyuan Futures proactively adapted to the changes in the market and customer needs, seized opportunities in the brokerage business market, and achieved a daily average customer equity of RMB11.072 billion, representing a year-on-year increase of 73.16%; through further cooperation with institutional clients and continuous optimization of client structure, the corporate client equity accounted for 57.49%; in respect of the risk management business, the advantage of basis trade was further consolidated and the cum rights trading was advanced steadily. The scale of futures and spot business was nearly RMB4 billion; the market-making business and OTC derivatives business developed rapidly. The number of market-making products increased to 10, the annualized rate of return was 9.47%, and the nominal principal of the snowball products created by it reached RMB220 million.

(3) *Margin financing and securities lending business*

The Company carries out the margin financing and securities lending business principally through its subsidiaries including Shenwan Hongyuan Securities.

In the first half of 2021, the trading in the market was more active with an increase in clients' demand for margin financing and securities lending business. As of the end of June 2021, the scale of margin financing and securities lending business was RMB1,784.203 billion, representing an increase of 10.20% over the end of last year.

During the Reporting Period, the Company seized opportunities and guarded against risks. It proactively carried out margin trading and securities lending business and promoted the high-quality development of margin trading and securities lending business under controllable risks. As of the end of the Reporting Period, the scale of the margin financing and securities lending business of the Company was RMB80,678 million (statistics according to the scope of regulatory reporting of securities companies), representing a decrease of 0.20% over the end of the previous year, and the market share was 4.52%. In particular, the scale of financing business was RMB71,584 million, representing an increase of 1.69% over the end of the previous year; the scale of securities lending business was RMB9,095 million, representing a decrease of 12.99% over the end of the previous year, and the maintenance margin ratio of the Company's margin financing and securities lending business was 275.95%.

(4) *Stock-backed lending business*

The Company carries out the stock-backed lending business principally through its subsidiaries including Shenwan Hongyuan Securities.

During the Reporting Period, the Company's stock-backed lending business further followed the business idea of "controlling risks and adjusting the structure", strengthened project risk management and achieved high-quality development of stock-backed business. As of the end of the Reporting Period, the stock-backed lending business funded with the self-owned funds of the Company has a balance of RMB8,182 million, decreasing by 28.85% over the end of the previous year. The collateral coverage ratio of stock-backed lending contracts was 179.50% on average.

Section III Management Discussion and Analysis (continued)

(5) *Sales of financial products business*

The Company carries out the sales of financial products business principally through its subsidiaries including Shenwan Hongyuan Securities.

The sales of financial products of the Company include selling financial products developed by ourselves and third parties, including mutual securities investment funds, private securities investment funds, trust plans, asset management schemes, bank wealth management products, structured notes, pledged quotation repurchase, and other financial products, etc.

In the first half of 2021, for the sales of financial products, the Company strengthened the product system, enriched the product lines, and focused on strengthening the creation of equity products. It vigorously developed strategic products such as “fixed income+” products, structured products and quantitative products, further enriched the Company’s own product supply; intensified introduction and sales of high-quality third-party products including mutual funds and private equity funds, upgraded online and offline product sales capabilities and launched a product theme month event as well as the “ETF series small classes” and “Mutual Fund Thursday” thematic columns, and regularly held offline activities to have knowledge of fund companies, etc. The Company continued to expand and consolidate product sales business. During the Reporting Period, the Company’s sales of our own financial products reached RMB101.140 billion, representing an increase of 173.78% over the last year, and the sales of third party financial products amounted to RMB51.539 billion, representing an increase of 34.71% over the last year.

3. **Institutional Services and Trading Business**

The institutional services and trading business include prime brokerage services, research and consultation, FICC sales and trading as well as equity sales and trading business. During the Reporting Period, the Company’s institutional services and trading business recorded total revenue and other income of RMB12,483 million, representing a year-on-year increase of 31.65%.

(1) *Prime brokerage business*

The Company carries out the prime brokerage services including trading units leasing, PB System and fund administration services principally through its subsidiaries including Shenwan Hongyuan Securities.

In the first half of 2021, the Company continued to deepen its “platformization” strategy, focusing on core clients including mutual funds, private equity funds, insurance, banks, and large enterprise groups, and utilised products to coordinate and integrate internal and external resources to provide customers with a comprehensive package of financial services including research, products and transactions to build a whole business chain of institutional business. Meanwhile, relying on the strong research strength and brand influence of the controlled subsidiary SWS Research, the Company continuously accumulated institutional client resources and the institutional business developed steadily. In respect of trading units leasing, during the Reporting Period, the commission income from units leasing amounted to RMB405 million, representing a year-on-year increase of 31.90% and was still in the first rank of the industry; efforts were exerted to promote the construction of Matrix platform to provide customers with

Section III Management Discussion and Analysis (continued)

richer functions and algorithms of trading terminal system. It gradually connected with quantitative private equity funds with a size of over RMB10 billion. The total assets of extremely fast counter access products exceeded RMB12 billion. As for the PB System business, while standardising the development of PB trading system to achieve full-market and full-variety coverage, the Company conducted personalized development of customer needs and focused on the preparation of customer service standards. As of the end of the Reporting Period, the PB system operated 790 institutional accounts with a total scale of approximately RMB248.972 billion and increased by over RMB16.004 billion as compared with the end of last year. In terms of fund administration services, the Company passed ISAE 3402 international certification for four consecutive years. As of the end of the Reporting Period, the Company has cooperated with 1,332 private equity fund companies in terms of custody business and operation services. During the Reporting Period, the increase in the number of mutual funds under custody ranked the fifth among mutual funds under custody of securities firms.

(2) *Research and consultant business*

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

In the first half of 2021, SWS Research, adhering to “stabilising fundamentals and coordinating development”, continued to maintain brand advantages, deepen cooperative capability, improve research quality, and optimize mechanisms and systems. With the gradual deepening of business collaboration, the trend of high-quality development has gradually emerged. During the Reporting Period, internally, the company, insisting on advancing the model of “joint development of business using the platforms built through research”, provided cooperative services for various business lines and various types of clients of the company, and successfully held a number of large and medium-sized conferences. As a result, its market influence was further improved; externally, the company increased policy research support, proactively served the national strategy, assumed the responsibility as a state-owned financial enterprise, and practically proceed with the interpretation of policies including “six stabilisations”, “six guarantees”, “14th Five-year” Plan, “peak carbon dioxide emissions and carbon neutrality”, etc. It established a public decision research service network directly connecting the central and local governments. The decision influence of the Shenwan Hongyuan brand was further enhanced.

(3) *FICC sales and trading business*

The Company carries out the FICC sales and trading business principally through its subsidiaries including Shenwan Hongyuan Securities.

In the first half of 2021, the domestic economy fluctuated within a narrow range, market liquidity loosened, and financial market reform was propelled steadily. The FICC sales and trading business of the Company proactively seized market opportunities to steadily allocate fixed-income investments to optimize and expand the scale of assets and liabilities, and proceeded with trading in a flexible way to increase investment returns; the investment yield of bond business surpassed the market index, and the overall investment performance was good; with the optimization of management of proprietary commodity trading business, the market-making business was in stable operation and breakthrough progress was achieved in cross-border business. The Company proactively promoted various business innovations. The scale of the quotation

Section III Management Discussion and Analysis (continued)

repurchase business of the Shenzhen Stock Exchange reached a new high, and the Company received the first order for the interbank product after obtaining the license for lead underwriter from the National Association of Financial Market Institutional Investors. In addition, the Company prepared for the launch of investment advisory business, participated in the offline inquiry subscription of the first batch of all 9 publicly offered REITs products, and provided liquidity services for 6 products. During the Reporting Period, the Company obtained the qualification of spot bond market maker in the inter-bank bond market.

During the Reporting Period, the Company won a number of awards for institutions including the “Credit Default Swap Index Active Quotation Agency” issued by the Interbank Funding Center and the Shanghai Clearing House, the “2020 Best Pricing Trading Member”, the “2020 Best Product Promotion Contribution Organization”, and the “2020 Excellent Special Member” issued by Shanghai Gold Exchange, the “2020 Excellent Market Maker of Treasury Bond Futures” issued by China Financial Futures Exchange, the “2020 Excellent Bond Investment Institution (Proprietary) of the Shanghai Stock Exchange”, the “2020 Bond Lending Excellent Participating Institution of the Shanghai Stock Exchange”, and the “Best Currency ETF Market Maker” issued by the Shanghai Stock Exchange, the “X-lending Star of December 2020” and the “Top 300 Interbank Local Currency Market Transactions in 2020” issued by the Interbank Lending Center, the “2020 Interbank Local Currency Market Evaluation Results (Awards for Institutions) — Active Dealer” issued by the China Foreign Exchange Trade System, and the “2020 CDC Excellent Members Election Results — Top 100 Clearing Companies (Securities Institutions)”, the “2020 CDC Member Comprehensive Evaluation Winners — Excellent Underwriters (Non-banks)”, and the “2020 CDC Member Comprehensive Evaluation Winners — Outstanding Contribution Award for Non-bank Underwriters of Local Government Bonds” issued by China Government Securities Depository Trust & Clearing Co. Ltd.

(4) *Equity sales and trading business*

The Company carries out the equity sales and trading business principally through its subsidiaries including Shenwan Hongyuan Securities.

In the first half of 2021, the Company focused on promoting the construction of an internal investment and research system for the equity sales and transaction business. Relying on the advantages in derivatives business, the Company strengthened its market research and judgment capabilities while enriching risk hedging methods, and comprehensively utilized a variety of derivatives tools to help the investment portfolios effectively control market risks. Meanwhile, in terms of strategy development, it further explored diversified investment strategies, optimized the investment system, and constructed investment portfolios using multiple assets and multiple strategies, which effectively improved the stability of business income and enhanced the sustainable development capacity of the business.

During the Reporting Period, the Company continued to maintain a leading position in the industry in respect of NEEQ market-making business, and its equity ETF market-making business was advanced steadily. The Company had 21 new market-making targets. Thus, the Company’s market-making product range was further enriched and the overall comprehensive financial service capabilities were further improved.

Section III Management Discussion and Analysis (continued)

(5) *Derivatives business*

The Company carries out the derivatives business principally through its subsidiaries including Shenwan Hongyuan Securities.

In the first half of 2021, as the Company successively obtained the qualification for cross-border business and qualification of primary dealers for OTC options business, the Company's overall OTC derivatives business has developed rapidly, and customer groups, counterparties, product structure, application scenarios, etc. were further enriched. Centering on capital intermediary business including derivatives and quantitative trading as well as aiming to serve customers, the Company continuously utilised derivatives to provide the market with effective risk management, wealth management and asset allocation tools, and to provide professional investors with differentiated and one-stop integrated financial service solutions. Derivatives. Meanwhile, the Company adhered to the overall strategy of "promoting asset-light business with asset-heavy business and integrating asset-light business and asset-heavy business" and drove the coordinated development of the overall businesses of the Company including brokerage, credit, investment banking and custody through comprehensive services.

During the Reporting Period, the Company's new and existing business scale of OTC options ranked in the forefront of the industry. The market share of individual share options increased rapidly, and the scale of cross-border business increased by more than 300% from the end of last year. The Company obtained a number of qualifications for innovative businesses, including the qualification of main market maker of the Shanghai and Shenzhen 300ETF options of the Shenzhen Stock Exchange, qualification of market maker of gold of the Shanghai Futures Exchange, qualification of main market maker for listed funds of the Shanghai Stock Exchange, qualification of market maker of crude oil of Shanghai International Energy Exchange, and qualification of market maker of iron ore of Dalian Commodity Exchange. In addition, the Company won a number of honors including the Outstanding Option Market Maker Award of Zhengzhou Commodity Exchange.

4. Investment Management Business

The investment management business consists of asset management, mutual fund management and private equity fund management. During the Reporting Period, the Company's investment management business segment recorded total revenue and other income of RMB895 million, representing a year-on-year decrease of 11.57%.

(1) *Asset management business*

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

In the first half of 2021, for the asset management business, the Company deepened its professional reforms to enhance its active management capabilities, and made continuous efforts on product creation capabilities, asset allocation capabilities, and business extension capabilities. Therefore, all segments presented a good development trend. During the Reporting Period, the performance of active equity management products of the Company surpassed the increase of the Shanghai and Shenzhen 300 indexes for the same period from all aspects, the performance of "fixed-income+" products was brilliant, and the performance of investment advisory products

Section III Management Discussion and Analysis (continued)

far surpassed the market comparable indexes and performance comparison benchmarks over the same period. As a manager, the Company issued 6 ABS projects and participated in the issuance and promotion of 9 products. Multiple ABS projects won initial success of the financial brand of the Company. As of the end of the Reporting Period, the scale of asset under the Company's management was RMB319.197 billion, ranking the ninth in the industry.

(2) *Mutual fund management business*

The Company carries out the mutual fund management business principally through Shenwan Hongyuan Securities, SWS MU and Fullgoal Fund.

As one of the first seven securities traders for conducting pilot mutual fund investment advisory business, the Company leveraged on the fund investment advisory business to promote the formation of a new wealth management model centering on the interests of clients. As of the end of the Reporting Period, the Company's mutual fund investment advisory business had 81,000 clients, with a management scale of nearly RMB2.9 billion, ranking the top in the first batch of securities traders for conducting pilot mutual fund investment advisory business. 9 portfolios in 4 major strategies have been launched, with an accumulative reinvestment rate of over 45%. Profitable clients accounted for more than 90% in certain medium and low-risk portfolios. SWS MU achieved good investment performance on the premise of effective risk control with the support of its seasoned investment research team. As of the end of the Reporting Period, the scale of mutual funds under its management increased by 80.23% from the end of the previous year. Adhering to the investment philosophy of "in-depth research, bottom-up, respect for individuality, and long-term returns", Fullgoal Fund continuously polished its investment and research capabilities and maintained excellent overall investment performance. As of the end of the Reporting Period, the scale of mutual funds under management was RMB790.7 billion, representing an increase of 34.49% over the end of last year.

(3) *Private equity fund management business*

The Company carries out the private equity fund management business principally through Hongyuan Huifu and Shenyin & Wanguo Investment. The Company vigorously reinforced the investment capacity of private equity funds, continuously deepened inter-industry cooperation, and established and perfected business models including "mother funds + direct investment", to further enrich project reserves; it proactively leveraged on the advantages of comprehensive financial services to continuously promote various businesses including industrial funds, mergers and acquisitions funds, etc. with a focus on clients' needs on industrial layout and investment and financing, and to further promote the integration of industrial chain and capital chain.

In the first half of 2021, Hongyuan Huifu deepened cooperation with the Company's securities business and proactively studied the establishment of relevant industrial investment funds, to promote the overall development of regional businesses in Sichuan and other regions; it enhanced cooperation with peer institutions, promoted innovation of business model, and jointly initiated the establishment of an equity fund with a total size of RMB200 million with Hana Financial Group; besides, it strengthened post-investment management, continued to proceed with the investment operation of existing funds, and assisted 2 projects invested by it to apply for IPO.

Section III Management Discussion and Analysis (continued)

By fully exerting the role of the private fund management platform of the Company, Shenyin & Wanguo Investment, through business synergy, proactively participated in the comprehensive financial service business chain of the Company by virtue of the positive effects of “investment + investment banking”, vigorously strengthened business cooperation with large groups, listed companies and local governments, and focused on promoting the Company’s strategic layout of setting up a science and technology investment fund in five clusters of major technological innovation enterprises, laying a foundation for the Company to proactively integrate into regional economic development and industrial transformation, and to fully tap project and customer resources.

IV. ANALYSIS OF FINANCIAL STATEMENTS

(I) Analysis of Consolidated Statements of Profit or Loss

1. Composition of Revenue

Unit: Thousand Yuan Currency: RMB

Item	January to June 2021	January to June 2020	Change (%)
Fee and commission income	5,134,700	4,273,827	20.14
Interest income	5,579,696	5,666,902	-1.54
Net investment gains	4,635,058	3,289,342	40.91
Other income and gains	5,930,674	4,560,027	30.06
Total revenue and other income	21,280,128	17,790,098	19.62

From January to June of 2021, the Company achieved total revenue and other income of RMB21,280 million, representing a year-on-year increase of RMB3,490 million or 19.62%, which included:

- (1) Fee and commission income of RMB5,135 million, representing a year-on-year increase of RMB861 million or 20.14%, mainly due to a year-on-year increase in the income from the securities brokerage business, futures brokerage business and underwriting and sponsorship business;
- (2) Interest income of RMB5,580 million, which was basically flat with that for the same period of last year;
- (3) Net investment gains of RMB4,635 million, representing a year-on-year increase of RMB1,346 million or 40.91%, mainly due to a year-on-year increase in the dividend and interest income from financial instruments at fair value through profit or loss.
- (4) Other income and gains of RMB5,931 million, representing a year-on-year increase of RMB1,371 million or 30.06%, mainly due to a year-on-year increase in income from commodity trading business.

Section III Management Discussion and Analysis (continued)

2. Composition of Expenses

Unit: Thousand Yuan Currency: RMB

Item	January to June 2021	January to June 2020	Change (%)
Fee and commission expenses	931,197	795,678	17.03
Interest expenses	4,632,538	3,799,738	21.92
Staff costs	3,499,091	3,031,318	15.43
Depreciation and amortization expenses	330,367	304,851	8.37
Tax and surcharges	86,652	72,953	18.78
Other operating expenses	6,627,393	4,789,057	38.39
Net provision for impairment losses	224,718	233,563	-3.79
Total expenses	16,331,956	13,027,158	25.37

From January to June of 2021, the Group had total expenses of RMB16,332 million, representing a year-on-year increase of RMB3,305 million or 25.37%, mainly attributable to an increase in other operating expenses, interest expenses, and staff costs, which included:

- (1) Other operating expenses of RMB6,627 million, representing a year-on-year increase of RMB1,838 million or 38.39%, mainly due to a year-on-year increase in the cost of commodity sales;
- (2) Interest expenses of RMB4,633 million, representing a year-on-year increase of RMB833 million or 21.92%, mainly due to a year-on-year increase in interest expenses incurred by long-term bonds, short-term debt instruments issued and financial assets sold under repurchase agreements;
- (3) Staff costs of RMB3,499 million, representing a year-on-year increase of RMB468 million or 15.43%, mainly due to an increase in the cost of performance-based remuneration as a result of an increase in the revenue;
- (4) Other expenses mainly included fee and commission expenses, depreciation and amortization expenses, net provision for impairment losses and tax and surcharges.

Section III Management Discussion and Analysis (continued)

(II) Analysis of Consolidated Statements of Cash Flows

As of June 30, 2021, the Group had cash and cash equivalents of RMB48,046 million, increasing by 51.59% as compared to RMB31,694 million as of June 30, 2020. From January to June of 2021, there was net cash inflow of RMB10,513 million for cash and cash equivalents, up by RMB17,796 million as compared to RMB7,283 million of the net cash outflow for the corresponding period of 2020. Among these, the net cash outflow from operating activities between January and June of 2021 amounted to RMB26,935 million, up by outflow of RMB19,324 million as compared to the net cash outflow of RMB7,611 million for the corresponding period of 2020, mainly due to an increase in the cash outflow for purchase of financial instruments at fair value through profit or loss, a decrease in cash inflow from accounts payable to brokerage clients, an increase in inflow from cash held on behalf of brokerage clients, an increase in cash inflow from financial assets sold under repurchase agreements and a decrease in cash outflow from margin accounts receivable; the net cash inflow from investing activities between January and June of 2021 amounted to RMB34,969 million, up by inflow of RMB50,695 million as compared to RMB15,726 million of the net cash outflow used for the investing activities for the corresponding period of 2020, mainly due to an increase in the cash inflow from the disposal of financial assets at fair value through other comprehensive income; and the net cash inflow from financing activities between January and June of 2021 amounted to RMB2,479 million, down by inflow of RMB13,574 million as compared to net cash inflow of RMB16,053 million for the corresponding period of 2020, mainly due to an increase in the cash paid for repayment of long-term bonds and short-term debt instruments.

Section III Management Discussion and Analysis (continued)

(III) Analysis of Consolidated Statements of Financial Position

Unit: Thousand Yuan Currency: RMB

Item	June 30, 2021		December 31, 2020		Increase/Decrease	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Non-current assets						
Property and equipment	1,278,013	0.25	1,295,289	0.26	-17,276	-1.33
Right-of-use assets	894,520	0.17	864,682	0.18	29,838	3.45
Investment properties	54,709	0.01	56,951	0.01	-2,242	-3.94
Other intangible assets	189,899	0.04	187,903	0.04	1,996	1.06
Interest in associates and joint ventures	4,167,814	0.80	4,706,514	0.96	-538,700	-11.45
Financial assets measured at amortized cost	3,036,363	0.58	2,478,236	0.50	558,127	22.52
Financial assets at fair value through other comprehensive income	3,664,645	0.70	9,071,823	1.85	-5,407,178	-59.60
Financial assets at fair value through profit or loss	10,138,853	1.95	11,951,891	2.43	-1,813,038	-15.17
Financial assets held under resale agreements	6,585,512	1.26	3,412,480	0.69	3,173,032	92.98
Refundable deposits	21,716,631	4.17	18,347,661	3.74	3,368,970	18.36
Deferred tax assets	2,351,068	0.45	2,206,892	0.45	144,176	6.53
Other non-current assets	93,585	0.03	106,012	0.02	-12,427	-11.72
Total non-current assets	54,171,612	10.41	54,686,334	11.13	-514,722	-0.94

Section III Management Discussion and Analysis (continued)

Unit: Thousand Yuan Currency: RMB

Item	June 30, 2021		December 31, 2020		Increase/Decrease	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Current assets						
Accounts receivable	4,799,832	0.92	3,088,616	0.63	1,711,216	55.40
Other receivables and prepayments	2,925,057	0.56	3,333,395	0.68	-408,338	-12.25
Margin accounts receivable	79,500,970	15.27	74,212,401	15.11	5,288,569	7.13
Financial assets measured at amortized cost	2,133,704	0.41	3,973,967	0.81	-1,840,263	-46.31
Financial assets at fair value through other comprehensive income	33,255,164	6.39	57,282,609	11.66	-24,027,445	-41.95
Financial assets at fair value through profit or loss	201,025,855	38.61	152,615,966	31.07	48,409,889	31.72
Financial assets held under resale agreements	17,587,098	3.38	23,247,258	4.73	-5,660,160	-24.35
Derivative financial assets	2,701,410	0.52	1,650,558	0.34	1,050,852	63.67
Clearing settlement funds	9,407,446	1.81	5,974,014	1.22	3,433,432	57.47
Cash held on behalf of brokerage clients	86,774,076	16.67	88,136,292	17.95	-1,362,216	-1.55
Cash and bank balances	26,315,438	5.05	22,922,867	4.67	3,392,571	14.80
Total current assets	466,426,050	89.59	436,437,943	88.87	29,988,107	6.87
Total assets	520,597,662	100.00	491,124,277	100.00	29,473,385	6.00

Section III Management Discussion and Analysis (continued)

Unit: Thousand Yuan Currency: RMB

Item	June 30, 2021		December 31, 2020		Increase/Decrease	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Current liabilities						
Loans and borrowings	7,751,382	1.82	4,346,935	1.08	3,404,447	78.32
Short-term debt instruments issued	29,192,110	6.84	40,505,069	10.10	-11,312,959	-27.93
Placements from other financial institutions	3,889,489	0.91	4,430,000	1.10	-540,511	-12.20
Financial liabilities at fair value through profit or loss	3,195,480	0.75	2,876,775	0.72	318,705	11.08
Accounts payable to brokerage clients	98,136,267	23.00	97,535,040	24.32	601,227	0.62
Employee benefits payable	3,145,995	0.74	2,134,241	0.53	1,011,754	47.41
Other payables and accruals	22,681,386	5.32	19,899,974	4.96	2,781,412	13.98
Current tax liabilities	284,233	0.07	676,286	0.17	-392,053	-57.97
Financial assets sold under repurchase agreements	116,976,849	27.42	103,314,547	25.76	13,662,302	13.22
Lease liabilities	301,773	0.07	368,729	0.09	-66,956	-18.16
Derivative financial liabilities	4,887,138	1.15	2,221,291	0.55	2,665,847	120.01
Contract liabilities	118,178	0.03	141,791	0.04	-23,613	-16.65
Long-term bonds due within one year	49,542,836	11.60	20,634,609	5.16	28,908,227	140.10
Total current liabilities	340,103,116	79.72	299,085,287	74.58	41,017,829	13.71

Section III Management Discussion and Analysis (continued)

Unit: Thousand Yuan Currency: RMB

Item	June 30, 2021		December 31, 2020		Increase/Decrease	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Non-current liabilities						
Long-term bonds	79,927,388	18.73	97,533,336	24.32	-17,605,948	-18.05
Non-current employee benefits payable	3,196,222	0.75	3,044,380	0.76	151,842	4.99
Deferred tax liabilities	1,775	—	2,148	—	-373	-17.36
Lease liabilities	606,391	0.14	494,091	0.12	112,300	22.73
Financial liabilities at fair value through profit or loss	2,560,136	0.60	575,162	0.14	1,984,974	345.12
Other non-current liabilities	239,324	0.06	299,283	0.06	-59,959	-20.03
Total non-current liabilities	86,531,236	20.28	101,948,400	25.42	-15,417,164	-15.12
Total liabilities	426,634,352	100.00	401,033,687	100.00	25,600,665	6.38
Share capital	25,039,945	26.65	25,039,945	27.79	—	—
Other equity instruments	2,000,000	2.13	—	—	2,000,000	N/A
Reserves	36,059,464	38.38	36,240,691	40.23	-181,227	-0.50
Retained profits	29,169,871	31.04	27,183,981	30.18	1,985,890	7.31
Total equity attributable to shareholders of the Company	92,269,280	98.20	88,464,617	98.20	3,804,663	4.30
Non-controlling interests	1,694,030	1.80	1,625,973	1.80	68,057	4.19
Total equity	93,963,310	100.00	90,090,590	100.00	3,872,720	4.30

Section III Management Discussion and Analysis (continued)

1. As of June 30, 2021, the Group had total non-current assets of RMB54,172 million, representing a decrease of RMB515 million from the beginning of the year, mainly due to a decrease in financial assets at fair value through other comprehensive income of RMB5,407 million from the beginning of the year, an increase in refundable deposits of RMB3,369 million from the beginning of the year, an increase in financial assets held under resale agreements of RMB3,173 million from the beginning of the year, and a decrease in financial assets at fair value through profit or loss of RMB1,813 million from the beginning of the year. As of June 30, 2021, the Group had total non-current liabilities of RMB86,531 million, representing a decrease of RMB15,417 million from the beginning of the year, mainly due to a decrease in long-term bonds of RMB17,606 million from the beginning of the year and an increase in financial liabilities at fair value through profit or loss of RMB1,985 million from the beginning of the year.

2. As of June 30, 2021, the Group had total current assets of RMB466,426 million, representing an increase of RMB29,988 million from the beginning of the year, mainly due to an increase in financial assets at fair value through profit or loss of RMB48,410 million from the beginning of the year and a decrease in financial assets at fair value through other comprehensive income of RMB24,027 million from the beginning of the year. As of June 30, 2021, the Group had total current liabilities of RMB340,103 million, representing an increase of RMB41,018 million from the beginning of the year, mainly due to an increase in long-term bonds due within one year of RMB28,908 million from the beginning of the year, an increase in financial assets sold under repurchase agreements of RMB13,662 million from the beginning of the year and a decrease in short-term debt instruments issued of RMB11,313 million from the beginning of the year.

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

(1) Financing channels of the Company

The Company's major financing channels include interbank lending, structured notes, corporate bonds, subordinated bonds, short-term corporate bonds, short-term financing bills, short-term borrowings and equity financing, etc. In accordance with relevant laws and regulations, the Company may utilize short-term, medium-term and long-term financings based on its own funding needs to support its business development.

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

Unit: Thousand Yuan Currency: RMB

Item	June 30, 2021	December 31, 2020
Loans and borrowings	7,751,382	4,346,935
Short-term debt instruments issued	29,192,110	40,505,069
Placements from other financial institutions	3,889,489	4,430,000
Long-term bonds (including long-term bonds due within one year)	129,470,224	118,167,945
Total	170,303,205	167,449,949

Section III Management Discussion and Analysis (continued)

In the abovementioned liabilities, RMB79,927 million had a financing period of more than one year while RMB90,376 million less than one year, accounting for 46.93% and 53.07% of the aforesaid debt, respectively. As of the end of the Reporting Period, the Company had no outstanding debts overdue, and it had sound overall solvency and its liquidity risks were controllable.

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

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

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

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

(5) *Material contingent liabilities*

As of June 30, 2021, the Company did not have any material contingent liabilities.

Section III Management Discussion and Analysis (continued)

4. Key assets overseas

Unit: Thousand Yuan Currency: HK\$

Details of the assets	Formed reason	Assets scale	Location	Operating model	Profiting status	Assets overseas/ net asset of the Company	Whether there is significant impairment risk
Shenwan Hongyuan (International) Holdings Limited	Investment	29,635,171	Hong Kong	Wholly-owned subsidiary	551,529	26.24%	No

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

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

(V) Changes in Significant Accounting Policies and Accounting Estimates

During the Reporting Period, the Company's accounting policies and accounting estimates had not changed. For details, please refer to Note "3. Significant accounting policies" to the interim condensed consolidated financial statements. There were no significant accounting errors requiring rectification occurred in the Company.

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

For assets with restricted ownership or use rights as of the end of the Reporting Period, please refer to Notes "17, 22, 24 and 35" to the interim condensed consolidated financial statements.

V. ANALYSIS OF INVESTMENTS

(I) Interest in Associates and Joint Ventures

Unit: Thousand Yuan Currency: RMB

Investment amount at the end of the Reporting Period	Investment amount at the corresponding period of last year	Change (%)
4,167,814	4,706,514	-11.45

(II) Material Equity Investments

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

(III) Material Non-equity Investments

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

Section III Management Discussion and Analysis (continued)

(IV) Investments in Financial Assets

1. Investments in securities

Unit: Thousand Yuan Currency: RMB

Security type	Security code	Security abbreviation	Initial investment cost	Accounting measurement model	Beginning book value	Gains and losses from changes in fair value during the period	Accumulated fair value changes included in equity	Current purchase amount	Current sales amount	Profit and loss during the Reporting Period	Closing book value	Accounting item	Sources of funds
Asset management scheme	113914	Rongtong Fund Shenwan Hongyuan Securities No. 1 Collective Asset Management Scheme	8,258,217	Fair value	6,230,350	-46,918	—	3,800,000	1,721,280	227,163	8,262,153	Financial assets at fair value through profit or loss	Self-owned funds
Asset management scheme	113938	Baoying Jinyuanbao No. 10 Collective Asset Management Scheme	4,210,300	Fair value	513,374	48,972	—	3,700,000	—	48,972	4,262,346	Financial assets at fair value through profit or loss	Self-owned funds
Bonds	200018	20 Interest-bearing Government Bonds 18	2,470,418	Fair value	—	1,950	—	2,702,777	152,182	12,676	2,512,457	Financial assets at fair value through profit or loss	Self-owned funds
Asset management scheme	E1ZX01	Caida Yanshan Zhixuan FOF No. 1 Single Asset Management Scheme	2,136,669	Fair value	2,607,246	137,935	—	185,000	544,440	137,935	2,365,741	Financial assets at fair value through profit or loss	Self-owned funds
Shares	300750	CATL	1,609,982	Fair value	3,839	733,528	—	3,131,874	1,525,678	733,528	2,343,564	Financial assets at fair value through profit or loss	Self-owned funds
Shares	002415	Hik Vision	1,778,390	Fair value	2,161,667	113,501	—	1,985,841	2,090,267	113,501	2,170,742	Financial assets at fair value through profit or loss	Self-owned funds
Shares	600519	Kweichow Moutai	2,111,411	Fair value	105,694	-95,989	—	5,292,975	3,257,700	-95,989	2,044,981	Financial assets at fair value through profit or loss	Self-owned funds
Fund	511660	CCB Cash Increase Transactional Money Market Fund H	2,000,000	Fair value	—	488	—	5,436,095	3,426,882	499	2,009,713	Financial assets at fair value through profit or loss	Self-owned funds
Asset management scheme	SLS119	Dongxing Liangcai FOF No. 1 Single Asset Management Scheme	1,550,419	Fair value	1,723,752	67,872	—	568,890	708,304	67,872	1,652,210	Financial assets at fair value through profit or loss	Self-owned funds
Bonds	150014	15 Interest-bearing Government Bonds 14	1,353,572	Fair value	—	-1,158	—	1,440,074	—	7,767	1,395,665	Financial assets at fair value through profit or loss	Self-owned funds
Other securities investments held at the end of the period			223,301,493	—	224,028,570	-407,450	-454,472	1,135,430,093	1,134,185,504	5,190,345	224,215,012	—	—
Total			250,780,871	—	237,374,492	552,731	-454,472	1,163,673,619	1,147,612,237	6,444,269	253,254,584	—	—

Notes: 1. This table is sorted by the ratio of the book value at the end of the period to the total securities investment of the Company at the end of the period and only contains the top ten securities held by the Company at the end of the period.

2. Other securities investments refer to investments in other securities other than the top ten securities.

2. Investments in derivatives

N/A

Section III Management Discussion and Analysis (continued)

VI. MATERIAL DISPOSAL OF ASSETS AND EQUITY INTERESTS

During the Reporting Period, the Company had no material disposal of any assets and equity interests. Currently, the Company has no future plan for material investments or acquisition of capital assets.

VII. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEEES

(I) Major subsidiaries

Unit: Thousand Yuan Currency: RMB

Name of Companies	Type of Companies	Principal Businesses	Registered Capital	Total Assets	Net Assets	Net Profit
Shenwan Hongyuan Securities Co., Ltd.	Wholly-owned subsidiary	Securities brokerage, securities investment consulting service, margin financing and securities lending, agency sale of financial products, securities assets management, securities underwriting and sponsoring and securities proprietary business	53,500,000	479,955,774	92,444,987	4,451,834
Shenwan Hongyuan Industrial Investment Management Company Limited	Wholly-owned subsidiary	Investment, assets management and investment consulting service. (For the special projects subject to approval according to law, they can be carried out only after approval from relevant departments)	200,000	323,666	189,200	-15,890
Hongyuan Huizhi Investment Co., Ltd.	Wholly-owned subsidiary	Investment, assets management, investment management, corporate management consulting service and investment consulting service	2,000,000	6,346,205	2,191,605	77,440
Hongyuan Futures Co., Ltd.	Wholly-owned subsidiary	Commodity futures brokerage, financial futures brokerage and futures investment consulting service	1,000,000	14,728,525	1,441,377	85,217
Hongyuan HuiFu Capital Co., Ltd.	Wholly-owned subsidiary	Entrepreneurship investment, entrepreneurship investment consulting service, provision of entrepreneurial management service for startup enterprises and participation in setting up entrepreneurial investment enterprises and entrepreneurial investment management advisory institutions	500,000	559,408	527,859	-17,681
Shenyin & Wanguo Investment Co., Ltd.	Wholly-owned subsidiary	Private equity fund	1,000,000	1,335,391	1,179,392	34,509
Shenyin & Wanguo Alternative Investment Co., Ltd.	Wholly-owned subsidiary	Investment management, consulting service and advisory service	2,000,000	2,340,586	2,325,243	58,555

Section III Management Discussion and Analysis (continued)

Unit: Thousand Yuan Currency: RMB

Name of Companies	Type of Companies	Principal Businesses	Registered Capital	Total Assets	Net Assets	Net Profit
Shenwan Hongyuan (International) Holdings Limited	Wholly-owned subsidiary	Investment holdings	HK\$4,070,920thousand	HK\$29,635,171thousand	HK\$6,339,868thousand	HK\$65,470thousand
Shenwan Hongyuan Securities (Western) Co., Ltd.	Wholly-owned subsidiary	Securities brokerage, securities investment consulting, margin financing and securities lending, agency sales of financial products, agency sales of securities investment funds, provision of intermediate introduction business for futures companies, securities proprietary business, etc.	4,700,000	15,720,370	6,712,025	299,337
Shenwan Hongyuan Financing Services Co., Ltd.	Wholly-owned subsidiary	Securities underwriting (excluding bond types other than convertible bonds) and sponsoring, financial advisory related to securities trading and securities investment activities, and recommendation business on the National Equities Exchange and Quotations as the lead securities firm	1,000,000	2,323,013	1,900,913	80,746
SWS Research Co., Ltd.	Controlling subsidiary	Investment consulting business	20,000	188,380	81,122	2,372
Shenwan Futures Co., Ltd.	Controlling subsidiary	Commodity futures brokerage, financial futures brokerage, futures investment consulting service, assets management and fund sales	1,441,588	26,903,054	3,628,510	137,256
SWS MU Fund Management Co., Ltd.	Controlling subsidiary	Fund management	150,000	1,359,068	1,056,733	72,512

(II) Major investees

Unit: Thousand Yuan Currency: RMB

Name of Companies	Type of Companies	Principal Businesses	Registered Capital	Total Assets	Net Assets	Net Profit
Fullgoal Fund Management Co., Ltd.	Joint venture	Publicly offered securities investment fund management, fund sales, assets management, etc.	520,000	9,590,773	5,732,272	1,241,936
Horgos Tianshan No. 1 Industrial Investment Fund Limited Partnership	Joint venture	Equity investment, industrial investment and related investment consulting and management services (for the projects subject to approval according to law, they can be carried out only after upon approval by relevant departments)	1,510,000	1,556,520	1,526,515	-92

Section III Management Discussion and Analysis (continued)

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

1. Acquisition and disposal of subsidiaries and branch companies during the Reporting Period
During the Reporting Period, the Company did not acquire or dispose of any subsidiaries or any branch companies.

During the Reporting Period, in order to clean up and standardize the management level of the Company's subsidiaries, Hongyuan Huifu completed the liquidation and cancellation of Beijing Hongtong Investment Management Co., Ltd. After the disposal, there was no material impact on the operations and businesses of the Company.

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

During the Reporting Period, Shenwan Hongyuan Securities established Shenwan Hongyuan Securities Nantong Branch, Shenwan Hongyuan Securities Yantai Branch and Shenwan Hongyuan Securities Taizhou Branch, all of which were established based on securities branches. During the Reporting Period, Shenwan Hongyuan Securities did not establish securities branches. And the establishment of 6 securities branches, including 2 in Shenzhen City, Guangdong Province, 1 in Xuzhou City, Jiangsu Province, 1 in Hetian City, Xinjiang Uygur Autonomous Region, 1 in Chongqing, and 1 in Lishui City, Zhejiang Province is in preparation. 3 securities branches were closed down: Fuyang Jiangbin West Avenue Securities Branch (富陽江濱西大道證券營業部), Sanmen Zhaohui Road Securities Branch (三門朝暉路證券營業部) and Tongxiang Puyuan Town Gongmao Avenue Securities Branch (桐鄉濮院鎮工貿大道證券營業部).

VIII. THE STRUCTURED ENTITIES UNDER CONTROL OF THE COMPANY

The Company manages or invests in a number of structured entities, mainly including funds, wealth management products of banks, asset management schemes and trust schemes. In order to assess whether the Company has control over the structured entities, it mainly considers the extent of decision making and participation in establishing relevant structured entities, the aggregated economic interest (including the gain from holding a direct investment and expected remuneration) set out in the contractual arrangement, as well as the scope of decision making authority over the structured entities. If the Company determined that it has power over, has exposure to variable returns from its involvement with, and has ability to use its power to affect the amount of its returns from the structured entities, it will include the structured entities in the consolidated financial statement as the Company has control over the structured entities. For details, please refer to the relevant contents in note 50 to the interim condensed consolidated financial statements.

Section III Management Discussion and Analysis (continued)

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

Use of proceeds from issuance of H shares by the Company

In order to meet the Company's business development needs and further enhance its corporate governance and core competitiveness, the Company issued H Shares and such H Shares were listed and traded on the Main Board of the Hong Kong Stock Exchange on April 26, 2019, as approved by the Reply Regarding Approval for Issuance of Overseas Listed Foreign Shares by Shenwan Hongyuan Group Co., Ltd. (Zheng Jian Xu Ke [2019] No. 393) (《關於核准申萬宏源集團股份有限公司發行境外上市外資股的批覆》(證監許可[2019]393號)) issued by the CSRC in March 2019 and by the Hong Kong Stock Exchange. The total number of the H Shares issued under the public offering and the international offering was 2,504,000,000 shares, the offer price was HK\$3.63 per share. The total amount of proceeds actually raised was HK\$9,088,746,465.99.

According to the H Share prospectus, approximately 50% of the net proceeds from issuance of the H Shares will be used for the development of securities businesses, approximately 30% for principal investments and approximately 20% for further development of international business.

According to the intended use of approximately 50% of the net proceeds from issuance of H Shares for the development of securities businesses, the relevant matter on injecting RMB4 billion into the registered capital of its subsidiary, Shenwan Hongyuan Securities, was considered and approved at the 41st meeting of the fourth session of the Board of Directors of the Company. Upon completion of such capital increase, the registered capital of Shenwan Hongyuan Securities was increased from RMB43 billion to RMB47 billion. The relevant procedures for industrial and commercial registration of changes have been completed.

According to the purpose of using approximately 20% of the net proceeds from the issuance of H shares for further development of international business, at the 45th meeting of the fourth session of the Board of Directors of the Company, it was considered and approved to increase the registered capital of Shenwan Hongyuan Securities by the Company with the proceeds raised overseas in an amount of no more than RMB1.6 billion. Upon completion of capital increase, Shenwan Hongyuan Securities conducted capital increase to Shenwan Hongyuan (International) Holdings Limited (the "International Group"), a subsidiary registered in Hong Kong, accordingly. In June 2021, the Company conducted capital increase to Shenwan Hongyuan Securities with proceeds in an amount of RMB1.5 billion and Shenwan Hongyuan Securities proceeded with capital increase to the International Group accordingly. The procedures for industrial and commercial registration of changes of Shenwan Hongyuan Securities and the registration application and registration of the International Group were completed. The use of proceeds under the Company's H Share proceeds plan was consistent with the disclosures in the prospectus during the Reporting Period, with no changes. The Company has successively used the proceeds raised from the issuance of H Shares in accordance with its development strategy, the market conditions and H Share proceeds utilization plan.

Section III Management Discussion and Analysis (continued)

The use of proceeds from offering of H Shares is set out in the table below:

Use	Amount used as at June 30, 2021 (RMB100 million)	Balance as at June 30, 2021 (RMB100 million)	Expected time for use of the remaining proceeds from the initial public offering	Business developed
(1) Securities business:	40.00	0.00	—	
(i) development of enterprise finance business to satisfy the financing needs of M&A clients, and to provide one-stop investment banking service solutions for enterprise clients	4.00	0.00	—	Mainly used for investment banking business
(ii) development of personal finance business to satisfy the increasing wealth management needs of clients	20.00	0.00	—	Mainly used for credit business, institutional business, wealth management, etc.
(iii) development of institutional services and trading business to satisfy the comprehensive financial services needs of clients	10.00	0.00	—	Mainly used for securities investment business, financial derivatives business, etc.
(iv) development of investment management business to continuously improve market brand	4.00	0.00	—	Mainly used for asset management business
(v) increase in investment in financial technology to develop data mining, improve client experience, strengthen risk control and enhance operation efficiency	2.00	0.00	—	Mainly used for fintech business
(2) Principal investments	23.00	0.00	—	
focusing on debt investment to satisfy the financing needs of high-quality corporate clients and support the transformation and development of the economy	5.46	0.00	—	Mainly used to carry out debt investment business
making direct equity investment, investing in third-party private equity funds as limited partners and injecting capital into our investment subsidiaries	17.53	0.00	—	Mainly used for direct equity investment and third-party private equity business

Section III Management Discussion and Analysis (continued)

Use	Amount used	Balance as at	Expected time	Business developed
	as at June 30, 2021 (RMB100 million)	June 30, 2021 (RMB100 million)	for use of the remaining proceeds from the initial public offering	
(3) Development of international businesses	15.00	0.00	—	
(i) providing capital for our overseas subsidiaries	15.00	0.00	—	Mainly used for development of international businesses
(ii) forming cross-border funds, cooperating with overseas institutions to develop cross border investment management business, creating cross-border products and allocate proprietary cross-border products, etc.	—	—	—	
Total	78.00	0.00	—	

Note: The difference between the total amount as of June 30, 2021 and the total amount as of December 31, 2020 is mainly due to the decline in the exchange rate of the Hong Kong dollar.

X. RISKS FACED BY THE COMPANY AND ITS COUNTERMEASURES

In the first half of 2021, the Company proactively responded to various risks. According to the analysis on the macroeconomic situation, industry development trend, regulatory environment, impact of COVID-19 and the Company's own conditions, the Company's major risk factors are mainly market risk, credit risk, liquidity risk, operational risk, policy risk, legal compliance risk, and risk of innovative businesses. As the repeated outbreaks of COVID-19 have caused a huge impact on the global economy and capital market, the Company has proactively responded to various risks.

(1) Market risk

The market risk exposure of the Company is mainly concentrated in the proprietary investment business, assets management business with self-owned funds and other businesses.

For market risks, the Company has established a multi-layer risk control index system of "risk appetiterisk tolerance-risk limit". The Board of Directors has set its risk tolerance, the size limit for large-scale asset business and the loss limit for market risk. The management has refined and formulated the implementation plan in respect of the above risk tolerance. The Company's risk management department measures and monitors market risk limit-related indicators on a daily basis, and conducts a comprehensive assessment of the Company's overall market risk. The Company uses methods including VaR and stress testing to analyse and assess market risks and regularly tests the effectiveness of the VaR model. During the Reporting Period, all investment businesses had good performance. At the end of the Reporting Period, the VaR (95% for one day) of the proprietary investment business of Shenwan Hongyuan Securities was RMB140 million.

Section III Management Discussion and Analysis (continued)

In the second half of 2021, the spread of the epidemic abroad will still be severe. The global economy has weakened growth momentum and various uncertain factors have increased due to the post-epidemic era and the instability of the international political environment, and capital market volatility has further increased. In this regard, the Company has taken and intends to take various measures including:

The countermeasures taken by the Company include but are not limited to: 1. keeping a close eye on the macro-evolutionary trends in the post-epidemic era, strengthening the follow-up analysis and research and judgment on the macroeconomic situation and market environment, intensifying the research on the risk characteristics and future change trends of large-scale assets, and making timely and proactive responses; 2. formulating a clear risk appetite and risk tolerance transmission mechanism, and strictly implementing the risk tolerance requirements of proprietary investments, assets management with self-owned funds and other businesses; 3. establishing a quantitative risk indicator assessment system, including risk measurement indicators such as VaR, beta, volatility, interest rate basis point value, duration and investment concentration, and utilizing a combination of various methods or tools such as stress test and sensitivity analysis for measurement and assessment; 4. conducting dynamic monitoring and graded pre-warning of risk control indicators and taking effective countermeasures on a timely basis; 5. consolidating the derivatives business control mechanism, and utilizing the derivative financial instruments such as stock index futures, commodity futures, interest rate swaps and options for risk hedging; 6. prior to the launch of major investment projects, strictly carrying out the project feasibility analysis, and having the risk control department issue risk assessment reports independently.

(2) Credit risk

The credit risk exposure of the Company mainly existed in the areas of financing business (margin financing and securities lending, stock repurchases and stock pledged repurchase business), fixed-income proprietary business, OTC derivatives trading business and non-standard business investment.

Financing business: the Company actively adjusted and scaled back its stock pledged business. The scale as at the end of June 2021 dropped by 28.85% as compared with the end of 2020. The credit risk exposure was contracted. As a result, the main regulatory indicators and tolerance indicators of our financing business satisfied the prescribed standards.

Fixed-income proprietary business: The Company prevented the bond default risk by continuously tracking the corporate credit rating and debt rating and strengthening its risk monitoring capability.

OTC derivatives trading business: The Company controlled trading counterparties' credit risk exposure through implementation of qualification screening of counterparties, strict access standards on individual shares and counterparties, establishment of deposit mechanism, and other measures.

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

In the second half of 2021, the domestic economic operation will improve amidst stabilization, but the domestic and overseas macroeconomic situation will still be complex and severe. The global debt level has risen to an unprecedented high and is still possible to further rise in the future. In light of normalization of defaults, credit risk management will face greater challenges.

Section III Management Discussion and Analysis (continued)

The countermeasures taken by the Company include but are not limited to: 1. establishing the Company's internal rating system to achieve comprehensive coverage of domestic and overseas subsidiaries and unified rating and application within the Group. 2. implementing the unified same customer management and control mechanism for the entire group with the actual controller as the main entity. 3. monitoring negative market sentiment information across the market and applying the monitoring results to credit risk management practices such as updating of rating results, adjustment of credit lines, and restrictions on access to negative list. 4. further strengthening refined management of financing business, improving the risk assessment and analysis of financing entities and collaterals, strengthening the project duration management, and continuously optimizing the credit risk management system and improving the capability of credit risk management and control; 5. strictly setting the threshold criteria such as debt rating and corporate credit rating for the bond proprietary business, and conducting the pre-verification of the transaction method, the credit grade and type of bonds, the size of single bond and trading concentration. 6. improving the establishment of the OTC derivatives business system, setting the rating and threshold criteria for trading counterparties and improving the risk limit indicators and pre-approval criteria. 7. strengthening the review and duration management of non-standard projects including asset securitization, closely tracking project status and taking countermeasures on a timely basis when identifying potential risks. 8. for the projects with credit default, establishing a risk project disposal team to closely monitor its development, and actively studying and formulating countermeasures to manage such risk properly, so as to ensure that the credit risk is under control.

(3) Liquidity risk

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

In the second half of 2021, the domestic economy will adhere to the principle of "seeking progress while maintaining stability", and the overall monetary policy will remain relatively loose. However, the frequent defaults in the bond market still pose considerable challenges to the liquidity risk management of securities companies, and it is still required to pay close attention to the changes in market liquidity.

The countermeasures taken by the Company include but are not limited to: 1. making comprehensive capital planning, maintaining sufficient liquidity reserve and steadily carrying out operating activities. 2. actively expanding the scope of cooperative financial institutions, improving liquidity management system and enhancing the management capabilities of quality liquidity assets and debt financing. 3. strengthening the dynamic monitoring of liquidity risk status, continuously tracking and evaluating the information including liquidity regulatory indicators, cash flow gap, liquidity reserve and corporate financing capability, and carrying out liquidity risk pre-warning work. 4. increasing the frequency of stress test of liquidity risk, improving and optimizing situation setting, and improving the capability to measure and deal with liquidity impact. 5. improving the Company's capabilities to report and handle liquidity risk emergency and respond to liquidity crisis by conducting liquidity risk emergency drills.

Section III Management Discussion and Analysis (continued)

(4) Operational risk

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

The repeated outbreak of COVID-19 may have an impact on the normal operation of various businesses of securities companies. In addition, the continuous development of innovative businesses and the continuous upgrading and optimization of information systems may cause operational risks. Operational risk management still faces greater challenges.

The countermeasures taken by the Company include but are not limited to: 1. continuing to improve the three defence lines of "business control, risk monitoring and internal audit", and continuously strengthening the capability of each risk management defence line. 2. improving operational risk management mechanism and further amending relevant operational risk management systems. 3. continuously carrying out operational risk assessment, monitoring of key risk indicators and collection of loss data, and urging rectification of problems found. 4. continuously improving the front-end control functions of the business system, strengthening the risk assessment, functional verification and daily monitoring of the information system, formulating effective emergency mechanisms and carrying out emergency drills. 5. continuing to conduct publicity of typical risk cases and business training, to constantly improve their business capabilities and risk management awareness.

(5) Policy risk

The Company's overall operations and development of businesses are greatly affected by external policies. On the one hand, changes in national macroeconomic policies and interest rate policies will affect the trend of the securities market, which will lead a direct and important influences on the operations and business development of securities operating institutions; on the other hand, securities regulatory authorities have published a series of regulatory policies to encourage securities operating institutions to make value investments, strengthen the standardization and normalization of the working paper of investment banking business, attach importance to the protection of investors' rights and interests, strengthen the cultural construction of the securities industry, etc., to promote securities operating institutions to make every effort to improve their overall risk management level.

The countermeasures taken by the Company include but are not limited to: 1. strengthening the research and analysis of the macroeconomic situation and industry dynamics, establishing a forward-looking research mechanism for business development and risk management, and taking proactive measures to adjust risk control policies and business strategies in due course. 2. paying close attention to dynamics and trends of regulatory policies, strengthening communication and contact with regulatory authorities, keeping abreast of regulatory trends and priorities in a timely manner and taking the same as the focus for optimising the risk management system.

Section III Management Discussion and Analysis (continued)

(6) Legal compliance risk

The Company generally has a low tolerance for legal compliance risk. With the continuous improvement of various laws and regulations in the securities market and the increasing penalties for violations of laws and regulations by the regulatory authorities, the management of legal compliance is facing greater challenges.

The countermeasures taken by the Company include but are not limited to: 1. actively monitoring changes in laws and regulations and implementing thereof and improving the legal compliance system and mechanism. 2. further strengthening legal compliance review, compliance monitoring, anti-money laundering, Chinese wall, conflicts of interest, connected transaction management, litigation and arbitration, etc. 3. further enhancing the publicity of compliance culture, organizing special training on laws and regulations, strengthening warning education for employees, improving employees' compliance awareness, and effectively preventing legal compliance risks.

(7) Risk of innovative businesses

With the continuous deepening of financial reforms, securities companies' innovative businesses have emerged one after another, and financial derivatives and cross-border businesses have developed rapidly. Shenwan Hongyuan Securities obtained the qualification for cross-border business and qualification of primary dealers for OTC options business in 2020. While derivatives and cross-border businesses have achieved rapid development, business structure and product types will also become increasingly complex and risks of innovative businesses will further emerge. Therefore, corresponding risk control mechanisms and standards need to be strengthened.

The countermeasures taken by the Company include but are not limited to: 1. Shenwan Hongyuan Securities established a new product and innovation business committee, and formulated the relevant work rules to regulate the verification of the Company's innovative businesses and coordinate the operation of cross-line innovative businesses. 2. All innovative businesses need to be equipped with corresponding rules, systems and personnel, and can be carried out only after being reviewed and approved by the relevant committee. 3. The new businesses, new models, and new products of subsidiaries were included in the Company's hierarchical review and decision-making system. Based on the first-level evaluation by subsidiaries, the Company's risk management department would conduct a second-level evaluation and review. 4. The Company added the risk monitoring and pre-warning of innovative businesses to the daily risk management work, and dynamically adjusted the control threshold based on business operation situation.

(8) Exchange rate risk

The Company has a subsidiary in Hong Kong which holds assets with Hong Kong dollars as the settlement currency and has a risk limit for foreign exchange exposure. At the end of the period, the proportion of net foreign currency risk exposure to total business exposure was low. Most of the Company's assets, liabilities, revenue, costs and expenses are expressed in Renminbi. Foreign currency assets, liabilities and income account for a relatively small proportion. Net foreign currency exposures are relatively low in the Group and the exchange rate risk that the Company is faced is not great. In the future, with the advancement of the Company's international business layout and Renminbi internationalization, the Company will further strengthen the study on exchange rate, and take reasonable and effective measures to hedge and control exchange rate risks in a timely manner.

Section III Management Discussion and Analysis (continued)

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

The Company will thoroughly study and implement the spirit of General Secretary Xi Jinping's "July 1" speech, to further improve its political position, and fully implement the new development idea, to proactively serve the "six stabilisations" and "six guarantees" and the overall national strategy, to accelerate the creation of a new situation for high-quality development. It will make every effort to develop capital-light business to enhance the core competitiveness of capital-light business; further enhance collaborative development capabilities, strengthen integration of internal resources, and improve service level; the quality of enterprise development will be continuously optimized through continuous consolidation of management foundations, sound risk management, enhancement of fintech empowerment, improvement of refined management, and promotion of the construction of listed company governance system.

Section IV Corporate Governance

I. CORPORATE GOVERNANCE

As an “A+H” listed company, the Company continuously adheres to standard operation as its value. It has continuously improved its corporate governance structure in strict compliance with laws, regulations and regulatory documents applicable in places where the shares of the Company are listed. The general meeting, Board of Directors, Board of Supervisors and the management of the Company perform their respective duties, and have fully fulfilled their obligations and responsibilities. Compliance operation of the Company has been continuously enhanced to ensure business development in a sustainable and normative manner. Such operations include, among others, the establishment and improvement of the corresponding systems, optimization and improvement of internal organizational structure and authorization management system.

Currently, the Company has formulated the Rules of Procedure of the General Meeting, the Rules of Procedure of the Board of Directors, the Rules of Procedure of the Board of Supervisors, the Management Policy of Related Party Transactions, the Internal Control Policy, the Internal Control Evaluation Policy, the Internal Audit Policy, the Finance Management Policy, the Accounting Policy and the working rules of the committees of the Board of Directors, pursuant to relevant laws and regulations, such as the Company Law, the Securities Law and regulations of the places in which the shares of the Company are listed and the Articles of Association. During the Reporting Period, in order to improve corporate governance, the Company amended relevant sections of the Articles of Association, the Rules of Procedures of the Board of Directors, the Rules of Procedures of the Board of Supervisors and the Plan on Authorisation to the Board of Directors by General Meeting of the Company (2020) based on the actual situation of the Company. During the Reporting Period, the Company has strictly followed all the provisions under the CG Code, and satisfied the requirements of most of the recommended best practices set out in the CG Code. The Model Code has been adopted by the Company as the code of conduct regarding the security transactions of the directors and the supervisors. As of the end of the Reporting Period, after making specific enquiries, the Company confirmed that each of the directors and supervisors of the Company has complied with the standards set out in the Model Code throughout the Reporting Period.

Section IV Corporate Governance (continued)

II. ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETINGS HELD DURING THE REPORTING PERIOD

Session of meeting	Convening date	Investor participation ratio	Titles of resolutions of the meeting	Status of resolutions	Disclosure date and disclosure index
2020 annual general meeting	May 28, 2021	62.54%	1. The Resolution Regarding Consideration of the 2020 Work Report of the Board of Directors of the Company	Approved	For details of the resolutions considered at the meeting, Please refer to the relevant announcements disclosed by the Company in China Securities Journal, Securities Times and Shanghai Securities News, as well as the website of Cninfo at www.cninfo.com.cn on May 29, 2021 and the website of the Hong Kong Stock Exchange at www.hkexnews.hk on May 28, 2021.
			2. The Resolution Regarding Consideration of the 2020 Work Report of the Board of Supervisors of the Company	Approved	
			3. The Resolution Regarding Consideration of the 2020 Annual Financial Report of the Company	Approved	
			4. The Resolution Regarding the 2020 Profit Distribution Plan of the Company	Approved	
			5. The Resolution Regarding Consideration of the 2020 Annual Report of the Company	Approved	
			6. The Resolution Regarding the Estimated Ordinary Related Party Transactions for 2021 (voted item by item)	Approved	
			7. The Resolution Regarding the Granting of General Mandate to the Board of Directors to Issue Additional A Shares and H Shares of the Company	Approved	
			8. The Resolution Regarding Consideration of the Shareholder Return Plan of Shenwan Hongyuan Group Co., Ltd. for the Next Three Years (2021–2023)	Approved	
			9. The Resolution Regarding the Provision of Guarantee for Hongyuan Hengli (Shanghai) Industrial Co., Ltd.	Approved	

Section IV Corporate Governance (continued)

Session of meeting	Convening date	Investor participation ratio	Titles of resolutions of the meeting	Status of resolutions	Disclosure date and disclosure index
			10. The Resolution Regarding the Appointment of Auditors of the Company for 2021	Approved	
			11. The Resolution Regarding the Amendments to the Articles of Association of Shenwan Hongyuan Group Co., Ltd.	Approved	
			12. The Resolution Regarding the Amendments to the Rules of Procedure of the Board of Directors of Shenwan Hongyuan Group Co., Ltd.	Approved	
			13. The Resolution Regarding the Amendments to the Rules of Procedure of the Board of Supervisors of Shenwan Hongyuan Group Co., Ltd.	Approved	
			14. The Resolution Regarding the Amendments to the Plan of Granting Authorization by the General Meeting to the Board of Directors of Shenwan Hongyuan Group Co., Ltd. (2020)	Approved	
			15. The Resolution Regarding the Election of Non-Independent Directors of the Fifth Session of the Board of Directors of Shenwan Hongyuan Group Co., Ltd.	Approved	
			16. The Resolution Regarding the Election of Independent Directors of the Fifth Session of the Board of Directors of Shenwan Hongyuan Group Co., Ltd.	Approved	
			17. The Resolution Regarding the Election of Supervisors of the Fifth Session of the Board of Supervisors of Shenwan Hongyuan Group Co., Ltd.	Approved	

Section IV Corporate Governance (continued)

III. COMPOSITION OF THE BOARD OF DIRECTORS AND THE BOARD OF SUPERVISORS OF THE COMPANY

The fifth session of the Board of Directors of the Company comprises 11 directors:

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

Non-executive Directors: Ms. Ge Rongrong, Mr. Ren Xiaotao, Mr. Zhang Yigang and Mr. Zhu Zhilong

Independent Non-executive Directors: Ms. Yeung Siunan Shirley, Mr. Wu Changqi, Mr. Chen Hanwen and Mr. Zhao Lei

The fifth session of the Board of Supervisors of the Company comprises 5 supervisors:

Supervisors: Mr. Xu Yiyang (Chairman), Ms. Chen Yan and Mr. Jiang Yang

Employee representative supervisors: Ms. Li Yan and Ms. Zhou Jie

IV. COMPOSITION OF EXECUTIVE COMMITTEE OF THE COMPANY

Members of the executive committee: Mr. Huang Hao (Chairman), Ms. Ren Quansheng and Mr. Liu Yue

V. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

(1) Changes in Directors during the Reporting Period

Name	Position	Category	Date	Reason
Huang Hao	Executive Director	Election at the general meeting	May 28, 2021	Re-election
Zhu Zhilong	Non-executive Director	Election at the general meeting	May 28, 2021	Re-election
Wu Changqi	Independent non-executive Director	Election at the general meeting	May 28, 2021	Re-election
Chen Hanwen	Independent non-executive Director	Election at the general meeting	May 28, 2021	Re-election
Zhao Lei	Independent non-executive Director	Election at the general meeting	May 28, 2021	Re-election
Chen Jianmin	Non-executive Director	Demission upon expiry of term of office	May 28, 2021	Expiry of term of office
Wang Honggang	Non-executive Director	Demission upon expiry of term of office	May 28, 2021	Expiry of term of office

Section IV Corporate Governance (continued)

Name	Position	Category	Date	Reason
Ye Mei	Independent non-executive Director	Demission upon expiry of term of office	May 28, 2021	Expiry of term of office
Xie Rong	Independent non-executive Director	Demission upon expiry of term of office	May 28, 2021	Expiry of term of office
Huang Danhan	Independent non-executive Director	Demission upon expiry of term of office	May 28, 2021	Expiry of term of office

On March 30, 2021, the Resolution Regarding the Nomination of Candidates for Non-independent Directors of the Fifth Session of the Board of Directors of the Company was considered and approved at the 60th meeting of the fourth session of the Board of Directors of the Company, pursuant to which Mr. Chu Xiaoming, Mr. Yang Wenqing and Mr. Huang Hao were nominated as candidates for executive Directors of the fifth session of the Board of Directors of the Company and Ms. Ge Rongrong, Mr. Ren Xiaotao, Mr. Zhang Yigang and Mr. Zhu Zhilong were nominated as candidates for non-executive Directors of the fifth session of the Board of Directors of the Company; the Resolution Regarding the Nomination of Candidates for Independent Directors of the Fifth Session of the Board of Directors of the Company was considered and approved, pursuant to which Ms. Yeung Siuman Shirley, Mr. Wu Changqi, Mr. Chen Hanwen and Mr. Zhao Lei were nominated as candidates for independent Directors of the fifth session of the Board of Directors of the Company.

On May 28, 2021, the Resolution Regarding the Election of Candidates for Non-independent Directors of the Fifth Session of the Board of Directors of Shenwan Hongyuan Group Co., Ltd. and the Resolution Regarding the Election of Candidates for Independent Directors of the Fifth Session of the Board of Directors of Shenwan Hongyuan Group Co., Ltd. were considered and approved at the 2020 annual general meeting of the Company, pursuant to which Mr. Chu Xiaoming, Mr. Yang Wenqing and Mr. Huang Hao were elected as executive directors of the fifth session of the Board of Directors of the Company; Ms. Ge Rongrong, Mr. Ren Xiaotao, Mr. Zhang Yigang and Mr. Zhu Zhilong were elected as non-executive directors of the fifth session of the Board of Directors of the Company; Ms. Yeung Siuman Shirley, Mr. Wu Changqi, Mr. Chen Hanwen and Mr. Zhao Lei were elected as independent non-executive directors of the fifth session of the Board of Directors of the Company.

On May 28, 2021, the Company convened the first meeting of the fifth session of the Board of Directors, at which the Resolution Regarding the Election of Chairman and Vice Chairman of the Fifth Session of the Board of Directors was considered and approved, pursuant to which Chu Xiaoming, a director of the Company, was elected as the chairman of the fifth session of the Board of Directors and Yang Wenqing, a director of the Company, was elected as the vice chairman of the fifth session of the Board of Directors for a term from May 28, 2021 until the expiry of the term of office of the fifth session of the Board of Directors; the Resolution

Section IV Corporate Governance (continued)

Regarding the Election of Members of Special Committees of the Fifth Session of the Board of Directors was considered and approved, pursuant to which the composition of the special committees of the fifth session of the Board of Directors is approved as follows:

Strategy Committee of the Board of Directors:

Chairman: Mr. Chu Xiaoming, members: Mr. Yang Wenqing, Mr. Huang Hao, Ms. Ge Rongrong, Mr. Wu Changqi

Remuneration and Nomination Committee of the Board of Directors:

Chairman: Mr. Wu Changqi, members: Mr. Chu Xiaoming, Mr. Ren Xiaotao, Mr. Chen Hanwen, Mr. Zhao Lei

Audit Committee of the Board of Directors:

Chairman: Mr. Chen Hanwen, members: Mr. Ren Xiaotao, Mr. Zhu Zhilong, Ms. Yeung Siuman Shirley, Mr. Zhao Lei

Risk Control Committee of the Board of Directors:

Chairman: Ms. Ge Rongrong, members: Mr. Huang Hao, Mr. Ren Xiaotao, Ms. Yeung Siuman Shirley, Mr. Zhao Lei

(For details, please refer to the announcements published by the Company on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website (www.cninfo.com.cn) on March 31 and May 29, 2021 and on the website of HKExnews (www.hkexnews.hk) on March 30 and May 28, 2021)

(2) Changes in Supervisors during the Reporting Period

Name	Position	Type	Date	Reason
Chen Yan	Supervisor	Election at the general meeting	May 28, 2021	Re-election
Jiang Yang	Supervisor	Election at the general meeting	May 28, 2021	Re-election
Li Yan	Employee representative supervisor	Election at congress of employees	May 28, 2021	Re-election at congress of employees
Zhou Jie	Employee representative supervisor	Election at congress of employees	May 28, 2021	Re-election at congress of employees
Wen Feng	Supervisor	Demission upon expiry of term of office	May 28, 2021	Expiry of term of office
Gong Bo	Supervisor	Demission upon expiry of term of office	May 28, 2021	Expiry of term of office
Wei Yong	Supervisor	Demission upon expiry of term of office	May 28, 2021	Expiry of term of office

Section IV Corporate Governance (continued)

Name	Position	Type	Date	Reason
Huang Qi	Employee representative supervisor	Demission upon expiry of term of office	May 28, 2021	Expiry of term of office
Wang Yanyang	Employee representative supervisor	Demission upon expiry of term of office	May 28, 2021	Expiry of term of office
Xie Kun	Employee representative supervisor	Demission upon expiry of term of office	May 28, 2021	Expiry of term of office
An Gejun	Employee representative supervisor	Demission upon expiry of term of office	May 28, 2021	Expiry of term of office

On March 30, 2021, the Resolution Regarding the Nomination of Candidates for Supervisors of the Fifth Session of the Board of Supervisors was considered and approved at the 36th meeting of the fourth session of the Board of Supervisors of the Company, pursuant to which Mr. Xu Yiyang, Ms. Chen Yan and Mr. Jiang Yang were nominated as candidates for supervisors of the fifth session of the Board of Supervisors.

On May 28, 2021, Mr. Xu Yiyang, Ms. Chen Yan and Mr. Jiang Yang, elected as supervisors of the fifth session of the Board of Supervisors at the 2020 annual general meeting, and Ms. Li Yan and Ms. Zhou Jie, elected as employee representative supervisors at the fifth congress of employees held on May 10, 2021, jointly composed the fifth session of the Board of Supervisors of the Company. Meanwhile, Mr. Wen Feng, Mr. Gong Bo, Mr. Wei Yong, Mr. Huang Qi, Mr. Wang Yanyang, Mr. Xie Kun and Mr. An Gejun ceased to serve as supervisors of the Company.

On May 28, 2021, the Resolution Regarding Election of the Chairman of the Fifth Session of the Board of Supervisors of the Company was considered and approved at the first meeting of the fifth session of the Board of Supervisors of the Company, pursuant to which Mr. Xu Yiyang was elected as the chairman of the fifth session of the Board of Supervisors; and the Resolution Regarding the Election of Members of Special Committees of the Fifth Session of the Board of Supervisors was considered and approved, pursuant to which the composition of the special committees of the fifth session of the Board of Supervisors was approved as follows:

Financial Supervision and Inspection Committee of the Board of Supervisors:

Chairman: Mr. Jiang Yang; members: Ms. Chen Yan, Ms. Li Yan

Performance Supervision and Inspection Committee of the Board of Supervisors:

Chairman: Ms. Li Yan; members: Ms. Chen Yan, Ms. Zhou Jie

(For details, please refer to the announcements published by the Company on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website (www.cninfo.com.cn) on March 31, May 11 and May 29, 2021 and on the website of HKExnews (www.hkexnews.hk) on March 30, May 10 and May 28, 2021)

Section IV Corporate Governance (continued)

(3) Changes in senior management during the Reporting Period

Name	Position	Type	Date	Reason
Huang Hao	Member and chairman of the Executive Committee	Appointment	May 28, 2021	Appointment by the Board of Directors
Ren Quansheng	Member of the Executive Committee	Appointment	May 28, 2021	Appointment by the Board of Directors
	Chief financial officer		December 18, 2020	Appointment by the Board of Directors
	Secretary to the Board of Directors (acting)		From December 18, 2020 to March 15, 2021	Appointment by the Board of Directors
Liu Yue	Member of the Executive Committee	Appointment	May 28, 2021	Appointment by the Board of Directors
Xu Liang	Secretary to the Board of Directors	Appointment	March 15, 2021	Appointment by the Board of Directors

On May 28, 2021, the Resolution Regarding Appointment of the Chairman and Members of the Executive Committee of Shenwan Hongyuan Group Co., Ltd. was considered and approved at the first meeting of the fifth session of the Board of Directors of the Company, pursuant to which Mr. Huang Hao, the general manager, was approved to serve as a member and the chairman of the Executive Committee of the Company; Ms. Ren Quansheng was approved to serve as a member of the Executive Committee and the chief financial officer of the Company; Mr. Liu Yue was approved to serve as a member of the Executive Committee of the Company. Ms. Ren Quansheng ceased to serve as the deputy general manager of Shenwan Hongyuan Group Co., Ltd.; Mr. Liu Yue ceased to serve as the assistant to general manager of Shenwan Hongyuan Group Co., Ltd.

On March 15, 2021, the Resolution Regarding Appointment of Secretary to the Board of Directors was considered and approved at the 59th meeting of the fourth session of the Board of Directors of the Company, pursuant to which Mr. Xu Liang was appointed as the Secretary to the Board of Directors of Shenwan Hongyuan Group Co., Ltd. with effect from the date of consideration and approval by the Board of Directors. Meanwhile, Ms. Ren Quansheng ceased to serve as the acting Secretary to the Board of Directors.

(For details, please refer to the announcements published by the Company on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website (www.cninfo.com.cn) on May 29 and March 16, 2021 and on the website of HKExnews (www.hkexnews.hk) on May 28 and March 15, 2021)

Section IV Corporate Governance (continued)

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

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

VII. CHANGES IN COMPANY SECRETARIES AND AUTHORIZED REPRESENTATIVES

On January 29, 2021, the Resolution Regarding Appointment of Company Secretary and Process Agent was considered and approved at the 58th meeting of the fourth session of the Board of Directors of the Company, pursuant to which it was approved to appoint Ms. Chen Chun as the company secretary and the authorized representative of the Company for the acceptance of service of process and notices in Hong Kong with effect from date of consideration and approval by the Board of Directors. Ms. Fok Po Yi resigned as the company secretary and the authorized representative of the Company due to job change. The resignation of Ms. Fok Po Yi took effect from the date of consideration and approval by the Board of Directors. (For details, please refer to the announcements published by the Company on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website (www.cninfo.com.cn) on January 30, 2021 and on the website of HKExnews (www.hkexnews.hk) on January 29, 2021)

On March 30, 2021, the Resolution Regarding the Appointment of Joint Company Secretary and Authorized Representative of the Company was considered and approved at the 60th meeting of the fourth session of the Board of Directors, pursuant to which Mr. Xu Liang was appointed as a joint company secretary and the authorized representative of the Company with effect from the date of consideration and approval by the Board of Directors and Chen Jianmin, a former Director, ceased to serve as the authorized representative of the Company. (For details, please refer to the announcements published by the Company on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website (www.cninfo.com.cn) on March 31, 2021 and on the website of HKExnews (www.hkexnews.hk) on March 30, 2021)

VIII. EMPLOYEES AND REMUNERATION POLICIES

(I) Number of employees

As of June 30, 2021, the Company had a total of 11,591 employees, of which 105, 10,917 (including 1,662 securities brokerage agents) and 569 were employees of Shenwan Hongyuan Group, Shenwan Hongyuan Securities and other subsidiaries, respectively.

Section IV Corporate Governance (continued)

(II) Remuneration policy

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

(III) Training

The training of the Company shall center on its development strategy and be based on the Opinions on the Implementation of Cadre Education and Training for 2018-2022 and the annual training plan. The Company strives to build a hierarchical and classified full-staff training system, gives full play to the role of the Company's Party school as the "main channel" for in-depth study and implementation of Xi Jinping's thoughts on socialism with Chinese characteristics in the new era, and regards learning and implementing spirit of the Fifth Plenary Session of the 19th CPC Central Committee as the primary task and learning and education of the History of the Party as the key task for education and training of cadres. The Company continued to operate and innovate training programs for cadres and employees of different levels and at different positions, based on the "navigation", "voyage" and "starting sailing" plans, with a view to creating distinctive training brands. In view of the situation of epidemic prevention and control, the Company increased its online training efforts. Relying on the Shenwan Hongyuan Learning World, it organized various thematic trainings to train professional talents, support the Company's strategy and empower talent development.

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

The Company did not plan to distribute cash dividend, issue bonus shares or convert any capital reserve into share capital for the first half of 2021.

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

During the Reporting Period, the Company had no equity incentive plan, employee share plan or other employee incentive measures or the implementation thereof.

Section V Environmental and Social Responsibility

I. INFORMATION ON PROTECTION OF ECOLOGY, POLLUTION CONTROL, AND FULFILLMENT OF ENVIRONMENTAL RESPONSIBILITIES

As a proactive response to the national call for green development, the Company, relying on its own business characteristics and advantages, vigorously propels the development of green finance, widely promotes environmental protection ideas and puts them into action, and practices the development idea of “lucid waters and lush mountains are our invaluable assets” to help achieve “peak carbon dioxide emissions, carbon neutrality”.

- (I) Proactive study and publicity of national green development strategy. The Board of Directors, Party committee, and operating management of the Company attach great importance to the spiritual instructions and national strategies of the Party Central Committee and the State on green development, and study and implement the important speeches of General Secretary Xi Jinping in time and organize various units for in-depth study thereof. The trade union of the Company has produced posters on the theme of “peak carbon dioxide emissions, carbon neutrality” and posted them in the workplace and sales department of the Company to widely publicize the national strategy and guide employees and clients to practice the green and environmentally friendly life concept.
- (II) Vigorous development of green finance. The Company proactively implements the Guiding Opinions on Building a Green Financial System, creates “peak carbon dioxide emissions, carbon neutrality” themed asset management products through underwriting of green bonds and investment in environmentally friendly enterprises, and provides a full range of services for green and environmental protection-related business development and industrial upgrading by initiating the establishment of a “carbon neutrality” fund, to promote the development of green finance.
- (III) Practice of low-carbon operations. In strict accordance with important laws and regulations including the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the 13th Five-Year Plan for Comprehensive Energy Conservation and Emission Reduction, the Company constantly improves relevant measures for green operations, promotes low-carbon services, advocates employees to save energy, and proactively promote climate change management, to make contributions to the fight against climate changes. In respect of green office, the Company implements a variety of environmental protection measures, including saving electricity for lighting, prohibiting private power connection and changing electricity circuits, energy-saving setting for air-conditioning temperature in public areas, saving water in toilets, and promoting paperless office, etc. In terms of green travel, employees are encouraged to use public transportation to travel. For the use of official vehicles, the Company has prepared the Interim Measures for Vehicle Management, which clarifies the application and approval processes for the use of official vehicles, requirements on expenditures, prohibiting private use of official vehicles. The Company earnestly implements related regulations on smoking control in public places. Smoking is prohibited during working hours and non-working hours. Non-smoking places include offices, meeting rooms, archives, canteens, stairways, corridors, toilets and other covered buildings. No smoking signs shall be posted and smoking utensils are not allowed in non-smoking areas.

Section V Environmental and Social Responsibility (continued)

- (IV) Proactive participation in green study for in-depth study of the direction of green development. The Company was successfully selected as the vice chairman of the China Green Carbon Foundation; a specific action plan was formulated based on the national strategy of “peak carbon dioxide emissions, carbon neutrality”; the Company established the first “carbon neutrality” team in the industry; successfully held the “carbon neutrality” conference at which it issued the Shenwan Hongyuan Carbon Neutrality White Paper; and co-established a “carbon neutrality” industry merger and acquisition fund, demonstrating the image of a state-owned financial enterprise with faith and responsibility.

II. SOCIAL RESPONSIBILITY

Shenwan Hongyuan always regards targeted assistance and support as an important reflection of practicing the “two maintenances” and the responsibility of state-owned financial enterprises. In 2021, under the guidance of the CSRC, the Company formulated annual poverty alleviation arrangement and investment plan for 2021 in accordance with the overall deployment of China Investment Corporation as a proactive response to the “One Company for One County” paired assistance initiative of the Securities Association of China, and continued to conduct targeted poverty alleviation in poverty-stricken areas including Huining County in Gansu Province, Maigaiti County and Jimunai County in Xinjiang and Baiyu County and Jinyang County in Sichuan Province.

In the first half of 2021, the Company strictly implemented the central government’s spirit of “Four Not Removal” directives, to promote organic integration of poverty alleviation and rural revitalization and build a long-term mechanism to solve the problem of relative poverty. The Company accumulatively invested RMB32.25 million in the abovementioned regions (including self-owned funds of RMB32.10 million and Party fee of RMB150,000). In 2021, the Company dispatched 4 new cadres to Huining to continue to proceed with poverty alleviation. The main work is as follows:

(I) Consolidate and expand the results of poverty alleviation and resolutely prevent large-scale return to poverty

1. “No Worry About Food and Clothing with Compulsory Education, Basic Medical Care, and Housing Guaranteed”

- (1) Special assistance was further provided to “Shenwan Hongyuan Classes”. Based on the standard of RMB200,000 per class per year, self-owned funds in an amount of RMB600,000 was invested. On the basis of continuous funding the two “Shenwan Hongyuan Classes” of Siyuan Experimental School in 2019 and 2020, the “Shenwan Hongyuan Classes” of 2021 was added to the list of funding, and teaching subsidies were provided to a total of 150 students in difficulties in the school.
- (2) The “big hands holding small hands” charity activity was further carried out, in which self-owned funds in an amount of RMB300,000 was invested to subsidize 225 students from poor families in the county including 175 students in compulsory education, 25 senior high school students and 25 students enrolled by second-tier universities and above in 2019.

Section V Environmental and Social Responsibility (continued)

2. Insurance assistance

- (1) Promote the coverage of “poverty-returning prevention comprehensive insurance”. In 2020, the accumulative compensation from the “poverty-returning prevention comprehensive insurance” promoted by the Company in Huining amounted to over RMB4 million, providing solid guarantee for nearly 170,000 people in the county. In 2021, the Company invested self-owned funds in an amount of RMB2.45 million to expand insurance coverage in the county together with China CICC Wealth Management Securities Company Limited, especially to increase guaranteed basic support for the “three types of households” (poverty monitoring households, marginal households, and households that have not been lifted out of poverty) on which the Company placed emphasis, to ensure coverage of the households that shall be insured and prevent return of poverty due to illness, disaster or accident.
- (2) Expand the scale of corn “insurance + futures” and OTC options products. In 2020, for the pilot OTC options projects including cattle feed and rebar in Huining, the Company effectively controlled the risk of commodity price fluctuations during the epidemic and achieved practical results. In 2021, the Company invested self-owned funds in an amount of RMB1.5 million to cooperate with China CICC Wealth Management Securities Company Limited to further promote corn “insurance + futures” and carry out OTC options projects including cattle feed and pigs, to realize risk hedging with corn “insurance + futures” and provide comprehensive industry income guarantee for more poverty-stricken households.

(II) Improve the long-term mechanism for solving relative poverty and continue to proceed with effective connection of rural revitalization

1. Industry assistance

In terms of industry assistance, the Company and the headquarters of China Investment Corporation invested a total of RMB7 million (including: RMB2.1 million from the headquarters of China Investment Corporation and RMB4.9 million from the Company) to increase assistance to the advantageous industries and leading enterprises in Huining, and helped Huining's red cultural and educational industry and green agriculture development through financial support, talent export and introduction of advanced management concepts.

2. Ecological afforestation

The “Carbon Sequestration Afforestation Project” was implemented by China Green Carbon Foundation in Huining with the self-owned funds invested by the Company in an amount of RMB5 million and the supporting funds provided by Ant Group Co., Ltd., to jointly promote assistance for local green ecology. The project can greatly improve the existing ecological environment in Huining, increase the carbon sequestration transaction income of local government and directly drive the employment of forest farmers.

Section V Environmental and Social Responsibility (continued)

3. Improvement of human settlement

The Company invested self-owned funds in an amount of RMB3 million in rural toilet renovation, road maintenance and lighting projects, etc., to effectively solve the problems of inconvenience of residents' work and difficulty in traveling at night, effectively improve the living environment, and create a livable and civilized new countryside.

4. Enhancement of talent support

- (1) Aid in construction of the Cadre College to welcome the 100th anniversary of the founding of the Party. The self-owned funds of RMB14 million provided by the Company and the supporting funds from the system of the China Investment Corporation (in a total amount of RMB25 million) were provided to fund the construction of the comprehensive teaching building of Huining Cadre College. The project can effectively improve the carrying capacity of talent training in Huining, provide a solid guarantee for the local training of Party members and cadres in Gansu Province and surrounding areas and cultivation of high-quality professionals, and also effectively empower Huining's red cultural and educational industry to play a leading role.
- (2) Improvement of the capacity building of grassroots cadres and technical personnel. First, the Company invested self-owned funds in an amount of RMB350,000 to train grassroots cadres, business leaders and leaders in getting rich in Huining through lectures, organization of talent training courses, etc., to stimulate the enthusiasm of local outstanding talent officers for entrepreneurship. Second, the Company invested RMB150,000 as Party fees in further carrying out special training for members of the village Party branches and village committees of Huining together with China CICC Wealth Management Securities Company Limited, to broaden the knowledge and business capabilities of local cadres and cultivate a group of cadres who have a knowledge of assistance, know the way to provide assistance, and have a solid style of work.

III. SUBSEQUENT TARGETED POVERTY ALLEVIATION PLAN

- (I) The poverty alleviation achievements shall be consolidated in accordance with the General Secretary Xi Jinping's requirement of "improvement of the dynamic monitoring and assistance mechanism for preventing return to poverty". The Company will identify the vulnerable aspects in the prevention of return to poverty, and include the poor households that have been lifted out of poverty, poverty alleviation monitoring households and marginal households in the monitoring scope by taking advantage of the location of dispatched cadres, to provide follow-up assistance in a timely manner.

Section V Environmental and Social Responsibility (continued)

- (II) Establishment and improvement of a long-term mechanism for preventing return to poverty. Multiple measures will be taken to consolidate the results of poverty alleviation, and lay a solid foundation for poverty alleviation. First, the Company will proceed with poverty alleviation through industry and improve the medium and long-term development plan. Based on the advantageous resource endowments of poverty-stricken areas, the Company will promote the development of key industries such as pillar industries and infrastructure in accordance with local conditions, and strive to enhance the self-development function and endogenous development momentum of poverty alleviation through industry in poverty-stricken areas; in accordance with the rural revitalization strategy proposed by General Secretary Xi, the Company will step up cooperation with the introduction of the poverty alleviation work plan for poverty-stricken areas in the next three years and form a long-term and short-term work plan which highlights key points, to effectively integrate targeted poverty alleviation with rural revitalization. Second, the Company will promote the improvement of the industrial chain and the leading enterprises to become bigger and stronger. It will proactively implement the “one company, one policy” targeted assistance, guide all kinds of funds to invest in poverty-stricken areas through NEEQ listing, introduction of strategic investors, equity and debt investment, etc., to solve the problem of “investment invitation” and “enterprises invitation” and give full play to the leading and pulling effects of leading enterprises for the local economy. Third, the vitality of the local people shall be stimulated. Poor people will learn production skills and enrichment techniques through training, so that the poor households will build up the fighting spirit and courage to get rid of poverty, which will get rid of the backward thinking of “wait for aid funds, reliance on superior appropriation and ask for poverty alleviation funds” of certain poor people.
- (III) The Company will comprehensively enhance the use and management of poverty alleviation projects and funds, and ensure that various works will be carried out with high quality according to high standards. First, it will strictly strengthen the precise investment of the Company’s poverty alleviation funds, adhere to tracking the quality of projects and the flow of funds, and control the source, use, system, and implementation of the funds to ensure that all the poverty alleviation funds will be used for poverty alleviation; second, the filing for targeted poverty alleviation will be strengthened and standardized. The Company will continue to optimize the digitalised functions of its “assistance information management system”, promote the refined management of assistance archives, and build the “assistance memory” of Shenwan Hongyuan in an all-round way.

Section VI Significant Events

I. UNDERTAKINGS

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

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

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

III. ILLEGAL EXTERNAL GUARANTEES

During the Reporting Period, the Company did not provided any illegal external guarantees.

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

(I) Audit of the interim financial report for 2021 of the Company

The interim condensed consolidated financial report for 2021 prepared by the Company in accordance with the International Financial Reporting Standards are unaudited, but has been reviewed by PricewaterhouseCoopers, the auditor of the Company.

(II) Change of accounting firm

In accordance with the requirements under the Administrative Measures for State-owned Financial Enterprises to Select and Engage Accounting Firms (Cai Jin [2020] No. 6) (《國有金融企業選聘會計師事務所管理辦法》(財金[2020]6號)) issued by the Ministry of Finance, a financial enterprise shall appoint the same accounting firm in principle for no more than 5 years. The financial enterprise may, based on the audit quality of the accounting firm in its previous audits, shareholders' evaluations, and opinions of the financial regulators, properly extend the appointment period after performing the decision-making procedures, provided that the continuous appointment period shall not exceed 8 years. KPMG Huazhen LLP reached the longest consecutive terms of office upon completion of the audit for 2020. In 2021, the Company is required to change the accounting firm.

On April 19, 2021, the Resolution Regarding the Appointment of Auditors of the Company for 2021 was considered and approved at the 61st meeting of the fourth session of the Board of Directors of the Company, pursuant to which it was approved to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Company for 2021 to provide relevant domestic and overseas audit, review and other services in accordance with the Accounting Standards for Enterprises of China and the International Financial Reporting Standards, respectively; and engage PricewaterhouseCoopers Zhong Tian LLP as the Company's internal audit control institution for 2021 with an audit fee, including the fee for internal control, for 2021 amounting to RMB5.68 million. As a transitional arrangement for change of auditors, the Company continued to engage KPMG Huazhen LLP to implement the agreed procedures for the Company's financial statements for the three months from January 1 to March 31, 2021.

Section VI Significant Events (continued)

In accordance with relevant laws, regulations and system requirements of the Company, the Audit Committee of the Board of Directors of the Company reviews the Company's 2021 work plan for the selection and appointment of accounting firms, and guides the Company's management to implement specific selection and appointment. Certain members of the Audit Committee participate in evaluation of bids as members of the bid evaluation committee. On April 16, 2021, the Audit Committee of the Board of Directors convened the fifth meeting of 2021, at which it was considered and approved to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Company for 2021 and submit the appointment to the Board of Directors of the Company for consideration. The independent non-executive Directors issued relevant prior approval and independent opinions on the appointment of the accounting firms.

On May 28, 2021, the abovementioned appointment of auditors of the Company for 2021 was considered and approved at the 2020 annual general meeting of the Company.

V. EXPLANATION OF THE BOARD OF DIRECTORS AND THE BOARD OF SUPERVISORS ON THE “NON-STANDARD AUDIT REPORT” ISSUED BY THE ACCOUNTING FIRM FOR THE REPORTING PERIOD

N/A

VI. EXPLANATION OF THE BOARD OF DIRECTORS ON THE “NON-STANDARD AUDIT REPORT” FOR THE LAST YEAR

N/A

VII. MATTERS RELATED TO BANKRUPTCY AND REORGANISATION

N/A

VIII. LITIGATIONS

(I) Overall Situation

During the Reporting Period, the Company had no material litigation or arbitration of which the respective amount exceeds 10% of the absolute value of the latest audited net assets of the Company and the absolute amount exceeds RMB10 million, and the aggregated amount of the litigation and arbitration in the past twelve months does not exceed 10% of the absolute value of the latest audited net assets of the Company.

(II) Relevant litigation and arbitration of Shenwan Hongyuan Securities (a subsidiary of the Company which is referred to as the “company” in this sub-section for the purpose of being clear and concise) and its subsidiaries during the Reporting Period

1. The case of the dispute over the margin financing and securities lending transaction raised by the company against Liu Xiangdai

In December 2019, the company and Liu Xiangdai entered into the Contract on Margin Financing and Securities Lending. During Liu Xiangdai's financing for purchase of shares, the guarantee ratio of the credit account was lower than the close-out level and Liu Xiangdai did not take effective measures

Section VI Significant Events (continued)

to raise and maintain the guarantee ratio. Later, the company conducted a forced liquidation. The financing principal of RMB107.6342 million owned to the company has not been repaid. After the demand repayment failed, in order to protect its legitimate rights and interests, the company filed a lawsuit with the Shanghai Financial Court, requiring Liu Xiangdai to perform the repayment obligations. In January 2021, the Shanghai Financial Court accepted the lawsuit. As of the end of the Reporting Period, the company has not received any judgment. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on January 20, 2021)

2. The case of the dispute over the margin financing and securities lending transaction raised by the company against Zhang Liuyang

In June 2020, the company and Zhang Liuyang entered into the Contract on Margin Financing and Securities Lending. During Zhang Liuyang's financing for purchase of shares, the guarantee ratio of the credit account was lower than the close-out level and Zhang Liuyang did not take effective measures to raise and maintain the guarantee ratio. Later, the company conducted a forced liquidation for Zhang Liuyang's account. The financing principal of RMB85.4008 million owned to the company has not been repaid. After the demand repayment failed, in order to protect its legitimate rights and interests, the company filed a lawsuit with the Shanghai Financial Court, requiring Zhang Liuyang to perform the repayment obligations. In January 2021, the Shanghai Financial Court accepted the lawsuit. As of the end of the Reporting Period, the company has not received any judgment. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on January 20, 2021)

3. The arbitration case of the dispute over the fund contract raised by Jolywood (Suzhou) Sunwatt Co., Ltd. against the company

In October 2019, the company entered into the Fund Contract in relation to Hongsheng Tenglong No. 4 Private Securities Investment Fund with Jolywood (Suzhou) Sunwatt Co., Ltd. ("Jolywood") and Hongsheng Asset Management (Shenzhen) Co., Ltd. ("Hongsheng Assets"), pursuant to which Jolywood was the fund trustor, Hongsheng Assets was the fund manager, and the company was the fund trustee. Jolywood believed that Hongsheng Assets failed to perform its trustee obligations in the principles of good faith and diligence; and that the company failed to fulfill the corresponding obligations of the custodian. Therefore, it applied to the Shanghai Arbitration Commission for arbitration, requiring (1) Hongsheng Assets to compensate the investment principal loss of RMB50 million and related interest losses; (2) the company, as the custodian, to assume joint and several liability. In January 2021, the Shanghai Arbitration Commission accepted the case. As of the end of the Reporting Period, the case has not yet been judged. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on February 5, 2021)

4. The case of the dispute over pledged securities repurchase agreement raised by the company against RAAS CHINA LIMITED, Shenzhen RAAS Kaiji Investment Consulting Co., Ltd. and Kerui Tiancheng Investment Holdings Co., Ltd.

In October 2017, the company and RAAS CHINA LIMITED entered into the Business Agreement on Pledged Securities Repurchase of the Shares and the Agreement on Pledged Securities Repurchase of the Shares, pursuant to which, RAAS CHINA LIMITED was financed by the company and Kerui

Section VI Significant Events (continued)

Tiancheng shall bear joint and several liability. In March 2018, the company, RAAS CHINA LIMITED, Shenzhen RAAS, and Kerui Tiancheng entered into the Supplemental Agreement. In September 2018, Shenzhen RAAS failed to fulfill obligations according to the agreement. In order to protect its legitimate rights and interests, the company filed a lawsuit with the Shanghai Financial Court, requiring RAAS CHINA LIMITED to pay the outstanding principal of RMB200 million and related interests and liquidated damages to the company, Shenzhen RAAS to pay the relevant interests to the company, and Kerui Tiancheng to assume joint and several liability. In April 2021, the Shanghai Financial Court accepted the lawsuit. As of the end of the Reporting Period, this case has not yet been judged. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on April 20, 2021)

5. The case of the dispute over the contract between Shenyin & Wanguo Alternative Investment Co., Ltd. and Shanghai Worldunion Equity Investment Management Co., Ltd.

In November 2015, Shenyin & Wanguo Alternative Investment Co., Ltd. (“Shenyin & Wanguo Alternative Investment”) and Shanghai Worldunion Equity Investment Management Co., Ltd. (“Shanghai Worldunion”), etc. entered into the Partnership Agreement on Shanghai Qihao Investment Partnership (Limited Partnership). In November 2016, Shenyin & Wanguo Alternative Investment and Shanghai Worldunion entered into the Supplemental Agreement on Shanghai Qihao Investment Partnership (Limited Partnership). Later, Shanghai Worldunion failed to perform the relevant obligations according to the agreement. In order to protect its legitimate rights and interests, Shenyin & Wanguo Alternative Investment applied to the Shanghai International Economic and Trade Arbitration Commission for arbitration, requiring Shanghai Worldunion to perform its acquisition obligations, pay the investment funds and the agreed repurchase interests in a total amount of RMB61.7854 million. In April 2021, the Shanghai International Economic and Trade Arbitration Commission accepted the case. As of the end of the Reporting Period, this case has not yet been judged. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on April 20, 2021)

6. The case of the dispute over the pledged securities repurchase agreement raised by the company against Zou Yong and Li Yali

In March 2017, the company and Zou Yong entered into the Business Agreement on Pledged Securities Repurchase of the Shares and the Agreement on Pledged Securities Repurchase of the Shares, pursuant to which, Zou Yong was financed by the company with a total amount of RMB136 million and Li Yali, as the spouse of Zou Yong shall assume joint and several liability. During the performance of the agreements, Zou Yong failed to pay interest in accordance with the Agreements, failed to take measures to restore the performance guarantee ratio to be above the agreed warning value when the performance ratio was lower than the warning line. In order to protect its legitimate rights and interests, the company filed a lawsuit with the Shanghai Financial Court, requiring Zou Yong to repay the principal of RMB73.68 million and pay related interests and liquidated damages and Li Yali to bear joint repayment responsibilities. As of the end of the Reporting Period, this case has not yet been judged. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on June 29, 2021)

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

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

In June 2016 and February 2018, the company and Weng Wuyou entered into the Business Agreement on Pledged Securities Repurchase of the Shares and the Agreement on Pledged Securities Repurchase of the Shares, respectively, pursuant to which Weng Wuyou was financed by the company with an aggregate amount of RMB99 million, and Lin Yongfei shall bear joint and several liability with “Modern avenue” held by Lin Yongfei as the subject of the pledge, which was confirmed by Weng Yayun, Lin Yongfei’s spouse. In December 2018, Weng Wuyou failed to pay the corresponding interests as stipulated in the contract, which constituted a breach of contract. In order to protect its legitimate rights and interests, the company filed a lawsuit with the Shanghai Financial Court. In March 2021, the Shanghai Financial Court issued the first instance judgment which supported the company’s claims. As of the end of the Reporting Period, the above judgment has come into effect and the company proposes to apply to the court for execution. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on April 3, 2020, March 18, 2021 and June 11, 2021)

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

In April 2017, the company and Shen Peijin entered into the Business Agreement on Pledged Securities Repurchase of the Shares and the Agreement on Pledged Securities Repurchase of the Shares, pursuant to which, Shen Peijin was financed by the company with an amount of RMB700 million, and Zhu Lijing, the spouse of Shen Peijin, shall assume joint and several liability. In October 2018, the performance guarantee ratio of Shen Peijin fell below the agreed minimum performance guarantee ratio. Shen Peijin failed to lift the performance guarantee ratio to above the threshold value or take other performance guarantee measures, which constituted a breach of contract. In order to protect its legitimate rights and interests, the company filed a lawsuit with the Shanghai Financial Court, requesting Shen Peijin and Zhu Lijing to repay the principal of RMB695 million and the corresponding interests, liquidated damages, etc. In January 2021, the company received the first instance judgment made by the Shanghai Financial Court which supported the company’s claims. As of now, the judgment of this case has come into effect and is in the process of execution. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on May 11, 2020 and January 13, 2021)

3. The cases of the dispute over the pledged securities repurchase raised by the company against Ke Zonggui and Chen Seqin

(1) In March 2017, the company and Ke Zonggui entered into the Business Agreement on Pledged Securities Repurchase of the Shares and the Agreement on Pledged Securities Repurchase of the Shares, pursuant to which, Ke Zonggui was financed by the company with an amount of RMB83 million, Chen Seqin, as the spouse of Ke Zonggui, shall bear joint and several liability, and China Express Co., Ltd.* (中經匯通有限責任公司) and Ma Meirong shall provide guarantee for the pledge. Ke Zonggui has failed to pay interest in accordance with the Agreements since

Section VI Significant Events (continued)

March 2020, and has not completed the repurchase transaction, which constituted a breach of contract. In order to protect its legitimate rights and interests, the company filed a lawsuit with the Shanghai Financial Court. In August 2020, the Shanghai Financial Court issued a notice of acceptance. As of the end of the Reporting Period, this case has not yet been judged. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on August 21, 2020)

- (2) In March 2017, the company and Ke Zonggui entered into the Business Agreement on Pledged Securities Repurchase of the Shares and the Agreement on Pledged Securities Repurchase of the Shares, pursuant to which, Ke Zonggui was financed by the company with an amount of RMB100 million, Chen Seqin, as the spouse of Ke Zonggui, shall assume joint and several liability, and China Express Co., Ltd. and Ma Meirong shall provide guarantee for the pledge. During the performance of the agreements, Ke Zonggui repaid principal in an amount of RMB40 million to the company. Ke Zonggui has failed to pay interest in accordance with the agreements since March 2020, and has not completed the repurchase transaction, which constituted a breach of contract. In order to protect its legitimate rights and interests, the company filed a lawsuit with the Shanghai Financial Court. In August 2020, the Shanghai Financial Court issued a notice of acceptance. As of the end of the Reporting Period, this case has not yet been judged. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on August 21, 2020)
- (3) In July 2017, the company and Ke Zonggui entered into the Business Agreement on Pledged Securities Repurchase of the Shares and the Agreement on Pledged Securities Repurchase of the Shares, pursuant to which, Ke Zonggui was financed by the company with an amount of RMB90 million, Chen Seqin, as the spouse of Ke Zonggui, shall assume joint and several liability, and Ma Meirong shall provide guarantee for the pledge. During the performance of the agreements, Ke Zonggui repaid part of the principal. Subsequently, Ke Zonggui failed to pay interest in accordance with the Agreements, and has not completed the repurchase transaction, which constituted a breach of contract. In order to protect its legitimate rights and interests, the company filed a lawsuit with the People's Court of Xuhui District of Shanghai, requesting repayment of principal of RMB21.73 million and the corresponding interests, liquidated damages, etc. In August 2020, the People's Court of Xuhui District of Shanghai issued a notice of acceptance. As of the end of the Reporting Period, this case has not yet been judged. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on August 21, 2020)

4. The cases of the dispute over the pledged securities repurchase raised by the company against Ke Zongqing and Tan Aiwu

- (1) In July 2017, the company and Ke Zongqing entered into the Business Agreement on Pledged Securities Repurchase of the Shares and the Agreement on Pledged Securities Repurchase of the Shares, pursuant to which, Ke Zongqing was financed by the company with an amount of RMB65 million and Tan Aiwu, as the spouse of Ke Zongqing, shall assume joint and several liability. During the performance of the agreements, Ke Zongqing repaid part of the principal. Subsequently, Ke Zongqing failed to complete the repurchase in accordance with the agreements,

Section VI Significant Events (continued)

which constituted a breach of contract. In order to protect its legitimate rights and interests, the company filed a lawsuit with the People's Court of Xuhui District of Shanghai. Both parties reached mediation through the organization of the court. Pursuant to the paper of civil mediation, Ke Zongqing shall pay RMB36.9642 million as well as the relevant interests and liquidated damages to the company before October 28, 2020 and Tan Aiwu shall assume joint and several liability. Ke Zongqing failed to perform the repayment obligations in accordance with the mediation paper, and the company has applied to the court for compulsory execution. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on August 21, 2020 and November 9, 2020)

- (2) In April 2018, the company and Ke Zonggui entered into the Business Agreement on Pledged Securities Repurchase of the Shares and the Agreement on Pledged Securities Repurchase of the Shares, pursuant to which, Ke Zongqing was financed by the company with an amount of RMB69.90 million and Tan Aiwu, as the spouse of Ke Zongqing, shall assume joint and several liability. During the performance of the agreements, Ke Zongqing repaid part of the principal. Subsequently, Ke Zongqing failed to complete the repurchase in accordance with the agreements, which constituted a breach of contract. In order to protect its legitimate rights and interests, the company filed a lawsuit with the People's Court of Xuhui District of Shanghai. Both parties reached mediation through the organization of the court. According to the paper of civil mediation, Ke Zongqing shall pay RMB43.23 million, as well as the relevant interests and liquidated damages to the company before October 28, 2020 and Tan Aiwu shall assume joint and several liability. Ke Zongqing failed to perform the repayment obligations in accordance with the mediation paper, and the company has applied to the court for compulsory execution. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on August 21, 2020 and November 9, 2020)
- (3) In April 2018, the company and Ke Zonggui entered into the Business Agreement on Pledged Securities Repurchase of the Shares and the Agreement on Pledged Securities Repurchase of the Shares, pursuant to which, Ke Zongqing was financed by the company with an amount of RMB25.10 million, and Tan Aiwu, as the spouse of Ke Zongqing, shall assume joint and several liability. During the performance of the agreements, Ke Zongqing repaid part of the principal. Subsequently, as the performance guarantee ratio fell below the close-out level, Ke Zongqing failed to repurchase the principal and interests in accordance with the agreements, which constituted a breach of contract. In order to protect its legitimate rights and interests, the company filed a lawsuit with the People's Court of Xuhui District of Shanghai. Both parties reached mediation through the organization of the court. Pursuant to the paper of civil mediation, Ke Zongqing shall pay RMB14.99 million, as well as the relevant interests and liquidated damages to the Company before October 28, 2020 and Tan Aiwu shall assume joint and several liability. Ke Zongqing failed to perform the repayment obligations in accordance with the effective mediation paper, and the company has applied to the court for compulsory execution. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on August 21, 2020 and November 9, 2020)

Section VI Significant Events (continued)

5. The case of the dispute over the agreement on pledged securities repurchase raised by the company against TruValue Asset Management Co., Ltd.

In October 2018, Shenyin Wanguo Tiantianzeng No. 1 Collective Asset Management Plan under the management of the company and the TruValue Linshui Ronfu No. 2 Asset Management Plan (“Linshui Ronfu No. 2”) under the management of TruValue Asset Management Co., Ltd. (the “respondent, TruValue”) conducted a pledged securities repurchase at a consideration of RMB70 million. The pledged bonds are 100,000 lots of “17 Guogou 01”. In January 2019, TruValue and Linshui Rongfu No. 2 managed by it failed to perform the repayment obligations of the borrower on the agreed due date, which constituted a breach of contract. The respondent had not fulfilled the obligation of repayment after repeated reminders. In order to protect the legal rights and interests of the company and its client, the company, as the manager, filed arbitration with the Shenzhen Court of International Arbitration. In July 2021, the company received the award that Linshui Ronfu No. 2 shall fulfill the obligation to repay the principal and interests totaling RMB71.0939 million as well as relevant interests and penalty interests. Linshui Ronfu No. 2 failed to fulfill obligations according to the award, and the Company has applied to the court for enforcement. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on October 21, 2020 and July 23, 2021)

6. The case of the dispute over the pledged securities repurchase raised by the company against Cai Xiaoru

In June 2017, the company and Cai Xiaoru entered into the Business Agreement on Pledged Securities Repurchase of the Shares and the Agreement on Pledged Securities Repurchase of the Shares, pursuant to which, Cai Xiaoru was financed by the company with an amount of RMB91.50 million. During the performance of the agreements, Cai Xiaoru partially repurchased a total of RMB15.80 million. Subsequently, Cai Xiaoru failed to fully complete the repurchase, which constituted a breach of contract. In August 2019, the company filed a request for arbitration with Guangzhou Arbitration Commission. In October 2019, the Guangzhou Arbitration Commission made a ruling that Cai Xiaoru shall repay the principal of RMB75.70 million as well as the corresponding interests and liquidated damages. Later, the company applied to the court for enforcement. As of the end of the Reporting Period, the case is in the process of enforcement. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on August 27, 2019 and October 31, 2019)

7. The case of the dispute over the pledged securities repurchase raised by the company against CITIC Guoan Group Corporation

In 2018, the company and CITIC Guoan Group Corporation (CITIC Guoan) entered into the Business Agreement on Pledged Securities Repurchase of the Shares and the Agreement on Pledged Securities Repurchase of the Shares of Shenwan Hongyuan Securities Co., Ltd., pursuant to which, CITIC Guoan was financed by the company. In October 2018, the performance guarantee ratio fell below the agreed minimum performance guarantee ratio and CITIC Guoan failed to fulfill relevant obligations according to the agreements, which constituted a breach of contract. In December 2019, the company filed a lawsuit with Shanghai Financial Court and the case was accepted, requesting repayment of principal of RMB450 million and the corresponding interests, liquidated damages, etc. In January 2020, the

Section VI Significant Events (continued)

case was handed over to the Third Intermediate People's Court of Beijing for trial. As of the end of the Reporting Period, this case has not yet been judged. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on December 18, 2019)

8. The case of the dispute over the pledged securities repurchase raised by the company against CITIC Guoan Investment Co., Ltd. and CITIC Guoan Group Corporation

In March 2018, the company and CITIC Guoan Investment Co., Ltd. ("Guoan Investment") entered into the Business Agreement on Pledged Securities Repurchase of the Shares and the Agreement on Pledged Securities Repurchase of the Shares, pursuant to which, Guoan Investment was financed by the company and CITIC Guoan shall assume joint and several liability. In October 2018, the performance guarantee ratio fell below the agreed minimum performance guarantee ratio, Guoan Investment failed to fulfill relevant obligations according to agreements, and CITIC Guoan also failed to assume corresponding guarantee obligations, which constituted a breach of contract. In December 2019, the company filed a lawsuit with the Shanghai Financial Court and the case was accepted, requesting repayment of principal of RMB328.96 million and the corresponding interests, liquidated damages, etc. In January 2020, the case was handed over to the Third Intermediate People's Court of Beijing for trial. As of the end of the Reporting Period, this case has not yet been judged. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on December 18, 2019)

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

In 2016, Shenyin & Wanguo Alternative Investment entered into a trust contract with China Everbright Xinglong Trust Co., Ltd. ("Everbright Trust"), pursuant to which, Shenyin & Wanguo Alternative Investment agreed to deliver to Everbright Trust the trust capital in the aggregated amount of RMB300 million, Everbright Trust shall grant trust loan to Zhongke Construction and Development Corporation ("Zhongke Construction"), and Zhongke Longxuan Engineering Project Management (Hai'an) Co., Ltd. (中科龍軒工程項目管理海安有限公司) shall provide guarantee for the pledge. Zhongke Construction later failed to pay the relevant interest after being notified repeatedly, constituting an event of default. Subsequently, Everbright Trust and Shenyin & Wanguo Alternative Investment agreed to terminate the trust contract, and Everbright Trust assigned to Shenyin & Wanguo Alternative Investment all of its rights under the creditor's right and guarantee right. In September 2018, Shenyin & Wanguo Alternative Investment filed a civil complaint to the Gansu High People's Court requesting the judgment that Zhongke Construction shall repay Shenyin & Wanguo Alternative Investment a loan principal of RMB300 million and the accrued interest, the penalty interest and the attorney fee, and Zhongke Longxuan shall be jointly liable for the aforesaid petition. In November 2020, Shenyin & Wanguo Alternative Investment received the first instance ruling of the case, and the court ruled to reject its prosecution. Later, Shenyin & Wanguo Alternative Investment appealed the ruling. In August 2021, Shenyin & Wanguo Alternative Investment received the ruling from the Supreme Court that the first instance ruling be revoked and the court of first instance shall perform retrial. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) on February 21, 2018, November 23, 2020 and August 6, 2021 and on the website of HKExnews (www.hkexnews.hk) on November 23, 2020 and August 6, 2021)

Section VI Significant Events (continued)

(IV) Relevant litigations and arbitrations of Shenwan Hongyuan Securities (a subsidiary of the Company, which is referred to as the “company” in this sub-section for the purpose of being clear and concise) after the Reporting Period

(1) The case of the dispute over pledged securities repurchase raised by the company (on behalf of Shenwan Hongyuan Julong No. 1 Collective Asset Management Scheme as one of the series in the securities industry for support of the development of private enterprises) against Anji Julong Enterprise Management Consulting Partnership (Limited Partnership), etc.

In December 2019, the company, on behalf of Shenwan Hongyuan Julong No. 1 Collective Asset Management Scheme, and Anji Julong Enterprise Management Consulting Partnership (Limited Partnership) (“Anji Julong”) entered into the Business Agreement on Pledged Securities Repurchase of the Shares and the Agreement on Pledged Securities Repurchase of the Shares, stipulating that Anji Julong was financed by the asset management scheme with an aggregate amount of RMB122.60 million. Liu Yongquan and Zhang Nai, the spouse of Liu Yongquan, shall bear joint and several liability. Liu Changqing shall provide guarantee for the pledge. During the performance of the agreements, Anji Julong repaid part of the principal. Anji Julong failed to take measures to maintain the performance guarantee ratio and failed to conduct repurchase in advance in accordance with the company’s requirements, constituting a breach of contract. In order to protect its legitimate rights and interests, the company filed a lawsuit with the Shanghai Financial Court, requiring Anji Julong to pay the outstanding principal of RMB106.8250 million and the interests and liquidated damages, and Liu Yongquan, Zhang Nai, and Liu Changqing to bear the corresponding guarantee responsibilities, etc.

(2) The case of the dispute over pledged securities repurchase raised by the company (on behalf of Shenwan Hongyuan Julong No. 1 Collective Asset Management Scheme as one of the series in the securities industry for support of the development of private enterprises) against Liu Yongquan, etc.

In December 2019, the company, on behalf of Shenwan Hongyuan Julong No. 1 Collective Asset Management Scheme, and Liu Yongquan entered into the Business Agreement on Pledged Securities Repurchase of the Shares and the Agreement on Pledged Securities Repurchase of the Shares, stipulating that Liu Yongquan was financed by the asset management scheme with an aggregate amount of RMB375.40 million. Zhang Nai, the spouse of Liu Yongquan, shall bear joint and several liability; Anji Julong provided joint guarantee, and Liu Changqing shall provide for the pledge. During the performance of the agreements, Liu Yongquan failed to take measures to maintain the performance guarantee ratio and failed to conduct repurchase in advance in accordance with the company’s requirements, constituting a breach of contract. In order to protect its legitimate rights and interests, the company filed a lawsuit with the Shanghai Financial Court, requiring Liu Yongquan and Zhang Nai to jointly pay the outstanding principal of RMB375.40 million and related interests and liquidated damages, and Anji Julong and Liu Changqing to bear the corresponding guarantee responsibilities, etc.

(3) The case of the dispute over pledged securities repurchase raised by the company (on behalf of Shenwan Hongyuan No. 15 Single Asset Management Scheme as one of the series in the securities industry for support of the development of private enterprises) against Liu Yongquan, etc.

On April 17, 2020, the company, on behalf of Shenwan Hongyuan No. 15 Single Asset Management Scheme, and Liu Yongquan entered into the Business Agreement on Pledged Securities Repurchase of the Shares and the Agreement on Pledged Securities Repurchase of the Shares, stipulating that Liu Yongquan was financed by the asset management scheme with an aggregate amount of RMB158.2076 million. Zhang Nai, the spouse of Liu Yongquan, shall bear joint and several liability and provide guarantee for the pledge. Liu Changqing shall provide guarantee for the pledge. During the performance of the agreements, Liu Yongquan failed to take measures to maintain the performance guarantee ratio, failed to conduct repurchase in advance in accordance with the company's requirements, and failed to perform the repurchase obligation when the agreements expired. In order to protect its legitimate rights and interests, the company filed a lawsuit with the Shanghai Financial Court, requiring Liu Yongquan and Zhang Nai to pay the outstanding principal of RMB158.2076 million and related interests and liquidated damages, and Liu Changqing to bear the corresponding guarantee responsibilities, etc.

(4) The case of the dispute over pledged securities repurchase raised by the company (on behalf of Shenwan Hongyuan No. 15 Single Asset Management Scheme as one of the series in the securities industry for support of the development of private enterprises) against Zhou Suqin, etc.

On April 17, 2020, the company, on behalf of Shenwan Hongyuan No. 15 Single Asset Management Scheme, and Zhou Suqin entered into the Business Agreement on Pledged Securities Repurchase of the Shares and the Agreement on Pledged Securities Repurchase of the Shares, stipulating that Zhou Suqin was financed by the asset management scheme with an aggregate amount of RMB160.7652 million. Liu Changqing, the spouse of Zhou Suqin, shall bear joint and several liability and provide guarantee for the pledge. Zhang Nai shall provide guarantee for the pledge. During the performance of the agreements, Zhou Suqin failed to take measures to maintain the performance guarantee ratio, failed to conduct repurchase in advance in accordance with the company's requirements, and failed to perform the repurchase obligation when the agreements expired. In order to protect its legitimate rights and interests, the company filed a lawsuit with the Shanghai Financial Court, requiring Zhou Suqin and Liu Changqing to pay the outstanding principal of RMB160.7652 million and related interests and liquidated damages, and Zhang Nai to bear the corresponding guarantee responsibilities, etc.

The company has received the notice of acceptance for the abovementioned cases from the Shanghai Financial Court in July 2021. As of now, the above cases have not yet been judged. (For details, please refer to the announcements published by the Company on the Cninfo website (www.cninfo.com.cn) and on the website of HKExnews (www.hkexnews.hk) on July 9, 2021)

Section VI Significant Events (continued)

IX. PENALTIES AND RECTIFICATIONS

During the Reporting Period, the Company was not filed for investigation in accordance with laws due to any suspected crimes, and the controlling shareholder, actual controller, directors, supervisors and senior management of the Company were not subject to compulsory measures in accordance with laws due to any suspected crimes. The Company or the controlling shareholder, actual controller, directors, supervisors and senior management of the Company were not subject to criminal penalties, or were investigated by the CSRC or were subject to administrative penalties by the CSRC for suspected violations of laws and regulations, or were subject to major administrative penalties by other competent authorities. The controlling shareholder, actual controller, directors, supervisors and senior management of the Company were not subject to retention measures taken by the discipline inspection and supervision organs due to suspected serious violations of disciplines or laws or duty crimes that affect their performance of their duties. The directors, supervisors, and senior management of the Company were not subject to compulsory measures taken by other competent authorities due to suspected violations of laws and regulations that affect their performance of their duties.

During the Reporting Period, the Company or the controlling shareholder, actual controller, directors, supervisors and senior management of the Company were not subject to administrative supervision measures taken by the CSRC or disciplinary sanctions taken by the stock exchanges.

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

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

Section VI Significant Events (continued)

XI. MATERIAL RELATED PARTY TRANSACTIONS

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

During the Reporting Period, the Company carried out ordinary party related transactions in strict accordance with the Resolution Regarding the Estimated Ordinary Related Party Transactions for 2021 as considered and approved at the 2020 annual general meeting. The implementation is as follows:

Unit: 10 Thousand Yuan Currency: RMB

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2021	Proportion in Similar Businesses
Securities and financial services	China Jiayin Investment Ltd. and its subsidiaries	Income from provision of securities and financial services to the related party including securities brokerage, investment banking, asset management, agency sale and leasing trading units	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	976.03	0.27%
		Expenses incurred by acceptance of securities and financial services provided by the related party including fund management			113.90	0.00%
	Shanghai International Trust Co., Ltd.	Income from provision of securities and financial services to the related party including consulting services and investment banking services	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	197.26	0.96%

Section VI Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2021	Proportion in Similar Businesses
	SAIC Finance Corporation Limited	Income from provision of securities and financial services to the related party including asset management and brokerage services	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	27.23	0.01%
	SAIC-GMAC Automotive Finance Co., Ltd.	Income from provision of securities and financial services to the related party including investment banking services	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	1,140.38	1.94%
	SAIC Motor Corporation Limited	Income from provision of securities and financial services to the related party including asset management, brokerage services and investment banking services	Determined after arm's length negotiations with reference to the market rates	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	1.69	0.00%
	SAIC Motor Financial Holding Management Co., Ltd. ^{Note}	Income from provision of securities and financial services to the related party including asset management, brokerage services and investment banking services	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	0.00	0.00%

Section VI Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2021	Proportion in Similar Businesses
	Sichuan Development Holding Co., Ltd.	Income from provision of securities and financial services to the related party including investment banking services, securities brokerage, consulting and training	Determined after arm's length negotiations with reference to the market prices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	0.09	0.00%
	Sichuan Financial Holding Group Co., Ltd.	Income from provision of securities and financial services to the related party including investment banking services	Determined after arm's length negotiations with reference to the market prices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	—	—
	DBS Bank (China) Limited	Income from securities and financial services including deposit interest, provision of asset management and agency sale to the related party	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	47.12	0.04%

Section VI Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2021	Proportion in Similar Businesses
	Bank of Shanghai Co., Ltd.	Income from securities and financial services including deposit interest, provision of asset management and agency sale to the related party	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	2,142.33	0.02%
		Expenses incurred by securities and financial services provided by the related party including asset trusteeship, financial advisory and funds trusteeship			245.34	0.00%
	Shanghai Jiushi (Group) Co., Ltd. ^{Note}	Income from provision of securities and financial services to the related party including securities brokerage service	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	3.37	0.00%

Section VI Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2021	Proportion in Similar Businesses
	Xinjiang Kaidi Investment Co., Ltd. ^{Note}	Income from provision of securities and financial services to the related party including asset management, brokerage services and investment banking services	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	75.00	0.73%
	Other related parties of the Company except those listed above	Income or expenses in relation to mutual provision of securities and financial services with the related party	Determined after arm's length negotiations with reference to the market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	—	—

Section VI Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2021	Proportion in Similar Businesses
Securities and financial products and transactions	China Jianyin Investment Ltd. and its subsidiaries	Total cash inflow from securities and financial products transactions including receipt of interests on repurchase transaction and interbank lending, repurchase transaction, bonds trading, interbank lending, derivatives trading with the related party and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to the market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	—	—
		Total cash outflow for securities and financial products transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction, interbank lending, bonds trading, derivatives trading with the related party and subscription of financial products under non-public issuance or management of the related party			—	—

Section VI Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2021	Proportion in Similar Businesses
	Shanghai International Trust Co., Ltd.	Total cash inflow from securities and financial products transactions including receipt of interests on repurchase transaction and interbank lending, repurchase transaction, bonds trading, interbank lending, derivatives trading with the related party and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to the market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	9,343,546.81	1.20%
		Total cash outflow for securities and financial products transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction, interbank lending, bonds trading, derivatives trading with the related party and subscription of financial products under non-public issuance or management of the related party			194,027.15	0.31%

Section VI Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2021	Proportion in Similar Businesses
	DBS Bank (China) Limited	Total cash inflow from securities and financial products transactions including receipt of interests on repurchase transaction and interbank lending, repurchase transaction, bonds trading, interbank lending, derivatives trading with the related party and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to the market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	144,106.51	0.17%
		Total cash outflow for securities and financial products transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction, interbank lending, bonds trading, derivatives trading with the related party and subscription of financial products under non-public issuance or management of the related party			138,422.43	0.22%

Section VI Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2021	Proportion in Similar Businesses
	Bank of Shanghai Co., Ltd.	Total cash inflow from securities and financial products transactions including receipt of interests on repurchase transaction and interbank lending, repurchase transaction, bonds trading, interbank lending, derivatives trading with the related party and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to the market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	726,931.19	0.31%
		Total cash outflow for securities and financial products transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction, interbank lending, bonds trading, derivatives trading with the related party and subscription of financial products under non-public issuance or management of the related party			1,098,844.55	1.69%

Section VI Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2021	Proportion in Similar Businesses
	SAIC Finance Corporation Limited	Total cash inflow from securities and financial products transactions including receipt of interests on repurchase transaction and interbank lending, repurchase transaction, bonds trading, interbank lending, derivatives trading with the related party and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to the market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	30,020.00	0.07%
		Total cash outflow for securities and financial products transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction, interbank lending, bonds trading, derivatives trading with the related party and subscription of financial products under non-public issuance or management of the related party			6.58	0.09%

Section VI Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2021	Proportion in Similar Businesses
	Xiamen International Bank Co., Ltd. ^{Note}	Total cash inflow from receipt of interests on repurchase transaction and interbank lending, repurchase transaction, bonds trading, interbank lending, derivatives trading with the related party and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to the market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	17,156.18	0.02%
		Total cash outflow for payment of interests on repurchase transaction and interbank lending, repurchase transaction, interbank lending, bonds trading, derivatives trading with the related party and subscription of financial products under non-public issuance or management of the related party			17,634.98	0.03%

Section VI Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2021	Proportion in Similar Businesses
	Other related parties of the Company except those listed above	Total cash inflow from securities and financial products transactions including receipt of interests on repurchase transaction and interbank lending, repurchase transaction, bonds trading, interbank lending, derivatives trading with the related party and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to the market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	—	—
		Total cash outflow for securities and financial products transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction, interbank lending, bonds trading, derivatives trading with the related party and subscription of financial products under non-public issuance or management of the related party			—	—

Section VI Significant Events (continued)

Category of Related Party Transaction	Related Party	Subject Matter of Related Party Transaction	Pricing Principle of the Related Party Transaction	Estimated Cap and Explanation Thereon	Amount Incurred as of June 30, 2021	Proportion in Similar Businesses
Lease	China Jianyin Investment Ltd.	Expenses incurred by the lease of house from the related party	Determined after arm's length negotiations by both parties with reference to market rentals	1,462.17	—	—
Comprehensive services	China Jianyin Investment Ltd.	Expenses incurred by the services provided by the related party including maintenance of computer room	Determined after arm's length negotiations by both parties with reference to market prices	874.40	874.40	8.45%

Note: SAIC Motor Financial Holding Management Co., Ltd., Shanghai Jiushi (Group) Co., Ltd., Xinjiang Kaidi Investment Co., Ltd., and Xiamen International Bank Co., Ltd. are related parties increased in 2021. The estimated related party transactions of the Company in relation to "Other related parties of the Company except those listed above" for 2021 include the related party transactions with the new related parties.

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

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

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

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

(IV) Amounts due to or from related parties

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

(V) Transactions with related finance companies and finance companies controlled by the Company

During the Reporting Period, the Company did not have transactions with related finance companies or finance companies controlled by the Company.

(VI) Other material related party transactions

During the Reporting Period, the Company did not have other material related party transactions.

Section VI Significant Events (continued)

XII. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

(I) Material holding in custody, contracting or leasing

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

(II) Material guarantees

The Company held a meeting of the Board of Directors and a general meeting on February 26, 2019 and March 21, 2019, respectively, at which the Regulation Regarding the Provision of Guarantee for Hongyuan Hengli (Shanghai) Industrial Co., Ltd. was considered and approved, pursuant to which the Company shall provide guarantee for the external financing of its wholly-owned subsidiary Hongyuan Hengli (Shanghai) Industrial Co., Ltd. ("Hongyuan Hengli") in an amount of no more than RMB1 billion for a term of two years from the date of consideration and approval at the general meeting. On March 30, 2021, the Regulation Regarding the Provision of Guarantee for Hongyuan Hengli (Shanghai) Industrial Co., Ltd. was considered and approved at the 60th meeting of the fourth session of the Board of Directors of the Company, pursuant to which the Company was approved to provide guarantee for the external financing of Hongyuan Hengli in an amount of no more than RMB1 billion (including the bank facilities which have been in force but not expired). The above resolution was approved at the general meeting of the Company held on May 28, 2021. The abovementioned guarantee and authorization are deemed valid for the guarantees entered into within 24 months from the date of consideration and approval at the general meeting.

On August 4, 2020, the Company entered into the Maximum Guarantee Contract with China Everbright Bank Shanghai Branch for the comprehensive credit granting business of Hongyuan Hengli, to provide irrevocable joint liability guarantee of RMB100 million for Hongyuan Hengli.

On September 10, 2020, the Company entered into the Maximum Guarantee Contract with Industrial Bank Co., Ltd. Shanghai Hongkou Sub-branch for the comprehensive credit granting business of Hongyuan Hengli, to provide irrevocable joint liability guarantee of RMB100 million for Hongyuan Hengli.

On September 24, 2020, the Company entered into the Maximum Guarantee Contract with China CITIC Bank Co., Ltd. Shanghai Branch for the comprehensive credit granting business of Hongyuan Hengli, to provide irrevocable joint liability guarantee of RMB100 million for Hongyuan Hengli.

On November 12, 2020, the Company entered into the Maximum Guarantee Contract with Evergrowing Bank Co., Ltd. Shanghai Branch for the comprehensive credit granting business of Hongyuan Hengli, to provide irrevocable joint liability guarantee of RMB80 million for Hongyuan Hengli.

On February 19, 2021, the Company entered into the Maximum Guarantee Contract with Bank of China Co., Ltd. Shanghai Xuhui Sub-branch for the comprehensive credit granting business of Hongyuan Hengli, to provide irrevocable joint liability guarantee of RMB100 million for Hongyuan Hengli.

On March 12, 2021, the Company entered into the Maximum Guarantee Contract with Ping An Bank Co., Ltd. Shanghai Branch for the comprehensive credit granting business of Hongyuan Hengli, to provide irrevocable joint liability guarantee of RMB100 million for Hongyuan Hengli.

Section VI Significant Events (continued)

On March 12, 2021, the Company entered into the Maximum Guarantee Contract with China Minsheng Bank Co., Ltd. Shanghai Branch for the comprehensive credit granting business of Hongyuan Hengli, to provide irrevocable joint liability guarantee of RMB100 million for Hongyuan Hengli.

(For details, please refer to the announcements published by the Company on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website (www.cninfo.com.cn) on August 6, September 15, September 29, and November 20, 2020 and February 23 and March 18, 2021 and on the website of HKExnews (www.hkexnews.hk) on August 5, September 14, September 28, and November 19, 2020 and February 22 and March 17, 2021).

As of the end of the Reporting Period, the total external guarantees of the Company and its controlled subsidiaries amounted to RMB649.9977 million, which were all in relation to provision of guarantees for Hongyuan Hengli. The accumulated amount of overdue guarantees was nil, the amount of guarantees involved in litigations was nil, and the amount of losses that should be borne due to the loss in lawsuits in relation to guarantees was nil.

(III) Entrusted wealth management

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

(IV) Material contracts in relation to daily operations

N/A

(V) Other material contracts

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

Section VI Significant Events (continued)

XIII. CHANGES IN THE QUALIFICATIONS FOR INDIVIDUAL BUSINESSES OF THE COMPANY IN THE FIRST HALF OF 2021

During the Reporting Period, Shenwan Hongyuan Securities, a subsidiary of the Company, obtained the qualification of pilot equity incentive exercising financing business of listed companies, qualification of main market maker of the Shanghai and Shenzhen 300ETF options of the Shenzhen Stock Exchange, qualification of market maker of gold of the Shanghai Futures Exchange, qualification of market maker of crude oil of Shanghai International Energy Exchange, qualification of market maker of iron ore of Dalian Commodity Exchange, qualification of main market maker for listed funds of the Shanghai Stock Exchange and qualification of spot bond market maker in the inter-bank bond market.

XIV. CLASSIFIED EVALUATION RESULTS

According to the results of classified evaluation of securities companies as published by the CSRC, Shenwan Hongyuan Securities was rated as Class A Grade AA in 2021.

XV. RECEPTION OF RESEARCH AND INTERVIEW BY THE COMPANY

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

Reception time	Reception location	Reception method	Type of reception object	Reception object	Main content discussed and information provided
April 7, 2021	—	Telephone communication, network	Institution	Investors and analysts invited to the Company's 2020 annual results presentation	Operations of the Company
April 8, 2021	—	Network	Individual, institution	Investors who participated in the Company's 2020 annual results presentation	Operations of the Company
May 26, 2021	—	Telephone communication	Institution	Analysts of TF Securities and investors invited to the online research	Operations of the Company
June 10, 2021	Meeting room of the Company	Field research	Institution	Guotai Junan Securities Co., Ltd., BOC-Samsung Life Ins. Co., Ltd., WT Asset Management Limited	Operations of the Company

Note: The record sheet of reception of the above investors for investor relations activities of the Company has been disclosed on the website of the Shenzhen Stock Exchange (www.szse.cn) and the Cninfo website (www.cninfo.com.cn).

XVI. OTHER SIGNIFICANT EVENTS

(I) Change of legal representative

On December 18, 2020, the Resolution Regarding the Appointment of the General Manager of the Company was considered and approved at the 56th meeting of the fourth session of the Board of Directors of the Company, pursuant to which Mr. Huang Hao was appointed as the general manager of the Company. According to the Articles of Association, the general manager is the legal representative of the Company. On January 14, 2021, the Company completed the procedures for the industrial and commercial registration of change of the legal representative. After the change, the legal representative is Huang Hao (For details, please refer to the relevant announcements published by the Company on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website (www.cninfo.com.cn) on December 19, 2020 and January 19, 2021 and on the website of HKExnews (www.hkexnews.hk) on December 18, 2020 and January 18, 2021).

(II) Implementation of the profit distribution plan for 2020

The profit distribution plan of the Company for 2020 is as follows: based on the total share capital of 25,039,944,560 A Shares and H Shares of the Company as of December 31, 2020, a cash dividend of RMB1.00 (tax inclusive) for every 10 shares was distributed to all A shareholders and H shareholders whose names appear on the register of members of the Company on the record date.

For A shareholders, the Company completed the implementation of the 2020 profit distribution plan on July 23, 2021 with July 22, 2021 as the equity registration date and July 23, 2021 as the ex-dividend date. (For details, please refer to the Announcement on Implementation of the 2020 Profit Distribution Plan for A Shares of the Company published by the Company on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website (www.cninfo.com.cn) on July 17, 2021)

For H shareholders, the Company distributed cash dividend for 2020 of RMB1.00 (tax inclusive) per 10 Shares to the shareholders whose names appear on the register of members of the Company on June 17, 2021. The 2020 cash dividend was distributed on July 23, 2021. The 2020 cash dividend distributed was denominated and announced in RMB and H shareholders were paid in HK dollars. The actual amount of HK dollars distributed was calculated at the average benchmark exchange rate of RMB against HK dollars (i.e. RMB0.82729 = HK\$1.00) published by the People's Bank of China for the five working days before May 28, 2021 (being the date of the annual general meeting). Accordingly, the cash dividend per 10 H Shares was HK\$1.20877 (tax inclusive). (For details, please refer to the Poll Results of the 2020 Annual General Meeting, Payment of Cash Dividend, Appointment of Members of the Fifth Session of the Board of Directors, Appointment of Members of the Fifth Session of the Board of Supervisors, Roles of Members of the Fifth Session of the Board of Directors, Appointment of the Chairman, Vice Chairman, Chairman of the Board of Supervisors, Chairman and Members of the Executive Committee of the Company and Approval and Effectiveness of the Articles of Association disclosed by the Company on the website of HKExnews (www.hkexnews.hk) on May 28, 2021).

Section VI Significant Events (continued)

XVII. INDEX OF IMPORTANT INFORMATION DISCLOSED DURING THE REPORTING PERIOD

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

No.	Announcements	Date of publication
1	Announcement on the Approval of the CSRC for the Registration of Perpetual Subordinated Bonds Issued Publicly by Shenwan Hongyuan Securities Co., Ltd. to Professional Investors	2021-01-05
2	Announcement on the No-objection Letter Regarding the Qualification of Primary Dealers for OTC Options Obtained by Shenwan Hongyuan Securities Co., Ltd.	2021-01-05
3	Announcement on the Current Accumulated New Borrowings Exceeding 40% of the Net Assets at the End of Last Year	2021-01-08
4	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding Corporate Bonds	2021-01-13
5	Announcement on Progress of the Material Litigation Involving a Subsidiary	2021-01-13
6	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding Corporate Bonds	2021-01-13
7	Announcement on Change of Legal Representative	2021-01-19
8	Announcement on the Approval of the CSRC for the Registration of Corporate Bonds Issued Publicly to Professional Investors	2021-01-19
9	Announcement on the Completion of the Repayment of the Eighth Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd. in 2020	2021-01-19
10	Announcement on the Material Litigation Involving a Subsidiary	2021-01-20
11	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding Corporate Bonds	2021-01-20
12	Announcement on the Results of Public Issuance of Subordinated Bonds (First Tranche) by Shenwan Hongyuan Securities Co., Ltd. to Professional Investors in 2021	2021-01-23
13	Announcement on the Results of the Issuance of the First Tranche of Short-term Financing Bonds (Bond Connect) by Shenwan Hongyuan Securities Co., Ltd. in 2021	2021-01-26
14	Announcement on the Listing of the Subordinated Bonds (First Tranche) Issued Publicly to Professional Investors by Shenwan Hongyuan Securities Co., Ltd. in 2021 at the Shenzhen Stock Exchange	2021-01-29
15	Comparison Table of Amendments to the Articles of Association of Shenwan Hongyuan Group Co., Ltd.	2021-01-30
16	Articles of Association	2021-01-30

Section VI Significant Events (continued)

No.	Announcements	Date of publication
17	Rules of Procedure of the Board of Directors	2021-01-30
18	Comparison Table of Amendments to the Rules of Procedure of the Board of Directors of Shenwan Hongyuan Group Co., Ltd.	2021-01-30
19	Announcement on Resolutions of the 58th Meeting of the Fourth Session of the Board of Directors	2021-01-30
20	Comparison Table of Amendments to the Plan on Authorisation to the Board of Directors by General Meeting (2020) of Shenwan Hongyuan Group Co., Ltd.	2021-01-30
21	Comparison Table of Amendments to the Rules of Procedure of the Board of Supervisors of Shenwan Hongyuan Group Co., Ltd.	2021-01-30
22	Rules of Procedure of the Board of Supervisors	2021-01-30
23	Announcement on Resolutions of the 35th Meeting of the Fourth Session of the Board of Supervisors	2021-01-30
24	Plan on Authorisation to the Board of Directors by General Meeting	2021-01-30
25	Announcement on the Material Arbitration Involving a Subsidiary	2021-02-05
26	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding the Bonds of Shenwan Hongyuan Group Co., Ltd.	2021-02-05
27	Announcement on the Completion of the Repayment of the Ninth Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd. in 2020	2021-02-23
28	Announcement on Progress of Providing Guarantee for a Wholly-owned Subsidiary	2021-02-23
29	Announcement on the Results of the Issuance of the Second Tranche of Short-term Financing Bonds (Bond Connect) by Shenwan Hongyuan Securities Co., Ltd. in 2021	2021-02-27
30	Credit Rating Report on the Corporate Bonds (First Tranche) Issued Publicly by Shenwan Hongyuan Group Co., Ltd. to Professional Investors in 2021	2021-03-03
31	Prospectus on Public Issuance of Corporate Bonds (First Tranche) by Shenwan Hongyuan Group Co., Ltd. to Professional Investors in 2021	2021-03-03
32	Prospectus on Public Issuance of Corporate Bonds (First Tranche) by Shenwan Hongyuan Group Co., Ltd. to Professional Investors in 2021	2021-03-03
33	Announcement on Issuance of the Corporate Bonds (First Tranche) Issued Publicly by Shenwan Hongyuan Group Co., Ltd. to Professional Investors in 2021	2021-03-03
34	Announcement of Shenwan Hongyuan Group Co., Ltd. on Change of Name for the Publicly Issued Corporate Bonds	2021-03-03
35	Announcement on the Results of the Public Issuance of Short-term Corporate Bonds (First Tranche) by Shenwan Hongyuan Securities Co., Ltd. to Professional Investors in 2021	2021-03-03

Section VI Significant Events (continued)

No.	Announcements	Date of publication
36	Summary of the Prospectus on Public Issuance of Corporate Bonds (First Tranche) to Professional Investors in 2021	2021-03-03
37	Announcement on Extending the Bookkeeping Time for the Public Issuance of Corporate Bonds (First Tranche) by Shenwan Hongyuan Group Co., Ltd. to Professional Investors in 2021	2021-03-04
38	Announcement on Extending the Bookkeeping Time for the Public Issuance of Corporate Bonds (First Tranche) by Shenwan Hongyuan Group Co., Ltd. to Professional Investors in 2021	2021-03-04
39	Announcement on Extending the Bookkeeping Time for the Public Issuance of Corporate Bonds (First Tranche) by Shenwan Hongyuan Group Co., Ltd. to Professional Investors in 2021	2021-03-04
40	Announcement on Payment of Interests for 2021 for the Corporate Bonds (First Tranche) Issued in a Non-public Way by Shenwan Hongyuan Group Co., Ltd. in 2019	2021-03-05
41	Announcement on Extending the Bookkeeping Time for the Public Issuance of Corporate Bonds (First Tranche) by Shenwan Hongyuan Group Co., Ltd. to Professional Investors in 2021	2021-03-05
42	Announcement on the Coupon Rate of the Corporate Bonds (First Tranche) Issued Publicly by Shenwan Hongyuan Group Co., Ltd. to Professional Investors in 2021	2021-03-05
43	Announcement on the Results of the Public Issuance of Corporate Bonds (First Tranche) by Shenwan Hongyuan Securities Co., Ltd. to Professional Investors in 2021	2021-03-08
44	Announcement on the Listing of the Short-term Corporate Bonds (First Tranche) Issued Publicly to Professional Investors by Shenwan Hongyuan Securities Co., Ltd. in 2021 at the Shenzhen Stock Exchange	2021-03-09
45	Announcement on Completion of Industrial and Commercial Registration of Changes by the Subsidiary Shenwan Hongyuan Securities Co., Ltd.	2021-03-10
46	Announcement on the Listing of the Corporate Bonds (First Tranche) Issued Publicly by Shenwan Hongyuan Group Co., Ltd. to Professional Investors in 2021 at the Shenzhen Stock Exchange	2021-03-11
47	Announcement on the Results of the Public Issuance of Subordinated Bonds (Second Tranche) by Shenwan Hongyuan Securities Co., Ltd. to Professional Investors in 2021	2021-03-12
48	Announcement on the Completion of the Repayment of the Tenth Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd. in 2020	2021-03-16
49	Independent Opinions of Independent Directors	2021-03-16
50	Announcement on Resolutions of the 59th Meeting of the Fourth Session of the Board of Directors	2021-03-16

Section VI Significant Events (continued)

No.	Announcements	Date of publication
51	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding the Bonds of Shenwan Hongyuan Group Co., Ltd.	2021-03-17
52	Announcement on Progress of the Material Litigation Involving a Subsidiary	2021-03-17
53	Entrusted Management Provisional Report by Chasing Securities Co., Ltd. on Major Issues Regarding Corporate Bonds (First Tranche) Issued Publicly by Shenwan Hongyuan Group Co., Ltd. to Professional Investors in 2021	2021-03-17
54	Announcement on Progress of Providing Guarantee for a Wholly-owned Subsidiary	2021-03-18
55	Announcement on the Listing of the Subordinated Bonds (Second Tranche) Issued Publicly by Shenwan Hongyuan Securities Co., Ltd. to Professional Investors in 2021 at the Shenzhen Stock Exchange	2021-03-23
56	Announcement on the Approval of the CSRC for the Public Issuance of Corporate Bonds by Shenwan Hongyuan Securities Co., Ltd. to Professional Investors	2021-03-24
57	Announcement on Provision of Guarantee by Shenwan Hongyuan Securities Co., Ltd. for the Issuance of Bonds by an Overseas Subsidiary	2021-03-24
58	Internal Control Assurance Report	2021-03-31
59	Shareholder Return Plan of Shenwan Hongyuan Group Co., Ltd. for the Next Three Years (2021–2023)	2021-03-31
60	Announcement on Provision of Guarantee for a Wholly-owned Subsidiary	2021-03-31
61	Statement of the Nominator of Independent Director of Shenwan Hongyuan Group Co., Ltd. (Yeung Siuman Shirley)	2021-03-31
62	Announcement on Resolutions of the Meeting of the Board of Directors	2021-03-31
63	Social Responsibility Report	2021-03-31
64	Summary of 2020 Annual Report	2021-03-31
65	2020 Annual Report	2021-03-31
66	2020 Work Report of the Board of Directors of Shenwan Hongyuan Group Co., Ltd.	2021-03-31
67	Statement of the Nominator of Independent Director of Shenwan Hongyuan Group Co., Ltd. (Chen Hanwen)	2021-03-31
68	Statement of the Candidate for Independent Director of Shenwan Hongyuan Group Co., Ltd. (Yeung Siuman Shirley)	2021-03-31
69	Announcement on the Provision for the Allowance for Assets Impairment	2021-03-31
70	Announcement on Estimated Ordinary Related Party Transactions for 2021	2021-03-31
71	2020 Annual Audit Report	2021-03-31

Section VI Significant Events (continued)

No.	Announcements	Date of publication
72	Statement of the Nominator of Independent Director of Shenwan Hongyuan Group Co., Ltd. (Zhao Lei)	2021-03-31
73	Statement of the Candidate for Independent Director of Shenwan Hongyuan Group Co., Ltd. (Chen Hanwen)	2021-03-31
74	Statement of the Candidate for Independent Director of Shenwan Hongyuan Group Co., Ltd. (Zhao Lei)	2021-03-31
75	2020 Work Report of the Board of Supervisors of Shenwan Hongyuan Group Co., Ltd.	2021-03-31
76	Independent Opinions of Independent Directors on External Guarantees, etc.	2021-03-31
77	Annual Special Audit Report on the Appropriation of Funds by Related Parties	2021-03-31
78	Annual Work Report of Independent Directors	2021-03-31
79	Statement of the Nominator of Independent Director of Shenwan Hongyuan Group Co., Ltd. (Wu Changqi)	2021-03-31
80	Statement of the Candidate for Independent Director of Shenwan Hongyuan Group Co., Ltd. (Wu Changqi)	2021-03-31
81	Self-Assessment Report on Internal Control	2021-03-31
82	Announcement on Resolutions of the Meeting of the Board of Supervisors	2021-03-31
83	Announcement on Convening 2020 Annual Results Presentation	2021-04-02
84	Announcement on Payment of Interests for 2021 for the Corporate Bonds (Second Tranche) (Type I) Issued in a Non-public Way in 2019	2021-04-09
85	Announcement on Put-back, Repayment of Principal and Payment of Interest and Delisting of the Subordinated Bonds (First Tranche) (Type I) of Shenwan Hongyuan Securities Co., Ltd. in 2018	2021-04-14
86	Announcement on Change of Accounting Firms	2021-04-20
87	Independent Opinions of Independent Directors	2021-04-20
88	Announcement on Resolutions of the 61st Meeting of the Fourth Session of the Board of Directors	2021-04-20
89	Announcement on Progress of the Material Litigation and Arbitration Involving a Subsidiary	2021-04-20
90	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding the Bonds of Shenwan Hongyuan Group Co., Ltd.	2021-04-20
91	Entrusted Management Provisional Report by Chasing Securities Co., Ltd. on Major Issues Regarding Corporate Bonds (First Tranche) Issued Publicly by Shenwan Hongyuan Group Co., Ltd. to Professional Investors in 2021	2021-04-20
92	Announcement on Repayment of Principal and Payment of Interest and Delisting of the Corporate Bonds (First Tranche) Issued Publicly by Shenwan Hongyuan Group Co., Ltd. in 2016	2021-04-22

Section VI Significant Events (continued)

No.	Announcements	Date of publication
93	Announcement on Convening the 2020 Annual General Meeting	2021-04-28
94	Announcement on the Completion of the Repayment of the First Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd. in 2021	2021-04-28
95	Materials for the 2020 Annual General Meeting	2021-04-28
96	Independent Opinions of Independent Directors	2021-04-30
97	Announcement on the Results of the Public Issuance of Corporate Bonds (to Professional Investors) (First Tranche) by Shenwan Hongyuan Securities Co., Ltd. in 2021	2021-04-30
98	Full Text of the 2021 First Quarterly Report	2021-04-30
99	Main Text of the 2021 First Quarterly Report	2021-04-30
100	Announcement on Election of Employee Representative Supervisors of the Fifth Session of the Board of Supervisors	2021-05-11
101	Announcement on the Listing of the Corporate Bonds (First Tranche) Issued Publicly by Shenwan Hongyuan Securities Co., Ltd. (to Professional Investors) in 2021 at the Shenzhen Stock Exchange	2021-05-14
102	Announcement on the Results of the Public Issuance of Corporate Bonds (to Professional Investors) (Second Tranche) by Shenwan Hongyuan Securities Co., Ltd. in 2021	2021-05-25
103	Ongoing Credit Rating Report on the Public Issuance of Corporate Bonds by Shenwan Hongyuan Group Co., Ltd. in 2021	2021-05-26
104	Ongoing Credit Rating Report on Shenwan Hongyuan Group Co., Ltd. and the Bonds Issued Publicly by It	2021-05-27
105	China Lianhe Credit Rating Co., Ltd.: 2021 Ongoing Credit Rating Report on the Public Issuance of Corporate Bonds by Shenwan Hongyuan Group Co., Ltd.	2021-05-27
106	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.: Ongoing Credit Rating Report on Shenwan Hongyuan Group Co., Ltd. and the Bonds Issued Publicly by It	2021-05-27
107	Announcement on the Listing of the Corporate Bonds (Second Tranche) Issued Publicly by Shenwan Hongyuan Securities Co., Ltd. (to Professional Investors) in 2021 at the Shenzhen Stock Exchange	2021-05-28
108	Short Form Report on Changes in Equity	2021-05-28
109	Announcement on the Completion of the Repayment of the Second Tranche of Short-term Financing Bonds (Bond Connect) of Shenwan Hongyuan Securities Co., Ltd. in 2021	2021-05-28
110	Announcement on the Engagement in Lending Business for Margin and Securities Refinancing by the Shareholder Shanghai Jiushi (Group) Co., Ltd.	2021-05-28
111	Announcement on Resolutions of the First Meeting of the Fifth Session of the Board of Supervisors	2021-05-29

Section VI Significant Events (continued)

No.	Announcements	Date of publication
112	Legal Opinion	2021-05-29
113	Independent Opinions of Independent Directors	2021-05-29
114	Announcement on Resolutions of the First Meeting of the Fifth Session of the Board of Directors	2021-05-29
115	Announcement on Resolutions of the 2020 Annual General Meeting	2021-05-29
116	Announcement on the Results of the Public Issuance of Corporate Bonds (to Professional Investors) (Third Tranche) by Shenwan Hongyuan Securities Co., Ltd. in 2021	2021-06-01
117	Announcement on the Listing of the Corporate Bonds (Third Tranche) Issued Publicly by Shenwan Hongyuan Securities Co., Ltd. (to Professional Investors) in 2021 at the Shenzhen Stock Exchange	2021-06-08
118	Announcement on the Results of the Issuance of the Third Tranche of Short-term Financing Bonds (Bond Connect) by Shenwan Hongyuan Securities Co., Ltd. in 2021	2021-06-11
119	Announcement on Progress of the Material Litigation Involving a Subsidiary	2021-06-11
120	Entrusted Management Provisional Report by Chasing Securities Co., Ltd. on Major Issues Regarding Corporate Bonds (First Tranche) Issued Publicly by Shenwan Hongyuan Group Co., Ltd. to Professional Investors in 2021	2021-06-11
121	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding the Bonds of Shenwan Hongyuan Group Co., Ltd.	2021-06-11
122	Announcement on Participation in the Online Collective Reception Day for Investors of Listed Companies in Xinjiang in 2021	2021-06-16
123	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding the Bonds of Shenwan Hongyuan Group Co., Ltd.	2021-06-16
124	Entrusted Management Provisional Report by Chasing Securities Co., Ltd. on Major Issues Regarding Corporate Bonds (First Tranche) Issued Publicly by Shenwan Hongyuan Group Co., Ltd. to Professional Investors in 2021	2021-06-16
125	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding the Bonds of Shenwan Hongyuan Group Co., Ltd.	2021-06-16
126	Entrusted Management Provisional Report by Chasing Securities Co., Ltd. on Major Issues Regarding Corporate Bonds (First Tranche) Issued Publicly by Shenwan Hongyuan Group Co., Ltd. to Professional Investors in 2021	2021-06-16
127	First Indicative Announcement on Adjustment of Coupon Rate and Measures for Implementation of Put-back by Investors for "18 ShenHong 01" Bonds	2021-06-16

Section VI Significant Events (continued)

No.	Announcements	Date of publication
128	Second Indicative Announcement on Adjustment of Coupon Rate and Measures for Implementation of Put-back by Investors for “18 ShenHong 01” Bonds	2021-06-17
129	Third Indicative Announcement on Adjustment of Coupon Rate and Measures for Implementation of Put-back by Investors for “18 ShenHong 01” Bonds	2021-06-18
130	Announcement on the Results of the Public Issuance of Perpetual Subordinated Bonds (First Tranche) by Shenwan Hongyuan Securities Co., Ltd. in 2021	2021-06-26
131	Entrusted Management Provisional Report by Huatai United Securities Co., Ltd. on Major Issues Regarding the Bonds of Shenwan Hongyuan Group Co., Ltd.	2021-06-29
132	Entrusted Management Provisional Report by Chasing Securities Co., Ltd. on Major Issues Regarding Corporate Bonds (First Tranche) Issued Publicly by Shenwan Hongyuan Group Co., Ltd. to Professional Investors in 2021	2021-06-29
133	Announcement on the Material Litigation Involving a Subsidiary	2021-06-29
134	Entrusted Management Report on the Public Issuance of Corporate Bonds (Second Tranche) by Shenwan Hongyuan Group Co., Ltd. to Qualified Investors in 2016 (2020)	2021-06-30
135	Entrusted Management Report on the Non-public Issuance of Corporate Bonds (First Tranche) by Shenwan Hongyuan Group Co., Ltd. in 2019 (2020)	2021-06-30
136	Entrusted Management Report on the Non-public Issuance of Corporate Bonds (Second Tranche) by Shenwan Hongyuan Group Co., Ltd. in 2019 (2020)	2021-06-30
137	Entrusted Management Report on the Non-public Issuance of Corporate Bonds (Third Tranche) by Shenwan Hongyuan Group Co., Ltd. in 2019 (2020)	2021-06-30
138	Entrusted Management Report on the Public Issuance of Corporate Bonds (First Tranche) by Shenwan Hongyuan Group Co., Ltd. to Qualified Investors in 2018 (2020)	2021-06-30

The information on H shares disclosed by the Company on the website of HKEx at www.hkexnews.hk during the Reporting Period (excluding overseas regulatory announcements) is as follows:

No.	Announcements	Date of publication
1	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 December 2020	2021-01-07
2	Proposed Amendments to Articles of Association	2021-01-29

Section VI Significant Events (continued)

No.	Announcements	Date of publication
3	Change of Company Secretary and Process Agent	2021-01-29
4	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 January 2021	2021-02-04
5	Monthly Return of Equity Issuer on Movements in Securities for the month ended 28 February 2021	2021-03-02
6	Change of Building Name of Principal Place of Business in Hong Kong	2021-03-08
7	Date of Board Meeting	2021-03-18
8	2020 Environmental, Social and Governance Report	2021-03-30
9	Nomination of Candidates for Directors of the Fifth Session of the Board of Directors and Nomination of Candidates for Supervisors of the Fifth Session of the Board of Supervisors	2021-03-30
10	Appointment of Joint Company Secretary and Change of Authorized Representative	2021-03-30
11	Annual Results Announcement for the Year ended December 31, 2020	2021-03-30
12	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 March 2021	2021-04-07
13	2020 Annual Report	2021-04-15
14	Date of Board Meeting	2021-04-19
15	Proposed Change of Auditors	2021-04-19
16	Notice of the 2020 Annual General Meeting	2021-04-27
17	Form of Proxy of Holders of H Shares for Use at the Annual General Meeting to be Held on 28 May 2021	2021-04-27
18	Circular of the 2020 Annual General Meeting	2021-04-27
19	2021 First Quarterly Report	2021-04-29
20	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2021	2021-05-06
21	Election of Employee Representative Supervisors	2021-05-10
22	Poll Results of the 2020 Annual General Meeting, Payment of Cash Dividend, Appointment of Members of the Fifth Session of the Board of Directors, Appointment of Members of the Fifth Session of the Board of Supervisors, Roles of Members of the Fifth Session of the Board of Directors, Appointment of the Chairman, Vice Chairman, Chairman of the Board of Supervisors, Chairman and Members of the Executive Committee of the Company and Approval and Effectiveness of the Articles of Association	2021-05-28
23	List of Directors and their Role and Function	2021-05-28
24	Articles of Association	2021-05-28
25	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2021	2021-06-03

Section VI Significant Events (continued)

VIII. SIGNIFICANT MATTERS OF SUBSIDIARIES OF THE COMPANY

(I) Corporate bonds of Shenwan Hongyuan Securities, a subsidiary of the Company

1. Basic information of corporate bonds

Name of bond	Abbreviation of bond	Bond code	Issuance date	Maturity date	Outstanding amount (RMB'0,000)	Interest rate	Method of repayment of principal and payment of interests	Trading place
2017 Corporate Bonds Issued Publicly by Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (Type I)	17 ShenZheng 01	136980	2017/2/17	2022/2/17	750,000.00	4.40%		
2017 Corporate Bonds Issued Publicly by Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (Type II)	17 ShenZheng 02	136981	2017/2/17	2024/2/17	50,000.00	4.50%	The interest of these bonds is calculated at simple interest on an annual basis with no compound	Shanghai Stock Exchange
Corporate Bonds Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2018 (First Tranche) (Type I)	18 ShenZheng 03	112812	2018/12/10	2023/12/10	150,000.00	4.08%	interest counted, and paid once a year. The principal will be returned upon maturity. The interest of the last tranche will be paid together with the principal.	Shenzhen Stock Exchange
Corporate Bonds Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 (First Tranche) (Type I)	19 ShenZheng 01	112840	2019/1/16	2022/1/16	220,000.00	3.55%		
Corporate Bonds Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 (Second Tranche) (Type I)	19 ShenZheng 03	112864	2019/3/11	2022/3/11	620,000.00	3.68%		

Section VI Significant Events (continued)

Name of bond	Abbreviation of bond	Bond code	Issuance date	Maturity date	Outstanding amount (RMB'0,000)	Interest rate	Method of repayment of principal and payment of interests	Trading place
Corporate Bonds Issued Publicly to Qualified Investors by Shenwan Hongyuan Securities Co., Ltd. in 2019 (Third Tranche) (Type I)	19 ShenZheng 05	112901	2019/5/9	2022/5/9	810,000.00	3.88%		
Corporate Bonds Issued Publicly to Professional Investors by Shenwan Hongyuan Securities Co., Ltd. in 2020 (First Tranche) (Type II)	20 ShenZheng 06	149173	2020/7/27	2023/7/27	410,000.00	3.49%		
Corporate Bonds Issued Publicly to Professional Investors by Shenwan Hongyuan Securities Co., Ltd. in 2020 (Second Tranche) (Type II)	20 ShenZheng 08	149230	2020/9/10	2023/9/10	320,000.00	3.76%	The interest of these bonds is calculated at simple interest on an annual basis with no compound interest counted, and paid once a year. The principal will be returned upon maturity. The interest of the last tranche will be paid together with the principal.	Shenzhen Stock Exchange
Corporate Bonds Issued Publicly to Professional Investors by Shenwan Hongyuan Securities Co., Ltd. in 2020 (Third Tranche) (Type II)	20 ShenZheng 10	149274	2020/10/26	2023/10/26	570,000.00	3.68%		
Corporate Bonds Issued Publicly to Professional Investors by Shenwan Hongyuan Securities Co., Ltd. in 2020 (Fourth Tranche) (Type II)	20 ShenZheng 12	149299	2020/11/16	2022/11/16	170,000.00	3.55%		

Section VI Significant Events (continued)

Name of bond	Abbreviation of bond	Bond code	Issuance date	Maturity date	Outstanding amount (RMB'0,000)	Interest rate	Method of repayment of principal and payment of interests	Trading place
Corporate Bonds Issued Publicly (to Professional Investors) by Shenwan Hongyuan Securities Co., Ltd. in 2021 (First Tranche) (Type I)	21 ShenZheng 01	149425	2021/4/29	2024/4/29	250,000.00	3.45%		
Corporate Bonds Issued Publicly (to Professional Investors) by Shenwan Hongyuan Securities Co., Ltd. in 2021 (First Tranche) (Type II)	21 ShenZheng 02	149431	2021/4/29	2031/4/29	200,000.00	4.05%	The interest of these bonds is calculated at simple interest on an annual basis with no compound	
Corporate Bonds Issued Publicly (to Professional Investors) by Shenwan Hongyuan Securities Co., Ltd. in 2021 (Second Tranche)	21 ShenZheng 03	149479	2021/5/24	2026/5/24	260,000.00	3.63%	interest counted, and paid once a year. The principal will be returned upon maturity. The interest of the last tranche will be paid together with the principal.	Shenzhen Stock Exchange
Corporate Bonds Issued Publicly (to Professional Investors) by Shenwan Hongyuan Securities Co., Ltd. in 2021 (Third Tranche) (Type I)	21 ShenZheng 04	149490	2021/5/28	2024/5/28	200,000.00	3.27%		
Corporate Bonds Issued Publicly (to Professional Investors) by Shenwan Hongyuan Securities Co., Ltd. in 2021 (Third Tranche) (Type II)	21 ShenZheng 05	149491	2021/5/28	2031/5/28	250,000.00	4.00%		

Section VI Significant Events (continued)

Name of bond	Abbreviation of bond	Bond code	Issuance date	Maturity date	Outstanding amount (RMB'0,000)	Interest rate	Method of repayment of principal and payment of interests	Trading place
Corporate Bonds Issued Publicly (to Professional Investors) by Shenwan Hongyuan Securities Co., Ltd. in 2021 (Fourth Tranche) (Type I)	21 ShenZheng 06	149559	2021/7/21	2024/7/21	200,000.00	3.13%		
Corporate Bonds Issued Publicly (to Professional Investors) by Shenwan Hongyuan Securities Co., Ltd. in 2021 (Fourth Tranche) (Type II)	21 ShenZheng 07	149560	2021/7/21	2031/7/21	300,000.00	3.77%	The interest of these bonds is calculated at simple interest on an annual basis with no compound interest counted, and paid once a year. The principal will be returned upon maturity. The interest of the last tranche will be paid together with the principal.	Shenzhen Stock Exchange
Corporate Bonds Issued Publicly (to Professional Investors) by Shenwan Hongyuan Securities Co., Ltd. in 2021 (Fifth Tranche) (Type I)	21 ShenZheng 08	149574	2021/7/28	2024/7/28	280,000.00	3.04%		
Corporate Bonds Issued Publicly (to Professional Investors) by Shenwan Hongyuan Securities Co., Ltd. in 2021 (Fifth Tranche) (Type II)	21 ShenZheng 09	149575	2021/7/28	2026/7/28	420,000.00	3.38%		

Section VI Significant Events (continued)

Name of bond	Abbreviation of bond	Bond code	Issuance date	Maturity date	Outstanding amount (RMB'0,000)	Interest rate	Method of repayment of principal and payment of interests	Trading place
Corporate Bonds Issued Publicly (to Professional Investors) by Shenwan Hongyuan Securities Co., Ltd. in 2021 (Sixth Tranche) (Type I)	21 ShenZheng 10	149614	2021/8/26	2024/8/26	300,000.00	3.02%		
Corporate Bonds Issued Publicly (to Professional Investors) by Shenwan Hongyuan Securities Co., Ltd. in 2021 (Sixth Tranche) (Type II)	21 ShenZheng 11	149615	2021/8/26	2031/8/26	300,000.00	3.75%		
Subordinated Bonds Issued Publicly to Professional Investors by Shenwan Hongyuan Securities Co., Ltd. in 2021 (First Tranche)	21 ShenZheng C1	149360	2021/1/21	2024/1/21	300,000.00	3.93%	The interest of these bonds is calculated at simple interest on an annual basis with no compound interest counted, and paid once a year. The principal will be returned upon maturity. The interest of the last tranche will be paid together with the principal.	Shenzhen Stock Exchange
Subordinated Bonds Issued Publicly to Professional Investors by Shenwan Hongyuan Securities Co., Ltd. in 2021 (Second Tranche)	21 ShenZheng C2	149405	2021/3/11	2024/3/11	380,000.00	3.94%		

Section VI Significant Events (continued)

Name of bond	Abbreviation of bond	Bond code	Issuance date	Maturity date	Outstanding amount (RMB'0,000)	Interest rate	Method of repayment of principal and payment of interests	Trading place
Perpetual Subordinated Bonds Issued Publicly by Shenwan Hongyuan Securities Co., Ltd. in 2021 (First Tranche)	21 ShenZheng Y1	149529	2021/6/24	The issuer is entitled to redeem the current bonds on the basis of the nominal value plus interest payable (including all deferred interest payments and their yields) on the 5th and subsequent every interest paying date of the current bonds.	200,000.00	4.10%	The interest of these bonds is calculated at simple interest on an annual basis, and paid once a year provided that the issuer does not exercise the right to defer interest payment.	Shenzhen Stock Exchange

Section VI Significant Events (continued)

Name of bond	Abbreviation of bond	Bond code	Issuance date	Maturity date	Outstanding amount (RMB'0,000)	Interest rate	Method of repayment of principal and payment of interests	Trading place
Perpetual Subordinated Bonds Issued Publicly by Shenwan Hongyuan Securities Co., Ltd. in 2021 (Second Tranche)	21 ShenZheng Y2	149605	2021/8/19	The issuer is entitled to redeem the current bonds on the basis of the nominal value plus interest payable (including all deferred interest payments and their yields) on the 5th and subsequent every interest paying date of the current bonds.	330,000.00	3.70%	The interest of these bonds is calculated at simple interest on an annual basis, and paid once a year provided that the issuer does not exercise the right to defer interest payment.	Shenzhen Stock Exchange
Corporate Bonds Issued Publicly to Professional Investors by Shenwan Hongyuan Securities Co., Ltd. in 2020 (Third Tranche) (Type I)	20 ShenZheng 09	149273	2020/10/26	2021/11/5	220,000.00	3.16%	The interest of these bonds is calculated at simple interest with no compound interest counted.	
Corporate Bonds Issued Publicly to Professional Investors by Shenwan Hongyuan Securities Co., Ltd. in 2020 (Fifth Tranche)	20 ShenZheng 13	149333	2020/12/18	2021/9/18	630,000.00	3.13%	The principal and interests will be paid upon maturity. The interest will be paid together with the principal.	

Section VI Significant Events (continued)

Name of bond	Abbreviation of bond	Bond code	Issuance date	Maturity date	Outstanding amount (RMB'0,000)	Interest rate	Method of repayment of principal and payment of interests	Trading place
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2018 (First Tranche) (Type II)	18 ShenZheng 02	114406	2018/11/19	2021/11/19	300,000.00	4.20%		
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2020 (First Tranche) (Type I)	20 ShenZheng 01	114652	2020/1/16	2022/1/16	400,000.00	3.40%	The interest of these bonds is calculated at simple interest on an annual	
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2020 (First Tranche) (Type II)	20 ShenZheng 02	114653	2020/1/16	2023/1/16	200,000.00	3.55%	basis with no compound interest counted, and paid once a year. The principal will be returned upon maturity. The interest of the last tranche will be paid together with the principal.	Shenzhen Stock Exchange
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2020 (Second Tranche) (Type I)	20 ShenZheng 03	114665	2020/2/21	2022/2/21	100,000.00	3.03%		
Corporate Bonds Issued by Shenwan Hongyuan Securities Co., Ltd. in a Non-public Way in 2020 (Second Tranche) (Type II)	20 ShenZheng 04	114666	2020/2/21	2023/2/21	300,000.00	3.20%		

Section VI Significant Events (continued)

Name of bond	Abbreviation of bond	Bond code	Issuance date	Maturity date	Outstanding amount (RMB'0,000)	Interest rate	Method of repayment of principal and payment of interests	Trading place
2020 Subordinated Bonds of Securities Company of Shenwan Hongyuan Securities Co., Ltd. (First Tranche) (Type II)	20 ShenZheng C2	115112	2020/4/23	2023/4/23	600,000.00	3.18%	The interest of these bonds is calculated at simple interest on an annual basis with no compound	
2020 Subordinated Bonds of Securities Company of Shenwan Hongyuan Securities Co., Ltd. (Second Tranche)	20 ShenZheng C3	115114	2020/5/25	2023/5/25	600,000.00	3.25%	interest counted, and paid once a year. The principal will be returned upon maturity. The interest of the last tranche will be paid together with the principal.	Shenzhen Stock Exchange

Section VI Significant Events (continued)

Investor eligibility arrangement	<p>17 ShenZheng 01, 17 ShenZheng 02, 18 ShenZheng 03, 19 ShenZheng 01, 19 ShenZheng 03, and 19 ShenZheng 05 were issued to qualified investors.</p> <p>18 ShenZheng 02, 20 ShenZheng 01, 20 ShenZheng 02, 20 ShenZheng 03, 20 ShenZheng 04, 20 ShenZheng C2, and 20 ShenZheng C3 were issued to qualified institutional investors.</p> <p>20 ShenZheng 06, 20 ShenZheng 08, 20 ShenZheng 09, 20 ShenZheng 10, 20 ShenZheng 12, 20 ShenZheng 13, 21 ShenZheng 01, 21 ShenZheng 02, 21 ShenZheng 03, 21 ShenZheng 04, 21 ShenZheng 05, 21 ShenZheng 06, 21 ShenZheng 07, 21 ShenZheng 08, 21 ShenZheng 09, 21 ShenZheng 10 and 21 ShenZheng 11 were issued to professional investors.</p> <p>21 ShenZheng C1, 21 ShenZheng C2, 21 ShenZheng Y1 and 21 ShenZheng Y2 were issued to professional investors meeting one of the conditions under clauses (I) to (IV) in clause I of Article VIII in the Measures for Management of Eligibility of Securities and Futures Investors.</p>
Applicable trading mechanism	<p>Centralized bidding transaction and block transaction by agreement are applicable to 17 ShenZheng 01, 17 ShenZheng 02, 18 ShenZheng 03, 19 ShenZheng 01, 19 ShenZheng 03, 19 ShenZheng 05, 20 ShenZheng 06, 20 ShenZheng 08, 20 ShenZheng 09, 20 ShenZheng 10, 20 ShenZheng 12, 20 ShenZheng 13, 21 ShenZheng 01, 21 ShenZheng 02, 21 ShenZheng 03, 21 ShenZheng 04, 21 ShenZheng 05, 21 ShenZheng 06, 21 ShenZheng 07, 21 ShenZheng 08, 21 ShenZheng 09, 21 ShenZheng 10, 21 ShenZheng 11, 21 ShenZheng C1, 21 ShenZheng C2, 21 ShenZheng Y1, and 21 ShenZheng Y2.</p> <p>Only block transaction by agreement is applicable to 18 ShenZheng 02, 20 ShenZheng 01, 20 ShenZheng 02, 20 ShenZheng 03, 20 ShenZheng 04, 20 ShenZheng C2 and 20 ShenZheng C3.</p>
Whether there is risk of delisting (if any) and countermeasures therefor	N/A

Section VI Significant Events (continued)

Payment of interests and repayment of principal of corporate bonds during the Reporting Period	<p>On January 18, 2021, Shenwan Hongyuan Securities paid interests of 20 ShenZheng 01 and 20 ShenZheng 02 in an amount of RMB3.40 (tax inclusive) per bond and RMB3.55 (tax inclusive) per bond, respectively.</p> <p>On January 18, 2021, Shenwan Hongyuan Securities paid interests of 19 ShenZheng 01 in an amount of RMB3.55 (tax inclusive) per bond.</p> <p>On February 18, 2021, Shenwan Hongyuan Securities paid interests of 17 ShenZheng 01 and 17 ShenZheng 02 in an amount of RMB4.40 (tax inclusive) per bond and RMB4.50 (tax inclusive) per bond, respectively.</p> <p>On February 22, 2021, Shenwan Hongyuan Securities paid interests of 20 ShenZheng 03 and 20 ShenZheng 04 in an amount of RMB3.03 (tax inclusive) per bond and RMB3.20 (tax inclusive) per bond, respectively.</p> <p>On March 11, 2021, Shenwan Hongyuan Securities paid interests of 19 ShenZheng 03 in an amount of RMB3.68 (tax inclusive) per bond.</p> <p>On April 12, 2021, Shenwan Hongyuan Securities repaid the principal and paid interests of 18 ShenZheng C2 which became due in an amount of principal (interest) of RMB105.35 (tax inclusive) per bond.</p> <p>On April 23, 2021, Shenwan Hongyuan Securities paid interests of 20 ShenZheng C2 in an amount of RMB3.18 (tax inclusive) per bond.</p> <p>On May 10, 2021, Shenwan Hongyuan Securities paid interests of 19 ShenZheng 05 in an amount of RMB3.88 (tax inclusive) per bond.</p> <p>On May 25, 2021, Shenwan Hongyuan Securities paid interests of 20 ShenZheng C3 in an amount of RMB3.25 (tax inclusive) per bond.</p> <p>On June 10, 2021, Shenwan Hongyuan Securities repaid the principal and paid interests of 20 ShenZheng D7 which became due in an amount of principal (interest) of RMB102.3560273 (tax inclusive) per bond.</p> <p>On June 15, 2021, Shenwan Hongyuan Securities repaid the principal and paid interests of 19 ShenZheng 07 which became due in an amount of principal (interest) of RMB103.90 (tax inclusive) per bond.</p>
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During the Reporting Period, there were no outstanding overdue corporate bonds issued by the issuer.

Section VI Significant Events (continued)

2. Issuer or investor option terms and triggering and implementation of investor protection terms

During the Reporting Period, the 18 ShenZheng C2 issued by Shenwan Hongyuan Securities was subject to the option to adjust the coupon rate by the issuer and put-back option of investors, and the issuer published an Indicative Announcement of Shenwan Hongyuan Securities Co., Ltd. on Adjustment of Coupon Rate and Measures for Implementation of Put-back by Investors for “18 ShenZheng C2” Bonds on the website of the Shenzhen Stock Exchange on March 9, 2021, March 10, 2021 and March 11, 2021, respectively. The put-back registration period for the bonds is from March 12, 2021 to March 18, 2021 (trading days only), and bondholders can choose to sell back all or part of their bonds to the issuer. In the end, all investors of the bonds exercised the put-back option of investors. The effective number of bonds subject to put-back was 46,000,000, the put-back amount was RMB4,846,100,000 (including interests), and the number of remaining unsold bonds was 0. As the “18 ShenZheng C2” bonds have all been sold back, the “18 ShenZheng C2” bonds were delisted from April 12, 2021.

During the Reporting Period, Shenwan Hongyuan Securities did not trigger the corporate bond investor protection clauses.

3. Credit rating adjustment during the Reporting Period

During the Reporting Period, there was no adjustment to the credit rating results.

4. Guarantee, credit enhancement mechanism, debt repayment plan and other debt repayment safeguard measures for corporate bonds

No guarantee was provided for the corporate bonds issued by Shenwan Hongyuan Securities. During the Reporting Period, there was no credit enhancement arrangement for the issued bonds of Shenwan Hongyuan Securities, and the repayment plan and other repayment safeguard measures were consistent with the relevant commitments in the prospectus without major changes. Shenwan Hongyuan Securities was able to implement the debt repayment plan and debt repayment safeguard measures in accordance with relevant agreements, to effectively safeguard the interests of bondholders. Shenwan Hongyuan Securities set up special accounts for the issued bonds. The withdrawal of funds from the special accounts during the Reporting Period was consistent with the relevant commitments in the prospectus.

5. Other matters on bonds

During the Reporting Period, Shenwan Hongyuan Securities did not have enterprise bonds, non-financial enterprise bond financing instruments or convertible corporate bonds.

(II) Related Regulatory Measures

During the Reporting Period, the subsidiaries of the Company including Shenwan Hongyuan Securities were subject to regulatory measures or penalties and rectifications.

1. In March 2021, Korla Binhe Road Securities Branch of Shenwan Hongyuan Securities (Western) received a warning letter from Xinjiang Branch of CSRC.

On March 30, 2021, Xinjiang Branch of CSRC issued the Decision on the Measure of Issuing a Warning Letter to Korla Binhe Road Securities Branch of Shenwan Hongyuan Securities (Western) Co., Ltd. The main contents are as follows: The securities branch failed to take effective measures to strictly regulate the practice of employees, the supervision over computer usage of the securities branch failed, and the employees of the securities branch used the computers of the securities branch to handle securities transactions for clients.

Upon receipt of the letter, the securities branch conducted risk investigations on various business lines, strengthened compliance training for all employees, management of on-site computers for clients in the securities branch and monitoring of customer-entrusted transactions, to effectively prevent similar incidents from occurrence.

2. In April 2021, Shenwan Hongyuan Securities received a warning letter from Chongqing Branch of CSRC

On April 14, 2021, Chongqing Branch of CSRC issued the Decision on the Measure of Issuing a Warning Letter to Shenwan Hongyuan Securities Co., Ltd. The main contents are as follows: Wang Jun, the head of Chongqing Branch of Shenwan Hongyuan Securities, held part-time positions in other for-profit institutions during his tenure. However, Shenwan Hongyuan Securities failed to deal with Wang Jun's part-time job in a timely manner and report to the Chongqing Branch of CSRC, reflecting the imperfect internal control and inadequate compliance management of the company.

Before the letter was officially issued, Shenwan Hongyuan Securities had urged Wang Jun to complete the rectification as required. After the letter was issued, Shenwan Hongyuan Securities organized a review of part-time job of the heads of branches once again, and no similar violations of regulatory provisions were found. Shenwan Hongyuan Securities will further refine and improve relevant rules and regulations, strictly implement regulatory requirements, and strengthen part-time management of cadres, to effectively prevent similar incidents from occurrence.

Section VI Significant Events (continued)

3. In June 2021, Yancheng Jiefang North Road Securities Branch of Shenwan Hongyuan Securities was ordered to make corrections by Jiangsu Branch of CSRC

On June 17, 2021, Jiangsu Branch of CSRC issued the Decision on Administrative Supervision Measure of Ordering Yancheng Jiefang North Road Securities Branch to Make Corrections to Yancheng Jiefang North Road Securities Branch. The main contents are as follows: During the inspection, firstly it was found that the securities branch did not deliver the margin trading and securities lending contracts to clients, and failed to carry out the margin trading and securities lending business in accordance with relevant regulations; secondly the securities branch failed to regularly conduct follow-up evaluations on clients' risk tolerance, resulting in that certain clients' risk evaluations expired. In addition, the sales department failed to pay attention to changes in clients' risk levels in a timely manner, and failed to proactively adjust investor classification, product or service classification and suitability matching opinions based on changes in information on investors and products, and notify investors.

Upon receipt of the letter, Shenwan Hongyuan Securities further strengthened branch management and training, urged branches to improve internal control systems and procedures, and improved front-end control of system. Differentiated control measures were adopted depending on the actual situation of clients. Shenwan Hongyuan Securities continued to intensify investor suitability management and explored the establishment of a long-term mechanism for the orderly reduction of clients whose risk evaluation expired, to effectively prevent similar incidents from occurrence.

Section VII Changes in Shares and Shareholders

I. CHANGES IN SHARES

(I) Table of changes in shares

Unit: Share

	Before this change		Increase or decrease (+, -) of this change					After this change	
	Number	Percentage	New shares issued	Bonus issued	Reserves capitalized	Others	Sub-total	Number	Percentage
I. Shares subject to selling restrictions	437,244	0.0017%	0	0	0	0	0	437,244	0.0017%
1. State-owned shares	0	0.0000%	0	0	0	0	0	0	0.0000%
2. Shares held by state-owned legal persons	0	0.0000%	0	0	0	0	0	0	0.0000%
3. Other domestic shares	437,244	0.0017%	0	0	0	0	0	437,244	0.0017%
Including: shares held by domestic legal persons	0	0.0000%	0	0	0	0	0	0	0.0000%
shares held by domestic natural persons	437,244	0.0017%	0	0	0	0	0	437,244	0.0017%
4. Shares held by foreign capital	0	0.0000%	0	0	0	0	0	0	0.0000%
Including: shares held by overseas legal persons	0	0.0000%	0	0	0	0	0	0	0.0000%
shares held by overseas natural persons	0	0.0000%	0	0	0	0	0	0	0.0000%

Section VII Changes in Shares and Shareholders (continued)

Unit: Share

	Before this change		Increase or decrease (+, -) of this change					After this change	
	Number	Percentage	New shares issued	Bonus issued	Reserves capitalized	Others	Sub-total	Number	Percentage
II. Shares without selling restrictions	25,039,507,316	99.9983%	0	0	0	0	0	25,039,507,316	99.9983%
1. RMB-denominated ordinary shares	22,535,507,316	89.9983%	0	0	0	0	0	22,535,507,316	89.9983%
2. Domestic listed foreign shares	0	0.0000%	0	0	0	0	0	0	0.0000%
3. Overseas listed foreign shares	2,504,000,000	10.0000%	0	0	0	0	0	2,504,000,000	10.0000%
4. Others	0	0.0000%	0	0	0	0	0	0	0.0000%
III. Total number of shares	25,039,944,560	100.0000%	0	0	0	0	0	25,039,944,560	100.00%

(II) Changes in shares subject to selling restrictions

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

II. ISSUANCE AND LISTING OF SECURITIES

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

Section VII Changes in Shares and Shareholders (continued)

III. NUMBER OF SHAREHOLDERS AND THEIR SHAREHOLDINGS

(I) Number of shareholders and their shareholdings as of June 30, 2021

Unit: Share

Total number of ordinary shareholders as of the end of the Reporting Period	295,060 (including 294,994 A shareholders and 66 H shareholders)	Total number of preferred shareholders whose voting rights were resumed at the end of the Reporting Period (if any)	None
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Shareholdings of the top ten ordinary shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Number of ordinary shares held at the end of the Reporting Period	Increase or decrease during the Reporting Period	Number of ordinary shares subject to selling restrictions	Number of ordinary shares without selling restrictions	Pledged or frozen Status	Number
China Jianyin Investment Ltd.	State-owned legal person	26.34	6,596,306,947	0	0	6,596,306,947	—	0
Central Huijin Investment Ltd.	State shares	20.05	5,020,606,527	0	0	5,020,606,527	—	0
HKSCC Nominees Limited	Overseas legal person	10.00	2,503,803,370	40,790	0	2,503,803,370	N/A	0
Shanghai Jiushi (Group) Co., Ltd.	State-owned legal person	4.71	1,178,251,789	(34,558,600)	0	1,178,251,789	—	0
China Everbright Group Ltd.	State-owned legal person	3.99	999,000,000	0	0	999,000,000	Pledged	67,500,000
Sichuan Development Holding Co., Ltd.	State-owned legal person	3.54	886,043,633	(238,500,000)	0	886,043,633	Pledged	562,271,816
China Securities Finance Corporation Limited	Domestic general legal person	2.54	635,215,426	0	0	635,215,426	—	0
Xinjiang Financial Investment Co., Ltd.	State-owned legal person	1.84	460,642,216	0	0	460,642,216	—	0

Section VII Changes in Shares and Shareholders (continued)

Shareholdings of the top ten ordinary shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Number of ordinary shares held at the end of the Reporting Period	Increase or decrease during the Reporting Period	Number of ordinary shares subject to selling restrictions	Number of ordinary shares without selling restrictions	Pledged or frozen Status	Number
Hong Kong Securities Clearing Company Limited	Overseas legal person	1.31	328,109,481	62,574,205	0	328,109,481	N/A	0
Central Huijin Asset Management Ltd.	State-owned legal person	0.79	197,390,385	0	0	197,390,385	—	0

Strategic investors or general legal entities becoming the top ten holders of ordinary shares by placing of new shares

None

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

Central Huijin Investment Ltd. holds the entire equity interest in China Jianyin Investment Ltd., and holds the entire equity interest in Central Huijin Asset Management Ltd. and 63.16% of equity interest in China Everbright Group Ltd.

Shareholdings of the top ten ordinary shareholders without selling restrictions

Name of shareholder	Number of ordinary shares without selling restrictions at the end of the Reporting Period	Class of share	Number
China Jianyin Investment Ltd.	6,596,306,947	RMB-denominated ordinary shares	6,596,306,947
Central Huijin Investment Ltd.	5,020,606,527	RMB-denominated ordinary shares	5,020,606,527
HKSCC Nominees Limited	2,503,803,370	Overseas listed foreign shares	2,503,803,370
Shanghai Jiushi (Group) Co., Ltd.	1,178,251,789	RMB-denominated ordinary shares	1,178,251,789
China Everbright Group Ltd.	999,000,000	RMB-denominated ordinary shares	999,000,000
Sichuan Development Holding Co., Ltd.	886,043,633	RMB-denominated ordinary shares	886,043,633

Section VII Changes in Shares and Shareholders (continued)

Shareholdings of the top ten ordinary shareholders without selling restrictions

Name of shareholder	Number of ordinary shares without selling restrictions at the end of the Reporting Period	Class of share	
		Class of share	Number
China Securities Finance Corporation Limited	635,215,426	RMB-denominated ordinary shares	635,215,426
Xinjiang Financial Investment Co., Ltd.	460,642,216	RMB-denominated ordinary shares	460,642,216
Hong Kong Securities Clearing Company Limited	328,109,481	RMB-denominated ordinary shares	328,109,481
Central Huijin Asset Management Ltd.	197,390,385	RMB-denominated ordinary shares	197,390,385

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

Central Huijin Investment Ltd. holds the entire equity interest in China Jianyin Investment Ltd., and holds the entire equity interest in Central Huijin Asset Management Ltd. and 63.16% of equity interest in China Everbright Group Ltd.

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

Due to engagement in the margin and securities refinancing business, the number of shares held by Shanghai Jiushi (Group) Co., Ltd. at the end of the Reporting Period decreased by 34,558,600 shares from the end of 2020; the number of shares held by Sichuan Development Holding Co., Ltd. at the end of the Reporting Period decreased by 238,500,000 shares from the end of 2020.

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

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

Section VII Changes in Shares and Shareholders (continued)

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

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

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

As at June 30, 2021, none of the directors, supervisors or chief executives of the Company had or was deemed to have 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 Securities and Futures Ordinance which were required, to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance, or were recorded in the register required to be maintained by the Company under Section 352 of the Securities and Futures Ordinance, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

Section VII Changes in Shares and Shareholders (continued)

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

As of June 30, 2021, to the best knowledge of the Company after having made all reasonable enquiries, the following persons (other than directors, supervisors or chief executives of the Company) have interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or were required to be recorded, in the register that is required to be kept by the Company under Section 336 of the Securities and Futures Ordinance:

Unit: Share

Name of substantial shareholders	Class of share	Nature of interest	Number of shares held ^{Note 4}	Percentage of the total number of issued shares of the Company (%) ^{Note 5}	Percentage of the total number of issued A Shares/ H Shares of the Company (%)	Long/ short positions
1 Central Huijin Investment Ltd. ^{Note 1}	A Shares	Beneficial owner	5,020,606,527	20.05	22.28	Long positions
	A Shares	Interest in controlled corporations	7,792,697,332	31.12	34.58	Long positions
	H Shares	Interest in controlled corporations	756,472,000	3.02	30.21	Long positions
	H Shares	Interest in controlled corporations	64,193,600	0.26	2.56	Short positions
2 China Jianyin Investment Ltd.	A Shares	Beneficial owner	6,596,306,947	26.34	29.27	Long positions
3 Industrial and Commercial Bank of China Limited	H Shares	Beneficial owner	648,404,800	2.59	25.89	Long positions
4 Everbright PGIM Fund Management Co., Ltd. (on behalf of EPF — Huaxia Life SMA One) (光大保德信— 华夏人壽1號單一資產管理計劃)	H Shares	Trustee	216,134,400	0.86	8.63	Long positions
5 Huaxia Life Insurance Co., Ltd. ^{Note 2}	H Shares	Beneficial owner	216,134,000	0.86	8.63	Long positions
6 China Life Insurance (Group) Company	H Shares	Beneficial owner	172,907,200	0.69	6.91	Long positions
7 SBI Holdings, Inc. ^{Note 3}	H Shares	Interest in controlled corporations	127,500,000	0.51	5.09	Long positions

Section VII Changes in Shares and Shareholders (continued)

- Note 1: Central Huijin holds the entire equity interest in JIC, the entire equity interest in Central Huijin Asset Management Ltd., and 63.16% of equity interest in China Everbright Group Ltd. The total number of A Shares of the Company held by JIC, Central Huijin Asset Management Ltd. and China Everbright Group Ltd. is 7,792,697,332. Central Huijin indirectly held 756,472,000 H Shares of the Company through its controlled corporations including Industrial and Commercial Bank of China Limited, and China Reinsurance (Group) Corporation. In particular, Central Huijin held 648,404,800 shares through Industrial and Commercial Bank of China Limited and 108,067,200 shares through China Reinsurance (Group) Corporation.
- Note 2: Huaxia Life Insurance Co., Ltd. has engaged Everbright PGIM Fund Management Co., Ltd. (光大保德信基金管理有限公司), a qualified domestic institutional investor as approved by the relevant PRC authority, as the asset manager, in the name of EPF — HuaXia Life SMA One (光大保德信 — 華夏人壽1號單一資產管理計劃), to subscribe and hold the H Shares of the Company on behalf Huaxia Life Insurance Co., Ltd.
- Note 3: SBI Holdings, Inc. holds the entire equity interest in SBI Financial Services Co., Ltd. which in turn holds 51.28% of equity interest in Rheos Capital Works Inc. Therefore, pursuant to the Securities and Futures Ordinance, SBI Holdings, Inc. is deemed to hold equity interest in the 127,500,000 H Shares held by Rheos Capital Works Inc.
- Note 4: According to Part XV of the Securities and Futures Ordinance, shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. If the shareholders have not filed disclosure of interests forms as required under the Securities and Futures Ordinance, the actual shareholdings of the shareholders in the Company may be different from the shareholdings filed with the Stock Exchange as of the end of the Reporting Period. When the shareholdings of shareholders in the Company change, it is not necessary for such shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the actual shareholdings of substantial shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange as of the end of the Reporting Period.
- Note 5: As at June 30, 2021, the Company has issued a total of 22,535,944,560 A Shares and 2,504,000,000 H Shares, totaling 25,039,944,560 shares.

Save as disclosed above, as of June 30, 2021, the Company was not aware of any other person (other than directors, supervisors and chief executives of the Company) having any interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or which were recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance.

VII. SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the knowledge of the directors of the Company during the Reporting Period and as of the date of this report, no less than 10% of the Company's total issued shares were held by the public, which meets the requirements as set out in the waiver letter on the public float obtained by the Company upon listing. For details, please refer to the H Shares prospectus of the Company dated April 12, 2019 and the announcement dated May 20, 2019 in relation to stabilizing actions, end of stabilization period and lapse of overallotment option.

Section VII Changes in Shares and Shareholders (continued)

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

Repurchase, sale or redemption of listed securities of the Company by the Company or its subsidiaries during the Reporting Period

(I) Put-back of bonds issued by Shenwan Hongyuan Group

The term of corporate bonds of Shenwan Hongyuan Group publicly offered to qualified investors in 2018 (first tranche) (type I) (“18 ShenHong 01”) is five years, and the issuer shall have the option to adjust the coupon rate and the investors shall have the option to sell back the bonds at the end of the third interest-bearing year. On June 16, 2021, June 17, 2021, and June 18, 2021, the issuer disclosed the first, second and third Indicative Announcement on Adjustment of Coupon Rate and Measures for Implementation of Put-back by Investors for “18 ShenHong 01” bonds, respectively, pursuant to which the issuer determined to lower the coupon rate by 120 basis points at the end of the third interest-bearing year of “18 ShenHong 01”, i.e. the coupon rate for the fourth and fifth interest-bearing years of the term of the bonds (that is, from July 17, 2021 to July 16, 2023) is 3.20% and is fixed in the fourth and fifth years of the term of the bonds. Meanwhile, it was announced that the put-back registration period of “18 ShenHong 01” is from June 21, 2021 to June 25, 2021. (For details, please refer to the announcements of the Company published on China Securities Journal, Securities Times, Shanghai Securities News and the Cninfo website (<http://www.cninfo.com.cn>) and on the website of HKExnews (www.hkexnews.hk) on June 16, June 17, and June 18, 2021).

The number of “18 ShenHong 01” bonds subject to put-back is 4,674,980, the put-back amount is RMB467,498,000.00, and the remaining number of bonds under custody of China Securities Depository and Clearing Corporation Limited is 325,020. The principal and interest for the “18 ShenHong 01” bonds subject to put-back was transferred by the Company to the designated bank account of Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on July 15, 2021, and were transferred to the accounts of investors on the date of receipt of put-back funds which is July 19, 2021 (as July 17, 2021 is day off, it is postponed to the first trading day thereafter).

(II) Put-back of bonds issued by Shenwan Hongyuan Securities

The 2018 Subordinated Bonds of Securities Company (First Tranche) (Type II) (“18 ShenZheng C2”) issued by Shenwan Hongyuan Securities are subject to the option to adjust the coupon rate of the issuer and put-back option of investors. On March 9, 2021, March 10, 2021, and March 11, 2021, the issuer disclosed the first, second and third Indicative Announcement on Adjustment of Coupon Rate and Measures for Implementation of Put-back by Investors for “18 ShenZheng C2” Bonds on the website of the Shenzhen Stock Exchange, respectively. The put-back registration period of the bonds is from March 12, 2021 to March 18, 2021 (trading days only). In the end, all investors of “18 ShenZheng C2” exercised the put-back option of investors. The effective number of bonds subject to put-back was 46,000,000, the put-back amount was RMB4,846,100,000 (including interests), and the number of remaining unsold bonds was 0. As the “18 ShenZheng C2” bonds have all been sold back, the “18 ShenZheng C2” bonds were delisted from April 12, 2021.

Save as disclosed above, during the Reporting Period, there was no repurchase, sale or redemption by the Company and any of its subsidiaries of the Company’s listed securities.

Section VIII Profile of Corporate Bonds

I. CORPORATE BONDS

(I) Basic information of the corporate bonds

1. Public Offering of Corporate Bonds in 2016

Name of bond	Abbreviation of bond	Code of bond	Offering date (YYYY-MM-DD)	Value date (YYYY-MM-DD)	Maturity date (YYYY-MM-DD)	Balance of bond (RMB'0,000)	Coupon rate (%)	Payment of principal and interest	Trading place
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2016 (Second Tranche) (Type II)	16 ShenHong 03	112446	2016-09-08	2016-09-09	2021-09-09	550,000	3.20	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.	Shenzhen Stock Exchange
Suitability arrangement of investors (if any)	Targeted to qualified investors who have maintained A share securities accounts in the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited and in compliance with the requirements under the "Administrative Measures on Corporate Bonds Offering and Trading" (《公司債券發行與交易管理辦法》) and related laws and regulations (excluding subscribers prohibited by laws and regulations). Investors shall not subscribe by illegally making use of accounts or funds of others, or illegally financing or financing for others. Investors subscribing these bonds shall observe relevant laws and regulations and the relevant provisions of China Securities Regulatory Commission and assume corresponding legal responsibilities on their own.								
Applicable trading mechanism	Centralized bidding transaction, block transaction by agreement								
Whether there is risk of delisting (if any) and countermeasures therefor	Nil								

Section VIII Profile of Corporate Bonds (continued)

2. Public Offering of Corporate Bonds in 2018

Name of bond	Abbreviation of bond	Code of bond	Offering date (YYYY-MM-DD)	Value date (YYYY-MM-DD)	Maturity date (YYYY-MM-DD)	Balance of bond (RMB'0,000)	Coupon rate	Payment of principal and interest	Trading place
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2018 (First Tranche) (Type I)	18 ShenHong 01	112728	2018-07-13	2018-07-17	2023-07-17	3,250	July 17, 2018- July 16, 2021: 4.40%; July 17, 2021 - July 16, 2023: 3.20%.	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.	Shenzhen Stock Exchange
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Qualified Investors in 2018 (First Tranche) (Type II)	18 ShenHong 02	112729	2018-07-13	2018-07-17	2023-07-17	650,000	4.80%	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.	Shenzhen Stock Exchange
Suitability arrangement of investors (if any)	Targeted to qualified investors who have maintained A share securities accounts in the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited and in compliance with the requirements under the "Administrative Measures on Corporate Bonds Offering and Trading" (《公司債券發行與交易管理辦法》) and related laws and regulations (excluding subscribers prohibited by laws and regulations). Investors shall not subscribe by illegally making use of accounts or funds of others, or illegally financing or financing for others. Investors subscribing these bonds shall observe relevant laws and regulations and the relevant provisions of China Securities Regulatory Commission and assume corresponding legal responsibilities on their own.								
Applicable trading mechanism	Centralized bidding transaction, block transaction by agreement								
Whether there is risk of delisting (if any) and countermeasures therefor	Nil								

Section VIII Profile of Corporate Bonds (continued)

3. Non-public Offering of Corporate Bonds in 2019

Name of bond	Abbreviation of bond	Code of bond	Offering date (YYYY-MM-DD)	Value date (YYYY-MM-DD)	Maturity date (YYYY-MM-DD)	Balance of bond (RMB'0,000)	Coupon rate (%)	Payment of principal and interest	Trading place
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Non-publicly Offered in 2019 (First Tranche)	19 ShenHong 01	114443	2019-03-06	2019-03-08	2022-03-08	100,000	4.18	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.	Shenzhen Stock Exchange
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Non-publicly Offered in 2019 (Second tranche) (Type I)	19 ShenHong 02	114461	2019-04-09	2019-04-12	2022-04-12	320,000	4.27		Shenzhen Stock Exchange
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Non-publicly Offered in 2019 (Third tranche)	19 ShenHong 04	114590	2019-10-23	2019-10-25	2024-10-25	580,000	3.94		Shenzhen Stock Exchange
Suitability arrangement of investors (if any)	Targeted to qualified investors who have maintained A share securities accounts in the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited and in compliance with the requirements under the "Administrative Measures on Corporate Bonds Offering and Trading" (《公司債券發行與交易管理辦法》) and related laws and regulations (excluding subscribers prohibited by laws and regulations). Investors shall not subscribe by illegally making use of accounts or funds of others, or illegally financing or financing for others. Investors subscribing these bonds shall observe relevant laws and regulations and the relevant provisions of China Securities Regulatory Commission and assume corresponding legal responsibilities on their own.								
Applicable trading mechanism	Block transaction by agreement								
Whether there is risk of delisting (if any) and countermeasures therefor	Nil								

Section VIII Profile of Corporate Bonds (continued)

4. Public Offering of Corporate Bonds in 2021

Name of bond	Abbreviation of bond	Code of bond	Offering date (YYYY-MM-DD)	Value date (YYYY-MM-DD)	Maturity date (YYYY-MM-DD)	Balance of bond (RMB'0,000)	Coupon rate (%)	Payment of principal and interest	Trading place
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Professional Investors in 2021 (First Tranche) (Type I)	21 ShenHong 01	149393	2021-03-04	2021-03-08	2026-03-08	150,000	3.68		Shenzhen Stock Exchange
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Professional Investors in 2021 (First Tranche) (Type II)	21 ShenHong 02	149394	2021-03-04	2021-03-08	2028-03-08	50,000	3.95		Shenzhen Stock Exchange
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Professional Investors in 2021 (Second Tranche) (Type II)	21 ShenHong 04	149553	2021-07-13	2021-07-15	2028-07-15	300,000	3.65	Interest shall be calculated annually, while the principal shall be fully repaid upon maturity. Interest shall be paid annually, and principal will be repaid upon maturity together with interest payable for the last period.	Shenzhen Stock Exchange
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Professional Investors in 2021 (Third Tranche) (Type I)	21 ShenHong 05	149578	2021-08-02	2021-08-04	2024-08-04	50,000	2.99		Shenzhen Stock Exchange
Corporate Bonds of Shenwan Hongyuan Group Co., Ltd. Publicly Offered to Professional Investors in 2021 (Third Tranche) (Type II)	21 ShenHong 06	149579	2021-08-02	2021-08-04	2026-08-04	250,000	3.38		Shenzhen Stock Exchange
Suitability arrangement of investors (if any)	Targeted to professional investors who have maintained A share securities accounts in the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited and in compliance with the requirements under the "Administrative Measures on Corporate Bonds Offering and Trading" (《公司债券發行與交易管理辦法》) and related laws and regulations (excluding subscribers prohibited by laws and regulations). Investors shall not subscribe by illegally making use of accounts or funds of others, or illegally financing or financing for others. Investors subscribing these bonds shall observe relevant laws and regulations and the relevant provisions of China Securities Regulatory Commission and assume corresponding legal responsibilities on their own.								
Applicable trading mechanism	Centralized bidding transaction, block transaction by agreement								
Whether there is risk of delisting (if any) and countermeasures therefor	Nil								

Section VIII Profile of Corporate Bonds (continued)

The corporate bonds were not overdue.

(II) Issuer or investor option terms and triggering and implementation of investor protection terms

1. Issuer or investor option terms

The term of corporate bonds of Shenwan Hongyuan Group publicly offered to qualified investors in 2018 (first tranche) (type I) is five years, and the issuer shall have the option to adjust the coupon rate and the investors shall have the option to sell back the bonds at the end of the third interest-bearing year. On June 16, 2021, June 17, 2021, and June 18, 2021, the issuer disclosed the first, second and third Indicative Announcement on Adjustment of Coupon Rate and Measures for Implementation of Put-back by Investors for “18 ShenHong 01” bonds, respectively, pursuant to which the issuer determined to lower the coupon rate by 120 basis points at the end of the third interest-bearing year of “18 ShenHong 01”, i.e. the coupon rate for the fourth and fifth interest-bearing years of the term of the bonds (that is, from July 17, 2021 to July 16, 2023) is 3.20% and is fixed in the fourth and fifth years of the term of the bonds. Meanwhile, it was announced that the put-back registration period of “18 ShenHong 01” is from June 21, 2021 to June 25, 2021.

The number of “18 ShenHong 01” bonds subject to put-back is 4,674,980, the put-back amount is RMB467,498,000.00, and the remaining number of bonds under custody of China Securities Depository and Clearing Corporation Limited is 325,020. The principal and interest for the “18 ShenHong 01” bonds subject to put-back was transferred by the company to the designated bank account of Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on July 15, 2021, and were transferred to the accounts of investors on the date of receipt of put-back funds which is July 19, 2021 (as July 17, 2021 is day off, it is postponed to the first trading day thereafter).

2. Triggering and implementation of investor protection terms

During the Reporting Period, no investor protection terms were triggered for the corporate bonds.

(III) Credit rating adjustment for corporate bonds

During the Reporting Period, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. continued to conduct ongoing credit rating on the corporate bonds issued publicly by the company (“16 ShenHong 03”, “18 ShenHong 01” and “18 ShenHong 02”), and China Lianhe Credit Rating Co., Ltd. conducted ongoing rating on corporate bonds (“21 ShenHong 01” and “21 ShenHong 02”). There was no change in relevant credit rating level, rating outlook and credit rating results. The credit rating agencies maintained the AAA credit rating for the Company as an issuer, and the AAA credit rating for the corporate bonds “16 ShenHong 03”, “18 ShenHong 01”, “18 ShenHong 02”, “21 ShenHong 01” and “21 ShenHong 02”, with a stable rating outlook. (For details, please refer to the announcements of the Company published on the Cninfo website (<http://www.cninfo.com.cn>) on May 27, 2021 and on the website of HKExnews (www.hkexnews.hk) on May 26, 2021).

Section VIII Profile of Corporate Bonds (continued)

(IV) Implementation of and changes in debt repayment plan and other debt repayment safeguard measures for corporate bonds during the Reporting Period and the effects thereof on the interests of bond investors

1. Public Offering of Corporate Bonds in 2016

In order to adequately and effectively protect the interests of bondholders, the Company has made a series of arrangements to ensure the timely and full repayment of the 2016 Corporate Bonds, including designation of dedicated departments and personnel, preparation of debt repayment funds, formulation and strict implementation of the fund management plan with proper organization and coordination, and strict compliance with the information disclosure obligations, etc., which constituted a complete set of approaches to guarantee the payment of interest and redemption of the bonds. The Company has adopted a series of measures to guarantee the repayment of its debts, including formulating of the “Rules of The Bondholders Meetings”, setting up a special working group for the repayment of debts, formulating and strictly implementing the fund management plan, entrusting bond manager and making timely information disclosure. During the Reporting Period, there were no changes in credit enhancement mechanism, debt repayment plan and other debt repayment guarantee measures for the above corporate bonds.

The Company has set up a special debt repayment account and paid out of it the interest payable for “16 ShenHong 01”, “16 ShenHong 02” and “16 ShenHong 03”. In April 2021, the Company paid out of the special debt repayment account the principal of “16 ShenHong 01” and its interest payable for the period from April 26, 2020 to April 25, 2021.

2. Public Offering of Corporate Bonds in 2018

In order to adequately and effectively protect the interests of bondholders, the Company has made a series of arrangements to ensure the timely and full repayment of the 2018 Corporate Bonds, including designation of dedicated departments and personnel, preparation of debt repayment funds, formulation and strict implementation of the fund management plan with proper organization and coordination, and strict compliance with the information disclosure obligations, etc., which constituted a complete set of approaches to guarantee the payment of interest and redemption of the bonds. The Company has adopted a series of measures to guarantee the repayment of its debts, including formulation of the “Rules for Meeting of Bondholders”, setting up a special working group for the repayment of debts, formulating and strictly implementing the fund management plan, entrusting bond manager and making timely information disclosure. During the Reporting Period, there were no changes in credit enhancement mechanism, debt repayment plan and other debt repayment guarantee measures for the above corporate bonds.

The Company paid out of the special debt repayment account the interest payable for “18 ShenHong 01” and “18 ShenHong 02”. In July 2021, the Company paid out of the special debt repayment account the interest payable for “18 ShenHong 01” and “18 ShenHong 02” for the period from July 17, 2020 to July 16, 2021 and part of the principal of “18 ShenHong 01”.

Section VIII Profile of Corporate Bonds (continued)

3. Non-public Offering of Corporate Bonds in 2019

In order to adequately and effectively protect the interests of bondholders, the Company has made a series of arrangements to ensure the timely and full repayment of the 2019 Corporate Bonds, including designation of dedicated departments and personnel, preparation of debt repayment funds, formulation and strict implementation of the fund management plan with proper organization and coordination, and strict compliance with the information disclosure obligations, etc., which constituted a complete set of approaches to guarantee the payment of interest and redemption of the bonds. The Company has adopted a series of measures to guarantee the repayment of its debts, including formulation of the “Rules for Meeting of Bondholders”, setting up a special working group for the repayment of debts, formulating and strictly implementing the fund management plan, entrusting bond manager and making timely information disclosure. During the Reporting Period, there were no changes in credit enhancement mechanism, debt repayment plan and other debt repayment guarantee measures for the above corporate bonds.

The Company has set up a special debt repayment account and paid out of it the interest payable for “19 ShenHong 01”, “19 ShenHong 02” and “19 ShenHong 04”. In March 2021, the Company paid out of the special debt repayment account the interest payable for “19 ShenHong 01” for the period from March 8, 2020 to March 7, 2021. In April 2021, the Company paid out of the special debt repayment account the interest payable for “19 ShenHong 02” for the period from April 12, 2020 to April 11, 2021.

4. Public Offering of Corporate Bonds in 2021

In order to adequately and effectively protect the interests of bondholders, the Company has made a series of arrangements to ensure the timely and full repayment of the 2021 Corporate Bonds, including designation of dedicated departments and personnel, preparation of debt repayment funds, formulation and strict implementation of the fund management plan with proper organization and coordination, and strict compliance with the information disclosure obligations, etc., which constituted a complete set of approaches to guarantee the payment of interest and redemption of the bonds. The Company has adopted a series of measures to guarantee the repayment of its debts, including formulation of the “Rules for Meeting of Bondholders”, setting up a special working group for the repayment of debts, formulating and strictly implementing the fund management plan, entrusting bond manager and making timely information disclosure. During the Reporting Period, there were no changes in credit enhancement mechanism, debt repayment plan and other debt repayment guarantee measures for the above corporate bonds.

(V) Guarantee for corporate bonds

No guarantee is provided for the corporate bonds issued by the Company.

Section VIII Profile of Corporate Bonds (continued)

II. OTHER INFORMATION ON BONDS

During the Reporting Period, the Company did not have enterprise bonds, non-financial enterprise bond financing instruments, or convertible corporate bonds.

During the Reporting Period, the Company did not record loss within the scope of consolidated statements exceeding 10% of the net assets as at the end of last year.

For the bonds of subsidiaries of the Company, please refer to “XVIII. Significant Matters of Subsidiaries of the Company” under “Section VI Significant Events” in this report.

III. THE MAIN ACCOUNTING INFORMATION AND FINANCIAL INDICATORS OF THE COMPANY FOR THE RECENT TWO YEARS AS OF THE END OF THE REPORTING PERIOD

Items	As of the end of the Reporting Period	As of the end of last year	Increase/decrease as compared with the end of last year
Current ratio	1.37	1.68	Decreased by 0.31
Gearing ratio ^{Note}	77.76%	77.08%	Increased by 0.68 percentage point
Quick ratio	1.37	1.67	Decreased by 0.30

Items	For the Reporting Period	For the same period of the previous year	Year-on-year change
Net profit after deducting non-recurring profit or loss (Unit: RMB' 000)	4,555,277	3,950,263	15.32%
Total debt to EBITDA ratio	0.06	0.06	—
Interest coverage multiple	2.20	2.36	Decreased by 0.16
Cash interest coverage multiple	-5.02	3.96	Decreased by 8.98
EBITDA interest coverage multiple	2.28	2.44	Decreased by 0.16
Loan repayment ratio	100.00%	100.00%	—
Interest repayment ratio	100.00%	100.00%	—

Note: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients-proceeds from securities underwriting collected on behalf of clients)/
(Total assets – Accounts payable to brokerage clients-proceeds from securities underwriting collected on behalf of clients)*100%

Section IX Financial Statements

Report on review of interim financial information

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

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

Introduction

We have reviewed the interim financial information set out on pages 131 to 226, which comprises the interim condensed consolidated statement of financial position of Shenwan Hongyuan Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2021 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 August 2021

Interim condensed consolidated income statement

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

	Note	Six months ended 30 June	
		2021	2020
Revenue			
Fee and commission income	5	5,134,700	4,273,827
Interest income	6	5,579,696	5,666,902
Net investment gains	7	4,635,058	3,289,342
Total revenue		15,349,454	13,230,071
Other income and gains	8	5,930,674	4,560,027
Total revenue and other income		21,280,128	17,790,098
Fee and commission expenses	9	931,197	795,678
Interest expenses	10	4,632,538	3,799,738
Staff costs	11	3,499,091	3,031,318
Depreciation and amortisation expenses	12	330,367	304,851
Tax and surcharges		86,652	72,953
Other operating expenses	13	6,627,393	4,789,057
Net provision for impairment losses	14	224,718	233,563
Total expenses		16,331,956	13,027,158
Operating profit		4,948,172	4,762,940
Share of profit of associates and joint ventures		398,967	192,990
Profit before income tax		5,347,139	4,955,930
Income tax expense	15	780,732	875,256
Profit for the period		4,566,407	4,080,674
Attributable to:			
Shareholders of the Company		4,520,910	4,034,768
Non-controlling interests		45,497	45,906
		4,566,407	4,080,674
Basic and diluted earnings per share (in Renminbi per share)	16	0.18	0.16

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

Interim condensed consolidated statement of comprehensive income

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2021	2020
Profit for the period	4,566,407	4,080,674
Other comprehensive income for the period		
Items that will not be reclassified to profit or loss:		
Equity investment at fair value through other comprehensive income		
— Net change in fair value	(456,871)	(423,871)
Income tax impact	114,218	105,968
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
— Net changes in fair value	2,399	(48,266)
— Reclassified to profit or loss	159,930	(398,137)
Share of other comprehensive income of associates and joint ventures	(697)	(7,277)
Exchange differences on translation of financial statements in foreign currencies	(31,234)	77,834
Income tax impact	(14,118)	107,002
Total other comprehensive income for the period, net of tax	(226,373)	(586,747)
Total comprehensive income for the period	4,340,034	3,493,927
Attributable to:		
Shareholders of the Company	4,308,657	3,430,602
Non-controlling interests	31,377	63,325
Total	4,340,034	3,493,927

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

Interim condensed consolidated statement of financial position

As at 30 June 2021
(In RMB thousands, unless otherwise stated)

	Note	As at 30 June 2021	As at 31 December 2020
Non-current assets			
Property and equipment	17	1,278,013	1,295,289
Right-of-use assets	18	894,520	864,682
Investment properties		54,709	56,951
Other intangible assets	19	189,899	187,903
Interest in associates and joint ventures	20	4,167,814	4,706,514
Financial assets measured at amortized cost	21	3,036,363	2,478,236
Financial assets at fair value through other comprehensive income	22	3,664,645	9,071,823
Financial assets held under resale agreements	23	6,585,512	3,412,480
Financial assets at fair value through profit or loss	24	10,138,853	11,951,891
Refundable deposits	25	21,716,631	18,347,661
Deferred tax assets	26	2,351,068	2,206,892
Other non-current assets	27	93,585	106,012
Total non-current assets		54,171,612	54,686,334
Current assets			
Accounts receivable	28	4,799,832	3,088,616
Other receivables and prepayments	29	2,925,057	3,333,395
Margin accounts receivable	30	79,500,970	74,212,401
Financial assets measured at amortized cost	21	2,133,704	3,973,967
Financial assets held under resale agreements	23	17,587,098	23,247,258
Financial assets at fair value through profit or loss	24	201,025,855	152,615,966
Financial assets at fair value through other comprehensive income	22	33,255,164	57,282,609
Derivative financial assets	31	2,701,410	1,650,558
Clearing settlement funds	32	9,407,446	5,974,014
Cash held on behalf of brokerage clients	33	86,774,076	88,136,292
Cash and bank balances	34	26,315,438	22,922,867
Total current assets		466,426,050	436,437,943
Total assets		520,597,662	491,124,277

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

Interim condensed consolidated statement of financial position (continued)

As at 30 June 2021

(In RMB thousands, unless otherwise stated)

	Note	As at 30 June 2021	As at 31 December 2020
Current liabilities			
Loans and borrowings	36	7,751,382	4,346,935
Short-term debt instruments issued	37	29,192,110	40,505,069
Placements from other financial institutions	38	3,889,489	4,430,000
Accounts payable to brokerage clients	39	98,136,267	97,535,040
Employee benefits payable	40	3,145,995	2,134,241
Other payables and accruals	41	22,681,386	19,899,974
Contract liabilities		118,178	141,791
Current tax liabilities		284,233	676,286
Financial assets sold under repurchase agreements	42	116,976,849	103,314,547
Lease liabilities	43	301,773	368,729
Financial liabilities at fair value through profit or loss	44	3,195,480	2,876,775
Derivative financial liabilities	31	4,887,138	2,221,291
Long-term bonds due within one year	45	49,542,836	20,634,609
Total current liabilities		340,103,116	299,085,287
Net current assets		126,322,934	137,352,656
Total assets less current liabilities		180,494,546	192,038,990
Non-current liabilities			
Long-term bonds	45	79,927,388	97,533,336
Non-current employee benefits payable	40	3,196,222	3,044,380
Deferred tax liabilities	26	1,775	2,148
Lease liabilities	43	606,391	494,091
Financial liabilities at fair value through profit or loss	44	2,560,136	575,162
Other non-current liabilities		239,324	299,283
Total non-current liabilities		86,531,236	101,948,400
Net assets		93,963,310	90,090,590

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

Interim condensed consolidated statement of financial position (continued)

As at 30 June 2021
(In RMB thousands, unless otherwise stated)

	Note	As at 30 June 2021	As at 31 December 2020
Equity			
Share capital	46	25,039,945	25,039,945
Other equity instruments		2,000,000	—
Reserves	47	36,059,464	36,240,691
Retained profits	48	29,169,871	27,183,981
Total equity attributable to shareholders of the Company		92,269,280	88,464,617
Non-controlling interests		1,694,030	1,625,973
Total equity		93,963,310	90,090,590

Approved and authorised for issue by the board of directors on 27 August 2021.

Chu Xiaoming

Executive Director, Chairman

Yang Wenqing

Executive Director, Vice Chairman

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

(In RMB thousands, unless otherwise stated)

	Attributable to shareholders of the Company										Total equity
	Share capital (Note 46)	Other equity instruments	Reserves					Retained profits (Note 48)	Non-controlling interests	Subtotal	
			Capital reserve	Surplus reserves	General reserves	Fair value reserve	Translation				
			(Note 47)	(Note 47)	(Note 47)	(Note 47)	(Note 47)				
As at 1 January 2021	25,039,945	—	19,367,146	3,563,552	14,240,705	(822,287)	(108,425)	27,183,981	88,464,617	1,625,973	90,090,590
Profit for the period	—	—	—	—	—	—	—	4,520,910	4,520,910	45,497	4,566,407
Other comprehensive income	—	—	—	—	—	(194,554)	(17,699)	—	(212,253)	(14,120)	(226,373)
Total comprehensive (loss)/ income for the period	—	—	—	—	—	(194,554)	(17,699)	4,520,910	4,308,657	31,377	4,340,034
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	55,250	55,250
Capital reduction by non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(5,708)	(5,708)
Contribution from other equity instrument holders	—	2,000,000	—	—	—	—	—	—	2,000,000	—	2,000,000
Appropriation to general reserve	—	—	—	—	31,026	—	—	(31,026)	—	—	—
Dividends in respect of the previous year	—	—	—	—	—	—	—	(2,503,994)	(2,503,994)	(12,862)	(2,516,856)
As at 30 June 2021 (Unaudited)	25,039,945	2,000,000	19,367,146	3,563,552	14,271,731	(1,016,841)	(126,124)	29,169,871	92,269,280	1,694,030	93,963,310

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

Interim condensed consolidated statement of changes in equity (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

	Attributable to shareholders of the Company									Total equity
	Share capital (Note 46)	Capital reserve (Note 47)	Surplus reserves (Note 47)	Reserves			Retained profits (Note 48)	Subtotal	Non-controlling interests	
				General reserves (Note 47)	Fair value reserve (Note 47)	Translation (Note 47)				
At 1 January 2020	25,039,945	19,367,146	3,390,427	12,276,011	(392,056)	60,542	23,464,175	83,206,190	1,625,217	84,831,407
Profit for the period	—	—	—	—	—	—	4,034,768	4,034,768	45,906	4,080,674
Other comprehensive income	—	—	—	—	(658,116)	53,950	—	(604,166)	17,419	(586,747)
Total comprehensive (loss)/ income for the period	—	—	—	—	(658,116)	53,950	4,034,768	3,430,602	63,325	3,493,927
Appropriation to general reserve	—	—	—	26,907	—	—	(26,907)	—	—	—
Dividends approved in respect of the previous year	—	—	—	—	—	—	(2,003,196)	(2,003,196)	(10,712)	(2,013,908)
Other comprehensive income that has been reclassified to retained profits	—	—	—	—	(22,003)	—	22,003	—	—	—
Acquisition of non-controlling shareholders of interests in subsidiaries	—	—	—	—	—	—	—	—	(11,152)	(11,152)
At 30 June 2020 (Unaudited)	25,039,945	19,367,146	3,390,427	12,302,918	(1,072,175)	114,492	25,490,843	84,633,596	1,666,678	86,300,274

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

Interim condensed consolidated statement of cash flows

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2021	2020
Cash flows from operating activities:		
Profit before income tax	5,347,139	4,955,930
Adjustments for:		
Interest expenses	4,632,538	3,799,738
Share of profit of associates and joint ventures	(398,967)	(192,990)
Depreciation and amortisation expenses	330,367	304,851
Net provision for impairment losses	224,718	233,563
Gains on disposal of property and equipment and other intangible assets	(2,042)	(978)
Foreign exchange losses/(gains)	29,706	(28,793)
Net investment gains and interest income from financial assets at fair value through other comprehensive income	(1,590,287)	(1,769,269)
Net investment gains and interest income from financial assets measured at amortized cost	(176,712)	(221,959)
Unrealised fair value changes of financial instruments at fair value through profit or loss	(547,876)	(507,552)
Unrealised fair value changes of derivative financial instruments	564,814	27,556
Operating cash flows before movements in working capital	8,413,398	6,600,097
Cash flows from operating activities:		
Increase in refundable deposits	(3,368,970)	(3,497,458)
Increase in margin accounts receivable	(5,473,169)	(9,349,757)
Increase in accounts receivable, other receivables and prepayments	(1,365,453)	(1,828,192)
Decrease in financial assets held under resale agreements	4,132,720	5,713,137
Increase in financial instruments at fair value through profit or loss	(42,334,892)	(12,675,190)
Decrease/(Increase) in cash held on behalf of brokerage clients	1,407,622	(17,519,930)
Increase in accounts payable to brokerage clients	604,124	21,023,884
Increase in other payables and accruals and other non-current liabilities	3,116,879	2,909,290
(Decrease)/Increase in employee benefits payable	(2,335,495)	116,596
Increase in financial assets sold under repurchase agreements	13,662,302	5,497,496
Decrease in placements from other financial institutions	(550,410)	(1,951,406)
Cash generated from operations	(24,091,344)	(4,961,433)
Income taxes paid	(1,149,791)	(1,166,741)
Interest paid for operating activities	(1,694,320)	(1,482,494)
Net cash used in operating activities	(26,935,455)	(7,610,668)

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

Interim condensed consolidated statement of cash flows (continued)

*For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)*

	Note	Six months ended 30 June	
		2021	2020
Cash flows from investing activities:			
Proceeds from disposal of property and equipment and other intangible assets		15,957	6,867
Dividends received from associates and joint ventures		200,506	106,827
Interest income from financial assets measured at amortized cost		219,097	208,350
Net investment gains and interest income from financial assets at fair value through other comprehensive income		2,087,434	1,293,453
Proceeds on disposal of financial assets measured at amortized cost		1,261,237	242,462
Purchases of property and equipment, other intangible assets and other non-current assets		(147,506)	(86,151)
Proceeds on disposal of associates and joint ventures		736,434	1,745
Disposal/(Purchases) of financial assets at fair value through other comprehensive income		28,476,243	(18,519,191)
Decrease in restricted bank deposits		2,119,731	1,019,921
Net cash generated from/(used in) investing activities		34,969,133	(15,725,717)
Cash flows from financing activities:			
Proceeds from issuance of other equity instruments		2,000,000	—
Proceeds from issuance of long-term bonds		27,822,337	23,740,935
Proceeds from issuance of short-term debt instruments		26,472,471	34,219,702
Proceeds from loans and borrowings		7,750,925	4,571,029
Capital injection from non-controlling shareholders of subsidiaries		49,542	—
Long-term bonds repaid		(16,425,498)	(9,076,216)
Short-term debt instruments repaid		(37,832,798)	(33,588,266)
Loans and borrowings repaid		(4,346,431)	(1,160,307)
Loans, bonds and debt instruments interest paid		(2,828,841)	(2,459,712)
Dividends paid		(12,862)	(10,712)
Payment of lease liabilities		(169,777)	(172,052)
Cash used in other financing activities		—	(11,153)
Net cash generated from financing activities		2,479,068	16,053,248
Net increase/(decrease) in cash and cash equivalents		10,512,746	(7,283,137)
Cash and cash equivalents at the beginning of the period		37,562,687	38,948,802
Effect of foreign exchange rate changes		(29,706)	28,793
Cash and cash equivalents at the end of the period	35	48,045,727	31,694,458

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

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

1 General information

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

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

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

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

As of 26 April 2019, the Company issued 2,504,000,000 H shares on the main board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), thus increasing the accumulated total outstanding shares of the Company to 25,039,944,560 shares as at 30 June 2021.

The Company’s registered address moved to the Xinjiang Uygur Autonomous Region on 20 January 2015 and obtained a business license renewed by the Xinjiang Uygur Autonomous Region Administration for Industry and Commerce. The Company and its subsidiaries are principally engaged in securities brokerage, margin financing and securities lending, securities-backed lending, proprietary securities business, securities underwriting and sponsoring, securities asset management, fund management, stock option market making, futures brokerage, direct investment, innovative investment etc.

2 Basis of accounting

These interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with “IAS 34 Interim Financial Reporting”, in addition, these condensed consolidated interim financial statements also comply with the disclosure requirements of the Listing Rules of the Stock Exchange of Hong Kong Limited, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2020 (‘last annual financial statements’). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

The interim financial statements were authorised for issue by the Company’s board of directors on 27 August 2021.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

3 Significant accounting policies

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies used in preparing the interim condensed consolidated financial statements are the same as those adopted in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

(1) Standards and amendments effective in 2021 adopted by the Group

For the six months period ended 30 June 2021, the Group has adopted the following International Financial Reporting Standards ("IFRSs") and amendments issued by the International Accounting Standards Board ("IASB"), which were mandatorily effective or early adopted for the current interim period.

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments Interest Rate Benchmark Reform – Phase 2

The IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Phase 2 amendments provide a practical expedient to account for these changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform. Under the practical expedient, entities will account for these changes by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9 without the recognition of an immediate gain or loss. This practical expedient applies only to such a change and only to the extent that it is necessary as a direct consequence of interest rate benchmark reform, and the new basis is economically equivalent to the previous basis.

Amendment to IFRS 16 'Leases' – COVID-19 related rent concessions Extension of the practical expedient

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted. The Group has early adopted this amendment for the current interim period.

The adoption of the above standards and amendments does not have any significant impact on the operating results, comprehensive income and financial position of the Group for the six-month period ended 30 June 2021.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

3 Significant accounting policies (continued)

(2) Standards and amendments relevant to the Group that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group

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

		Effective for annual periods beginning on or after
IFRS 3 Amendments	Reference to the Conceptual Framework	1 January 2022
IAS 16 Amendments	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
IAS 37 Amendments	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRSs 2018–2020 Cycle (issued in May 2020)		1 January 2022
IAS 1 Amendments	Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 17 and Amendments	Insurance Contracts	1 January 2023
IAS 1 and IFRS Practice Statement 2 Amendments	Disclosure of Accounting Policies	1 January 2023
IAS 8 Amendments	Definition of Accounting Estimates	1 January 2023
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely

The adoption of the above standards and amendments will have no material impact on the Group's consolidated financial statements.

4 Taxation

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

(1) Income tax

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

The income tax rate for Shenwan Hongyuan (International) Holdings Limited (a Hong Kong Company) is 16.5%.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

4 Taxation (continued)

(2) Value added tax

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

Pursuant to the Announcement on Policy on Deepening Value-added Tax (VAT) Reforms (MOF, SAT and GACC Announcement 2019 No. 39) issued by the MOF and SAT effective from 1 April 2019, the VAT rates for VAT taxable supplies and import of goods for general VAT payers will be reduced from 16% to 13% and 10% to 9%, respectively.

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

The Group’s related income is presented at value net of its respective VAT in the consolidated income statement.

- (3) Urban maintenance and construction taxes and educational surcharges are charged in accordance with the provisions of the relevant tax laws and regulations. Urban maintenance and construction taxes rate ranges from 5% to 7%, and educational surcharges taxes rate ranges from 3% to 5%.
- (4) Vehicle and vessel taxes, property taxes and stamp duties are levied in accordance with the provisions of the relevant tax laws and regulations.

5 Fee and commission income

	Six months ended 30 June	
	2021	2020
Income from securities brokerage business	3,219,776	2,988,927
Income from underwriting and sponsorship business	632,461	319,026
Income from asset management business	605,806	566,099
Income from futures brokerage business	573,917	304,850
Income from financial advisory business	102,740	94,925
Total	5,134,700	4,273,827

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

6 Interest income

	Six months ended 30 June	
	2021	2020
Interest income from margin financing and securities lending	2,729,598	2,007,828
Interest income from financial institutions	1,173,921	1,165,963
Interest income from financial instruments at fair value through other comprehensive income	1,142,559	1,330,864
Interest income from securities-backed lending	293,774	663,797
Interest income from financial assets measured at amortized cost	176,712	221,959
Interest income from other financial assets held under resale agreements	63,132	276,491
Total	5,579,696	5,666,902

7 Net investment gains

	Six months ended 30 June	
	2021	2020
Dividend income and interest income from financial instruments at fair value through profit or loss	3,550,115	2,461,954
Dividend income from financial instruments at fair value through other comprehensive income	412,591	24,209
Net realised gains from disposal of financial instruments at fair value through other comprehensive income	35,137	414,196
Net realised losses from disposal of derivative financial instruments	(52,635)	(217,277)
Net realised gains from disposal of financial instruments at fair value through profit or loss	706,788	126,264
Unrealised fair value changes of derivative financial instruments	(564,814)	(27,556)
Unrealised fair value changes of financial instruments at fair value through profit or loss	547,876	507,552
Total	4,635,058	3,289,342

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

8 Other income and gains

	Six months ended 30 June	
	2021	2020
Income from commodity trading business	5,838,287	4,288,336
Income from tax authorities for individual income tax withheld	23,867	29,691
Government grants ⁽¹⁾	21,760	179,926
Rental income	8,781	5,847
Income from futures market-making	7,621	7,308
Compensation received	5,876	253
Income from disposal of property and equipment	2,042	980
Foreign exchange gains	—	28,793
Miscellaneous ⁽²⁾	22,440	18,893
Total	5,930,674	4,560,027

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

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

9 Fee and commission expenses

	Six months ended 30 June	
	2021	2020
Expenses for securities brokerage business	682,659	634,112
Expenses for futures brokerage business	226,066	150,203
Expenses for underwriting and sponsorship business	20,939	9,448
Expenses for asset management business	778	1,913
Expenses for financial advisory business	755	2
Total	931,197	795,678

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

10 Interest expenses

	Six months ended 30 June	
	2021	2020
Interest expenses for		
– Long-term bonds	2,269,261	2,000,481
– Financial assets sold under repurchase agreements	1,292,461	1,045,738
– Short-term debt instruments issued	467,238	244,173
– Placements from other financial institutions	220,326	174,757
– Accounts payable to brokerage clients	185,108	149,806
– Other structured entities' holders	118,318	82,633
– Loans and borrowings	61,886	86,760
– Lease liabilities	17,940	15,390
Total	4,632,538	3,799,738

11 Staff costs

	Six months ended 30 June	
	2021	2020
Salaries, bonuses and allowances	2,875,064	2,592,936
Contribution to pension schemes	158,912	76,171
Other social welfare	465,115	362,211
Total	3,499,091	3,031,318

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

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

12 Depreciation and amortisation expenses

	Six months ended 30 June	
	2021	2020
Depreciation of right-of-use assets	167,348	170,395
Depreciation of property and equipment	79,181	74,242
Amortisation of other intangible assets	48,185	38,615
Amortisation of long-term deferred expenses	32,995	19,300
Depreciation of investment properties	2,658	2,299
Total	330,367	304,851

13 Other operating expenses

	Six months ended 30 June	
	2021	2020
Cost of commodity trading business	5,799,378	4,239,319
Funds and asset management plans distribution expenses	119,108	50,180
IT expenses	103,500	44,271
Postal and communication expenses	93,534	42,355
Stock exchanges management fees	72,861	43,289
Administrative and office operating expenses	71,575	84,362
Consulting and professional services	70,332	45,782
Rental expenses and utilities	66,121	51,883
Investor protection funds and risk reserves for futures business	60,619	55,222
Business travel expenses	44,330	21,978
Promotion and entertainment expenses	37,203	20,263
Donation and sponsorship	33,571	34,339
Foreign exchange losses	29,707	—
Auditors' remuneration	6,483	6,721
Losses on disposal of property and equipment	1,839	2
Compensation paid	1,247	438
Labor protection fee	197	2,071
Miscellaneous ⁽¹⁾	15,788	46,582
Total	6,627,393	4,789,057

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

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

14 Net provision for impairment losses

	Six months ended 30 June	
	2021	2020
Provision for impairment losses against financial assets at fair value through other comprehensive income	195,227	16,059
(Reversal of)/Provision for impairment losses against financial assets held under resale agreements	(105,936)	64,239
Provision for impairment losses against margin accounts receivable	77,563	13,497
Provision for/(Reversal of) impairment losses against other receivables and prepayments	26,152	(2,637)
Provision for impairment losses against accounts receivable	20,060	66,222
Provision for impairment losses against financial assets measured at amortized cost	13,651	23,471
(Reversal of) /Provision for impairment losses against Inventory	(1,359)	53,114
Reversal of impairment losses against cash and bank balances	(640)	(402)
Total	224,718	233,563

15 Income tax expense

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

	Six months ended 30 June	
	2021	2020
Current tax		
— PRC income tax	832,416	798,455
— Hong Kong profits tax	7,846	8,036
Total	840,262	806,491
Adjustment in respect of prior years		
— PRC income tax	20,205	4,027
Deferred tax		
— Origination and reversal of temporary differences	(79,735)	64,738
Total	780,732	875,256

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

15 Income tax expense (continued)

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

	Six months ended 30 June	
	2021	2020
Profit before income tax	5,347,139	4,955,930
Notional tax calculated using the PRC statutory tax rate	1,336,785	1,238,983
Tax effect of non-deductible expenses	20,163	773
Tax effect of non-taxable income	(575,373)	(376,674)
Effect of different tax rates of subsidiaries	(5,137)	(7,072)
Adjustment for prior years	20,205	4,027
Deductible losses in deferred income tax not recognized in the current period	3,972	—
Others	(19,883)	15,219
Actual income tax expense	780,732	875,256

16 Basic and diluted earnings per share

	Note	Six months ended 30 June	
		2021	2020
Weighted average number of ordinary shares (in thousands)	(1)	25,039,945	25,039,945
Net profit attributable to equity shareholders of the Company (in RMB thousands)		4,520,910	4,034,768
Basic and diluted earnings per share attributable to equity shareholders of the Company (in RMB per share)		0.18	0.16

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

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

	Six months ended 30 June	
	2021	2020
Number of ordinary shares as at 1 January	25,039,945	25,039,945
Increase in weighted average number of ordinary shares	—	—
Weighted average number of ordinary shares	25,039,945	25,039,945

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

17 Property and equipment

	Buildings	Motor vehicles	Machinery	Electronic equipment	Furniture and fixtures	Renovation	Construction in progress	Total
Cost								
As at 1 January 2021	1,708,217	54,961	19,548	1,136,441	86,176	85,283	158,153	3,248,779
Additions	—	784	—	35,523	1,238	14,926	61,520	113,991
Transfer during the period	—	—	—	10,280	305	1,790	(48,748)	(36,373)
Disposals	(38,055)	(396)	(196)	(40,927)	(1,033)	—	—	(80,607)
As at 30 June 2021	1,670,162	55,349	19,352	1,141,317	86,686	101,999	170,925	3,245,790
Accumulated depreciation								
As at 1 January 2021	(811,857)	(46,858)	(16,696)	(909,358)	(73,500)	(77,068)	—	(1,935,337)
Charge for the period	(26,724)	(874)	(315)	(46,691)	(995)	(3,582)	—	(79,181)
Disposals	24,996	354	168	38,393	983	—	—	64,894
As at 30 June 2021	(813,585)	(47,378)	(16,843)	(917,656)	(73,512)	(80,650)	—	(1,949,624)
Impairment								
As at 1 January 2021	(18,153)	—	—	—	—	—	—	(18,153)
As at 30 June 2021	(18,153)	—	—	—	—	—	—	(18,153)
Carrying amount								
As at 30 June 2021	838,424	7,971	2,509	223,661	13,174	21,349	170,925	1,278,013

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

17 Property and equipment (continued)

	Buildings	Motor vehicles	Machinery	Electronic equipment	Furniture and fixtures	Renovation	Construction in progress	Total
Cost								
As at 1 January 2020	1,669,083	97,738	20,836	1,106,009	77,717	88,671	144,166	3,204,220
Additions	903	3,456	104	59,996	12,369	—	184,385	261,213
Transfer during the year	38,231	—	—	55,725	—	—	(170,398)	(76,442)
Disposals	—	(46,233)	(1,392)	(85,289)	(3,910)	(3,388)	—	(140,212)
As at 31 December 2020	1,708,217	54,961	19,548	1,136,441	86,176	85,283	158,153	3,248,779
Accumulated depreciation								
As at 1 January 2020	(758,462)	(85,739)	(16,963)	(902,825)	(70,740)	(71,921)	—	(1,906,650)
Transfer during the year	(53,395)	(2,390)	(768)	(84,815)	(6,386)	(8,493)	—	(156,247)
Disposals	—	41,271	1,035	78,282	3,626	3,346	—	127,560
As at 31 December 2020	(811,857)	(46,858)	(16,696)	(909,358)	(73,500)	(77,068)	—	(1,935,337)
Impairment								
As at 1 January 2020	(18,153)	—	—	—	—	—	—	(18,153)
As at 31 December 2020	(18,153)	—	—	—	—	—	—	(18,153)
Carrying amount								
As at 31 December 2020	878,207	8,103	2,852	227,083	12,676	8,215	158,153	1,295,289

As at 30 June 2021 and 31 December 2020, included in buildings, there is a carrying amount of RMB19,568 thousand and RMB19,979 thousand respectively, for which the Group has yet to obtain the relevant land or building certificates.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

18 Right-of-use assets

	Right-of-use assets
Cost	
As at 1 January 2021	1,335,344
Increases	233,550
Decreases	(109,068)
As at 30 June 2021	1,459,826
Accumulated depreciation	
As at 1 January 2021	(470,662)
Charge for the period	(167,348)
Decreases	72,704
As at 30 June 2021	(565,306)
Carrying amount	
As at 30 June 2021	894,520

	Right-of-use assets
Cost	
As at 1 January 2020	1,054,504
Increases	395,824
Decreases	(114,984)
As at 31 December 2020	1,335,344
Accumulated depreciation	
As at 1 January 2020	(260,679)
Charge for the year	(324,967)
Decreases	114,984
As at 31 December 2020	(470,662)
Carrying amount	
As at 31 December 2020	864,682

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

19 Other intangible assets

	Software	Others ⁽¹⁾	Total
Cost			
As at 1 January 2021	648,041	331,964	980,005
Additions	50,214	8	50,222
Disposals	—	(94)	(94)
As at 30 June 2021	698,255	331,878	1,030,133
Accumulated amortisation			
As at 1 January 2021	(479,279)	(312,147)	(791,426)
Charge for the period	(47,212)	(973)	(48,185)
Decreases	—	53	53
As at 30 June 2021	(526,491)	(313,067)	(839,558)
Impairment			
As at 1 January 2021	—	(676)	(676)
As at 30 June 2021	—	(676)	(676)
Carrying amount			
As at 30 June 2021	171,764	18,135	189,899
Cost			
As at 1 January 2020	524,839	330,385	855,224
Additions	123,202	1,579	124,781
As at 31 December 2020	648,041	331,964	980,005
Accumulated amortisation			
As at 1 January 2020	(401,237)	(309,596)	(710,833)
Charge for the year	(78,042)	(2,551)	(80,593)
As at 31 December 2020	(479,279)	(312,147)	(791,426)
Impairment			
As at 1 January 2020	—	(676)	(676)
As at 31 December 2020	—	(676)	(676)
Carrying amount			
As at 31 December 2020	168,762	19,141	187,903

(1) The carrying amount of others includes trading seats rights, which have indefinite useful life and are not amortized.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

20 Interest in associates and joint ventures

	As at 30 June 2021	As at 31 December 2020
Share of net assets	4,346,099	4,884,799
Less: Impairment losses	(178,285)	(178,285)
Total	4,167,814	4,706,514

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

Name of associates and joint ventures	Place of incorporation	Paid-up capital (in thousands)	Effective equity interest held		Principal activity
			30 June 2021	31 December 2020	
Fullgoal Fund Management Co., Ltd.* 富國基金管理有限公司	Shanghai	RMB520,000	27.775%	27.775%	Fund management
Beijing Urban Construction (Wuhu) Equity Investment management Co., Ltd.* 北京城建(蕪湖)股權投資管理有限公司	Wuhu, Anhui	RMB100,000	30.00%	30.00%	Investment management
Xinjiang Tianshan Industrial Investment Fund Management Co., Ltd.* 新疆天山產業投資基金管理有限公司	Urumqi, Xinjiang	RMB50,000	30.00%	30.00%	Investment management
Horgos Tianshan No. 1 Industrial Investment Fund Limited Partnership* 霍爾果斯天山一號產業投資基金有限合夥企業	Horgos, Xinjiang	RMB1,510,000	33.11%	33.11%	Equity management
Xinjiang Financial Investment Asset Management Co., Ltd.* ⁽¹⁾ 新疆金投資產管理股份有限公司	Urumqi, Xinjiang	RMB1,000,000	18.00%	18.00%	Asset management
Shenwan & Hongyuan Asset Management (Shanghai) Co., Ltd.* 申萬宏源資本管理(上海)有限公司	Shanghai	RMB10,000	40.00%	40.00%	Asset management
Henan Guochuang Mixed Reform Fund Management Co., Ltd.* 河南省國創混改基金管理有限公司	Zhengzhou, Henan	RMB50,000	30.00%	30.00%	Investment management
Jiaxing Mingmao Investment Partnership (Limited Partnership)* 嘉興明茂投資合夥企業(有限合夥)	Jiaxing, Zhejiang	RMB720,000	49.93%	49.93%	Investment management

Notes to the interim condensed consolidated financial statements (continued)

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(In RMB thousands, unless otherwise stated)

20 Interest in associates and joint ventures (continued)

Name of associates and joint ventures	Place of incorporation	Paid-up capital (in thousands)	Effective equity interest held		Principal activity
			30 June 2021	31 December 2020	
Shenzhen Shenwan Jiaotou West Growth No. 1 Equity Investment Fund Partnership (Limited Partnership) ⁽¹⁾ 深圳申萬交投西部成長一號股權投資基金合夥企業（有限合夥）	Shenzhen, Guangdong	RMB57,923	17.54%	17.54%	Equity management
Shanghai Shenwan & Hongyuan Jiashi Equity Investment Partnership (Limited partnership)* 上海申萬宏源嘉實股權投資合夥企業（有限合夥）	Shanghai	RMB100,000	31.00%	31.00%	Equity management
Xiamen Xiangyu Hongding Modern Logistics Partnership (Limited Partnership)* 廈門市象嶼泓鼎現代物流合夥企業（有限合夥）	Xiamen, Fujian	RMB20,951	50.00%	50.00%	Equity management
Sichuan Shenwan & Hongyuan Changhong Equity Investment Fund Partnership (Limited Partnership) ⁽²⁾ 四川申萬宏源長虹股權投資基金合夥企業（有限合夥）	Mianyang, Sichuan	RMB310,000	51.61%	51.61%	Equity management
Sichuan Development Shenwan & Hongyuan Equity Investment Fund Partnership (Limited Partnership)* 四川發展申萬宏源股權投資基金合夥企業（有限合夥）	Chengdu, Sichuan	RMB300,000	34.00%	34.00%	Equity management
Liaoning Guoxin Industrial Investment Fund Management Co., Ltd.* 遼寧國鑫產業投資基金管理有限公司	Shenyang, Liaoning	RMB10,000	26.00%	26.00%	Investment management
Sichuan Development Securities Investment Fund Management Co., Ltd.* 四川發展證券投資基金管理有限公司	Chengdu, Sichuan	RMB20,000	40.00%	40.00%	Fund management
Tongxiang Shenwan Hongding Growth No. 2 Equity Investment Fund Partnership (Limited Partnership) ⁽¹⁾ 桐鄉申萬泓鼎成長二號股權投資基金合夥企業（有限合夥）	Jiaxing, Zhejiang	RMB151,035	13.16%	13.16%	Equity management

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

20 Interest in associates and joint ventures (continued)

Name of associates and joint ventures	Place of incorporation	Paid-up capital (in thousands)	Effective equity interest held		Principal activity
			30 June 2021	31 December 2020	
Zhuhai Shenhong Gejin Healthcare Investment Fund Partnership (Limited Partnership)* 珠海申宏格金醫療健康產業投資基金合夥企業（有限合夥）	Zhuhai, Guangdong	RMB250,500	25.00%	25.00%	Equity management
Aerospace Equity Investment Fund I (Shanghai) Partnership (Limited Partnership) 宇航一期股權投資基金（上海）合夥企業（有限合夥）	Shanghai	RMB705,000	30.00%	30.00%	Equity management
Jinmao Investment Consulting (Shenzhen) Co., Ltd. 金茂投資諮詢（深圳）有限公司	Shenzhen, Guangdong	RMB13,517	50.00%	50.00%	Investment advisory
Jiaxing Linmao No. 1 Investment Partnership (Limited Partnership) 嘉興麟茂壹號投資合夥企業（有限合夥）	Jiaxing, Zhejiang	RMB472,000	50.00%	50.00%	Investment management
Nanjing Shenhong Zhongyu No. 1 Equity Investment Partnership (Limited Partnership) 南京申宏中裕一號股權投資合夥企業（有限合夥）	Nanjing, Jiangsu	RMB700,000	25.05%	25.05%	Equity management
Gongqing City Shenhong Huichuang Logistics Industry Equity Investment Partnership (Limited Partnership) 共青城申宏匯創物流產業股權投資合夥企業（有限合夥）	Jiujiang Jiangxi	RMB41,000	37.51%	37.51%	Equity management
Chongqing Furong Equity Investment Fund Partnership (Limited Partnership)* ⁽¹⁾ 重慶市富榮股權投資基金合夥企業（有限合夥）	Chongqing	RMB50,000	1.00%	1.00%	Equity management
Shenhong Huichuang Development (Foshan) Equity Investment Partnership (Limited Partnership) 申宏匯創發展（佛山）股權投資合夥企業（有限合夥）	Foshan, Guangdong	RMB80,000	31.00%	31.00%	Equity management
Hengxi (Jiaxing) Equity Investment Partnership (Limited Partnership) 恆禧（嘉興）股權投資合夥企業（有限合夥）	Jiaxing, Zhejiang	RMB2,050,000	20.44%	20.44%	Equity management

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
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20 Interest in associates and joint ventures (continued)

Name of associates and joint ventures	Place of incorporation	Paid-up capital (in thousands)	Effective equity interest held		Principal activity
			30 June 2021	31 December 2020	
Hongyuan Equity Investment Management (Shandong) Co., Ltd. 泓源股權投資管理(山東)有限公司	Yantai, Shandong	RMB20,000	20.00%	20.00%	Equity management
Guangzhou Mingyue Real Estate Co., Ltd. 廣州銘悅置業有限公司	Guangzhou, Guangdong	RMB100,000	30.00%	30.00%	Real estate development
Nanjing Rhode Huizhi Equity Investment Partnership (Limited Partnership) 南京洛德匯智股權投資合夥企業(有限合夥)	Nanjing, Jiangsu	RMB1,202,000	20.00%	20.00%	Equity management
Shanghai Eastern Airlines Shenhong Equity Investment Fund Management Co., Ltd.* 上海東航申宏股權投資基金管理有限公司	Shanghai	RMB3,000	40.00%	40.00%	Equity management
Yibin State Assets Industry Investment Partnership (Limited Partnership) ⁽¹⁾ 宜賓市國資產業投資合夥企業(有限合夥)	Yibin, Sichuan	RMB2,020,000	1.00%	1.00%	Equity management
Jiaying Hongchuang Jianye Investment Partnership (Limited Partnership) 嘉興宏創建業投資合夥企業(有限合夥)	Jiaying, Zhejiang	RMB1,001,000	49.95%	—	Equity investment
Hanya Chuanghui No. 1 (Shenzhen) Private Equity Investment Partnership (Limited Partnership) 韓亞匯創一號(深圳)私募股權投資基金合夥企業(有限合夥)	Shenzhen, Guangdong	RMB200,000	40.00%	—	Equity investment

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

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

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

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

Notes to the interim condensed consolidated financial statements (continued)

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20 Interest in associates and joint ventures (continued)

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

Fullgoal Fund Management Co., Ltd.

	As at 30 June 2021	As at 31 December 2020
Gross amounts of the associate:		
Assets	9,590,773	8,745,650
Liabilities	(3,858,501)	(3,530,641)
Net assets	5,732,272	5,215,009
Revenue	3,998,339	5,317,245
Profit for the period/year	1,241,936	1,651,623
Other comprehensive income	(2,584)	(12,439)
Other adjustments	(1,413)	(8,213)
Total comprehensive income	1,237,939	1,630,971
Dividend received from the associate	200,536	100,268
Reconciled to the Group's interest in the associate:		
Net assets	5,732,272	5,215,009
The Group's effective interest	27.775%	27.775%
The Group's share of net assets of the associate	1,592,139	1,448,469
Other adjustments	—	368
Carrying amount	1,592,139	1,448,837

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

20 Interest in associates and joint ventures (continued)

Horgos Tianshan No. 1 Industrial Investment Fund Limited Partnership:

	As at 30 June 2021	As at 31 December 2020
Gross amounts of the associate:		
Assets	1,556,520	413,847
Liabilities	(30,005)	(31,428)
Net assets	1,526,515	382,419
Loss for the period/year	(92)	(819,751)
Total comprehensive income	(92)	(819,751)
Reconciled to the Group's interest in the associate:		
Net assets	1,526,515	382,419
The Group's effective interest	33.11%	33.11%
The Group's share of net assets of the associate	505,429	126,619
Less: Impairment losses	—	—
Other adjustments	(377,186)	(36,358)
Carrying amount	128,243	90,261

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

	As at 30 June 2021	As at 31 December 2020
Aggregate carrying amount of individually immaterial associates and joint ventures in the interim financial report	2,447,432	3,167,416
Aggregate amounts of the Group's share of those associates and joint ventures' profits	16,451	98,527
Aggregate amounts of the Group's share of other comprehensive income	(697)	—
Aggregate amounts of the Group's share of total comprehensive income	15,754	98,527

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

21 Financial assets measured at amortized cost

(1) Analysed by nature:

Non-current

	As at 30 June 2021	As at 31 December 2020
Asset management products and others	3,335,973	2,509,175
Debt securities	231,318	501,571
Less: provision for impairment losses	(530,928)	(532,510)
Total	3,036,363	2,478,236

Current

	As at 30 June 2021	As at 31 December 2020
Asset management products and others	1,573,878	3,147,155
Debt securities	581,984	833,963
Less: provision for impairment losses	(22,158)	(7,151)
Total	2,133,704	3,973,967

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

	As at 30 June 2021	As at 31 December 2020
At the beginning of the period/year	539,661	450,035
Charge for the period/year	13,651	89,626
Other movements	(226)	—
At the end of the period/year	553,086	539,661

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
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22 Financial assets at fair value through other comprehensive income

Non-current

	As at 30 June 2021	As at 31 December 2020
Designated at FVOCI		
Equity securities not held for trading ⁽¹⁾	3,516,178	9,071,823
Debt securities	148,467	—
Total	3,664,645	9,071,823
Analysed as:		
Listed outside Hong Kong	3,403,645	2,109,816
Unlisted	261,000	6,962,007
Total	3,664,645	9,071,823

Current

	As at 30 June 2021	As at 31 December 2020
Debt securities	33,255,164	57,282,609
Analysed as:		
Listed outside Hong Kong	13,890,045	30,297,910
Listed inside Hong Kong	277,089	1,066
Unlisted	19,088,030	26,983,633
Total	33,255,164	57,282,609

(1) For the six months ended 30 June 2021, no accumulated gains or losses from other equity instrument investments derecognized by the Group were transferred from other comprehensive income to retained earnings (For the six months ended 30 June 2020, the accumulated net realized gain of the equity instrument disposed of were RMB29,338 thousand).

As at 30 June 2021 and 31 December 2020, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through other comprehensive income with total fair value of RMB1,799,664 thousand and RMB2,068,236 thousand respectively to external clients. These have not resulted in the derecognition of the financial assets in accordance with the Group's accounting policy. The fair value of collaterals for the securities lending business is analysed in Note 30(3) together with the fair value of collaterals of margin financing business.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

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

(1) (continued)

As at 30 June 2021 and 31 December 2020, the Group has pledged financial assets at fair value through other comprehensive income with a total fair value of RMB313,866 thousand and RMB334,962 thousand respectively to CSF for the purpose of placement. The fair values of these securities have taken into account the relevant features including the restrictions.

As at 30 June 2021 and 31 December 2020, the Group has pledged financial assets at fair value through other comprehensive income with a total fair value of RMB21,286,983 thousand and RMB34,482,407 thousand respectively for the purpose of repurchase agreement business and bond lending business.

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

	As at 30 June 2021	As at 31 December 2020
At the beginning of the period/year	289,448	278,345
Charge for the period/year	195,227	11,103
Other movements	(130)	—
At the end of the period/year	484,545	289,448

23 Financial assets held under resale agreements

(1) **Analysed by collateral type:**

Non-current

	As at 30 June 2021	As at 31 December 2020
Equity securities	7,442,321	4,329,720
Less: Impairment losses	(856,809)	(917,240)
Total	6,585,512	3,412,480

Current

	As at 30 June 2021	As at 31 December 2020
Debt securities	13,154,987	11,592,367
Equity securities	4,458,332	11,726,630
Less: Impairment losses	(26,221)	(71,739)
Total	17,587,098	23,247,258

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
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23 Financial assets held under resale agreements (continued)

(2) Analysed by market:

Non-current

	As at 30 June 2021	As at 31 December 2020
Shanghai Stock Exchange	2,141,465	1,652,789
Shenzhen Stock Exchange	5,300,855	2,676,931
Less: Impairment losses	(856,808)	(917,240)
Total	6,585,512	3,412,480

Current

	As at 30 June 2021	As at 31 December 2020
Inter-bank market	5,233,848	9,218,503
Shanghai Stock Exchange	8,886,495	6,398,516
Shenzhen Stock Exchange	2,837,907	7,627,051
Singapore Stock Exchange	655,070	74,927
Less: Impairment losses	(26,222)	(71,739)
Total	17,587,098	23,247,258

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

	As at 30 June 2021	As at 31 December 2020
At the beginning of the period/year	988,979	803,033
Increases	4,086	249,204
Reversals	(110,022)	(63,258)
Other movements	(13)	—
At the end of the period/year	883,030	988,979

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

24 Financial assets at fair value through profit or loss

Non-current

	As at 30 June 2021	As at 31 December 2020
Equity securities	2,595,396	1,398,776
Funds	940,120	870,275
Debt securities	115,585	2,233,475
Asset management products and others	6,487,752	7,449,365
Total	10,138,853	11,951,891
Analysed as:		
Listed outside Hong Kong	2,593,099	708,582
Listed in Hong Kong	—	1,653,271
Unlisted	7,545,754	9,590,038
Total	10,138,853	11,951,891

Current

	As at 30 June 2021	As at 31 December 2020
Debt securities	120,477,765	88,914,732
Funds	31,605,196	28,412,947
Asset management products and others	24,122,303	19,608,515
Equity securities	20,314,053	9,519,145
Hybrid instruments	4,506,538	6,160,627
Total	201,025,855	152,615,966
Analysed as:		
Listed		
— outside Hong Kong	72,164,090	68,823,357
— inside Hong Kong	3,241,239	467,389
Unlisted	125,620,526	83,325,220
Total	201,025,855	152,615,966

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

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

As at 30 June 2021 and 31 December 2020, the Group has entered into securities lending arrangements with clients that resulted in the transfer of financial assets at fair value through profit or loss with total fair value of RMB1,692,665 thousand and RMB7,136,646 thousand respectively to external clients. These have not resulted in the derecognition of the financial assets in accordance with the accounting policy. The fair value of collaterals for the securities lending business is analysed in Note 30(3) together with the fair value of collaterals of margin financing business.

As at 30 June 2021 and 31 December 2020, the Group has pledged financial assets at fair value through profit or loss with a total fair value of RMB91,721,469 thousand and RMB57,007,698 thousand respectively for the purpose of repurchase agreement business and bond lending business.

As at 30 June 2021 and 31 December 2020, the equity securities in financial assets at fair value through profit or loss with lock-up periods held by the Group were RMB2,254,985 thousand and RMB1,893,865 thousand respectively.

25 Refundable deposits

	As at 30 June 2021	As at 31 December 2020
Deposits with stock exchanges		
— China Securities Depository and Clearing Corporation Limited	232,378	2,327,943
— Hong Kong Securities Clearing Company Limited	9,101	15,856
— The Stock Exchange of Hong Kong Limited	2,628	421
subtotal	244,107	2,344,220
Deposits with futures and commodity exchanges		
— China Financial Futures Exchange	9,342,353	6,100,778
— Dalian Commodity Exchange	4,028,606	2,792,573
— Shanghai Futures Exchange	3,214,557	2,876,384
— Zhengzhou Commodity Exchange	1,981,848	1,534,885
— Shanghai International Energy Exchange	397,382	224,948
— Hong Kong Futures Exchange	1,729	1,262
subtotal	18,966,475	13,530,830
Deposits with other institutions		
— China Securities Finance Corporation Limited	2,263,132	1,608,622
— Shanghai Gold Exchange	233,086	20
— Shanghai Clearing House	—	540,974
— The SEHK Options Clearing House Limited	—	935
— Other financial institutions	9,831	322,060
subtotal	2,506,049	2,472,611
Total	21,716,631	18,347,661

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

26 Deferred taxation

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

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments at fair value through profit or loss	Changes in fair value of financial instruments at fair value through profit or loss	Changes in fair value of financial instruments at fair value through profit or loss	Changes in fair value of financial assets at fair value through other comprehensive income	Business combination	Others	Total
As at 1 January 2020	446,372	568,971	32,905	83,484	205,527	464,164	29,414	1,830,837	
Recognized in profit or loss	182,387	273,480	(340,287)	(32,024)	3,886	—	149,430	236,872	
Recognized in reserves	—	—	—	—	105,486	—	—	105,486	
Reclassified from other comprehensive income to retained profits	—	—	—	—	31,549	—	—	31,549	
As at 31 December 2020	628,759	842,451	(307,382)	51,460	346,448	464,164	178,844	2,204,744	
As at 1 January 2021	628,759	842,451	(307,382)	51,460	346,448	464,164	178,844	2,204,744	
Recognized in profit or loss	38,779	61,346	(151,422)	47,965	47,765	(778)	36,080	79,735	
Recognized in reserves	—	—	—	—	64,814	—	—	64,814	
Reclassified from other comprehensive income to retained profits	—	—	—	—	—	—	—	—	
As at 30 June 2021	667,538	903,797	(458,804)	99,425	459,027	463,386	214,924	2,349,293	

Notes to the interim condensed consolidated financial statements (continued)

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(In RMB thousands, unless otherwise stated)

26 Deferred taxation (continued)

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

	As at 30 June 2021	As at 31 December 2020
Net deferred tax assets recognized in the condensed consolidated statement of financial position	2,351,068	2,206,892
Net deferred tax liabilities recognized in the condensed consolidated statement of financial position	(1,775)	(2,148)
Total	2,349,293	2,204,744

(3) Recognized in other comprehensive income

	As at 30 June 2021		
	Before tax	Tax benefit	Net of tax
Financial assets at fair value through other comprehensive income			
— Net changes in fair value	(136,460)	34,115	(102,345)
— Reclassified to profit or loss	334,075	(83,519)	250,556
Share of other comprehensive income of associates	(697)	—	(697)
Exchange differences on translation of financial statements in foreign currencies	(31,234)	—	(31,234)
Equity investment at fair value through other comprehensive income			
— Net changes in fair value	(456,871)	114,218	(342,653)
Total	(291,187)	64,814	(226,373)

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

26 Deferred taxation (continued)

(3) Recognized in other comprehensive income (continued)

	As at 31 December 2020		
	Before tax	Tax benefit	Net of tax
Financial assets at fair value through other comprehensive income			
— Net changes in fair value	(293,201)	70,835	(222,366)
— Reclassified to profit or loss	(213,663)	52,903	(160,760)
Share of other comprehensive income of associates	(11,396)	—	(11,396)
Exchange differences on translation of financial statements in foreign currencies	(243,968)	—	(243,968)
Equity investment at fair value through other comprehensive income			
— Net changes in fair value	73,007	(18,252)	54,755
Total	(689,221)	105,486	(583,735)

(4) Deferred tax assets not recognized

As at 30 June 2021 and 31 December 2020, in accordance with the accounting policy, the Group has not recognized deferred tax assets in respect of cumulative tax losses, and provision for bad debts with timing difference amounting to RMB158,472 thousand and RMB26,219 thousand respectively, mainly as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
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27 Other non-current assets

(1) Analysed by nature:

	As at 30 June 2021	As at 31 December 2020
Long-term deferred expenses	72,614	86,358
Other ^(a)	20,971	19,654
Total	93,585	106,012

(a) As at 30 June 2021, the other non-current assets include goodwill amounted to RMB19,654 thousand, which is resulted from the acquisition of Hongyuan Futures Co., Ltd. and Shenyin & Wanguo Futures Company Limited.

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

	As at 30 June 2021	As at 31 December 2020
At the beginning of the period/year	86,358	104,997
Additions	14,950	4,356
Transfer in from property and equipment	4,301	16,203
Amortisation	(32,995)	(39,198)
At the end of the period/year	72,614	86,358

28 Accounts receivable

(1) Analysed by nature:

	As at 30 June 2021	As at 31 December 2020
Accounts receivable of:		
— Settlement	3,609,995	1,507,972
— Asset management plans	1,399,907	1,355,701
— Fee and commission	333,834	726,157
— Overdue	35,468	56,423
Less: Provision for impairment losses	(579,372)	(557,637)
Total	4,799,832	3,088,616

Notes to the interim condensed consolidated financial statements (continued)

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28 Accounts receivable (continued)

(2) Analysed by ageing:

As at 30 June 2021 and 31 December 2020, the ageing analysis of accounts receivable, based on the trade date, is as follows:

	As at 30 June 2021	As at 31 December 2020
Within 1 year	3,700,669	2,699,753
1 to 2 years	881,311	322,453
2 to 3 years	186,929	43,416
Over 3 years	30,923	22,994
Total	4,799,832	3,088,616

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

	As at 30 June 2021	As at 31 December 2020
At the beginning of the period/year	557,637	262,600
Charge for the period/year	83,483	295,087
Amounts written off	—	(50)
Reversal of impairment	(63,423)	—
Other movements	1,675	—
At the end of the period/year	579,372	557,637

(4) Accounts receivable that is not impaired

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

Notes to the interim condensed consolidated financial statements (continued)

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29 Other receivables and prepayments

(1) Analysed by nature:

	As at 30 June 2021	As at 31 December 2020
Inventory	1,803,024	2,016,658
Prepayments ^(a)	436,762	162,395
VAT due from asset management plans	248,439	193,001
Current tax assets	224,416	327,467
Overdue and impaired receivables	194,296	193,797
Deposits	62,340	354,628
Receivables from bond issuers	44,241	160,104
Interest receivables	44,102	53,311
Receivables from commodity business customers	9,856	2,469
Others ^(a)	146,283	148,876
Less: Provision for impairment losses	(288,702)	(279,311)
Total	2,925,057	3,333,395

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

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

	As at 30 June 2021	As at 31 December 2020
At the beginning of the period/year	279,311	207,923
Charge for the period/year	26,152	71,388
Other movements	(16,761)	—
At the end of the period/year	288,702	279,311

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

30 Margin accounts receivable

(1) Analysed by nature:

	As at 30 June 2021	As at 31 December 2020
Individuals	67,229,891	60,997,589
Institutions	12,688,813	13,555,051
Less: Provision for impairment losses	(417,734)	(340,239)
Total	79,500,970	74,212,401

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

	As at 30 June 2021	As at 31 December 2020
At the beginning of the period/year	340,239	179,888
Charge for the period/year	77,563	168,106
Reversal	—	(7,175)
Amounts written off	—	(580)
Other movements	(68)	—
At the end of the period/year	417,734	340,239

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

	As at 30 June 2021	As at 31 December 2020
Fair value of collaterals:		
— Stocks	247,456,080	238,328,418
— Funds	12,048,157	12,477,746
— Cash	8,665,610	11,756,312
— Bonds	339,229	303,024
Total	268,509,076	262,865,500

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

31 Derivative financial instruments

	As at 30 June 2021		
	Nominal value	Fair value	
		Assets	Liabilities
Equity derivatives	142,203,268	2,366,439	(4,730,552)
Interest rate derivatives	141,214,323	9	(211)
Commodity derivatives	43,651,484	333,622	(155,706)
Credit derivatives	390,000	1,340	(669)
Total	327,459,075	2,701,410	(4,887,138)

	As at 31 December 2020		
	Nominal value	Fair value	
		Assets	Liabilities
Equity derivatives	140,743,662	1,634,796	(2,151,474)
Interest rate derivatives	135,297,261	54	—
Commodity derivatives	41,836,954	15,708	(69,037)
Credit derivatives	280,000	—	(780)
Total	318,157,877	1,650,558	(2,221,291)

Under the daily mark-to-market and settlement arrangement, clearing settlement funds included the changes in fair value of treasury bond futures, interest rate swap, stock index futures, precious metal futures, AUTD and other commodity futures held by the Company, and were not reflected in the above derivative financial instruments. As at 30 June 2021, the fair value of those unexpired derivative financial instruments contracts was RMB188,963 thousand (31 December 2020: RMB38,585 thousand).

Notes to the interim condensed consolidated financial statements (continued)

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(In RMB thousands, unless otherwise stated)

32 Clearing settlement funds

	As at 30 June 2021	As at 31 December 2020
Deposits with stock exchanges		
— China Securities Depository and Clearing Corporation Limited	9,117,690	5,555,450
— Shanghai Gold Exchange	272,231	105,931
— Other institutions	17,476	306,518
Interest receivables	49	6,115
Total	9,407,446	5,974,014

33 Cash held on behalf of brokerage clients

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

34 Cash and bank balances

(1) Analysed by nature:

	As at 30 June 2021	As at 31 December 2020
Cash on hand	71	331
Bank balances	26,318,426	22,926,235
Less: Provision for impairment losses	(3,059)	(3,699)
Total	26,315,438	22,922,867

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

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

34 Cash and bank balances (continued)

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

	As at 30 June 2021	As at 31 December 2020
At the beginning of the period/year	3,699	2,875
(Reversal of)/Provision for impairment	(640)	824
At the end of the period/year	3,059	3,699

35 Cash and cash equivalents

	As at 30 June 2021	As at 31 December 2020
Cash on hand	71	331
Bank balances	26,241,810	22,885,986
Clearing settlement funds	9,407,397	5,967,900
Bond investment within 3 months original maturity	—	79,998
Financial assets held under resale agreements within 3 months original maturity	13,124,108	11,584,466
Less: restricted bank deposits	(727,659)	(2,955,994)
Total	48,045,727	37,562,687

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

36 Loans and borrowings

Current

	As at 30 June 2021	As at 31 December 2020
Unsecured bank loans	7,523,520	3,738,166
Secured borrowing from commodity exchanges	227,862	608,769
Total	7,751,382	4,346,935

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

37 Short-term debt instruments issued

	Book value as at 1 January 2021	Issuance	Redemption	Book value as at 30 June 2021
Short-term corporate bonds	24,076,940	13,514,287	(20,300,000)	17,291,227
Structured notes	16,159,700	12,972,471	(17,547,086)	11,585,085
Interest payables	268,429	388,102	(340,733)	315,798
Total	40,505,069	26,874,860	(38,187,819)	29,192,110

	Book value as at 1 January 2020	Issuance	Redemption	Book value as at 31 December 2020
Short-term corporate bonds	9,999,435	50,054,564	(35,977,059)	24,076,940
Structured notes	6,998,106	53,636,766	(44,475,172)	16,159,700
Interest payables	67,612	609,856	(409,039)	268,429
Total	17,065,153	104,301,186	(80,861,270)	40,505,069

For the six months ended 30 June 2021, the Group has issued 435 tranches of structured notes, and repaid 429 tranches of structured notes during the period. As at 30 June 2021, the structured notes issued by the Group used fixed rates or floating rates linked to certain stock indexes to accrue interest, in which the fixed rates range were 2.80%–6.80%.

In 2020, the Group has issued 1,407 tranches of structured notes, and repaid 1,078 tranches of structured notes during the year. As at 31 December 2020, the structured notes issued by the Group used fixed rates or floating rates linked to certain stock indexes to accrue interest, in which the fixed rates range were 2.85%–6.80%.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

38 Placements from other financial institutions

Current

	As at 30 June 2021	As at 31 December 2020
Placements from margin refinancing	2,000,833	—
Placements from banks	1,000,000	4,430,000
Other	888,656	—
Total	3,889,489	4,430,000

As at 30 June 2021, the placements from banks are unsecured and bear interest rates ranging from 2.64% to 3.19% per annum, with maturities of 7 days. As at 31 December 2020, the interbank lending is unsecured and bears interest rates ranging from 2.35% to 3.30% per annum, with maturities of 7 days.

39 Accounts payable to brokerage clients

	As at 30 June 2021	As at 31 December 2020
Clients' deposits for other brokerage trading	87,538,204	85,771,349
Clients' deposits for margin financing and securities lending	10,597,265	11,756,312
Interest payable	798	7,379
Total	98,136,267	97,535,040

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

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

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

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

40 Employee benefits payable

	As at 1 January 2021	Accrued for the period	Payments made	As at 30 June 2021
Salaries, bonuses and allowance	4,936,568	2,875,064	(1,738,169)	6,073,463
Contribution to pension schemes	2,317	158,912	(158,523)	2,706
Other social welfare	239,736	465,115	(438,803)	266,048
Total	5,178,621	3,499,091	(2,335,495)	6,342,217

	As at 1 January 2020	Accrued for the year	Payments made	As at 31 December 2020
Salaries, bonuses and allowance	3,526,778	5,745,854	(4,336,064)	4,936,568
Contribution to pension schemes	2,417	145,154	(145,254)	2,317
Other social welfare	147,593	1,005,972	(913,829)	239,736
Total	3,676,788	6,896,980	(5,395,147)	5,178,621

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

41 Other payables and accruals

	As at 30 June 2021	As at 31 December 2020
Payables to interest holders of consolidated structured entities	10,636,317	10,924,727
Deposits	6,565,908	4,165,936
Dividend payables	2,656,357	135,580
Settlement payables	793,555	1,482,632
Fee and commission payable	742,306	542,933
Trade payables	226,514	349,560
Risk reserve for futures brokerage business	226,133	207,009
Business tax and other tax payables	139,898	576,613
Long-term payables	134,195	134,229
Accrued expenses	134,089	34,859
Interest payables	91,519	53,444
Payables on behalf of staff	84,659	430,951
Distribution expenses payables	74,316	144,151
Payables to the securities and futures investor protection fund	63,177	49,041
Interest and dividend received on behalf of brokerage clients	31,848	54,144
Account executive commission payables	17,173	13,776
Sponsoring fee payables	1,831	1,852
Proceeds from underwriting securities received on behalf of customers	—	473,250
Others ⁽¹⁾	61,591	125,287
Total	22,681,386	19,899,974

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

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

42 Financial assets sold under repurchase agreements

(1) Analysed by collateral type:

Current

	As at 30 June 2021	As at 31 December 2020
Debt securities	99,220,003	92,662,332
Others	17,756,846	10,652,215
Total	116,976,849	103,314,547

(2) Analysed by market:

Current

	As at 30 June 2021	As at 31 December 2020
Stock exchanges	45,020,592	48,113,781
Inter-bank market	59,014,740	43,472,075
OTC market	8,865,881	10,652,215
Futures exchanges	4,075,636	1,076,476
Total	116,976,849	103,314,547

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

43 Lease liabilities

Non-current

	As at 30 June 2021	As at 31 December 2020
Lease liabilities	606,391	494,091

Current

	As at 30 June 2021	As at 31 December 2020
Lease liabilities	301,773	368,729

44 Financial liabilities at fair value through profit or loss

Non-current

	As at 30 June 2021	As at 31 December 2020
Financial liabilities designated at fair value through profit or loss		
— Structured notes	2,560,136	574,213
— Others	—	949
Total	2,560,136	575,162

Current

	As at 30 June 2021	As at 31 December 2020
Financial liabilities held for trading		
— Debt securities	2,594,792	1,925,900
— Equities	124,456	94,872
— Gold	109,935	301,979
Financial liabilities designated at fair value through profit or loss		
— Structured notes	366,297	446,714
— Others	—	107,310
Total	3,195,480	2,876,775

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

45 Long-term bonds

As at 30 June 2021

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
16 ShenHong 01 ⁽¹⁾	2,020,800	2016/04/26	2021/04/26	5,000,000	3.70%
16 ShenHong 03 ⁽²⁾	5,500,000	2016/09/08	2021/09/09	5,500,000	3.20%
17 ShenZheng 01 ⁽³⁾	7,500,000	2017/02/17	2022/02/17	7,500,000	4.40%
17 ShenZheng 02 ⁽⁴⁾	500,000	2017/02/17	2024/02/17	500,000	4.50%
18 ShenHong 01 ⁽⁶⁾	500,000	2018/07/13	2023/07/17	500,000	4.40%
18 ShenHong 02 ⁽⁷⁾	6,500,000	2018/07/13	2023/07/17	6,500,000	4.80%
18 ShenZheng 02 ⁽⁹⁾	3,000,000	2018/11/19	2021/11/19	3,000,000	4.20%
18 ShenZheng 03 ⁽¹⁰⁾	1,500,000	2018/12/10	2023/12/10	1,500,000	4.08%
18 ShenZheng C2 ⁽¹²⁾	4,600,000	2018/04/12	2023/04/12	4,600,000	5.35%
19 ShenHong 01 ⁽¹⁵⁾	1,000,000	2019/03/06	2022/03/08	1,000,000	4.18%
19 ShenHong 02 ⁽¹⁶⁾	3,200,000	2019/04/09	2022/04/12	3,200,000	4.27%
19 ShenHong 04 ⁽¹⁷⁾	5,800,000	2019/10/23	2024/10/25	5,800,000	3.94%
19 ShenZheng 01 ⁽¹⁸⁾	2,200,000	2019/01/16	2022/01/16	2,200,000	3.55%
19 ShenZheng 03 ⁽¹⁹⁾	6,200,000	2019/03/11	2022/03/11	6,200,000	3.68%
19 ShenZheng 05 ⁽²⁰⁾	8,100,000	2019/05/09	2022/05/09	8,100,000	3.88%
19 ShenZheng 07 ⁽²¹⁾	1,000,000	2019/06/14	2021/06/14	1,000,000	3.90%
19 Shenwan Hongyuan financial bond 01 ⁽²²⁾	6,000,000	2019/09/18	2022/09/18	6,000,000	3.43%
20 ShenZheng 01 ⁽²³⁾	4,000,000	2020/01/16	2022/01/16	4,000,000	3.40%
20 ShenZheng 02 ⁽²⁴⁾	2,000,000	2020/01/16	2023/01/16	2,000,000	3.55%
20 ShenZheng 03 ⁽²⁵⁾	1,000,000	2020/02/21	2022/02/21	1,000,000	3.03%
20 ShenZheng 04 ⁽²⁶⁾	3,000,000	2020/02/21	2023/02/21	3,000,000	3.20%
20 ShenZheng 06 ⁽²⁷⁾	4,100,000	2020/07/27	2023/07/27	4,100,000	3.49%
20 ShenZheng 08 ⁽²⁸⁾	3,200,000	2020/09/10	2023/09/10	3,200,000	3.76%
20 ShenZheng 09 ⁽²⁹⁾	2,200,000	2020/10/26	2021/11/05	2,200,000	3.16%
20 ShenZheng 10 ⁽³⁰⁾	5,700,000	2020/10/26	2023/10/26	5,700,000	3.68%
20 ShenZheng 12 ⁽³¹⁾	1,700,000	2020/11/16	2022/11/16	1,700,000	3.55%
20 ShenZheng C2 ⁽³²⁾	6,000,000	2020/04/23	2023/04/23	6,000,000	3.18%
20 ShenZheng C3 ⁽³³⁾	6,000,000	2020/05/25	2023/05/25	6,000,000	3.25%

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

45 Long-term bonds (continued)

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
21 ShenHong 01 ⁽³⁴⁾	1,500,000	2021/03/04	2026/03/08	1,500,000	3.68%
21 ShenHong 02 ⁽³⁵⁾	500,000	2021/03/04	2028/03/08	500,000	3.95%
21 ShenZheng 01 ⁽³⁶⁾	2,500,000	2021/04/29	2024/04/29	2,500,000	3.45%
21 ShenZheng 02 ⁽³⁷⁾	2,000,000	2021/04/29	2031/04/29	2,000,000	4.05%
21 ShenZheng 03 ⁽³⁸⁾	2,600,000	2021/05/24	2026/05/24	2,600,000	3.63%
21 ShenZheng 04 ⁽³⁹⁾	2,000,000	2021/05/28	2024/05/28	2,000,000	3.27%
21 ShenZheng 05 ⁽⁴⁰⁾	2,500,000	2021/05/28	2031/05/28	2,500,000	4.00%
21 ShenZheng C1 ⁽⁴¹⁾	3,000,000	2021/01/21	2024/01/21	3,000,000	3.93%
21 ShenZheng C2 ⁽⁴²⁾	3,800,000	2021/03/11	2024/03/11	3,800,000	3.94%
Structured notes ⁽⁴³⁾	10,517,834	Note 45 ⁽⁴³⁾	Note 45 ⁽⁴³⁾	10,517,834	Note 45 ⁽⁴³⁾

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

45 Long-term bonds (continued)

Name	Book value as at 1 January 2021	Increase	Amount of amortisation	Decrease	Book value as at 30 June 2021
16 ShenHong 01 ⁽¹⁾	2,020,800	—	—	(2,020,800)	—
16 ShenHong 03 ⁽²⁾	5,500,000	—	—	—	5,500,000
17 ShenZheng 01 ⁽³⁾	7,500,000	—	—	—	7,500,000
17 ShenZheng 02 ⁽⁴⁾	500,000	—	—	—	500,000
18 ShenHong 01 ⁽⁶⁾	499,997	—	2	—	499,999
18 ShenHong 02 ⁽⁷⁾	6,499,960	—	13	—	6,499,973
18 ShenZheng 02 ⁽⁹⁾	3,000,000	—	—	—	3,000,000
18 ShenZheng 03 ⁽¹⁰⁾	1,500,000	—	—	—	1,500,000
18 ShenZheng C2 ⁽¹²⁾	4,600,000	—	—	(4,600,000)	—
19 ShenHong 01 ⁽¹⁵⁾	999,968	—	8	—	999,976
19 ShenHong 02 ⁽¹⁶⁾	3,200,000	—	—	—	3,200,000
19 ShenHong 04 ⁽¹⁷⁾	5,800,000	—	—	—	5,800,000
19 ShenZheng 01 ⁽¹⁸⁾	2,200,000	—	—	—	2,200,000
19 ShenZheng 03 ⁽¹⁹⁾	6,200,000	—	—	—	6,200,000
19 ShenZheng 05 ⁽²⁰⁾	8,100,000	—	—	—	8,100,000
19 ShenZheng 07 ⁽²¹⁾	1,000,000	—	—	(1,000,000)	—
19 Shenwan Hongyuan financial bond 01 ⁽²²⁾	5,997,576	—	702	—	5,998,278
20 ShenZheng 01 ⁽²³⁾	3,999,019	—	468	—	3,999,487
20 ShenZheng 02 ⁽²⁴⁾	1,999,359	—	156	—	1,999,515
20 ShenZheng 03 ⁽²⁵⁾	1,000,000	—	—	—	1,000,000
20 ShenZheng 04 ⁽²⁶⁾	3,000,000	—	—	—	3,000,000
20 ShenZheng 06 ⁽²⁷⁾	4,100,000	—	—	—	4,100,000
20 ShenZheng 08 ⁽²⁸⁾	3,187,817	—	2,246	—	3,190,063
20 ShenZheng 09 ⁽²⁹⁾	2,194,886	—	3,005	—	2,197,891
20 ShenZheng 10 ⁽³⁰⁾	5,677,283	—	3,998	—	5,681,281
20 ShenZheng 12 ⁽³¹⁾	1,693,238	—	1,789	—	1,695,027
20 ShenZheng C2 ⁽³²⁾	5,993,471	—	1,404	—	5,994,875
20 ShenZheng C3 ⁽³³⁾	5,996,612	—	701	—	5,997,313
21 ShenHong 01 ⁽³⁴⁾	—	1,500,000	—	—	1,500,000
21 ShenHong 02 ⁽³⁵⁾	—	500,000	—	—	500,000
21 ShenZheng 01 ⁽³⁶⁾	—	2,494,369	—	—	2,494,369

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

45 Long-term bonds (continued)

Name	Book value as at 1 January 2021	Increase	Amount of amortisation	Decrease	Book value as at 30 June 2021
21 ShenZheng 02 ⁽³⁷⁾	—	1,995,303	—	—	1,995,303
21 ShenZheng 03 ⁽³⁸⁾	—	2,594,097	—	—	2,594,097
21 ShenZheng 04 ⁽³⁹⁾	—	1,995,368	—	—	1,995,368
21 ShenZheng 05 ⁽⁴⁰⁾	—	2,494,081	—	—	2,494,081
21 ShenZheng C1 ⁽⁴¹⁾	—	2,989,137	—	—	2,989,137
21 ShenZheng C2 ⁽⁴²⁾	—	3,785,516	—	—	3,785,516
Structured notes ⁽⁴³⁾	11,862,549	9,422,338	—	(10,767,053)	10,517,834
Interest payables	2,345,410	2,108,655	—	(2,203,224)	2,250,841
Total	118,167,945	31,878,864	14,492	(20,591,077)	129,470,224

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

45 Long-term bonds (continued)

As at 31 December 2020

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
16 ShenHong 01 ⁽¹⁾	2,020,800	2016/04/26	2021/04/26	5,000,000	3.70%
16 ShenHong 03 ⁽²⁾	5,500,000	2016/09/08	2021/09/09	5,500,000	3.20%
17 ShenZheng 01 ⁽³⁾	7,500,000	2017/02/17	2022/02/17	7,500,000	4.40%
17 ShenZheng 02 ⁽⁴⁾	500,000	2017/02/17	2024/02/17	500,000	4.50%
17 ShenZheng C2 ⁽⁵⁾	4,300,000	2017/11/16	2020/11/16	4,300,000	5.30%
18 ShenHong 01 ⁽⁶⁾	500,000	2018/07/13	2023/07/17	500,000	4.40%
18 ShenHong 02 ⁽⁷⁾	6,500,000	2018/07/13	2023/07/17	6,500,000	4.80%
18 ShenZheng 01 ⁽⁸⁾	2,000,000	2018/11/19	2020/11/19	2,000,000	4.10%
18 ShenZheng 02 ⁽⁹⁾	3,000,000	2018/11/19	2021/11/19	3,000,000	4.20%
18 ShenZheng 03 ⁽¹⁰⁾	1,500,000	2018/12/10	2023/12/10	1,500,000	4.08%
18 ShenZheng C1 ⁽¹¹⁾	1,400,000	2018/04/12	2020/04/12	1,400,000	5.25%
18 ShenZheng C2 ⁽¹²⁾	4,600,000	2018/04/12	2023/04/12	4,600,000	5.35%
18 ShenZheng C3 ⁽¹³⁾	4,200,000	2018/05/21	2020/05/21	4,200,000	5.38%
18 ShenZheng C5 ⁽¹⁴⁾	5,100,000	2018/09/17	2020/09/17	5,100,000	4.69%
19 ShenHong 01 ⁽¹⁵⁾	1,000,000	2019/03/06	2022/03/08	1,000,000	4.18%
19 ShenHong 02 ⁽¹⁶⁾	3,200,000	2019/04/09	2022/04/12	3,200,000	4.27%
19 ShenHong 04 ⁽¹⁷⁾	5,800,000	2019/10/23	2024/10/25	5,800,000	3.94%
19 ShenZheng 01 ⁽¹⁸⁾	2,200,000	2019/01/16	2022/01/16	2,200,000	3.55%
19 ShenZheng 03 ⁽¹⁹⁾	6,200,000	2019/03/11	2022/03/11	6,200,000	3.68%
19 ShenZheng 05 ⁽²⁰⁾	8,100,000	2019/05/09	2022/05/09	8,100,000	3.88%
19 ShenZheng 07 ⁽²¹⁾	1,000,000	2019/06/14	2021/06/14	1,000,000	3.90%
19 Shenwan Hongyuan financial bond 01 ⁽²²⁾	6,000,000	2019/09/18	2022/09/18	6,000,000	3.43%
20 ShenZheng 01 ⁽²³⁾	4,000,000	2020/01/16	2022/01/16	4,000,000	3.40%
20 ShenZheng 02 ⁽²⁴⁾	2,000,000	2020/01/16	2023/01/16	2,000,000	3.55%
20 ShenZheng 03 ⁽²⁵⁾	1,000,000	2020/02/21	2022/02/21	1,000,000	3.03%
20 ShenZheng 04 ⁽²⁶⁾	3,000,000	2020/02/21	2023/02/21	3,000,000	3.20%
20 ShenZheng 06 ⁽²⁷⁾	4,100,000	2020/07/27	2023/07/27	4,100,000	3.49%
20 ShenZheng 08 ⁽²⁸⁾	3,200,000	2020/09/10	2023/09/10	3,200,000	3.76%
20 ShenZheng 09 ⁽²⁹⁾	2,200,000	2020/10/26	2021/11/05	2,200,000	3.16%
20 ShenZheng 10 ⁽³⁰⁾	5,700,000	2020/10/26	2023/10/26	5,700,000	3.68%
20 ShenZheng 12 ⁽³¹⁾	1,700,000	2020/11/16	2022/11/16	1,700,000	3.55%
20 ShenZheng C2 ⁽³²⁾	6,000,000	2020/04/23	2023/04/23	6,000,000	3.18%
20 ShenZheng C3 ⁽³³⁾	6,000,000	2020/05/25	2023/05/25	6,000,000	3.25%
Structured notes ⁽⁴³⁾	11,862,549	Note 45 ⁽⁴³⁾	Note 45 ⁽⁴³⁾	11,862,549	Note 45 ⁽⁴³⁾

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

45 Long-term bonds (continued)

Name	Book value	Increase	Amount of	Decrease	Book value
	as at 1 January 2020				as at 30 December 2020
16 ShenHong 01 ⁽¹⁾	2,020,800	—	—	—	2,020,800
16 ShenHong 03 ⁽²⁾	5,500,000	—	—	—	5,500,000
17 ShenZheng 01 ⁽³⁾	7,500,000	—	—	—	7,500,000
17 ShenZheng 02 ⁽⁴⁾	500,000	—	—	—	500,000
17 ShenZheng C2 ⁽⁵⁾	4,300,000	—	—	(4,300,000)	—
18 ShenHong 01 ⁽⁶⁾	499,997	—	—	—	499,997
18 ShenHong 02 ⁽⁷⁾	6,499,960	—	—	—	6,499,960
18 ShenZheng 01 ⁽⁸⁾	2,000,000	—	—	(2,000,000)	—
18 ShenZheng 02 ⁽⁹⁾	3,000,000	—	—	—	3,000,000
18 ShenZheng 03 ⁽¹⁰⁾	1,500,000	—	—	—	1,500,000
18 ShenZheng C1 ⁽¹¹⁾	1,400,000	—	—	(1,400,000)	—
18 ShenZheng C2 ⁽¹²⁾	4,600,000	—	—	—	4,600,000
18 ShenZheng C3 ⁽¹³⁾	4,200,000	—	—	(4,200,000)	—
18 ShenZheng C5 ⁽¹⁴⁾	5,100,000	—	—	(5,100,000)	—
19 ShenHong 01 ⁽¹⁵⁾	999,953	—	15	—	999,968
19 ShenHong 02 ⁽¹⁶⁾	3,200,000	—	—	—	3,200,000
19 ShenHong 04 ⁽¹⁷⁾	5,800,000	—	—	—	5,800,000
19 ShenZheng 01 ⁽¹⁸⁾	2,200,000	—	—	—	2,200,000
19 ShenZheng 03 ⁽¹⁹⁾	6,200,000	—	—	—	6,200,000
19 ShenZheng 05 ⁽²⁰⁾	8,100,000	—	—	—	8,100,000
19 ShenZheng 07 ⁽²¹⁾	1,000,000	—	—	—	1,000,000
19 Shenwan Hongyuan financial bond 01 ⁽²²⁾	5,996,156	1,420	—	—	5,997,576
20 ShenZheng 01 ⁽²³⁾	—	3,997,132	1,887	—	3,999,019
20 ShenZheng 02 ⁽²⁴⁾	—	1,998,416	943	—	1,999,359
20 ShenZheng 03 ⁽²⁵⁾	—	1,000,000	—	—	1,000,000
20 ShenZheng 04 ⁽²⁶⁾	—	3,000,000	—	—	3,000,000
20 ShenZheng 06 ⁽²⁷⁾	—	4,100,000	—	—	4,100,000
20 ShenZheng 08 ⁽²⁸⁾	—	3,187,817	—	—	3,187,817
20 ShenZheng 09 ⁽²⁹⁾	—	2,194,886	—	—	2,194,886
20 ShenZheng 10 ⁽³⁰⁾	—	5,677,283	—	—	5,677,283
20 ShenZheng 12 ⁽³¹⁾	—	1,693,238	—	—	1,693,238
20 ShenZheng C2 ⁽³²⁾	—	5,990,641	2,830	—	5,993,471
20 ShenZheng C3 ⁽³³⁾	—	5,993,782	2,830	—	5,996,612
Structured notes ⁽⁴³⁾	7,405,004	9,758,302	—	(5,300,757)	11,862,549
Interest payables	2,213,334	4,055,527	—	(3,923,451)	2,345,410
Total	91,735,204	52,648,444	8,505	(26,224,208)	118,167,945

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

45 Long-term bonds (continued)

	As at 30 June 2021	As at 31 December 2020
Long-term bonds due within one year	49,542,836	20,634,609
Long-term bonds due after one year	79,927,388	97,533,336
Total	129,470,224	118,167,945

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

- (1) 5-year corporate bond amounting to RMB5 billion on 26 April 2016 with put option which was exercised on 26 April 2019, and the outstanding par value amounting to RMB2.02 billion as at 30 June 2021.
- (2) 5-year corporate bond amounting to RMB5.5 billion on 8 September 2016.
- (3) 5-year corporate bond amounting to RMB7.5 billion on 17 February 2017.
- (4) 7-year corporate bond amounting to RMB0.5 billion on 17 February 2017.
- (5) 3-year subordinated bond amounting to RMB4.3 billion on 16 November 2017.
- (6) 5-year corporate bond amounting to RMB0.5 billion on 13 July 2018 with put option on 17 July 2021.
- (7) 5-year corporate bond amounting to RMB6.5 billion on 13 July 2018.
- (8) 2-year corporate bond amounting to RMB2 billion on 19 November 2018.
- (9) 3-year corporate bond amounting to RMB3 billion on 19 November 2018.
- (10) 5-year corporate bond amounting to RMB1.5 billion on 10 December 2018.
- (11) 2-year subordinated bond amounting to RMB1.4 billion on 12 April 2018.
- (12) 5-year subordinated bond amounting to RMB4.6 billion on 12 April 2018 with put option on 12 April 2021, and were fully redeemed as at 30 June 2021.
- (13) 2-year subordinated bond amounting to RMB4.2 billion on 21 May 2018.
- (14) 2-year subordinated bond amounting to RMB5.1 billion on 17 September 2018.
- (15) 3-year corporate bond amounting to RMB1 billion on 6 March 2019.
- (16) 3-year corporate bond amounting to RMB3.2 billion on 9 April 2019.
- (17) 5-year corporate bond amounting to RMB5.8 billion on 23 October 2019.
- (18) 3-year corporate bond amounting to RMB2.2 billion on 16 January 2019.
- (19) 3-year corporate bond amounting to RMB6.2 billion on 11 March 2019.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

45 Long-term bonds (continued)

- (20) 3-year corporate bond amounting to RMB8.1 billion on 9 May 2019.
- (21) 2-year corporate bond amounting to RMB1 billion on 14 June 2019.
- (22) 3-year corporate bond amounting to RMB6 billion on 18 September 2019.
- (23) 2-year corporate bond amounting to RMB4 billion on 16 January 2020.
- (24) 3-year corporate bond amounting to RMB2 billion on 16 January 2020.
- (25) 2-year corporate bond amounting to RMB1 billion on 21 February 2020.
- (26) 3-year corporate bond amounting to RMB3 billion on 21 February 2020.
- (27) 3-year corporate bond amounting to RMB4.1 billion on 27 July 2020.
- (28) 3-year corporate bond amounting to RMB3.2 billion on 10 September 2020.
- (29) 1-year corporate bond amounting to RMB2.2 billion on 26 October 2020.
- (30) 3-year corporate bond amounting to RMB5.7 billion on 26 October 2020.
- (31) 2-year corporate bond amounting to RMB1.7 billion on 16 November 2020.
- (32) 3-year subordinated bond amounting to RMB6 billion on 23 April 2020.
- (33) 3-year subordinated bond amounting to RMB6 billion on 25 May 2020.
- (34) 5-year corporate bond amounting to RMB1.5 billion on 4 March 2021 with early redemption right on 8 March 2024.
- (35) 7-year corporate bond amounting to RMB0.5 billion on 4 March 2021 with early redemption right on 8 March 2026.
- (36) 3-year corporate bond amounting to RMB2.5 billion on 29 April 2021.
- (37) 10-year corporate bond amounting to RMB2 billion on 29 April 2021.
- (38) 5-year corporate bond amounting to RMB2.6 billion on 24 May 2021.
- (39) 3-year corporate bond amounting to RMB2 billion on 28 May 2021.
- (40) 10-year corporate bond amounting to RMB2.5 billion on 28 May 2021.
- (41) 3-year subordinated bond amounting to RMB3 billion on 21 January 2021.
- (42) 3-year subordinated bond amounting to RMB3.8 billion on 11 March 2021.
- (43) For the six months ended 30 June 2021, the Group has issued 78 tranches of structured notes due over one year (For the year ended 31 December 2021: 209). As at 30 June 2021 and 31 December 2020, the structured notes issued by the Group used fixed rates or floating rates linked to certain stock indexes to accrue interest, in which the fixed rates range were 3.30%–4.22% and 3.30%–4.22% respectively.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

46 Share capital

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

	As at 30 June 2021 & 31 December 2020	
	Number of shares (Thousands)	Nominal value
Registered, issued and fully paid:		
A shares of RMB1 each	22,535,945	22,535,945
H shares of RMB1 each	2,504,000	2,504,000
Total	25,039,945	25,039,945

As at 30 June 2021 and 31 December 2020, the number of non-tradable restricted A shares of the Company was 437,244 and 437,244 respectively.

47 Reserves

(1) Capital reserve

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

(2) Surplus reserve

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

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

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

47 Reserves (continued)

(3) General reserve

General reserve includes general risk reserve and transaction risk reserve.

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

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

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

(4) Fair value reserve

The fair value reserve comprises:

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

(5) Translation reserve

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

48 Retained profits

As at 30 June 2021 and 31 December 2020, the consolidated retained profits attributable to the Company included an appropriation of RMB4,864 million and RMB4,864 million to surplus reserve made by the subsidiaries respectively, and RMB2,185 million and RMB2,185 million enjoyed by shareholders arising from the merger of Hongyuan Securities under the same control.

Pursuant to the resolution of the general meeting of the shareholders dated 28 May 2021, the Company was approved to distribute cash dividends of RMB1.00 (tax inclusive) per 10 shares to shareholders based on the total outstanding shares of 25,039,945 thousand shares, with total dividends amounting to RMB2,503,994 thousand.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

49 Transferred financial assets

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

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

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

	As at 30 June 2021		As at 31 December 2020	
	Carrying amount of transferred assets	Carrying amount of related liabilities	Carrying amount of transferred assets	Carrying amount of related liabilities
Repurchase agreements	534,876	499,817	529,848	520,000
Securities lending	3,492,329	—	3,735,467	—

50 Interests in structured entities

(1) Interests in structured entities consolidated by the Group

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

As at 30 June 2021 and 31 December 2020, the net assets of the consolidated asset management products are RMB27,262,686 thousand and RMB31,594,350 thousand respectively, and the carrying amount of interests held by the Group in the consolidated structured entities are RMB17,439,364 thousand and RMB20,022,637 thousand respectively.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

50 Interests in structured entities (continued)

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

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

As at 30 June 2021 and 31 December 2020, the Group reassessed the control of structured entities and decided whether the Group is still a principal.

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

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

	As at 30 June 2021	As at 31 December 2020
Financial assets at fair value through fair value	46,357,578	49,931,211
Financial assets at fair value through other comprehensive income	11,000	6,702,007
Financial assets measured at amortized cost	4,670,688	5,134,170
Total	51,039,266	61,767,388

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

50 Interests in structured entities (continued)

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

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

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

	As at 30 June 2021		Total
	Financial assets at fair value through profit or loss	Financial Assets measured at amortized cost	
Funds	2,608,787	—	2,608,787
Asset management products and others	10,968,063	—	10,968,063
Total	13,576,850	—	13,576,850

	As at 31 December 2020		Total
	Financial assets at fair value through profit or loss	Financial Assets measured at amortized cost	
Funds	2,076,115	—	2,076,115
Asset management products and others	3,490,857	—	3,490,857
Total	5,566,972	—	5,566,972

As at 30 June 2021 and 31 December 2020, the net assets of these unconsolidated structured entities in which the Group acted as asset manager amounted to RMB324,088,731 thousand and RMB481,655,222 thousand, respectively.

During the six months ended 30 June 2021 and 30 June 2020, the Group recognized net income from asset management business of RMB605,029 thousand and RMB564,186 thousand, respectively. As at 30 June 2021 and 31 December 2020, the corresponding remuneration receivables totaled RMB457,520 thousand and RMB934,646 thousand, respectively.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

51 Contingencies

As at 30 June 2021, the Group was not involved in any material lawsuits, arbitration or administrative proceedings that if adversely determined, the Group expects would materially and adversely affect its financial position or results of operations.

52 Related party relationships and transactions

(1) Relationship of related parties

(a) Major shareholders

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

	As at 30 June 2021	As at 31 December 2020
China Jianyin Investment Ltd.	26.34%	26.34%
Central Huijin Investment Ltd.	20.05%	20.05%

(b) Associates and joint ventures of the Group

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

(c) Other related parties

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

(2) Related parties transactions and balances

(a) Transactions between the Group and major shareholders:

	Six months ended 30 June	
	2021	2020
Transactions during the period:		
Fee and commission income	—	9
Net investment gains	3	57

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

52 Related party relationships and transactions (continued)

(2) Related parties transactions and balances (continued)

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

	As at 30 June 2021	As at 31 December 2020
Balances at the end of the period/year:		
Cash and bank balances	54,862,663	53,855,630
Financial assets sold under repurchase agreements	13,862,655	4,807,845
Financial assets at fair value through profit or loss	3,722,353	565,965
Derivative financial assets	290,659	—
Financial assets at fair value through other comprehensive income	228,554	145,497
Financial assets held under resale agreements	76,509	—
Accounts receivable	69,314	86,112
Right-of-use assets	9,478	11,803
Other receivables and prepayments	9,320	—
Loans and borrowings	3,062,864	—
Financial liabilities at fair value through profit or loss	459,853	—
Other payables and accruals	36,341	34,170
Derivative financial liabilities	16,676	—
Lease liabilities	10,359	11,230
Accounts payable to brokerage clients	1,543	—
Six months ended 30 June		
	2021	2020
Transactions during the period:		
Interest income	505,571	724,288
Net investment gains	424,700	11,113
Fee and commission income	128,558	304,412
Interest expenses	102,963	91,364
Fee and commission expenses	36,823	39,427
Other operating expenses	9,684	3,668
Other income and gains	4,575	3,821
Depreciation and amortization expense	3,145	3,616

For the six months ended 30 June 2021 and 30 June 2020, capital injection made by the Group into the associates and joint ventures are RMB343,405 thousand and RMB11,200 thousand, respectively.

For the six months ended 30 June 2021 and 30 June 2020, dividend received from associates and joint ventures are RMB200,536 thousand and RMB115,501 thousand, respectively.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

52 Related party relationships and transactions (continued)

(3) Key management personnel remuneration

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

	As at 30 June 2021	As at 31 December 2020
Short-term employee benefits		
— Fees, salaries, allowances and bonuses	6,906	26,109
Post-employment benefits		
— Contributions to pension scheme	1,191	486
Total	8,097	26,595

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

53 Segment reporting

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

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

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

53 Segment reporting (continued)

Business segments

For the six months ended 30 June 2021

	Enterprise finance		Personal finance	Institutional services and trading	Investment management	Segment total
	Investment banking	Principal investment				
Fee and commission income	710,443	14,121	2,917,952	880,160	612,024	5,134,700
Interest income	11,967	179,246	3,276,875	1,888,573	223,035	5,579,696
Net investment gains	33,278	537,706	149,500	3,872,441	42,133	4,635,058
Other income and gains	1,066	12,591	58,117	5,841,504	17,396	5,930,674
Total revenue and other income	756,754	743,664	6,402,444	12,482,678	894,588	21,280,128
Segment expenses	422,110	737,894	4,357,245	10,106,586	708,121	16,331,956
Including: Interest expenses	1,305	533,012	1,267,052	2,605,997	225,172	4,632,538
Provision for/(Reversal of) impairment losses	436	714	(14,544)	206,747	31,365	224,718
Share of profit of associates and joint ventures	—	398,967	—	—	—	398,967
Profit before income tax	334,644	404,737	2,045,199	2,376,092	186,467	5,347,139
Other segment information:						
Depreciation and amortisation expenses	19,428	3,089	177,814	113,091	16,945	330,367
Capital expenditure paid	2,753	71,715	49,188	16,649	7,201	147,506
As at 30 June 2021						
Segment assets	2,371,983	35,811,038	172,028,491	283,149,932	24,885,150	518,246,594
Deferred tax assets						2,351,068
Segment total assets						520,597,662
Segment liabilities	500,237	30,537,702	129,606,479	245,876,781	20,111,378	426,632,577
Deferred tax liabilities						1,775
Segment total liabilities						426,634,352

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

53 Segment reporting (continued)

Business segments (continued)

For the six months ended 30 June 2020

	Enterprise finance		Personal finance	Institutional services and trading	Investment management	Segment total
	Investment banking	Principal investment				
Fee and commission income	411,422	13,843	2,730,044	538,367	580,151	4,273,827
Interest income	11,083	320,173	3,180,672	1,869,993	284,981	5,666,902
Net investment gains	16,238	295,746	70,527	2,775,553	131,278	3,289,342
Other income and gains	1,386	218,759	26,617	4,297,991	15,274	4,560,027
Total revenue and other income	440,129	848,521	6,007,860	9,481,904	1,011,684	17,790,098
Segment expenses	325,849	604,696	4,018,024	7,408,272	670,317	13,027,158
Including: Interest expenses	434	406,511	1,189,242	2,002,608	200,943	3,799,738
(Reversal of)/Provision for impairment losses	(174)	3,714	52,657	89,021	88,345	233,563
Share of profit of associates and joint ventures	—	192,990	—	—	—	192,990
Profit before income tax	114,280	436,815	1,989,836	2,073,632	341,367	4,955,930
Other segment information:						
Depreciation and amortisation expenses	7,784	25,911	182,326	74,709	14,121	304,851
Capital expenditure paid	1,016	38,159	34,743	6,746	5,487	86,151
As at 31 December 2020						
Segment assets	2,819,694	32,875,477	167,400,566	257,606,945	28,214,703	488,917,385
Deferred tax assets						2,206,892
Segment total assets						491,124,277
Segment liabilities	900,311	20,948,144	152,244,226	205,430,603	21,508,255	401,031,539
Deferred tax liabilities						2,148
Segment total liabilities						401,033,687

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

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

54 Fair value information

(1) Fair value of financial instruments

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

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

(2) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level I valuations: Fair value measured using only Level I inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level II valuations: Fair value measured using Level II inputs i.e. observable inputs which fail to meet Level I, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level III valuations: Fair value measured using significant unobservable inputs.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

54 Fair value information (continued)

(2) Fair value hierarchy (continued)

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

The table below analyses financial instruments, measured at fair value at 30 June 2021 and 31 December 2020, by the level in the fair value hierarchy into which the fair value measurement is categorized. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	As at 30 June 2021			Total
	Level I	Level II	Level III	
Assets				
Financial assets at fair value through profit or loss				
– Debt securities	47,790,468	73,869,617	359,855	122,019,940
– Equity securities	48,325,776	3,960,296	2,701,714	54,987,786
– Hybrid instruments	2,123,318	–	2,515,058	4,638,376
– Asset management products and others	466,979	26,372,647	2,678,980	29,518,606
Financial assets at fair value through other comprehensive income				
– Debt securities	14,245,223	19,009,941	148,467	33,403,631
– Equity securities	3,255,178	–	261,000	3,516,178
Derivative financial assets	43,987	1,006,040	1,651,383	2,701,410
Total	116,250,929	124,218,541	10,316,457	250,785,927
Liabilities				
Financial liabilities at fair value through profit or loss	(234,390)	(5,521,226)	–	(5,755,616)
Derivative financial liabilities	(71,039)	(1,041,655)	(3,774,444)	(4,887,138)
Total	(305,429)	(6,562,881)	(3,774,444)	(10,642,754)

Notes to the interim condensed consolidated financial statements (continued)

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(In RMB thousands, unless otherwise stated)

54 Fair value information (continued)

(2) Fair value hierarchy (continued)

	As at 31 December 2020			Total
	Level I	Level II	Level III	
Assets				
Financial assets at fair value through profit or loss				
— Debt securities	45,652,696	45,495,511	—	91,148,207
— Equity securities	33,670,109	5,315,957	1,215,077	40,201,143
— Hybrid instruments	1,222,789	—	4,937,838	6,160,627
— Asset management products and others	4,520,092	19,661,050	2,876,738	27,057,880
Financial assets at fair value through other comprehensive income				
— Debt securities	30,298,975	26,983,634	—	57,282,609
— Equity securities	2,109,816	6,702,007	260,000	9,071,823
Derivative financial assets	87,018	1,563,540	—	1,650,558
Total	117,561,495	105,721,699	9,289,653	232,572,847
Liabilities				
Financial liabilities at fair value through profit or loss	—	(3,451,937)	—	(3,451,937)
Derivative financial liabilities	(135,508)	(2,085,783)	—	(2,221,291)
Total	(135,508)	(5,537,720)	—	(5,673,228)

For the six months ended 30 June 2021 and for the year ended 31 December 2020, there was no significant transfer between Level I and Level II.

For the six months ended 30 June 2021 and for the year ended 31 December 2020, there were transfers into and out of Level III due to the delisting of equity securities and the lifting of restricted stocks respectively. The Group's policy is to recognize transfer between levels of fair value hierarchy at the end of the period/year in which they occur.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

54 Fair value information (continued)

(2) Fair value hierarchy (continued)

(a) Financial instruments in Level I

The fair value of financial instruments traded in active markets is based on quoted market prices at 30 June 2021 and 31 December 2020. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level I. Instruments included in Level I comprise primarily securities traded on exchanges and fund investments traded through exchanges or fund management companies.

(b) Financial instruments in Level II

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

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

(c) Valuation methods for specific investments

As at 30 June 2021 and 31 December 2020, the Group's valuation methods for specific investments are as follows:

- (i) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at 30 June 2021 and 31 December 2020 within bid-ask spread. If there is no quoted market price as at 30 June 2021 and 31 December 2020, valuation techniques are used to determine the fair value.
- (ii) For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at 30 June 2021 and 31 December 2020 or the most recent trading date. For unlisted open-end funds and asset management products, fair value is determined by quoted price which is based on the net asset value as at 30 June 2021 and 31 December 2020.
- (iii) For debt securities listed through exchanges, fair values are determined based on the closing price within bid-ask spread of the debt securities as at 30 June 2021 and 31 December 2020.
- (iv) For debt securities traded through the inter-bank bond market and the OTC market, fair values are determined by valuation techniques.
- (v) For futures traded through exchanges, fair value is determined based on the closing price of the futures as at 30 June 2021 and 31 December 2020.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

54 Fair value information (continued)

(2) Fair value hierarchy (continued)

(d) Financial instruments in Level III

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

	For the the six months ended 30 June 2021					
	Financial assets at fair value through profit or loss	Financial assets at fair value through comprehensive income – debt instruments	Financial assets at fair value through comprehensive income – equity instruments	Derivative financial assets	Derivative financial liabilities	Total
As at 1 January 2021	9,029,653	–	260,000	–	–	9,289,653
Gains or losses for the period	(90,712)	–	–	546,514	1,358,999	1,814,801
Changes in fair value recognized in other comprehensive income	–	(206,781)	–	–	–	(206,781)
Purchases	3,943,469	76,950	1,000	1,504,148	2,617,612	8,143,179
Sales and settlements	(4,659,717)	–	–	(1,169,843)	(1,208,482)	(7,038,042)
Transfer in	121,478	278,298	–	770,564	1,006,315	2,176,655
Transfer out	(88,564)	–	–	–	–	(88,564)
As at 30 June 2021	8,255,607	148,467	261,000	1,651,383	3,774,444	14,090,901
Realized gains or losses included in profit or loss for the period – investment gains	2,297	–	–	–	–	2,297
Unrealized gains or losses included in profit or loss for the period – gain or losses on the fair value change	(93,009)	–	–	546,514	1,358,999	1,812,504

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

54 Fair value information (continued)

(2) Fair value hierarchy (continued)

(d) Financial instruments in Level III (continued)

	For the year ended 31 December 2020		
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income — equity instruments	Total
As at 1 January 2020	5,577,082	260,000	5,837,082
Gains for the year	522,390	—	522,390
Changes in fair value recognized in other comprehensive income	—	—	—
Purchases	3,944,036	—	3,944,036
Sales and settlements	(1,013,855)	—	(1,013,855)
As at 31 December 2020	9,029,653	260,000	9,289,653
Realized gains or losses included in profit or loss for the year — investment gains	11,590	—	11,590
Unrealized gains or losses included in profit or loss for the period — gain or losses on the fair value change	510,800	—	510,800

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

54 Fair value information (continued)

(2) Fair value hierarchy (continued)

(d) Financial instruments in Level III (continued)

For financial instruments in Level III, prices are determined using valuation techniques such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

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

The fair value of the financial instruments in Level III is not significantly sensitive to a reasonable change in these unobservable inputs during the six months period ended 30 June 2021 and the year ended 31 December 2020.

55 Financial instruments risk management

Risk analysis and control

The risks faced by the Group in its daily operation and management mainly include market risk, credit risk and liquidity risk.

The Group aims to strike an appropriate balance between the risks and benefits of its financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and assess the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and compliance with limits. Risk management policies and internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The following information does not include all financial risk management information and disclosure required in the consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2020.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

There has been no significant change in the Group's risk management processes since 31 December 2020 or in any risk management policies.

(1) Credit risk

Credit risk refers to the risk that the Group may face when its financiers, counterparties or bond issuers fail to perform the agreed financial obligations. The Group's credit risk exposures mainly exist in its personal finance, proprietary trading, and principal investment businesses.

The Group has mainly adopted the following measures to detect, report and manage credit risk:

- Established an internal rating system for credit risk, and conducted concentration risk management of the clients;
- Optimised risk assessment and analysis of clients and collateral, and reinforced continuous supervision. The Group has also been improving credit risk management system, and set up company-level negative lists of counterparties so as to collect and manage the list of clients with bad credit, and unified the management of negative information of clients;
- Set up strict entry criteria such as bond and issuer ratings for the proprietary trading business, and carried out pre-transaction review, post-transaction monitoring, and follow up on trading behaviours, credit ratings and types of securities, as well as scale and concentration of bonds;
- Enhanced measures and policies of derivatives trading set up rating and entry criteria for its counterparties, and improved the risk limit indicators system and pre-transaction review standard; and
- Tightened the review and management of certain businesses, such as stock-backed lending and principal investment business, on the assessment of client, concentration control, and scale of the businesses, and closely monitor project status on a continual basis.

Measurement of expected credit loss

The measurement of the ECL allowance for financial instruments, including investments in financial assets measured at amortized cost (including margin accounts, reverse repurchase agreements), and FVOCI is an area that requires the use of models and assumptions about the future economic conditions and credit behavior of the clients (such as the likelihood of customers defaulting and the resulting losses).

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

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

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

(1) Credit risk (continued)

Measurement of expected credit loss (continued)

- If a significant increase in credit risk (“SICR”) since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired;
- If the financial instrument is credit-impaired, the financial instrument is moved to “Stage 3”.

Stage 1: The Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL. Stage 2 and 3: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. The ECL is always measured on a lifetime basis.

For financial instruments under Stages 1 and Stage 2, including investments in financial assets measured at amortized cost (including margin accounts, stock-pledged repo), and FVOCI, the ECL is measured using the risk parameter modelling approach that incorporated key parameters, including Probability of Default (“PD”), Loss Given Default (“LGD”), Exposure at Default (“EAD”) and Loss Ratio (“LR”) taking into consideration of forward looking factors. For credit-impaired financial assets classified under Stage 3, the management assesses the credit loss allowances by estimating the cash flows expected to arise from the financial assets after taking into consideration of forward-looking factors.

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

- Selection of the appropriate models and assumptions;
- Determination of the criteria for significant increase in credit risk (“SICR”), definition of default and credit impairment;
- Establishment of the number and relative weightings of forward-looking scenarios;
- Forecasts of the discounted cash flow of financial instruments under stage 3.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

(1) Credit risk (continued)

Measuring ECL –Inputs, assumptions and estimation techniques

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

For debt securities investments, ECL is the discounted product of the PD, LGD and EAD after considering the forward-looking impact. For financing assets, ECL are the discounted product of the LR and EAD after considering the forward-looking impact.

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. For debt securities investments, the Group determines the PD by the appropriate external credit ratings.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. For debt securities investments, LGD is determined based on the type of securities
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- LR represents the Group's expectation of the likelihood of default and extent of loss on exposure. The Group uses historical loss rates and assesses their appropriateness. The Group determines LR of financing assets based on factors including: the coverage ratio of related loan to underlying collateral value, the volatility of such collateral's valuation and the realized value of collateral upon forced liquidation over the realization period.

The criteria of Significant increase in credit risk (SICR)

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

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

For securities financing business, the Group considered securities financing business to have experienced a SICR if collateral to loan ratios are lower than the force liquidation thresholds, which means collateral valuation has declined or the quality of the third-party collateral is significantly reduced. As at 30 June 2021 and 31 December 2020, over 90% of the securities financing balances of the Group were covered by collateral value of over the force liquidation thresholds of related loan or repo amounts.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

(1) Credit risk (continued)

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

For debt securities investments, the Group makes use of open market credit ratings. The Group considers debt securities investments to have experienced a SICR if the following scenarios occurs: the debt securities with an initial rating above AA level (inclusive) downgraded below AA (exclusive); the debt securities with an initial rating below AA level (exclusive) been downgraded; or the debt security is on the warning list. As at 30 June 2021 and 31 December 2020, all the debt securities investments of the Group have been rated as investment grade or above and there was no SICR.

Relevant financial assets are considered to have experienced a SICR if the borrower, the counterparty, the issuer or the debtor is more than 30 days past due on its contractual payments.

Financial instruments are considered to have a low risk when the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

Definition of default and credit impairment

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

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

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

(1) Credit risk (continued)

Definition of default and credit impairment (continued)

- Concessions have been made by the Group relating to the debtor, issuer, borrower or counterparty's financial difficulty;
- It is becoming probable that the debtor, issuer, borrower, or counterparty will enter bankruptcy or undertake a financial restructuring, etc.

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

Forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information.

The Group has performed historical data analysis and identified the key economic variables impacting credit risk and ECL for each financial instrument portfolio. Key economic variables mainly include the growth rate of Domestic GDP, the fixed asset investment growth, Producer Price Index (PPI) and the growth rate of fixed assets investment index. The impact of these economic variables on the PD, LGD and EAD has been determined by performing historical statistical regression analysis to forecast the expected changes in these variables on default rates and on the components of ECL.

For Financing Assets, based on the analysis of the characteristics of these products, the Group has identified the key economic variables impacting credit risk and ECL for these financial instrument portfolios include Volatility of Shanghai Composite Index and Shenzhen Composite Index. The Group makes forward looking adjustments to the ECL of Financing Assets by analysing the impacts of these economic variables.

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

At 30 June 2021 and 31 December 2020, for all portfolios the Group concluded that three scenarios appropriately captured non-linearities of key economic variables. The scenario weightings are determined by a combination of statistical analysis and expert judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The number of scenarios and their attributes are reassessed at each financial statement date.

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

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

(1) Credit risk (continued)

Forward-looking information (continued)

At 30 June 2021 and 31 December 2020, comprehensive considering of the current economic situation, the impact of COVID 19, and various supporting policies adopted by the government, the Group updated relevant economic indicators for forward-looking measurement based on the latest economic forecasts. As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes as at the financial statement date.

Sensitivity analysis

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

A sensitivity analysis is performed on key economic indicators, economic scenarios and weightings assigned use in forward-looking measurement. When increasing the weighting applied to the optimistic scenario by 10% and a corresponding reduction of 10% weighting applied to the base scenario, or shifting 10% of the weighting from the base case scenario to the pessimistic scenario the impact on ECL recognized is not significant.

Meanwhile, the Group also uses sensitivity analysis to monitor the impact of changes to the credit risk classification of the financial assets on ECL. As at 30 June 2021 and 31 December 2020, assuming there was no significant increase in credit risk since initial recognition, and all the financial assets in Stage 2 were moved to Stage 1, the decremental impact on ECL to be recognized in financial statements is not significant.

Collateral and other credit enhancements

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

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

(1) Credit risk (continued)

Loss Ratio and impairment provision of securities financing business

Based on the obligors' credit quality, contract maturity date, the related collateral securities information, which including the sector situation, liquidity discount factor, concentration, volatility and related information, the Group sets differentiated collateral to loan ratios (generally no less than 140%) as triggering margin calls and force liquidation thresholds (collateral to loan ratios generally no less than 130%) against different exposures related to these transactions.

- For financing assets exposures with collateral to loan ratios above the force liquidation thresholds and those past due for no more than 30 days are classified under Stage 1.
- For financing assets exposures with collateral to loan ratios fall below the pre-determined force liquidation thresholds but above 100%; or those past due for more than 30 days but no more than 90 days are considered to be with significant increase in credit risks and are classified under Stage 2.
- For financing assets exposures with collateral to loan ratios fall below 100%; or those past due for more than 90 days are classified under Stage 3.

Loss ratio applied by the Group on its Financing Assets under the 3 stages were as follows:

Stage 1: 0.2% to 0.5% according to the different collateral ratios;

Stage 2: No less than 0.5%;

Stage 3: Discounted cash flow on individual exposure.

Credit risk exposure analysis

The Group considered the credit risk of the Financing Assets was relatively low. As at 30 June 2021 and 31 December 2020, majority most of the Financing Assets' ratio to underlying collateral value was over force liquidation level. As at 30 June 2021 and 31 December 2020, most of the debt securities investments of the Group were rated at investment grade or above.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

(1) Credit risk (continued)

Credit risk exposure analysis (continued)

The maximum credit risk exposure on the balance sheet date, without taking into account any collateral and other credit enhancements, refers to the carrying value of the relevant financial assets after the deduction of impairment provisions. The Group's maximum credit risk exposure is disclosed as follows:

	30 June 2021	31 December 2020
Refundable deposits	21,716,631	18,347,661
Accounts receivable	4,799,832	3,088,616
Other receivables and prepayments	439,709	812,227
Margin accounts receivable	79,500,970	74,212,401
Financial assets held under resale agreements	24,172,610	26,659,737
Financial assets at fair value through profit or loss	126,658,316	100,934,101
Derivative financial assets	2,701,410	1,650,558
Financial assets measured at amortized cost	5,170,067	6,452,203
Financial assets at fair value through other comprehensive income	33,403,631	57,282,609
Clearing settlement funds	9,407,446	5,974,014
Cash held on behalf of brokerage clients	86,774,076	88,136,292
Bank balances	26,315,367	22,922,536
Total maximum credit risk exposure	421,060,065	406,472,955

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

(1) Credit risk (continued)

Credit risk exposure analysis (continued)

ECL	30 June 2021			Total
	Stage of ECL			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
Cash and bank balances	3,059	—	—	3,059
Margin accounts receivable	145,365	—	272,369	417,734
Accounts receivable	—	92,185	487,187	579,372
Financial assets held under resale agreements	22,728	20,699	839,603	883,030
Financial assets measured at amortized cost	32,798	—	520,288	553,086
Financial assets at fair value through other comprehensive income	35,117	25,318	424,110	484,545
Other receivables and prepayments	—	20,804	264,727	285,531

ECL	31 December 2020			Total
	Stage of ECL			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
Cash and bank balances	3,699	—	—	3,699
Margin accounts receivable	140,408	—	199,831	340,239
Accounts receivable	—	182,726	374,911	557,637
Financial assets held under resale agreements	47,176	7,845	933,958	988,979
Financial assets measured at amortized cost	19,210	—	520,451	539,661
Financial assets at fair value through other comprehensive income	56,053	23,818	209,577	289,448
Other receivables and prepayments	—	73,231	186,397	259,628

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

(2) Liquidity risk

Liquidity risk is the risk that the Group may face if the Group fails to acquire sufficient funds in time with reasonable cost to repay its debts due, perform other payment obligations and satisfy capital requirements in normal business operations.

In managing its liquidity risks, the Group considers its short, medium and long-term funding needs and liquidity management requirements, and reinforces the management of both the total amount and the structure of high-quality liquid assets through continuously improving the management system of its liquidity reserve, so as to maintain a sufficient liquidity reserve. The Group maintains adequate cash and cash equivalents and continuously monitors and compares cash flow forecast and actual cash flows. The Group also adopts a risk indicator analysis method to manage its overall liquidity risk. Through the analysis of key risk indicators, such as liquidity coverage ratio, net stable funding ratio, liquidity gap, and asset and liability concentration, the Group assesses and measures its overall liquidity risk status.

For liquidity risks, the Group has primarily adopted the following measures:

- Formulated a comprehensive capital plan to maintain a sufficient liquidity reserve;
- Expanded the scope of cooperation of financial institutions, improved debt financing management capabilities and diversified liquidity management tools;
- Enhanced the dynamic monitoring of liquidity risk, maintained the tracking and assessment of information such as liquidity monitoring indicators, cash flow gap, liquidity reserve and its short-term financing capabilities;

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

(2) Liquidity risk (continued)

- Carried out stress testing of liquidity risk, improved the ability to measure liquidity shock and put forward effective measures; and
- Improved the capability of reporting and dealing with liquidity risk contingencies through conducting emergency drills for liquidity risk to enhance the ability to respond to liquidity crisis.

The following tables show the details of the Group's contractual cash flow from its undiscounted financial liabilities (including interest payments computed using contractual rates or, if floating, based on rates as of 30 June) for the remainder of the contract as well as the earliest date the Group may be required to pay:

	30 June 2021						Total
	Overdue/ repayable on demand	Less than 1 month	1 month to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Loans and borrowings	–	7,447,185	2,817	310,518	–	–	7,760,520
Short-term debt instruments issued	–	5,710,095	15,578,195	8,036,174	–	–	29,324,464
Placements from other financial institutions	–	1,011,365	53,760	2,868,927	–	–	3,934,052
Accounts payable to brokerage clients	98,136,267	–	–	–	–	–	98,136,267
Other payables and accruals	22,345,722	96,967	–	17,975	–	–	22,460,664
Financial assets sold under repurchase agreements	–	107,819,705	3,514,115	5,874,003	–	–	117,207,823
Lease liabilities	–	50,621	48,082	237,292	632,399	37,340	1,005,734
Financial liabilities at fair value through profit or loss	–	253,278	37,775	3,038,806	976,816	2,842,899	7,149,574
Derivative financial liabilities	336,247	1,098,632	837,152	2,230,010	366,066	19,031	4,887,138
Long-term bonds	–	3,751,267	7,688,111	42,450,550	78,610,244	6,163,810	138,663,982
Other non-current liabilities	–	–	–	–	158,000	–	158,000
Total	120,818,236	127,239,115	27,760,007	65,064,255	80,743,525	9,063,080	430,688,218

Notes to the interim condensed consolidated financial statements (continued)

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(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

(2) Liquidity risk (continued)

	31 December 2020							Total
	Overdue/ repayable on demand	Less than 1 month	1 month to 3 months	3 months to 1 year	1 to 5 years	More than 5 years		
Loans and borrowings	—	4,251,486	—	104,250	—	—	4,355,736	
Short-term debt instruments issued	—	8,215,952	13,467,418	19,631,270	—	—	41,314,640	
Placements from other financial institutions	—	4,432,785	—	—	—	—	4,432,785	
Accounts payable to brokerage clients	97,535,040	—	—	—	—	—	97,535,040	
Other payables and accruals	18,658,506	49,041	—	45,343	—	—	18,752,890	
Financial assets sold under repurchase agreements	—	91,535,407	2,635,981	9,143,159	—	—	103,314,547	
Lease liabilities	—	44,320	48,798	275,609	455,898	38,195	862,820	
Financial liabilities at fair value through profit or loss	—	2,357,040	—	519,735	575,162	—	3,451,937	
Derivative financial liabilities	—	831,096	940,059	428,046	22,090	—	2,221,291	
Long-term bonds	—	257,908	1,079,781	20,680,739	119,663,379	—	141,681,807	
Other non-current liabilities	—	—	—	—	222,575	—	222,575	
Total	116,193,546	111,975,035	18,172,037	50,828,151	120,939,104	38,195	418,146,068	

(3) Market risk

(a) Interest rate risk

Interest rate risk is the risk that changes in market interest rates will affect the Group's operation performance, financial position and cash flows. The Group's interest-bearing assets mainly include cash and bank balances, clearing settlement funds, margin accounts receivable, financial assets at fair value through profit or loss, financial assets held under resale agreements, refundable deposits and financial assets at fair value through other comprehensive income; interest-bearing liabilities mainly include loans and borrowings, short-term debt instruments issued, placements from other financial institutions, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, accounts payable to brokerage clients and long-term bonds.

For financial instruments held on the balance sheet date that expose the Group to fair value interest rate risk, the Group applies interest rate repricing exposure analysis and sensitivity analysis as the primary approach for monitoring interest rate risk. Sensitivity analysis measures the effect of any reasonable and possible changes in the interest rate on the net profits and shareholders' equity with all other variables held constant.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

(3) Market risk (continued)

(a) Interest rate risk (continued)

The following tables indicate the interest rate risk of the Group as at 30 June 2021. In the tables, financial assets and liabilities as at 30 June 2021 are presented by the expected next repricing date or maturity date, whichever is earlier:

	30 June 2021					Total
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	
Financial assets						
Financial assets measured at amortized cost	1,613,626	1,924,007	1,562,798	—	69,636	5,170,067
Financial assets at fair value through other comprehensive income	1,516,226	2,755,649	23,682,540	4,586,125	4,379,269	36,919,809
Financial assets held under resale agreements	20,991,254	2,001,953	1,158,269	—	21,134	24,172,610
Refundable deposits	10,721,827	—	—	—	10,994,804	21,716,631
Accounts receivable	1,399,907	—	—	—	3,399,925	4,799,832
Other receivables and prepayments	—	—	—	—	439,709	439,709
Margin accounts receivable	28,037,499	49,531,487	—	—	1,931,984	79,500,970
Financial assets at fair value through profit or loss	4,136,077	21,418,457	97,945,316	8,288,212	79,376,646	211,164,708
Derivative financial assets	—	—	—	—	2,701,410	2,701,410
Clearing settlement funds	9,407,397	—	—	—	49	9,407,446
Cash held on behalf of brokerage clients	84,766,576	2,007,500	—	—	—	86,774,076
Cash and bank balances	25,564,052	630,000	—	—	121,386	26,315,438
Total	188,154,441	80,269,053	124,348,923	12,874,337	103,435,952	509,082,706

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

(3) Market risk (continued)

(a) Interest rate risk (continued)

	30 June 2021					Total
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	
Financial liabilities						
Loans and borrowings	(7,215,606)	(307,458)	-	-	(228,318)	(7,751,382)
Short-term debt instruments issued	(20,882,038)	(7,994,274)	-	-	(315,798)	(29,192,110)
Placements from other financial institutions	(1,010,663)	(2,868,927)	-	-	(9,899)	(3,889,489)
Accounts payable to brokerage clients	(60,004,520)	-	-	-	(38,131,747)	(98,136,267)
Other payables and accruals	(134,195)	-	-	-	(22,326,469)	(22,460,664)
Financial liabilities at fair value through profit or loss	-	(2,961,089)	(2,560,136)	-	(234,391)	(5,755,616)
Financial assets sold under repurchase agreements	(111,098,135)	(5,682,577)	-	-	(196,137)	(116,976,849)
Derivative financial liabilities	-	-	-	-	(4,887,138)	(4,887,138)
Long-term bonds	(9,669,949)	(39,028,603)	(73,421,788)	(5,099,043)	(2,250,841)	(129,470,224)
Lease liabilities	(89,532)	(212,241)	(575,623)	(30,768)	-	(908,164)
Other non-current liabilities	-	-	-	-	(158,000)	(158,000)
Total	(210,104,638)	(59,055,169)	(76,557,547)	(5,129,811)	(68,738,738)	(419,585,903)
Net interest rate risk exposure	(21,950,197)	21,213,884	47,791,376	7,744,526	34,697,214	89,496,803

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

(3) Market risk (continued)

(a) Interest rate risk (continued)

	31 December 2020					Total
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	
Financial assets						
Financial assets measured at amortized cost	575,116	2,831,112	811,245	—	2,234,730	6,452,203
Financial assets at fair value through other comprehensive income	1,030,654	5,216,136	40,474,296	9,194,727	10,438,619	66,354,432
Financial assets held under resale agreements	19,089,010	6,374,466	1,144,351	—	51,911	26,659,738
Refundable deposits	4,245,195	—	—	—	14,102,466	18,347,661
Accounts receivable	—	—	—	—	3,088,616	3,088,616
Other receivables and prepayments	—	—	—	—	812,227	812,227
Margin accounts receivable	31,555,772	40,934,324	—	—	1,722,305	74,212,401
Financial assets at fair value through profit or loss	8,040,493	14,204,834	74,509,108	2,665,767	65,147,655	164,567,857
Derivative financial assets	—	—	—	—	1,650,558	1,650,558
Clearing settlement funds	5,967,900	—	—	—	6,114	5,974,014
Cash held on behalf of brokerage clients	85,636,292	2,500,000	—	—	—	88,136,292
Cash and bank balances	20,360,023	2,257,231	—	—	305,613	22,922,867
Total	176,500,455	74,318,103	116,939,000	11,860,494	99,560,814	479,178,866

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

(3) Market risk (continued)

(a) Interest rate risk (continued)

	31 December 2020					Total
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	
Financial liabilities						
Loans and borrowings	(4,246,431)	(100,000)	—	—	(504)	(4,346,935)
Short-term debt instruments issued	(27,469,013)	(12,767,627)	—	—	(268,429)	(40,505,069)
Placements from other financial institutions	(4,430,000)	—	—	—	—	(4,430,000)
Accounts payable to brokerage clients	(66,276,712)	—	—	—	(31,258,328)	(97,535,040)
Other payables and accruals	(134,229)	—	—	—	(18,618,661)	(18,752,890)
Financial liabilities at fair value through profit or loss	(1,953,615)	(401,056)	(574,213)	—	(523,053)	(3,451,937)
Financial assets sold under repurchase agreements	(94,054,241)	(9,058,364)	—	—	(201,942)	(103,314,547)
Derivative financial liabilities	—	—	—	—	(2,221,291)	(2,221,291)
Long-term bonds	(497,578)	(19,894,991)	(95,429,975)	—	(2,345,401)	(118,167,945)
Lease liabilities	(93,119)	(275,609)	(455,896)	(38,196)	—	(862,820)
Other non-current liabilities	—	—	—	—	(222,575)	(222,575)
Total	(199,154,938)	(42,497,647)	(96,460,084)	(38,196)	(55,660,184)	(393,811,049)
Net interest rate risk exposure	(22,654,483)	31,820,456	20,478,916	11,822,298	43,900,630	85,367,817

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

(3) Market risk (continued)

(a) Interest rate risk (continued)

Sensitivity analysis

For those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's and the Company's profit after tax and equity. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

Sensitivity of profit after tax	30 June 2021	31 December 2020
Move in yield curve		
Up 25 basis points	(369,552)	(214,766)
Down 25 basis points	372,239	219,866

Sensitivity of equity	30 June 2021	31 December 2020
Move in yield curve		
Up 25 basis points	(440,502)	(406,757)
Down 25 basis points	443,847	415,481

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period.

In respect of the exposure to cash flow interest rate risk arising from floating rate non-instruments held by the Group, the impact on the Group's profit after tax and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(b) Foreign currency rate risk

Foreign currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation and monitor of foreign exchange rates. The Group adopts sensitivity analysis to measure and monitor currency risk.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

(3) Market risk (continued)

(b) Foreign currency rate risk (continued)

Assuming all other risk variables remained constant and without consideration of risk management measures undertaken by the Group, a 10% strengthening of the RMB against the US dollar, HKD and other currencies at the end of the reporting period, under the assumption of the foreign exchange rate changes within the period from the end of the reporting period to next whole year, would have increased/(decreased) the Group's equity and profit after tax by the amount shown below, whose effect is in RMB and translated using the spot rate at the end of the reporting period:

Sensitivity of profit after tax	30 June 2021	31 December 2020
Currency		
USD	200,906	115,162
HKD	494,798	(557,056)
Other currencies	5,821	10,801

Sensitivity of equity	30 June 2021	31 December 2020
Currency		
USD	200,906	115,162
HKD	543,281	(578,848)
Other currencies	5,821	10,801

A 10% weakening of the RMB against the USD, HKD and other currencies at the end of the reporting period would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes translation differences arising from translation of foreign currency financial statements.

(c) Other price risks

Other price risks refer to the risk that the fair value or future cash flows of any equity securities and funds held by the Group will be affected by changes in market price factors (other than interest rates and foreign exchange rates). The Group mainly invests in stocks listed on stock exchanges and funds and the maximum market price risk is determined by fair value of financial instruments held by the Group.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021
(In RMB thousands, unless otherwise stated)

55 Financial instruments risk management (continued)

Risk analysis and control (continued)

(3) Market risk (continued)

(c) Other price risks (continued)

Assuming that the market price of the financial instruments mentioned above increases or decreases by 10%, with all other variables held constant, the effect of these balance sheet assets on the Group shareholders' equity and net profit is listed as follows:

Sensitivity of profit after tax	30 June 2021	31 December 2020
Increase by 10%	4,098,452	2,926,408
Decrease by 10%	(4,098,452)	(2,926,408)

Sensitivity of equity	30 June 2021	31 December 2020
Increase by 10%	4,342,590	3,084,644
Decrease by 10%	(4,342,590)	(3,084,644)

(4) Capital management

The Group's primary objectives when managing capital are to safeguard its continued operations, so that it can continue to provide returns for shareholders, by pricing products and services according to the level of risk and by securing access to finance at a reasonable cost.

The Group's capital structure is regularly reviewed and managed to achieve an optimal structure and return for shareholders. Factors for the Group's consideration include: its future funding requirements, capital efficiency, actual and expected profitability, expected cash flows, expected capital expenditure and risk level. Adjustments are made to the capital structure in light of changes in the factors mentioned above affecting the Group.

On 16 June 2016, the CSRC issued the Measures for the Administration of Risk Control Indicators of Securities Companies (2016 revision) and the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies, which came into effect on 1 October 2016 to revise the risk control indicators and criteria that securities companies must continue monitoring. Therefore, the Group is required to continuously meet the following key criteria for risk control indicators:

- (i) Risk Coverage Ratio (Net capital/Total risk capital reserves × 100%) shall be no less than 100%;
- (ii) Capital Leverage Ratio (Core net capital/Total balance sheet & off-balance sheet assets × 100%) shall be no less than 8%;
- (iii) Liquidity Coverage Ratio (High quality liquid assets/Total net cash outflows over the next 30 days × 100%) shall be no less than 100%;
- (iv) Net Stable Funding Ratio (Available amount of stable funding/Required amount of stable funding × 100%) shall be no less than 100%.

Notes to the interim condensed consolidated financial statements (continued)

For the six months ended 30 June 2021

(In RMB thousands, unless otherwise stated)

56 Events after the reporting date

(1) Profit distribution

As at 23 July 2021, the Group's 2021 A-share and H-share cash dividends have been distributed.

(2) Issuance of long-term bonds, short-term bonds and structured notes

From 1 July 2021 to the reporting date, the Group issued long-term bonds, short-term bonds and a number of structured notes, with coupon rates range from 1.80% to 6.80%. The issuance amount was approximately RMB53.18 billion in total.

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

From 1 July 2021 to the reporting date, the Group repaid long-term bonds, short-term bonds and a number of structured notes, with coupon rates range from 2.80% to 6.80%. The repayment amount was approximately RMB19.55 billion in total.



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

