

恒投证券

HENGTOU SECURITIES

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

Stock Code: 1476

2022
INTERIM REPORT

Contents

| | |
|---|----|
| Important Notice | 2 |
| Section I Definitions | 3 |
| Section II Company Profile | 7 |
| Section III Summary of Accounting Data and Financial Indexes | 10 |
| Section IV Management Discussion and Analysis | 14 |
| Section V Other Material Particulars | 34 |
| Section VI Changes in Shareholdings and Particulars about Shareholders | 39 |
| Section VII Directors, Supervisors, Senior Management and Employees | 42 |
| Independent Review Report | 44 |
| Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income | 46 |
| Condensed Consolidated Statement of Financial Position | 48 |
| Condensed Consolidated Statement of Changes in Equity | 51 |
| Condensed Consolidated Statement of Cash Flows | 52 |
| Notes to the Condensed Consolidated Financial Statements | 53 |

Important Notice

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

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

The interim financial information for the six months ended 30 June 2022 is prepared by the Company in accordance with the International Financial Reporting Standards, and has been reviewed by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. All amounts set out in this report are stated in RMB unless otherwise stated.

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

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

Section I Definitions

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

| | |
|----------------------------------|---|
| APP | application, which generally refers to mobile applications |
| Articles of Association | the articles of association of the Company, as amended from time to time |
| Baotou Huazi | Baotou Huazi Industry Co., Ltd. (包頭華資實業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600191) and a substantial shareholder of the Company |
| Board | the board of directors of the Company |
| Company or Hengtou Securities | a company established as a limited liability company in the PRC on 28 December 1998 and converted into a joint stock company with limited liability under the PRC laws on 3 November 2008 under the corporate name “恒泰证券股份有限公司” (Hengtai Securities Co., Ltd), and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English) as approved by and registered with the Hong Kong Companies Registry on 27 April 2015, and whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange |
| Corporate Governance Code | the Corporate Governance Code as set out in Appendix 14 to the Listing Rules |
| CSRC | the China Securities Regulatory Commission (中國證券監督管理委員會) |
| Director(s) | director(s) of the Company |
| Domestic Share(s) | ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as paid-up in RMB |
| end of the Reporting Period | 30 June 2022 |
| Finance Street Capital | Beijing Financial Street Capital Operation Investment (Group) Co., Ltd. (北京金融街資本運營集團有限公司), formerly known as Beijing Finance Street Capital Management Centre (北京金融街資本運營中心), which holds 62.06% equity interest in Finance Street Investment and is a subsidiary of SASAC Xicheng District |
| Finance Street Investment | Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司), formerly known as Beijing Finance Street Construction Group Co., Ltd. (北京金融街建設集團), a subsidiary of SASAC Xicheng District and a shareholder of the Company |
| Finance Street Xihuan Properties | Beijing Finance Street Xihuan Properties Co., Ltd. (北京金融街西環置業有限公司), formerly known as Beijing Xihuan Properties Co., Ltd. (北京西環置業有限公司), a subsidiary of Finance Street Investment and a shareholder of the Company |
| FOF | Fund of Fund, a fund which is specially invested in other securities investment funds |
| GDP | gross domestic product |
| Group | the Company and its subsidiaries |

Section I Definitions

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|--------------------------|--|
| H Share(s) | overseas listed foreign ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Hong Kong Stock Exchange |
| Hangzhou Ruisi | Hangzhou Ruisi Industrial Co., Ltd. (杭州瑞思實業有限公司), which holds 98.67% equity interest in Shaanxi Tianchen |
| Hengtai Capital | Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司), the 100% equity interest of which is held by the Company |
| Hengtai Changcai | Hengtai Changcai Securities Co., Ltd. (恒泰長財證券有限責任公司), the 100% equity interest of which is held by the Company |
| Hengtai Futures | Hengtai Futures Co., Ltd. (恒泰期貨股份有限公司), 95.10% and 4.90% equity interest of which are held by the Company and Hengtai Pioneer, respectively |
| Hengtai Pioneer | Hengtai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司), the 100% equity interest of which is held by the Company |
| HK\$ | Hong Kong dollars, the lawful currency of Hong Kong |
| Hong Kong | the Hong Kong Special Administrative Region of the PRC |
| Hong Kong Stock Exchange | The Stock Exchange of Hong Kong Limited |
| Hongzhi Huitong | Beijing Hongzhi Huitong Industrial Co., Ltd. (北京鴻智慧通實業有限公司), a shareholder of the Company |
| Huarong Infrastructure | Beijing Huarong Infrastructure Investment Co., Ltd. (北京華融基礎設施投資有限責任公司), a subsidiary of Finance Street Investment and a shareholder of the Company |
| Huifa Technology | Zhejiang Free Trade Zone Huifa Technology Co., Ltd. (浙江自貿區匯發科技有限公司), formerly known as Tibet Dazi Huifa Investment Co., Ltd. (西藏達孜匯發投資有限公司), a shareholder of the Company |
| IPO | Initial Public Offering |
| Listing | the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange on 15 October 2015 |
| Listing Date | 15 October 2015 |
| Listing Rules | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange |

Section I Definitions

| | |
|---|--|
| margin financing and securities lending | a collateral-backed operating activity in which securities firms provide clients with monies to buy listed securities or with listed securities for sale |
| Model Code | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| NEEQ | National Equities Exchange and Quotations |
| New China Fund | New China Fund Management Co., Ltd. (新華基金管理股份有限公司), 58.62% equity interest of which is held by the Company |
| PRC or China | for the purpose of this report, the People's Republic of China (excluding Hong Kong, Macau Special Administration Region of the PRC and Taiwan) |
| Prospectus | the H Shares prospectus of the Company dated 30 September 2015 |
| Reporting Period | the six months ended 30 June 2022 |
| RMB | Renminbi, the lawful currency of China, the basic unit of which is Yuan |
| SASAC Xicheng District | The State-owned Assets Supervision and Administration Commission of Xicheng District People's Government of Beijing Municipality (北京市西城區人政府國有資產監督管理委員會), which holds 100% and 37.94% equity interest in each of Finance Street Capital and Finance Street Investment, respectively |
| SFO | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| Shaanxi Tianchen | Shaanxi Tianchen Technology Trading Co., Ltd. (陝西天宸科貿有限公司), which holds 97.67% equity interest in Hongzhi Huitong |
| stock pledged repurchase transaction | a transaction in which a qualified borrower pledges his shares or other securities held as collaterals to obtain financing funds from a qualified lender, and agrees to repay the funds on a future date to release the pledge |
| substantial shareholder(s) | has the meaning ascribed thereto under the Listing Rules |
| Supervisor(s) | supervisor(s) of the Company |
| Supervisory Committee | the supervisory committee of the Company |
| Suzhou Bingtai | Suzhou Bingtai Trading Co., Ltd. (蘇州秉泰貿易有限公司), which holds 100% equity interest in Hangzhou Ruisi |

Section I Definitions

| | |
|---------------------|--|
| this report | the 2022 interim report of the Company |
| Tianfeng Securities | Tianfeng Securities Co., Ltd. (天風證券股份有限公司), a substantial shareholder of the Company |
| Wind Info | Wind Info Co., Ltd. (上海萬得信息技術股份有限公司), a joint stock company incorporated in the PRC with limited liability and a service provider of financial data, information and software, being an independent third party of the Company |

Section II Company Profile

I. NAME OF COMPANY

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

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

II. BOARD OF DIRECTORS

Executive Director

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

Non-executive Directors

Mr. Yu Lei

Mr. Wang Linjing

Ms. Dong Hong

Ms. Gao Liang

Independent Non-executive Directors

Dr. Lam Sek Kong

Mr. Xie Deren

Mr. Dai Genyou

Special Committees of the Board

Strategy and Investment Committee

Mr. Yu Lei

Dr. Lam Sek Kong

Risk Control and Supervisory Committee

Mr. Wu Yigang

Mr. Dai Genyou

Audit Committee

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

Mr. Wang Linjing

Dr. Lam Sek Kong

Remuneration and Nomination Committee

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

Dr. Lam Sek Kong

Section II Company Profile

III. SUPERVISORY COMMITTEE

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

IV. SECRETARY OF THE BOARD

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

V. JOINT COMPANY SECRETARIES

Mr. Zhang Jingshun, Dr. Ngai Wai Fung

VI. AUTHORIZED REPRESENTATIVES

Mr. Wu Yigang, Dr. Ngai Wai Fung

VII. HEAD OFFICE IN CHINA

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

VIII. PLACE OF BUSINESS IN HONG KONG

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

IX. AUDITORS

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

X. HONG KONG LEGAL ADVISOR

Morgan, Lewis & Bockius

XI. H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

XII. STOCK CODE (H SHARES)

01476

Section III Summary of Accounting Data and Financial Indexes

I. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEXES

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

| Item | 1 January 2022 to 30 June 2022 | 1 January 2021 to 30 June 2021 | Increase/ (decrease) from last period |
|---|-----------------------------------|-----------------------------------|---|
| Operating results (RMB'000) | | | |
| Total revenue and other income | 1,356,497 | 1,672,879 | (18.91%) |
| Loss before tax | (493,175) | (15,991) | (2,984.08%) |
| Loss for the period – attributable to ordinary shareholders of the Company | (355,462) | (12,490) | (2,745.97%) |
| Net cash generated from/(used in) operating activities | 1,575,754 | (900,601) | 274.97% |
| Earnings per share (RMB/share) | | | |
| Basic loss per share ¹ | (0.1365) | (0.0048) | (2,743.75%) |
| Diluted loss per share ¹ | (0.1365) | (0.0048) | (2,743.75%) |
| Profitability index | | | |
| Weighted average rate of return on net assets (%) ² | (3.89) | (0.14) | Decreased by 3.75 percentage points |
| Item | 30 June 2022 | 31 December 2021 | Increase/ (decrease) from the end of last year |
| Scale indicators (RMB'000) | | | |
| Total assets | 37,447,821 | 37,243,056 | 0.55% |
| Total liabilities | 28,123,174 | 27,519,396 | 2.19% |
| Accounts payable to brokerage clients | 14,369,150 | 13,867,467 | 3.62% |
| Equity attributable to ordinary shareholders and holders of perpetual capital securities | 8,939,004 | 9,318,940 | (4.08%) |
| Total share capital ('000 shares) | 2,604,567 | 2,604,567 | 0.00% |
| Net assets per share attributable to ordinary shareholders³ (RMB/share) | 3.43 | 3.58 | (4.19%) |
| Gearing ratio (%)⁴ | 59.60 | 58.40 | Increased by 1.20 percentage points |

Section III Summary of Accounting Data and Financial Indexes

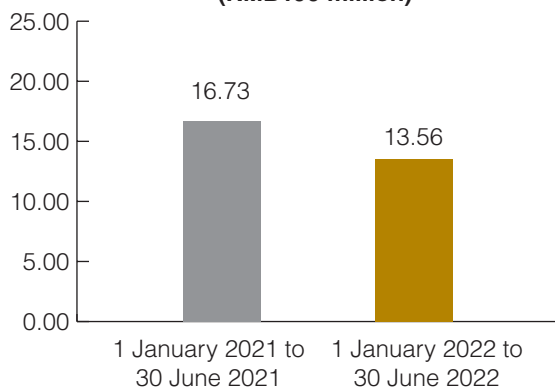
I. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEXES (CONTINUED)

Notes:

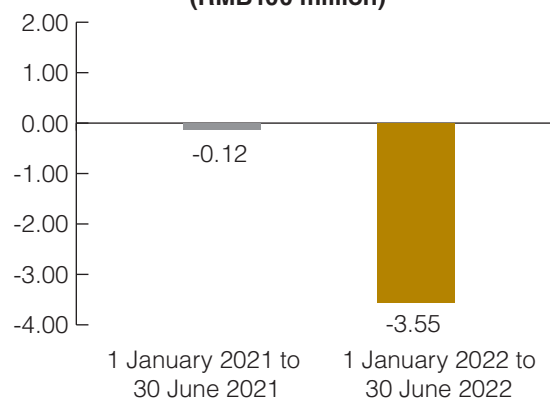
1. The index is calculated based on the assumption of deducting the dividends of the holders of cumulative perpetual capital securities.
2. Weighted average rate of return on net assets (%) = $P / (E_o + P \div 2 + E_i \times M_i \div M_o - E_j \times M_j \div M_o)$, in which P represents net profit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

Section III Summary of Accounting Data and Financial Indexes

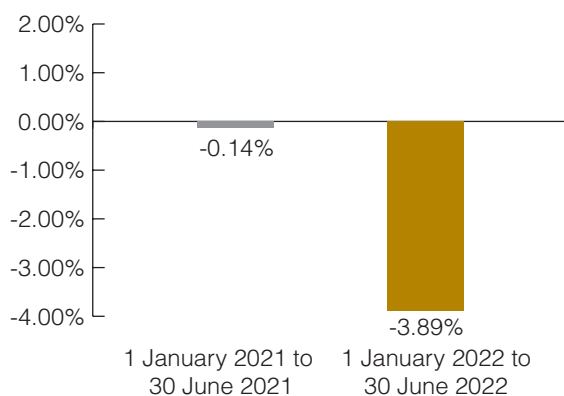
**Revenue and other income
(RMB100 million)**



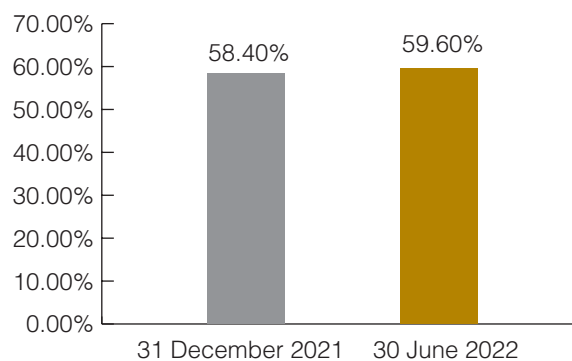
**Profit for the period – attributable to ordinary
shareholders of the Company
(RMB100 million)**



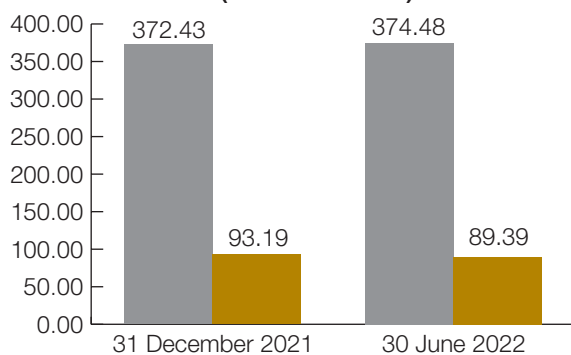
**Weighted average
return on net assets**



Gearing ratio



**Scale indicators
(RMB100 million)**



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

Section III Summary of Accounting Data and Financial Indexes

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

As at 30 June 2022, the Company's net capital amounted to RMB6,977.40 million, representing a decrease of RMB306.22 million as compared with RMB7,283.62 million as at the end of 2021. During the Reporting Period, the net capital and related risk control indexes of the Company met the regulatory requirements.

Unit: in RMB'000

| Item | 30 June 2022 | 31 December 2021 | Regulatory standard |
|--|-------------------|---------------------|------------------------|
| Net capital | 6,977,400 | 7,283,617 | N/A |
| Including: Net core capital | 6,227,400 | 6,533,617 | N/A |
| Net supplement capital | 750,000 | 750,000 | N/A |
| Net assets | 8,539,336 | 8,756,718 | N/A |
| Total risk capital provision | 4,027,393 | 4,348,175 | N/A |
| Total assets on and off statement of financial position | 21,590,882 | 21,483,341 | N/A |
| Risk coverage ratio | 173.25% | 167.51% | ≥100% |
| Capital leverage ratio | 28.87% | 30.45% | ≥8% |
| Liquidity coverage ratio | 255.22% | 971.75% | ≥100% |
| Net stable funding ratio | 192.44% | 182.79% | ≥100% |
| Net capital/net assets | 81.71% | 83.18% | ≥20% |
| Net capital/liabilities | 54.49% | 58.04% | ≥8% |
| Net assets/liabilities | 66.69% | 69.78% | ≥10% |
| Proprietary equity securities and securities derivatives/net capital | 11.28% | 18.53% | ≤100% |
| Proprietary non-equity securities and securities derivatives/net capital | 145.81% | 123.34% | ≤500% |

Section IV Management Discussion and Analysis

I. ECONOMIC AND MARKET ENVIRONMENT DURING THE REPORTING PERIOD

During the Reporting Period, with a result of the recurring and sporadic pandemic nationwide, the adverse impact increased and the downward pressure on the economy increased significantly in the second quarter. Facing the extremely complex and difficult situation, local authorities and government departments across the country thoroughly implemented the decisions and plans of the CPC Central Committee and the State Council to efficiently coordinate pandemic control and economic and social development, improve macro policy adjustment, and effectively implement a package of policy measures for economic stabilization, resulting in an effective control for the rebound of the pandemic and a steady recovery of the national economy. In the first half of 2022, GDP recorded a year-on-year increase of 2.5%, by industries, the primary industry, the secondary industry and the tertiary industry recorded a year-on-year increase of 5.0%, 3.2% and 1.8%, respectively. In the first half of 2022, the added-value of the service industry increased by 1.8% year-on-year and the added value of industries above designated size increased by 3.4% year-on-year. The added-value of the manufacturing industry accounted for 28.8% of the GDP, representing an increase of 0.7 percentage point as compared to that of the same period last year. The added value of hi-tech manufacturing industry above designated size increased by 9.6% year-on-year and the investment in high-tech industries increased by 20.2%, both maintaining a faster growth rate. The nationwide consumer price index (CPI) recorded a year-on-year increase of 1.7%, with stable prices in the domestic market overall. In the first half of 2022, liquidity was reasonably sufficient and financial support to real economy increased, with the People's Bank of China lowering the reserve requirement ratio by 0.25 percentage point. The broad measure of money supply (M2) increased by 11.4% year-on-year, representing a year-on-year increase of 2.8 percentage points; and the stock of social financing scale reached RMB334.27 trillion, representing a year-on-year increase of 10.8%.

During the Reporting Period, China's securities market encountered radical adjustment and recovered after plummeting, with trading volumes rising as compared to that of the same period last year. In the first half of 2022, the Shanghai Stock Exchange Composite Index decreased by 6.63%, the Shenzhen Stock Exchange Component Index decreased by 13.20%, and the total trading volumes of stocks and funds on the Shanghai Stock Exchange and the Shenzhen Stock Exchange amounted to RMB124,560.820 billion, among which, the total trading volumes of stocks and funds on the Shanghai Stock Exchange amounted to RMB58,474.527 billion, representing an increase of 6.51% as compared with that of the same period in 2021, and the total trading volumes of stocks and funds on the Shenzhen Stock Exchange amounted to RMB66,086.293 billion, representing an increase of 8.64% as compared with that of the same period in 2021. (Sources: websites of National Bureau of Statistics, The People's Bank of China, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and Wind Info)

II. ANALYSIS OF PRINCIPAL BUSINESSES

During the Reporting Period, the Group recorded revenue and other income of RMB1,356.50 million and a loss of RMB373.70 million, representing a decrease of 18.91% and 3,032.44%, respectively, as compared with that of the same period of 2021.

(I) Brokerage and Wealth Management Business

During the Reporting Period, the revenue and other income from brokerage and wealth management business amounted to RMB891.72 million, representing a decrease of 5.78% as compared with that of the same period of 2021.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(I) Brokerage and Wealth Management Business (Continued)

1. Securities Brokerage

During the Reporting Period, the Company adhered to the customer-centric values, continued to promote comprehensive operation and collaborative services, strengthened the technological finance and multi-channel construction and operation, and leveraged its comprehensive service system and professional capabilities to provide diversified securities brokerage services to various customers. Focusing on serving customers needs for asset preservation and appreciation, the Company continued to build a professional investment adviser team and improved the service quality and depth for customer through digital and intelligent financial technology, relying on its advantages of digital platform and full-service chain system. We continued to promote online investment and consultation business, provided diversified investment and consultation service, consolidated compliance and risk control management, and further enhanced the influence of our investment and consultation brand in the market.

During the Reporting Period, the number of new accounts opened reached 192,300, and total number of clients reached 3,454,900, representing an increase of 5.89% as compared with that at the end of 2021. The total assets under custody for clients reached RMB162,695.93 million, representing a decrease of 5.99% as compared with that at the end of 2021. The turnover of stocks and funds reached RMB1,109,053.54 million, representing an increase of 11.36% as compared with that of the same period of 2021, while the market share of stocks and funds was 0.4453%, representing an increase of 1.02% as compared with that of the same period of 2021.

2. Futures Brokerage

During the Reporting Period, facing the flare-ups of the pandemic in China and volatility of bulk commodity market and other adverse factors such as the great downward pressure on the macro-economy, Hengtai Futures strictly protected the bottom line of compliance by focusing on exploitation and development of institutional business projects, improving customer conversion rate of retail brokerage business, continuously advancing integrated innovation and development of research and industrial service, arranging model transformation of wealth management business in every field as well as capitalizing the advantages of investment and education to expand markets, adding 2,032 new clients.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(I) Brokerage and Wealth Management Business (Continued)

3. Wealth Management

During the Reporting Period, the Company adhered to the wealth management model for buyers as its goal, and continued to be client-centric and conducted services such as customer service, professional investment and advisory service and science and technology empowerment service in a multi-dimensional manner under the weakening market. Meanwhile, the Company also proactively exploited new customers and vigorously developed institutional wealth management businesses by building on professional services in four directions, featuring retail, financial technology, institution and high-end private wealth and establishing well-rounded wealth management structure system with professional services under broker settlement model and productized professional services, thus providing well-rounded wealth management service for various types of customers. During the Reporting Period, the Company sold 2,297 financial products and recorded sales of RMB3,788.10 million. As at the end of the Reporting Period, the existing size of its financial products was RMB17,297 million.

4. Capital-Based Intermediary

During the Reporting Period, while strictly controlling margin financing and securities lending business risks, the Company further improved the construction of client credit investigation and credit extension system by optimizing on customers' experience. As at the end of the Reporting Period, the balance of the margin financing and securities lending businesses amounted to RMB4,669.40 million, and the balance of stock pledged repurchase transaction amounted to RMB497.00 million.

5. Asset Custody

During the Reporting Period, the Company actively developed the custody of public funds and security funds, which accumulated 3 public fund custodies by adding 1 public fund. The scale of security fund custody continued to improve with stability. The scale of overall asset custody business recorded a slight decline due to the transformation of business development directions. As at the end of the Reporting Period, the Company provided custody services for 939 funds, fund services for 275 funds and fund raising supervision services for 367 funds. The total size of asset custody, fund services and fund raising supervision amounted to RMB132,696 million, representing a decrease of RMB5,056 million as compared with that at the end of 2021.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(II) Investment Banking Business

During the Reporting Period, the revenue and other income from investment banking business amounted to RMB106.57 million, representing a decrease of 11.76% as compared with that of the same period of 2021.

1. Equity Financing

During the Reporting Period, with the reform of the registration system and further improvement of the relevant supporting system, Hengtai Changcai actively seized the opportunities brought about by the reform in capital market. Through retaining of core clients and solidifying of relationship with them, strong customer stickiness and a stable business scale developed in its mergers and acquisitions and restructuring, IPO, refinancing businesses. At present, relevant refinancing and IPO projects are steadily advancing the applications.

2. Debt Financing

During the Reporting Period, Hengtai Changcai completed 23 projects in which it served as lead underwriter and joint lead underwriter, with credit bond financing scale amounting to approximately RMB10,263 million. The number of underwriting projects and the scale of underwriting projects both increased as compared with that of the same period of 2021. Hengtai Changcai proactively adjusted its corporate strategy, strengthened its connection with other entities in the industry, and took the initiative to expand its business. Hengtai Changcai successfully completed issuance projects in Jiangsu Province, Shandong Province, Hunan Province, Anhui Province, Jilin Province, Sichuan Province and other provinces. The business coverage of the Company further increased, laying a solid foundation for the further development of the Company's business and coping with operational risks.

3. NEEQ Referral Business

During the Reporting Period, Hengtai Changcai adhered to market orientation and quality priority, vigorously strengthened the practice quality training, improved the mechanism of internal division of labor, mobilized the enthusiasm and motivation of the personnel, cultivated high-quality projects, and continued to provide comprehensive and high-quality services to small and medium-sized enterprises in a sound manner. During the Reporting Period, Hengtai Changcai completed the application for 1 listing recommendation project, completed 9 targeted capital increase, mergers and acquisitions and restructuring and financial advisory projects, and continuously supervised 132 listed companies.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(III) Investment Management Business

During the Reporting Period, the revenue and other income from investment management business amounted to RMB245.75 million, representing a decrease of 37.04% as compared with that of the same period of 2021.

1. Assets Management

During the Reporting Period, the asset management business continued to enhance its investment and research capabilities, maintained a better performance ranking of collective asset management schemes for fixed income assets in the industry, further enriched its product lines, and launched a new collective asset management scheme for fixed income assets. During the Reporting Period, the asset management business actively expanded agency channels by exploring project business models, and thus to seek breakthroughs in business growth. During the Reporting Period, the asset management business recruited and expanded the investment and research team, strengthened the construction of talent echelon, which laid a good foundation for business development in the second half of 2022.

As at the end of the Reporting Period, the total size of asset management business was RMB22,523.51 million, of which the size of collective asset management schemes amounted to RMB2,018.27 million, the size of targeted asset management schemes amounted to RMB580.12 million, the size of the asset-backed securities special schemes amounted to RMB19,925.12 million.

As at the end of the Reporting Period, the numbers of subsisting products of the collective, targeted asset management schemes and the asset-backed securities special schemes were 45, 12 and 8, respectively.

2. Fund Management

During the Reporting Period, Xinhua Fund adhered to compliant and stable development by constantly improving the investment system and research framework, exerting its professional advantages, and satisfying the needs of various customers for asset management to advance a steady development in various businesses. According to the rating of Haitong Securities as of 30 June 2022, the overall yield of Xinhua Fund's equity funds ranked among the top one quarter in the industry.

As at the end of the Reporting Period, there were a total of 52 public funds under Xinhua Fund's management with amounts of RMB86,838 million, representing a year-on-year increase of RMB30,982 million or 55.47%. In the context of the "New Regulations on Asset Management", Xinhua Fund continued to increase the rectification of the special historical account business, which effectively reduced the scale leverage and completed the rectification of the special historical account products. As at the end of the Reporting Period, the size of asset management with special accounts of Xinhua Fund was RMB3,854 million, representing a year-on-year decrease of RMB10,415 million or 72.99%.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(III) Investment Management Business (Continued)

3. Private Equity Investment

During the Reporting Period, the final liquidation for 1 private fund was completed by Hengtai Capital, while the remaining 2 existing private equity funds operated with stability. As at the end of the Reporting Period, Hengtai Capital managed 2 existing private equity funds with a total size of RMB8,500 million. During the Reporting Period, Hengtai Capital and partners proactively developed new projects, among which the preliminary investigation of the projects of nonferrous metals and new consumer industries have been made, and its subsequent progress in projects will be actively engaged.

4. Alternative Investment

During the Reporting Period, Hengtai Pioneer conducted dynamic post-investment management on invested projects, strictly controlled post-investment risks, and continued to strengthen post-investment management of projects. At the same time, Hengtai Pioneer continued to play the role of equity investment positioning. As at the end of the Reporting Period, Hengtai Pioneer directly invested in 22 projects.

(IV) Proprietary Trading Business

During the Reporting Period, the revenue and other income from the proprietary trading business amounted to RMB90.10 million, representing a decrease of 52.47% as compared with that of the same period of 2021.

In the first half of 2022, the pandemic in China was characterised by multiple points, wide coverage and frequent resurgence, resulting in downward pressure on the economy and the continuous introduction of a series of policies to stabilise growth. Under the policy support, short-term panic in the market was eased, large-cap indices rebounded, and structural investment opportunities emerged in the new energy sector and low-valued products. The proprietary business of the Company timely adjusted the position allocation by controlling the overall risk, strengthening forward-looking market research and controlling the investment pace, with a hope to effectively improve the overall income level.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) Proprietary Trading Business (Continued)

In terms of stock investment business, in the stage of market correction, the Company reduced the overall long position exposure through hedging measures such as stock index futures hedging in stages. By adjusting the position structure, the Company timely captured the rebound momentum of the new energy sector, gradually increased the proportion of the position of mainstream growth products with the opportunity of bottoming out, and closely tracked the strong and weak conversion in the market.

In terms of fixed income business, the relatively loose monetary policy enabled sufficient capital and price of capital to remain at a low level and the yield to fluctuate downward in the first half of the year. The Company further strengthened macro analysis and policy tracking by adopting a relatively proactive asset allocation strategy, appropriately improving the leverage level and portfolio duration while adhering to the premise of preventing credit risks, continuing to optimise and adjust the portfolio structure, timely participating in interest rate bond trading and curve arbitrage strategies, actively exploring opportunities such as maturity arbitrage of treasury bond futures, adjusting the position categories of equity bonds and appropriately reducing the volatility of such portfolios.

In terms of the share transfer market-making business, the NEEQ market tended to be improving with the advancement of various reform measures, so did its liquidity. In response to market changes, the Company has strengthened its research on stocks that meet the conditions for IPO on the Beijing Stock Exchange, and actively developed investment opportunities therein.

In terms of OTC derivatives business, the Company actively studied the demand and feasibility plans for investment in products linked to the structure of OTC derivatives, negotiated with dealers and explored cooperation opportunities and projects, and leveraged on innovative financial derivatives trading instruments to expand business income sources for the Company.

(V) International Business

During the Reporting Period, the Company continued to push ahead its international business, continuously to promote the implementation of existing projects, and continued to expand its global resource network based on its financial origin, with the original intention of serving customers, the orientation of satisfying customer needs and the drive of wealth management business.

Section IV Management Discussion and Analysis

III. PROSPECTS AND FUTURE PLANS

(I) Development Prospect of the Industry

As a key bridge connecting the financing end of the real economy and the wealth investment end of residents, the securities industry should continue to improve the efficiency of serving the real economy, assist the capital market to play a pivotal role, to better serve the national development strategy. Meanwhile, we should give priority to optimisation and improvement in terms of the ecology of the security industry, cultural construction of the industry, social responsibility of the industry and risk control capabilities and compliance awareness, thus to lay a solid foundation for the development of the industry. With the further deepening of the capital market reform, the comprehensive implementation of the stock issuance registration system, the improvement of various systems of the Shanghai Stock Exchange Science and Technology Innovation Board (the "SSE STAR Market"), the acceleration of the implementation of the market maker system and the enhancement of the international competitiveness of the SSE STAR Market will be beneficial to various businesses of securities companies. Onwards, alongside with the kick-off of the registration system, the efficiency of IPO will be further improved, and the industrial chain of large investment banks of securities companies will usher into a long-term development. The SSE STAR Market-making business is expected to provide a new source of profit for securities companies with strong investment capabilities and a relatively sound risk control system. Market-making is expected to improve the liquidity and trading activity of the SSE STAR Market to achieve a win-win situation for the sector and market makers. As a core participant and the most direct beneficiary of China's capital market reform, the securities industry is expected to continue to enjoy the benefits of reform and obtain greater development opportunities.

Section IV Management Discussion and Analysis

III. PROSPECTS AND FUTURE PLANS (CONTINUED)

(II) Development Plan of the Company

The Company will capture the new opportunities arising from the reform and development of the capital market by fully promoting the integration of various businesses, strengthening the empowerment of financial technology, accelerating the transformation and upgrading based on the complete full business chain, building differentiated competitive advantages, further enhancing compliance and risk management, thus to achieve high-quality business development. The brokerage business will continue to adapt to market development and changes, and adhere to the bottom line of compliance. We will first focus on customer service quality through active promotion of diversified operations, multi-channel cooperation and diversified services. We will strengthen the strategic positioning of investment advisory business, optimise the growth system of investment advisory talents, and strengthen the technology empowerment of the investment advisory team. The Company also will provide customers with all-rounded wealth management services in four directions, featuring retail, financial technology, institution and high-end private wealth, and continued to provide customers with multi-dimensional and one-stop services to continuously expand its brand influence. The investment banking business will continue to seize the opportunities in the capital market on the basis of maintaining existing customers and projects by continuing to increase the development of new customers and new projects, enriching project reserves, and consolidating and expanding the customer base of core projects. The Company will actively carry out peer cooperation and continue to expand its business coverage. We will strengthen project quality management, strictly review the quality of project practise, control risks, and continue to provide customers with more comprehensive and high-quality services. The asset management business will continue to focus on fixed income business, by vigorously developing new fixed income products, guiding "continuously creating positive returns for customers", continuing to strengthen the construction of investment and research system, enhancing the construction and management of sales team, improving the service quality of sales team, acquiring institutional customers with professional services, thus to achieve continuous growth of business scale. The proprietary business will focus on the main line of resumption of work and production and steady growth, continue to conduct in-depth research on listed companies to select individual stocks on quality basis, control overall risks, and dynamically adjust the pace of investment. Therefore, the Company will continue to closely monitor in economic fundamentals and fiscal and monetary policies, and maintain a sound investment strategy and a sound portfolio structure under the premise of strict prevention of credit risks, so as to effectively improve the overall income level.

Section IV Management Discussion and Analysis

IV. FINANCIAL STATEMENTS ANALYSIS

(I) Analysis on Profitability during the Reporting Period

During the Reporting Period, the Group recorded revenue and other income of RMB1,356.50 million, representing a decrease of 18.91% as compared to that of the same period in 2021; net profit attributable to the shareholders of the Company amounted to RMB-355.46 million, representing a decrease of 2,745.97% as compared to that of the same period in 2021; earnings per share amounted to RMB-0.1365, representing a decrease of 2,743.75% as compared to that of the same period in 2021; and the weighted average return on net assets was -3.89%, representing a decrease of 3.75 percentage points as compared to that of the same period in 2021.

(II) Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB37,447.82 million, increased by 0.55% as compared to RMB37,243.06 million as at the end of 2021. Total liabilities amounted to RMB28,123.17 million, increased by 2.19% as compared to RMB27,519.40 million as at the end of 2021. Equity attributable to ordinary shareholders and holders of perpetual capital securities of the Company amounted to RMB8,939.00 million, decreased by 4.08% as compared with RMB9,318.94 million as at the end of 2021.

The Group's asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, the total assets of the Group comprised of: cash assets, which primarily included cash and bank balances (including cash held on behalf of brokerage clients), clearing settlement funds and refundable deposits, amounted to RMB17,425.79 million, representing 46.53% of the Group's total assets; margin assets, which primarily included margin accounts receivable, financial asset held under resale agreements and placements with a financial institution, amounted to RMB5,681.78 million, representing 15.17% of the Group's total assets; financial investment assets, amounted to RMB12,486.11 million, representing 33.34% of the Group's total assets; and property, equipment and other operating assets, which primarily included property and equipment, investment properties, intangible assets, rights-of-use assets, amounted to RMB1,854.14 million, representing 4.96% of the Group's total assets.

The Group's gearing ratio and financial leverage ratio remained relatively stable. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients amounted to RMB13,754.02 million, representing an increase of RMB102.09 million or 0.75% as compared with that at the end of 2021. The gearing ratio of the Group was 59.60%, increased by 1.20 percentage points from 58.40% as at the end of 2021 (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Financial leverage ratio was 2.58 folds, increased by 2.79% from 2.51 folds as at the end of 2021 (Note: financial leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to ordinary shareholders and holders of perpetual capital securities of the Company).

Section IV Management Discussion and Analysis

IV. FINANCIAL STATEMENTS ANALYSIS (CONTINUED)

(III) Financing Channels and Financing Ability

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

During the Reporting Period, the Company raised accumulated proceeds of RMB1,400.00 million from issuance of beneficiary certificates. Meanwhile, the Company received comprehensive credit line with greater limit granted by several banks.

(IV) Liquidity Management

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

(V) Cash Flow

During the Reporting Period, net cash flow arising from operating activities amounted to RMB1,575.75 million, increased by RMB2,476.35 million from RMB-900.60 million in the corresponding period of 2021; net cash flow arising from investment activities at the end of the Reporting Period amounted to RMB-698.28 million, decreased by RMB768.38 million from RMB70.10 million in the corresponding period of 2021; net cash flow arising from financing activities at the end of the Reporting Period amounted to RMB-573.92 million, decreased by RMB1,474.61 million from RMB900.69 million in the corresponding period of 2021. Cash and cash equivalents at the end of the Reporting Period amounted to RMB2,813.13 million, increased by RMB204.01 million from RMB2,609.12 million in the corresponding period in 2021.

(VI) Changes in Significant Accounting Policies

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

Section IV Management Discussion and Analysis

V. BRANCHES AND SUBSIDIARIES

(I) Branch Offices and Securities Branches

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

1. Establishment of securities branches and changes in securities branches

(1) Newly-established securities branches

None in the Reporting Period.

(2) Relocation of securities branches

During the Reporting Period, 5 securities branches of the Company were relocated, details of which are as follows:

| No. | Name of securities branch before relocation | Name of securities branch after relocation | Address of securities branch after relocation (PRC) |
|-----|---|--|--|
| 1 | Hengtai Securities Co., Ltd. Tianjin Changjiang Avenue Securities Branch (恒泰证券股份有限公司天津長江道證券營業部) | Hengtai Securities Co., Ltd. Tianjin Liuwei Road Securities Branch (恒泰证券股份有限公司天津六緯路證券營業部) | No. 481, Liuwei Road, Hedong District, Tianjin (天津市河東區六緯路481號) |
| 2 | Hengtai Securities Co., Ltd. Shenzhen Tonggu Road Securities Branch (恒泰证券股份有限公司深圳銅鼓路證券營業部) | Hengtai Securities Co., Ltd. Shenzhen Tonggu Road Securities Branch ¹ (恒泰证券股份有限公司深圳銅鼓路證券營業部) ¹ | 17D-1701, Building 3, Block 2, Dachong Business Center (Phase I), No. 9676 Shennan Blvd, Dachong Community, Yuehai Sub district, Nanshan District, Shenzhen, Guangdong (廣東省深圳市南山區粵海街道大沖社區深南大道9676號大沖商務中心(一期)2棟3號樓17D-1701) |
| 3 | Hengtai Securities Co., Ltd. Chifeng Tianyi Road Securities Branch (恒泰证券股份有限公司赤峰天義路證券營業部) | Hengtai Securities Co., Ltd. Chifeng Xingan Street Securities Branch (恒泰证券股份有限公司赤峰興安街證券營業部) | 4-5-1-01013, Yaxing International Apartment, Bajiazutuan, Songshan District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市松山區八家組團亞興國際公寓4-5-1-01013) |

Section IV Management Discussion and Analysis

V. BRANCHES AND SUBSIDIARIES (CONTINUED)

(I) Branch Offices and Securities Branches (Continued)

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

(2) Relocation of securities branches (Continued)

| No. | Name of securities branch before relocation | Name of securities branch after relocation | Address of securities branch after relocation (PRC) |
|-----|---|---|--|
| 4 | Hengtai Securities Co., Ltd. Dalian Xinghe 2 nd Street Securities Branch (恒泰证券股份有限公司大连星河二街证券营业部) | Hengtai Securities Co., Ltd. Dalian Yide Street Securities Branch (恒泰证券股份有限公司大连一德街证券营业部) | Office 1, 2, 3 and 7, No. 22, Yide Street, Zhongshan District, Dalian, Liaoning (遼寧省大連市中山區一德街22號辦1辦2辦3辦7) |
| 5 | Hengtai Securities Co., Ltd. Wenzhou Jinxiu Road Securities Branch (恒泰证券股份有限公司温州锦绣路证券营业部) | Hengtai Securities Co., Ltd. Wenzhou Jinxiu Road Securities Branch ¹ (恒泰证券股份有限公司温州锦绣路证券营业部) ¹ | Room 509, 510, 511 and 512, Building 1, Zhixin Center, No.1067 Jinxiu Road, Lucheng District, Wenzhou, Zhejiang (浙江省温州市鹿城区锦绣路1067号置信中心1幢509室、510室、511室和512室) |

Note:

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

(3) Deregistration of securities branches

None in the Reporting Period.

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

None in the Reporting Period.

(II) Subsidiaries of the Company

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

Section IV Management Discussion and Analysis

VI. MAJOR FINANCING

(I) Equity Financing

None in the Reporting Period.

(II) Major Debt Financing

1. Issuance of beneficiary certificates

The Company raised an aggregate of RMB1,400 million through issue of beneficiary certificates during the Reporting Period. As at 30 June 2022, the outstanding balance of the beneficiary certificates amounted to RMB1.680 billion. The particulars of the issuance of beneficiary certificates of the Company during the Reporting Period are set out below:

| Name | Size of the Issuance (RMB'00 million) | Issue interest rate | Term (days) | Issue date | Maturity date |
|------------------------|---|------------------------|----------------|-----------------|-------------------|
| Hengchuangtaifu No. 34 | 1.00 | 4.75% | 365 | 18 January 2022 | 18 January 2023 |
| Hengchuangtaifu No. 35 | 2.00 | 3.58% | 90 | 11 March 2022 | 9 June 2022 |
| Hengchuangtaifu No. 36 | 2.00 | 3.58% | 89 | 11 March 2022 | 8 June 2022 |
| Hengchuangtaifu No. 39 | 4.00 | 3.58% | 91 | 14 June 2022 | 12 September 2022 |
| Hengchuangtaifu No. 37 | 5.00 | 4.40% | 363 | 21 June 2022 | 19 June 2023 |

2. Issuance of subordinated bonds

During the Reporting Period, the Company has not issued subordinated bonds. As at 30 June 2022, the outstanding balance of the subordinated bonds amounted to RMB1.6 billion.

3. Issuance of corporate bonds

During the Reporting Period, the Company has not issued corporate bonds. As at 30 June 2022, the outstanding balance of the corporate bonds amounted to RMB1.950 billion.

VII. MAJOR INVESTMENT

None in the Reporting Period.

Section IV Management Discussion and Analysis

VIII. USE OF PROCEEDS

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

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

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

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

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

As of 31 December 2021, there was no remaining amount of proceeds available for use for the Company, and proceeds were fully used up pursuant to the previously disclosed purpose of use.

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

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

Section IV Management Discussion and Analysis

X. RISK MANAGEMENT

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

1. Market Risk

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

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

2. Credit Risk

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

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

Section IV Management Discussion and Analysis

X. RISK MANAGEMENT (CONTINUED)

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

3. Liquidity Risk

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

4. Compliance Risk

Compliance risk refers to the risk that operating activities or staffs of securities companies may be subject to legal sanctions, regulatory measures and self-regulatory disciplinary punishments arising from the breach of laws, regulations or rules. The Company has established an effective and sound compliance management system and compliance management framework. In accordance with regulatory requirements, the compliance management department of the Company manages compliance risk through compliance review, compliance monitoring, compliance examination, compliance supervision and compliance training.

5. Operational Risk

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

Section IV Management Discussion and Analysis

X. RISK MANAGEMENT (CONTINUED)

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

6. Reputational Risk

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

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

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

1. Management System

The Company established the Measures for All-round Risk Management of Hengtai Securities Co., Ltd. (《恒泰证券股份有限公司全面風險管理辦法》), which set overall requirements on the comprehensive risk management. It has established special risk management systems on liquidity risks, market risks, credit risks, operation risks, reputation risks and other risks. In the first half of 2022, the Company further improved its risk management system, among which eleven systems including the Risk Management and Cultural Manual of Hengtai Securities Co., Ltd. (《恒泰证券股份有限公司風險管理文化手冊》) have been revised.

Section IV Management Discussion and Analysis

X. RISK MANAGEMENT (CONTINUED)

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

2. Framework

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

3. Information Technology

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

4. Indicator System

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

Section IV Management Discussion and Analysis

X. RISK MANAGEMENT (CONTINUED)

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

5. Talent Team

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

6. Response Mechanism

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

Section V Other Material Particulars

I. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PLAN

(I) Implementation of the 2021 Profit Distribution Plan

The Company held the 2021 annual general meeting on 16 May 2022 to consider and approve the resolution in relation to the 2021 Profit Distribution Plan, pursuant to which, the Company did not conduct profit distribution for the year ended 31 December 2021.

(II) The 2022 Interim Profit Distribution Plan

The Company did not have any profit distribution plan for the first half of 2022.

II. SHARE OPTION SCHEME OR EQUITY INCENTIVE SCHEME

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

III. SIGNIFICANT LAWSUITS

(I) Subsequent Progress of the Significant Lawsuits in the Previous Years

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

For details of the case, please refer to II. Significant Lawsuits and Arbitrations in Section 7 Other Material Particulars of the 2018 annual report, 2019 annual report, 2020 annual report and 2021 annual report of the Company.

On 26 February 2021, the Beijing Second Intermediate People's Court issued civil judgement and ruled the Company to compensate Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. the outstanding subscription principals (i.e. RMB60 million, RMB130 million and RMB100 million, respectively) and relevant losses. The Company has appealed to the Beijing Municipal Supreme People's Court on 15 March 2021. The case between the Company and Bank of Nanjing Co., Ltd. and the case between the Company and Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. were heard at the Beijing High People's Court on 21 July 2021 and 15 November 2021, respectively. On 28 June 2022, the Beijing High People's Court issued the second-instance judgment against the case of Bank of Nanjing Co., Ltd., the case of Goldstate Capital Fund Management Co., Ltd. and the case of Galaxy Jinhui Securities Assets Management Co., Ltd., respectively, and ruled that the appeal of the Company be rejected and the original judgment be upheld. The Company is preparing to initiate a retrial.

In April 2021, the Company successively received a civil complaint from Beijing Xinrisheng Investment Management Co., Ltd., SDIC Taikang Trust Co., Ltd., Changan Funds Management Co., Ltd. and China Foreign Economy and Trade Trust Co., Ltd., the priority holders of Qinghui Leasing asset-backed special scheme Phase I, requesting the Company to repay its principal balance (i.e. RMB10 million, RMB4 million, RMB26 million and RMB20 million, respectively), income loss and related expenses. The Company has made counterplea against the plaintiffs at the competent courts according to the time schedule of the competent courts in succession. On 23 June 2022 and 30 June 2022, the People's Court of Xicheng District, Beijing, the competent court, issued first-instance judgment against the above four cases, ruled the Company to compensate the above four companies the principals (i.e., RMB10 million, RMB4 million, RMB26 million and RMB20 million, respectively), and relevant losses. The Company has appealed against these four cases.

III. SIGNIFICANT LAWSUITS (CONTINUED)

(I) Subsequent Progress of the Significant Lawsuits in the Previous Years (Continued)

The dispute with regard to the Qinghui Leasing asset-backed special scheme Phase I under the management of the Company (Continued)

On 28 June 2021, the People's Court of Xicheng District, Beijing issued civil judgement and ruled the Company to compensate Xinyuan Fund Management Limited, Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd., the principals (i.e., RMB20 million, RMB40 million and RMB35 million, respectively), and relevant losses. The Company has appealed to the Beijing Financial Court on 8 July 2021. On 11 October 2021, the Beijing Financial Court heard the case of Xinyuan Fund Management Limited, and then heard the case of Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd. on 30 November 2021 and 18 January 2022, respectively. On 9 February 2022, the second-instance judgment from the Beijing Financial Court in respect of the case of Chuangjin Hexin Fund Management Limited and the case of Tianhong Asset Management Co., Ltd. was ordered, which upheld the original judgment. Subsequently, the Company initiated a retrial to the Beijing High People's Court, which has accepted it and has not yet made a retrial result. On 14 July 2022, the second-instance judgment from the Beijing Financial Court in respect of the case of Xinyuan Fund Management Limited was ordered, which upheld the original judgment. The Company is preparing to initiate a retrial. The Company has made corresponding provision for these litigation.

(II) New Significant Lawsuits in the Reporting Period

The dispute with regard to the lending between the Company and GMK Finance Co., Ltd. and relevant guarantors

On 23 March 2022 and 24 March 2022, the Company entered into a total of 8 credit lending agreements with GMK Finance Co., Ltd. ("GMK") at the National Interbank Funding Centre, with the Company as the lender, for a total principals of RMB375 million. Upon maturity of the inter-bank lending, GMK failed to repay the loan principal and interest as agreed. After negotiation by the Company, on 28 March 2022, Mr. Liu Xuejing, Ms. Zhang Xiuying, GMK Holdings Group Co., Ltd., Shandong Fengxiang (Group) Co., Ltd., Shandong Xiangguang Group Co., Ltd. and Yanggu Xiangguang Copper Co., Ltd. issued a letter of guarantee to the Company, undertaking to provide joint and several guarantee for all the debts incurred by GMK as mentioned above. On the same day, the Company entered into the Agreement on Recognition and Extension of Debtor-creditor Relationship with the six parties above, pursuant to which the creditor's rights were extended to 22 April 2022. GMK was still unable to repay the principal and interest on the loan after the expiry of the agreed extension period. The Company, as a creditor, decided to protect its rights and interests by way of litigation.

On 18 May 2022, the Company filed a lawsuit against GMK, Mr. Liu Xuejing, Ms. Zhang Xiuying, GMK Holdings Group Co., Ltd., Shandong Fengxiang (Group) Co., Ltd., Shandong Xiangguang Group Co., Ltd. and Yanggu Xiangguang Copper Co., Ltd. at the Hohhot Intermediate People's Court (the "Hohhot Intermediate Court"), requesting the court to order GMK to repay the loan principal (RMB375,000,000.00), interest (RMB1,621,700.00) and liquidated damages to the Company; the other six defendants to be jointly and severally liable for the debts payable by GMK, and the defendants to bear the litigation fees, preservation fees and attorney fees of the Company. At the end of May 2022, the case has been filed with the Hohhot Intermediate Court. After the filing of the case, the Company submitted an application for preservation and an application for network investigation and control on 14 June 2022. On 25 July 2022, the seizure and freezing of the litigation stage was completed.

Section V Other Material Particulars

IV. SIGNIFICANT CONTRACTS AND CONTRACT FULFILLMENT

The Company entered into a property lease contract with China Life Real Estate Co., Limited on 1 March 2016, pursuant to which the Company leased from China Life Real Estate Co., Limited the space of the 11/F, China Life Centre, Financial Street, Xicheng District, Beijing, China for a term of 3 years commencing from 1 March 2016. The property lease contract was renewed on 1 March 2019 for a term of 3 years commencing from 1 March 2019. The property lease contract was re-signed on 1 March 2022 for a term of 2 years commencing from 1 March 2022. The rental paid by the Company for the Reporting Period was approximately RMB13,813,800.

V. ENGAGEMENT OF AUDITORS

During the Reporting Period, the Company re-appointed Grant Thornton Certified Public Accountants as its domestic auditor for the year 2022 for providing relevant audit service based on China Accounting Standards for Business Enterprises. The Company also re-appointed Grant Thornton Hong Kong Limited as its international auditor for the year 2022 for providing relevant audit and review services based on the International Financial Reporting Standards.

VI. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company exerts its effort in maintaining high quality corporate governance in order to protect the interest of its shareholders and enhance its corporate value and accountability. During the Reporting Period, the Company has been in strict compliance with all the code provisions set out in part 2 of Corporate Governance Code (if applicable). The Company will continue to review and enhance its corporate governance practice so as to ensure the compliance with the Corporate Governance Code.

Section V Other Material Particulars

VII. CORPORATE GOVERNANCE

(I) General Meeting

The Articles of Association and the Rules of Procedure for General Meetings of the Company have stipulated the rights and obligations of shareholders and the convocation, voting and proposal of general meetings. During the Reporting Period, the Company convened 1 general meeting.

(II) Operation of the Board and its Special Committees

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

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

Composition of the current special committees of the Board:

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

During the Reporting Period, the Board convened 6 meetings to consider 28 proposals; the Risk Control and Supervisory Committee convened 3 meetings, the Audit Committee convened 3 meetings, and the Remuneration and Nomination Committee convened 2 meetings.

The Audit Committee has reviewed and confirmed this report.

(III) Operation of the Supervisory Committee

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

Section V Other Material Particulars

VIII. COMPLIANCE WITH MODEL CODE

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

IX. DIRECTOR AND SUPERVISOR SERVICE CONTRACT

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

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

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

Section VI Changes in Shareholdings and Particulars about Shareholders

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

As at 30 June 2022, to the knowledge of the Directors after having made reasonable enquiries, the following persons (excluding the Directors, Supervisors or chief executives of the Company) had interests or short positions in shares or underlying shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept pursuant to Section 336 of the SFO:

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

Notes :

- As at 30 June 2022, there was a total of 2,604,567,412 shares of the Company in issue, comprising 2,153,721,412 Domestic Shares and 450,846,000 H Shares.
- Huarong Infrastructure is wholly-owned by Finance Street Investment. Therefore, Finance Street Investment is deemed to be interested in 155,079,698 Domestic Shares held by Huarong Infrastructure.

Section VI Changes in Shareholdings and Particulars about Shareholders

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

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

Save as disclosed above, as at 30 June 2022, the Company is not aware of any other persons (excluding the Directors, Supervisors and senior management of the Company) having any interest or short position in the shares or underlying shares of the Company which will be required to be recorded in the register under Section 336 of the SFO.

Section VI Changes in Shareholdings and Particulars about Shareholders

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

As at 30 June 2022, based on the information acquired by the Company and to the knowledge of the Directors, the Directors, Supervisors and chief executives of the Company have no (i) interests and short positions (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Sections 7 and 8 of Part XV under the SFO, or (ii) interests or short positions which shall be recorded in the interests register in accordance with section 352 of the SFO, or (iii) interest and short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO).

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

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

Section VII Directors, Supervisors, Senior Management and Employees

I. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save for the followings, there was no change in details of Directors and Supervisors which are required to be disclosed pursuant to Rule 13.51B of the Listing Rules as compared with those disclosed in the 2021 annual report :

(I) Changes in Directors

None in the Reporting Period.

(II) Changes in Supervisors

None in the Reporting Period.

(III) Changes in Senior Management

None in the Reporting Period.

(IV) Change in Directors' and Supervisors' information

Mr. Xie Deren, an independent non-executive Director, ceased to serve as the chairman of the supervisory committee of Tsinghua Holdings Co., Ltd. since July 2022.

Section VII Directors, Supervisors, Senior Management and Employees

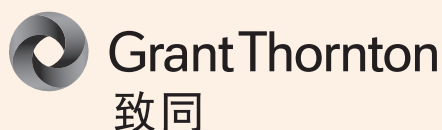
II. EMPLOYEES, REMUNERATION POLICY AND TRAINING

As at the end of the Reporting Period, the Group had 2,992 employees in total, including 2,448 employees of the Company and 544 employees of its subsidiaries.

The Company was committed to establishing a remuneration management system that integrated incentives and constraints, and integrated fairness and efficiency, aiming to implement the principle of prudent operation, ensure compliance with bottom line requirements, promote the formation of positive incentives and enhance the long-term value of the Company. By establishing and improving a sound remuneration system, the Company consolidated the governance foundation, risk control foundation, compliance foundation, cultural foundation and talent base for high-quality development. The Company has built a diversified remuneration structure consisting of fixed remuneration, variable remuneration and benefits, continuously improved the income distribution system, and given full play to the incentivization effect of remuneration and the talent filtration role. The Company has made contributions to various social insurance and housing provident funds on behalf of employees in accordance with relevant laws and regulations of the PRC. The Company has strictly observed the Labor Law of the PRC, Labor Contract Law of the PRC and other applicable laws and regulations, and has established a sound human resources management system and process to bring its hiring under regulation, thus effectively protecting the rights and interests of the employees.

The Company has always paid special attention to staff training. The Company made investigations and surveys in respect of training needs for the ordinary staff, middle management and senior management of the Company through interviews and questionnaires at the beginning of the year and compiled the 2022 annual training plan in accordance with the results of investigations and surveys. It also focused on digital training model by further enhancing training empowerment of branches to ensure efficient and high quality training work; training assessment was strengthened and training satisfaction was made one of the annual assessment indicators of the human resources department. During the Reporting Period, 19 online trainings on various businesses, 3 online trainings on various compliance risk management, integrity practice and other trainings were organized and conducted, daily online trainings for employees with a total of 17 online courses were conducted through the Company's online learning platform, and 42 external online trainings on industry were participated. At the same time, through the "Free Learning (暢學)" service of the Securities Association of China, sufficient learning resources were provided for all staff.

Independent Review Report



To the Board of Directors of Hengtou Securities

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

INTRODUCTION

We have reviewed the interim financial information of Hengtou Securities (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 46 to 88, which comprises the condensed consolidated statement of financial position as at 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

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

SCOPE OF REVIEW

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

Independent Review Report

CONCLUSION

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

Grant Thornton Hong Kong Limited

Certified Public Accountants

11th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong SAR

19 August 2022

Chiu Wing Ning

Practising Certificate No.: P04920

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

| | Note | Six months ended 30 June | |
|---|------|--------------------------------|--------------------------------|
| | | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Fees and commission income | 3 | 870,643 | 975,033 |
| Interest income | 4 | 425,840 | 389,637 |
| Net investment income | 5 | 24,087 | 285,238 |
| Other income and gains | 6 | 35,927 | 22,971 |
| Total operating income | | 1,356,497 | 1,672,879 |
| Fees and commission expenses | 7 | (113,072) | (108,540) |
| Interest expenses | 8 | (248,951) | (267,742) |
| Staff costs | 9 | (511,821) | (570,365) |
| Depreciation and amortisation | 10 | (110,275) | (97,943) |
| Taxes and surcharges | | (7,449) | (9,245) |
| Other operating expenses | 11 | (436,593) | (299,713) |
| Impairment losses, net | 12 | (1,666) | (25,510) |
| Unrealised fair value losses from financial assets at fair value through profit or loss | | (419,845) | (309,812) |
| Total operating expenses | | (1,849,672) | (1,688,870) |
| Loss before tax | | (493,175) | (15,991) |
| Income tax credit | 13 | 119,478 | 4,062 |
| Loss for the period | | (373,697) | (11,929) |
| Other comprehensive (expense)/income: | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Debt investments at fair value through other comprehensive income | | | |
| – Net change in fair value | | (32,631) | 9,952 |
| – Income tax impact | | 8,157 | (2,488) |
| Other comprehensive (expense)/income for the period, net of tax | | (24,474) | 7,464 |
| Total comprehensive expense for the period | | (398,171) | (4,465) |

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

| | Note | Six months ended 30 June | |
|--|------|--------------------------------|--------------------------------|
| | | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Loss for the period attributable to: | | | |
| Ordinary shareholders of the Company | | (355,462) | (12,490) |
| Non-controlling interests | | (18,235) | 561 |
| | | <u>(373,697)</u> | <u>(11,929)</u> |
| Total comprehensive expense for the period attributable to: | | | |
| Ordinary shareholders of the Company | | (379,936) | (5,026) |
| Non-controlling interests | | (18,235) | 561 |
| | | <u>(398,171)</u> | <u>(4,465)</u> |
| Loss per share | | | |
| Basic and diluted | 14 | <u>RMB (0.1365)</u> | RMB (0.0048) |

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

| | Note | As at 30 June 2022 RMB'000 (unaudited) | As at 31 December 2021 RMB'000 (audited) |
|---|------|---|---|
| Non-current assets | | | |
| Property and equipment | 15 | 347,613 | 360,428 |
| Right-of-use assets | 16 | 196,146 | 179,926 |
| Investment properties | | 38,189 | 39,265 |
| Goodwill | | 43,739 | 43,739 |
| Intangible assets | | 133,240 | 154,992 |
| Refundable deposits | | 1,226,961 | 1,069,179 |
| Debt investments measured at amortised cost | | 318,992 | 319,039 |
| Deferred tax assets | | 398,483 | 272,012 |
| Other non-current assets | 17 | 102,373 | 83,431 |
| Total non-current assets | | 2,805,736 | 2,522,011 |
| Current assets | | | |
| Margin account receivables | 18 | 4,636,453 | 5,340,081 |
| Other current assets | 19 | 594,352 | 631,571 |
| Placements with a financial institution | | 375,000 | 375,000 |
| Financial assets held under resale agreements | 20 | 670,333 | 1,178,785 |
| Financial assets at fair value through other comprehensive income | 21 | 2,577,715 | 1,770,605 |
| Financial assets at fair value through profit or loss | 22 | 9,589,402 | 10,271,925 |
| Cash held on behalf of brokerage clients | 23 | 13,445,992 | 13,061,531 |
| Clearing settlement funds | | 625,019 | 582,361 |
| Cash and bank balances | 24 | 2,127,819 | 1,509,186 |
| Total current assets | | 34,642,085 | 34,721,045 |
| Total assets | | 37,447,821 | 37,243,056 |

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

| | <i>Note</i> | As at 30 June 2022 RMB'000 (unaudited) | As at 31 December 2021 RMB'000 (audited) |
|--|-------------|---|---|
| Current liabilities | | | |
| Debt instruments | 25 | 1,780,000 | 2,230,000 |
| Placements from a financial institution | | 1,000,000 | 1,000,000 |
| Account payables to brokerage clients | 26 | 14,369,150 | 13,867,467 |
| Employee benefit payables | | 288,957 | 489,893 |
| Contract liabilities | | 1,304 | 1,980 |
| Lease liabilities | | 88,503 | 66,732 |
| Other current liabilities | 27 | 1,315,813 | 1,223,991 |
| Current tax liabilities | | 11,872 | 55,822 |
| Financial assets sold under repurchase agreements | 28 | 5,042,264 | 5,050,869 |
| Financial liability at fair value through profit or loss | 29 | 707,206 | – |
| Total current liabilities | | 24,605,069 | 23,986,754 |
| Net current assets | | 10,037,016 | 10,734,291 |
| Total assets less current liabilities | | 12,842,752 | 13,256,302 |
| Non-current liabilities | | | |
| Debt instruments | 25 | 3,407,673 | 3,398,483 |
| Lease liabilities | | 109,635 | 118,974 |
| Deferred tax liabilities | | 797 | 15,185 |
| Total non-current liabilities | | 3,518,105 | 3,532,642 |
| Net assets | | 9,324,647 | 9,723,660 |

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

| | Note | As at 30 June 2022 RMB'000 (unaudited) | As at 31 December 2021 RMB'000 (audited) |
|--|------|---|---|
| Equity | | | |
| Share capital | 30 | 2,604,567 | 2,604,567 |
| Share premium | | 1,665,236 | 1,665,236 |
| Reserves | | 4,669,201 | 5,049,137 |
| Total equity attributable to ordinary shareholders of the Company | | 8,939,004 | 9,318,940 |
| Non-controlling interests | | 385,643 | 404,720 |
| Total equity | | 9,324,647 | 9,723,660 |

Approved by the Board of Directors on 19 August 2022 and are signed on its behalf by:

Wu Yigang

Acting Chairman of Board of Directors

Sun Hang

Chief Financial Officer

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

| | Attributable to ordinary shareholders of the Company | | | | | | | | | |
|---|--|------------------|-----------------|----------------------|--------------------------|--------------------------------|------------------|---------------------------|-----------------|------------------|
| | Share capital | Share premium | Surplus reserve | General risk reserve | Transaction risk reserve | Investment revaluation reserve | Retained profits | Non-controlling interests | | Total equity |
| | | | | | | | | Total | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2022 (audited) | 2,604,567 | 1,665,236 | 641,189 | 969,030 | 757,079 | (7,341) | 2,689,180 | 9,318,940 | 404,720 | 9,723,660 |
| Loss for the period | - | - | - | - | - | - | (355,462) | (355,462) | (18,235) | (373,697) |
| Other comprehensive expense for the period | - | - | - | - | - | (24,474) | - | (24,474) | - | (24,474) |
| Total comprehensive expense for the period | - | - | - | - | - | (24,474) | (355,462) | (379,936) | (18,235) | (398,171) |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | - | (842) | (842) |
| Appropriation to general risk reserve | - | - | - | 12,091 | - | - | (12,091) | - | - | - |
| At 30 June 2022 (unaudited) | 2,604,567 | 1,665,236 | 641,189 | 981,121 | 757,079 | (31,815) | 2,321,627 | 8,939,004 | 385,643 | 9,324,647 |
| At 1 January 2021 (audited) | 2,604,567 | 1,665,236 | 610,541 | 904,940 | 721,239 | (15,800) | 2,540,510 | 9,031,233 | 404,532 | 9,435,765 |
| Loss for the period | - | - | - | - | - | - | (12,490) | (12,490) | 561 | (11,929) |
| Other comprehensive income for the period | - | - | - | - | - | 7,464 | - | 7,464 | - | 7,464 |
| Total comprehensive income/(expense) for the period | - | - | - | - | - | 7,464 | (12,490) | (5,026) | 561 | (4,465) |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | - | (7,200) | (7,200) |
| Appropriation to general risk reserve | - | - | - | 11,580 | - | - | (11,580) | - | - | - |
| At 30 June 2021 (unaudited) | 2,604,567 | 1,665,236 | 610,541 | 916,520 | 721,239 | (8,336) | 2,516,440 | 9,026,207 | 397,893 | 9,424,100 |

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

| | Note | Six months ended 30 June | |
|---|------|--------------------------------|--------------------------------|
| | | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Net cash from/(used in) operating activities | | 1,575,754 | (900,601) |
| Cash flows from investing activities | | | |
| Proceeds from disposal of property and equipment and intangible assets | | 72 | 219 |
| Purchases of property and equipment, intangible assets and other non-current assets | | (45,995) | (64,440) |
| Purchases of financial assets at fair value through other comprehensive income | | (844,856) | (81,704) |
| Purchases of debt investments measured at amortised cost | | – | (119,979) |
| Decrease in time deposits with original maturities exceeding three months | | 192,500 | 336,000 |
| Net cash (used in)/from investing activities | | (698,279) | 70,096 |
| Cash flows from financing activities | | | |
| Proceeds from issuance of debt instruments | | 1,400,000 | 2,200,000 |
| Repayments of debt instruments | | (1,850,000) | (1,200,000) |
| Interest paid for financing activities | | (73,662) | (50,942) |
| Dividends paid to non-controlling interests | | (842) | (7,200) |
| Payment of lease liabilities | | (49,411) | (41,172) |
| Net cash (used in)/from financing activities | | (573,915) | 900,686 |
| Net increase in cash and cash equivalents | | 303,560 | 70,181 |
| Cash and cash equivalents at beginning of period | | 2,508,196 | 2,539,211 |
| Effect of foreign exchange rate changes | | 1,373 | (275) |
| Cash and cash equivalents at end of period | 24 | 2,813,129 | 2,609,117 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

These condensed consolidated financial statements (the “Interim Financial Information”) of the Company’s and its subsidiaries (together, referred to as the “Group”) for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by International Accounting Standards Board (“IASB”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021. The accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with those used in the annual financial statements for the year ended 31 December 2021 except as stated below.

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

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

2.1 Amended IFRSs that are effective for annual periods beginning on 1 January 2022

In the current period, the Group has applied for the first time the following amended IFRSs issued by the International Accounting Standards Board (the “IASB”), which are relevant to the Group’s operations and effective for the Group’s Interim Financial Information for the annual period beginning on 1 January 2022.

| | |
|----------------------|--|
| Amendments to IFRS 3 | Reference to the Conceptual Framework |
| Amendments to IAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to IFRSs | Annual Improvements to IFRS Standards 2018–2020 |

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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

2.2 Issued but not yet effective IFRSs

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

| | |
|---|--|
| IFRS 17 | Insurance Contracts and related amendments ¹ |
| Amendments to IAS 10 and IAS28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ² |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current ¹ |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to IAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective date not yet determined

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. FEES AND COMMISSION INCOME

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Fees and commission income arising from: | | |
| – Securities brokerage business | 496,462 | 517,968 |
| – Assets management business | 190,700 | 210,315 |
| – Underwriting and sponsoring business | 76,218 | 92,802 |
| – Financial advisory business | 22,707 | 19,373 |
| – Future brokerage business | 58,010 | 108,478 |
| – Investment advisory business | 13,376 | 6,103 |
| – Custody business | 13,170 | 19,994 |
| Revenue from contracts with customers within the scope of IFRS 15 | 870,643 | 975,033 |

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

| | Securities and futures brokerage businesses RMB'000 (unaudited) | Assets management, financial and investment advisory businesses RMB'000 (unaudited) | Underwriting and sponsoring business RMB'000 (unaudited) | Custody business RMB'000 (unaudited) | Total RMB'000 (unaudited) |
|--|--|--|---|---|---------------------------------|
| For the six months ended 30 June 2022 | | | | | |
| – Over time | – | 226,783 | – | 13,170 | 239,953 |
| – Point in time | 554,472 | – | 76,218 | – | 630,690 |
| For the six months ended 30 June 2021 | | | | | |
| – Over time | – | 235,791 | – | 19,994 | 255,785 |
| – Point in time | 626,446 | – | 92,802 | – | 719,248 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

4. INTEREST INCOME

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Interest income arising from: | | |
| – Margin financing | 177,915 | 188,166 |
| – Deposits in financial institutions | 164,364 | 143,846 |
| – Financial assets held under resale agreements | 19,202 | 18,820 |
| – Financial assets at fair value through other comprehensive income (“FVTOCI”) | 47,023 | 25,557 |
| – Debt investments measured at amortised cost | 8,315 | 6,531 |
| – Placements with a financial institution | 9,021 | 6,717 |
| | 425,840 | 389,637 |

5. NET INVESTMENT INCOME

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Dividend income from financial assets at fair value through profit or loss (“FVTPL”) | 131,958 | 127,977 |
| Net realised gains from disposal of financial assets at FVTPL, FVTOCI and derivative financial instruments | (107,871) | 157,261 |
| | 24,087 | 285,238 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

6. OTHER INCOME AND GAINS

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Foreign exchange gain/(loss), net | 1,374 | (275) |
| Rental income | 1,771 | 2,393 |
| Government grants (<i>note</i>) | 5,076 | 4,113 |
| Gain on disposal of property and equipment and intangible assets | 48 | 167 |
| Unrealised fair value gain from financial assets at FVTPL and derivative financial instruments | 27,595 | 15,860 |
| Others | 63 | 713 |
| | 35,927 | 22,971 |

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

7. FEES AND COMMISSION EXPENSES

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Expenses arising from: | | |
| – Securities brokerage business | 111,874 | 106,536 |
| – Underwriting and sponsoring business | 1,198 | 2,004 |
| | 113,072 | 108,540 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

8. INTEREST EXPENSES

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Interest expenses arising from: | | |
| – Account payables to brokerage clients | 20,923 | 18,457 |
| – Placements from a financial institution | 14,766 | 13,798 |
| – Financial assets sold under repurchase agreements | 57,533 | 53,369 |
| – Finance charges on lease liabilities | 4,925 | 3,542 |
| – Debt instruments | 144,905 | 162,535 |
| – Other investors of consolidated asset management schemes | 5,768 | 15,995 |
| – Others | 131 | 46 |
| | 248,951 | 267,742 |

9. STAFF COSTS

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Short-term benefits | 467,794 | 537,148 |
| Severance payment | 6 | 1,311 |
| Defined contribution plan (<i>note</i>) | 44,021 | 31,906 |
| | 511,821 | 570,365 |

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

10. DEPRECIATION AND AMORTISATION

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Depreciation of: | | |
| – property and equipment | 28,466 | 26,199 |
| – investment properties | 1,076 | 986 |
| – right-of-use assets | 45,623 | 39,050 |
| Amortisation of: | | |
| – intangible assets | 27,124 | 25,542 |
| – leasehold improvements, long-term prepaid expenses and other foreclosed assets | 7,986 | 6,166 |
| | 110,275 | 97,943 |

11. OTHER OPERATING EXPENSES

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Business entertainment expenses | 10,978 | 14,124 |
| Business travel expenses | 5,775 | 11,515 |
| Consulting fees | 75,216 | 76,490 |
| Donations | 1,201 | 220 |
| Electronic equipment operating expenses | 28,781 | 26,775 |
| Miscellaneous office expenses | 7,089 | 8,338 |
| Other commission expenses | 46,319 | 49,570 |
| Outsourcing fee | 31,805 | 34,465 |
| Postal and communication expenses | 10,506 | 6,808 |
| Provision for compensation (Note 32) | 148,965 | – |
| Lease charges for short-term leases | 8,568 | 11,966 |
| Securities investor protection funds | 12,081 | 4,071 |
| Utilities and building management fees | 8,734 | 8,418 |
| Others | 40,575 | 46,953 |
| | 436,593 | 299,713 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

12. IMPAIRMENT LOSSES, NET

| | Six months ended 30 June | |
|---|---------------------------------------|---------------------------------------|
| | 2022 <i>RMB'000</i> (unaudited) | 2021 <i>RMB'000</i> (unaudited) |
| Impairment losses/(Reversal of impairment losses) on: | | |
| – margin financing | 2,720 | 2,174 |
| – financial assets held under resale agreements | (18,381) | 8,106 |
| – financial assets at FVTOCI | 5,115 | 5 |
| – debt investments measured at amortised cost | 26 | 294 |
| – other current assets | 12,186 | 14,931 |
| | 1,666 | 25,510 |

13. INCOME TAX CREDIT

| | Six months ended 30 June | |
|--------------------------------|---------------------------------------|---------------------------------------|
| | 2022 <i>RMB'000</i> (unaudited) | 2021 <i>RMB'000</i> (unaudited) |
| Current tax | 13,223 | 15,583 |
| Deferred tax | (132,701) | (19,645) |
| Total income tax credit | (119,478) | (4,062) |

The provision for the PRC enterprise income tax is calculated based on the statutory income tax rate of 25% (six months ended 30 June 2021: 25%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

14. LOSS PER SHARE

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

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Loss | | |
| Loss for the period attributable to ordinary shareholders of the Company | <u>(355,462)</u> | <u>(12,490)</u> |
| Number of shares | | |
| Weighted average number of ordinary shares used in basic loss per share calculation (<i>in thousands</i>) | <u>2,604,567</u> | <u>2,604,567</u> |

For the six months ended 30 June 2022 and 2021, there were no dilutive potential ordinary shares, hence the diluted loss per share equals to the basic loss per share.

15. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property and equipment of approximately RMB15,675,000 (six months ended 30 June 2021: RMB17,890,000).

16. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, the Group entered into 12 (six months ended 30 June 2021: 27) new lease agreements in respect of properties for initial periods ranging from two to five years (six months ended 30 June 2021: one to five years). These leases do not contain any option to renew the lease and subject to monthly fixed rental payment. For the six months ended 30 June 2022, the total additions to right-of-use assets amounted to RMB62,644,000 (six months ended 30 June 2021: RMB32,223,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

17. OTHER NON-CURRENT ASSETS

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---|---|---|
| Leasehold improvements, long-term prepaid expenses and other foreclosed assets (<i>note</i>) | 56,424 | 61,837 |
| Prepayments | 45,949 | 21,594 |
| | 102,373 | 83,431 |

Note:

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

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---------------------------------|---|---|
| At beginning of the period/year | 61,837 | 41,804 |
| Transfer | – | 7,810 |
| Additions | 2,573 | 24,612 |
| Amortisation | (7,986) | (12,389) |
| At end of the period/year | 56,424 | 61,837 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

18. MARGIN ACCOUNT RECEIVABLES

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|-------------------------------------|---|---|
| Individual receivables | 4,644,046 | 5,346,214 |
| Institution receivables | 25,353 | 24,093 |
| Less: Accumulated impairment losses | <u>(32,946)</u> | <u>(30,226)</u> |
| | <u>4,636,453</u> | <u>5,340,081</u> |

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

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|-------------------|---|---|
| Equity securities | 13,949,611 | 16,268,375 |
| Cash | <u>771,157</u> | <u>707,593</u> |
| | <u>14,720,768</u> | <u>16,975,968</u> |

As at 30 June 2022, the margin account receivables carried interests at 5.8% – 8.6% (31 December 2021(audited): 5.8% – 8.6%) per annum.

19. OTHER CURRENT ASSETS

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|------------------------|---|---|
| Accounts receivable | 144,947 | 158,560 |
| Interest receivables | 285,548 | 283,148 |
| Prepaid expenses | 10,857 | 12,175 |
| Income tax recoverable | 43,842 | 36,309 |
| Other receivables | <u>109,158</u> | <u>141,379</u> |
| | <u>594,352</u> | <u>631,571</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

19. OTHER CURRENT ASSETS (CONTINUED)

Notes:

(a) Accounts receivable

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

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|-------------------------------------|---|---|
| Within one year | 169,720 | 182,334 |
| Over one year | 167,412 | 167,432 |
| Less: Accumulated impairment losses | <u>(192,185)</u> | <u>(191,206)</u> |
| | <u>144,947</u> | <u>158,560</u> |

(b) Interest receivables

Interest receivables arising from:

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---|---|---|
| Financial assets at FVTOCI | 62,399 | 49,106 |
| Financial assets at FVTPL | 155,007 | 166,322 |
| Margin financing | 79,102 | 81,495 |
| Bank deposits | 2,740 | 3,501 |
| Financial assets held under resale agreements | 81,738 | 72,294 |
| Placements with a financial institution | 5,490 | 120 |
| Less: Accumulated impairment losses | <u>(100,928)</u> | <u>(89,690)</u> |
| | <u>285,548</u> | <u>283,148</u> |

(c) Other receivables

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|-------------------------------------|---|---|
| Other receivables | 185,269 | 217,521 |
| Less: Accumulated impairment losses | <u>(76,111)</u> | <u>(76,142)</u> |
| | <u>109,158</u> | <u>141,379</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|-------------------------------------|---|---|
| Analysis by collateral type: | | |
| – Equity securities | 497,004 | 497,008 |
| – Debt securities | 322,531 | 849,360 |
| Less: Accumulated impairment losses | (149,202) | (167,583) |
| | <u>670,333</u> | <u>1,178,785</u> |
| Analysis by market: | | |
| – Shenzhen Stock Exchange | 572,151 | 799,578 |
| – Shanghai Stock Exchange | 247,384 | 546,790 |
| Less: Accumulated impairment losses | (149,202) | (167,583) |
| | <u>670,333</u> | <u>1,178,785</u> |

As at 30 June 2022, the fair values of the collaterals were amounted to RMB731,243,000 (31 December 2021(audited): RMB1,271,118,000).

As at 30 June 2022, the financial assets held under resale agreements carried interests at 5.2% to 8.0% (31 December 2021(audited): 5.2% to 8.0%) per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|--------------------------------------|---|---|
| Debt securities | 2,577,715 | 1,770,605 |
| Analysis into: | | |
| Listed outside Hong Kong | 1,031,014 | 683,260 |
| Unlisted | 1,546,701 | 1,087,345 |
| | 2,577,715 | 1,770,605 |
| Accumulated impairment losses | 8,557 | 3,442 |

Financial assets at FVTOCI comprise debt securities which are not held for trading. As at 30 June 2022, the financial assets at FVTOCI carried interest at 3.0% to 7.5% (31 December 2021 (audited): 3.0% to 7.5%) per annum.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---------------------------|---|---|
| Held for trading: | | |
| Debt securities | 6,243,628 | 6,574,067 |
| Equity securities | 1,211,849 | 2,014,067 |
| Investment funds | 1,714,741 | 1,160,658 |
| Assets management schemes | 278,952 | 340,572 |
| Collective trust schemes | 140,232 | 182,561 |
| | 9,589,402 | 10,271,925 |
| Analysis into: | | |
| Listed in Hong Kong | 9 | 97,302 |
| Listed outside Hong Kong | 4,706,630 | 4,698,639 |
| Unlisted | 4,882,763 | 5,475,984 |
| | 9,589,402 | 10,271,925 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

23. CASH HELD ON BEHALF OF BROKERAGE CLIENTS

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

24. CASH AND CASH EQUIVALENTS

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---|---|---|
| Cash in hand | 79 | 79 |
| Bank balances | 2,127,740 | 1,509,107 |
| Cash and bank balances per the condensed consolidated statement of financial position | 2,127,819 | 1,509,186 |
| Add: Clearing settlement funds | 625,019 | 582,361 |
| Add: Financial assets held under resale agreements with original maturities within three months | 322,532 | 849,360 |
| Add: Placements with a financial institution with original maturities within three months | 375,000 | 375,000 |
| Less: Time deposits with original maturities exceeding three months | (250,000) | (442,500) |
| Less: Restricted bank deposits | (387,241) | (365,211) |
| Cash and cash equivalents per the condensed consolidated statement of cash flows | 2,813,129 | 2,508,196 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

25. DEBT INSTRUMENTS

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|--|---|---|
| Beneficiary certificates | 1,680,000 | 2,130,000 |
| Subordinated bonds | 1,580,006 | 1,577,487 |
| Long-term corporate bonds | 1,927,667 | 1,920,996 |
| | 5,187,673 | 5,628,483 |
| Analysis by remaining maturity: | | |
| Current | | |
| Within one year | 1,780,000 | 2,230,000 |
| Non-current | | |
| Between two years and five years | 3,407,673 | 3,398,483 |
| | 5,187,673 | 5,628,483 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

25. DEBT INSTRUMENTS (CONTINUED)

Beneficiary certificates:

| Name | Par value RMB'000 | Issuance date | Due date | Interest rate | 30 June 2022 (unaudited) | | | | |
|------------|----------------------|------------------|------------|---------------|---------------------------------------|---------------------|-----------------------|-------------------------------------|-------------------------------------|
| | | | | | Par value | | | Book value | |
| | | | | | As at 1 January 2022 RMB'000 | Issuance RMB'000 | Redemption RMB'000 | As at 30 June 2022 RMB'000 | as at 30 June 2022 RMB'000 |
| 恒創泰富No. 29 | 300,000 | 19.03.2021 | 18.03.2022 | 4.35% | 300,000 | - | (300,000) | - | - |
| 恒富No. 31 | 100,000 | 14.04.2021 | 13.04.2022 | 4.20% | 100,000 | - | (100,000) | - | - |
| 恒創泰富No. 30 | 600,000 | 30.04.2021 | 29.04.2022 | 4.65% | 600,000 | - | (600,000) | - | - |
| 恒創泰富No. 31 | 400,000 | 18.05.2021 | 17.05.2022 | 4.65% | 400,000 | - | (400,000) | - | - |
| 恒創泰富No. 32 | 200,000 | 09.11.2021 | 09.11.2022 | 4.65% | 200,000 | - | - | 200,000 | 200,000 |
| 恒創泰富No. 33 | 400,000 | 30.11.2021 | 22.11.2022 | 4.60% | 400,000 | - | - | 400,000 | 400,000 |
| 恒富No. 32 | 50,000 | 01.12.2021 | 01.06.2022 | 4.40% | 50,000 | - | (50,000) | - | - |
| 恒富No. 33 | 80,000 | 29.12.2021 | 29.12.2022 | 4.50% | 80,000 | - | - | 80,000 | 80,000 |
| 恒創泰富No. 34 | 100,000 | 18.01.2022 | 18.01.2023 | 4.75% | - | 100,000 | - | 100,000 | 100,000 |
| 恒創泰富No. 35 | 200,000 | 11.03.2022 | 09.06.2022 | 3.58% | - | 200,000 | (200,000) | - | - |
| 恒創泰富No. 36 | 200,000 | 11.03.2022 | 08.06.2022 | 3.58% | - | 200,000 | (200,000) | - | - |
| 恒創泰富No. 37 | 500,000 | 21.06.2022 | 19.06.2023 | 4.40% | - | 500,000 | - | 500,000 | 500,000 |
| 恒創泰富No. 39 | 400,000 | 14.06.2022 | 12.09.2022 | 3.58% | - | 400,000 | - | 400,000 | 400,000 |
| | | | | | <u>2,130,000</u> | <u>1,400,000</u> | <u>(1,850,000)</u> | <u>1,680,000</u> | <u>1,680,000</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

25. DEBT INSTRUMENTS (CONTINUED)

Beneficiary certificates: (Continued)

| Name | Par value RMB'000 | Issuance date | Due date | Interest rate | 31 December 2021 (audited) | | | | |
|-----------|----------------------|------------------|------------|------------------|---------------------------------------|---------------------|-----------------------|---|--|
| | | | | | Par value | | | Book value | |
| | | | | | As at 1 January 2021 RMB'000 | Issuance RMB'000 | Redemption RMB'000 | As at 31 December 2021 RMB'000 | as at 31 December 2021 RMB'000 |
| 恒富No.28 | 100,000 | 06.02.2020 | 03.02.2021 | 4.50% | 100,000 | - | (100,000) | - | - |
| 恒創泰富No.23 | 1,000,000 | 28.04.2020 | 28.04.2021 | 4.25% | 1,000,000 | - | (1,000,000) | - | - |
| 恒富No.29 | 100,000 | 24.06.2020 | 21.06.2021 | 4.00% | 100,000 | - | (100,000) | - | - |
| 恒富No.30 | 160,000 | 14.08.2020 | 10.08.2021 | 4.00% | 160,000 | - | (160,000) | - | - |
| 恒創泰富No.24 | 500,000 | 24.12.2020 | 23.12.2021 | 5.00% | 500,000 | - | (500,000) | - | - |
| 恒創泰富No.25 | 200,000 | 24.12.2020 | 23.12.2021 | 5.00% | 200,000 | - | (200,000) | - | - |
| 恒創泰富No.27 | 300,000 | 18.03.2021 | 20.09.2021 | 4.20% | - | 300,000 | (300,000) | - | - |
| 恒創泰富No.28 | 100,000 | 18.03.2021 | 18.10.2021 | 4.30% | - | 100,000 | (100,000) | - | - |
| 恒創泰富No.26 | 400,000 | 22.01.2021 | 22.11.2021 | 4.58% | - | 400,000 | (400,000) | - | - |
| 恒創泰富No.29 | 300,000 | 19.03.2021 | 18.03.2022 | 4.35% | - | 300,000 | - | 300,000 | 300,000 |
| 恒富No.31 | 100,000 | 14.04.2021 | 13.04.2022 | 4.20% | - | 100,000 | - | 100,000 | 100,000 |
| 恒創泰富No.30 | 600,000 | 30.04.2021 | 29.04.2022 | 4.65% | - | 600,000 | - | 600,000 | 600,000 |
| 恒創泰富No.31 | 400,000 | 18.05.2021 | 17.05.2022 | 4.65% | - | 400,000 | - | 400,000 | 400,000 |
| 恒富No.32 | 50,000 | 01.12.2021 | 01.06.2022 | 4.40% | - | 50,000 | - | 50,000 | 50,000 |
| 恒創泰富No.32 | 200,000 | 09.11.2021 | 09.11.2022 | 4.65% | - | 200,000 | - | 200,000 | 200,000 |
| 恒創泰富No.33 | 400,000 | 30.11.2021 | 22.11.2022 | 4.60% | - | 400,000 | - | 400,000 | 400,000 |
| 恒富No.33 | 80,000 | 29.12.2021 | 29.12.2022 | 4.50% | - | 80,000 | - | 80,000 | 80,000 |
| | | | | | <u>2,060,000</u> | <u>2,930,000</u> | <u>(2,860,000)</u> | <u>2,130,000</u> | <u>2,130,000</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

25. DEBT INSTRUMENTS (CONTINUED)

Subordinated bonds:

| Name | Issuance date | Due date | Nominal interest rate | 30 June 2022 (unaudited) | | | | |
|-----------------------|---------------|------------|-----------------------|--------------------------|----------|------------|----------------|--------------------|
| | | | | As at 1 January 2022 | Issuance | Redemption | Other increase | As at 30 June 2022 |
| | | | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 恒泰证券股份有限公司2017次级债* | 01.11.2017 | 01.11.2022 | 5.90% | 100,000 | - | - | - | 100,000 |
| 20恒泰C1次(167799)** | 28.09.2020 | 28.09.2023 | 5.80% | 1,483,000 | - | - | 1,000 | 1,484,000 |
| Total | | | | 1,583,000 | - | - | 1,000 | 1,584,000 |
| Amortised cost | | | | 1,577,487 | | | | 1,580,006 |

| Name | Issuance date | Due date | Nominal interest rate | 31 December 2021 (audited) | | | |
|-----------------------|---------------|------------|-----------------------|----------------------------|----------|------------|------------------------|
| | | | | As at 1 January 2021 | Issuance | Redemption | As at 31 December 2021 |
| | | | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 恒泰证券股份有限公司2017次级债* | 01.11.2017 | 01.11.2022 | 5.90% | 100,000 | - | - | 100,000 |
| 20恒泰C1次(167799)** | 28.09.2020 | 28.09.2023 | 5.80% | 1,483,000 | - | - | 1,483,000 |
| Total | | | | 1,583,000 | - | - | 1,583,000 |
| Amortised cost | | | | 1,574,554 | | | 1,577,487 |

* with early redemption option on 1 November 2020.

** The subordinated bond was listed at Shanghai Stock Exchange. The subordinated bond with par value of RMB17,000,000 were issued to the Group's consolidated asset management scheme and accordingly, the par value of the Group's subordinated bonds issued to external parties was amounted to RMB1,483,000,000. During the six months ended 30 June 2022, the Group's consolidated asset management scheme sold the subordinated bonds to third parties with par value of RMB1,000,000.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

25. DEBT INSTRUMENTS (CONTINUED)

Long-term corporate bonds:

| Name | Issuance date | Due date | Nominal interest rate | 30 June 2022 (unaudited) | | | |
|--------------------------------|---------------|------------|-----------------------|--------------------------|----------|------------|--------------------|
| | | | | As at 1 January 2022 | Issuance | Redemption | As at 30 June 2022 |
| | | | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 20恒泰G1公司債(175144) [#] | 18.09.2020 | 18.09.2023 | 4.39% | 944,932 | - | - | 944,932 |
| 20恒泰F1私募債(167957) [#] | 27.10.2020 | 27.10.2023 | 5.40% | 1,000,000 | - | - | 1,000,000 |
| Total | | | | 1,944,932 | - | - | 1,944,932 |
| Amortised cost | | | | 1,920,996 | | | 1,927,667 |

| Name | Issuance date | Due date | Nominal interest rate | 31 December 2021 (audited) | | | |
|--------------------------------|---------------|------------|-----------------------|----------------------------|----------|----------------|------------------------|
| | | | | As at 1 January 2021 | Issuance | Redemption | As at 31 December 2021 |
| | | | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 20恒泰G1公司債(175144) [#] | 18.09.2020 | 18.09.2023 | 4.39% | 950,000 | - | (5,068) | 944,932 |
| 20恒泰F1私募債(167957) [#] | 27.10.2020 | 27.10.2023 | 5.40% | 1,000,000 | - | - | 1,000,000 |
| Total | | | | 1,950,000 | - | (5,068) | 1,944,932 |
| Amortised cost | | | | 1,913,143 | | | 1,920,996 |

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

26. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|-----------------------------|---|---|
| Clients' deposits for: | | |
| – margin financing business | 760,538 | 673,707 |
| – other brokerage business | 13,608,612 | 13,193,760 |
| | 14,369,150 | 13,867,467 |

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

27. OTHER CURRENT LIABILITIES

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|--|---|---|
| Third-party interests in consolidated asset management schemes (note a) | 560,124 | 599,904 |
| Future risk reserve | 39,515 | 36,614 |
| Other payables (note b) | 182,450 | 185,113 |
| Interest payables | 166,054 | 97,218 |
| Taxes and surcharges payables | 9,707 | 18,738 |
| Provision of compensation | 357,963 | 286,404 |
| | 1,315,813 | 1,223,991 |

Notes:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

28. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---------------------------------------|---|---|
| Analysis by collateral type: | | |
| Debt securities | 5,042,264 | 5,050,869 |
| Analysis by market: | | |
| Inter-bank market | 3,542,745 | 3,699,965 |
| Shanghai Stock Exchange | 1,239,830 | 1,116,640 |
| Shenzhen Stock Exchange | 200,000 | 173,000 |
| Bank and other financial institutions | 59,689 | 61,264 |
| | 5,042,264 | 5,050,869 |
| Analysis by transaction type: | | |
| Pledged | 5,042,264 | 5,050,869 |

As at 30 June 2022, the financial assets sold under repurchase agreements carried interests at 2.0% to 10.0% (31 December 2021(audited): 2.8% to 6.5% per annum).

As at 30 June 2022 and 31 December 2021, the carrying amount of the financial assets that had been placed as financial assets sold under repurchase agreements are noted as below:

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|----------------------------|---|---|
| Financial assets at FVTPL | 3,617,137 | 4,538,074 |
| Financial assets at FVTOCI | 1,867,115 | 1,235,516 |
| | 5,484,252 | 5,773,590 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|-----------------------|---|---|
| Debt security | 707,206 | – |
| Analysis into: | | |
| Unlisted | 707,206 | – |

Fair values of the Group's financial liabilities at fair value through profit or loss are determined in the manner described in note 35.

30. SHARE CAPITAL

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

| | Number of shares (in thousands) | RMB'000 |
|---|--|------------------|
| At 1 January 2021, 31 December 2021 (audited), 1 January 2022 and 30 June 2022 (unaudited) | 2,604,567 | 2,604,567 |

31. COMMITMENTS

(a) Capital commitments

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

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---|---|---|
| Acquisition of property and equipment, intangible assets and other non-current assets | 48,630 | 149,932 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

31. COMMITMENTS (CONTINUED)

(b) Lease commitments

The Group as lessee

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

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|------------|---|---|
| Properties | 2,201 | 1,200 |

The Group as lessor

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

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---|---|---|
| Within 1 year (inclusive) | 4,633 | 4,735 |
| Later than 1 year and not later than 2 years | 4,172 | 4,735 |
| Later than 2 years and not later than 3 years | 3,552 | 3,756 |
| Later than 3 years and not later than 4 years | 2,795 | 3,660 |
| Later than 4 years and not later than 5 years | 2,376 | 2,849 |
| After 5 years | 5,884 | 8,081 |
| | 23,412 | 27,834 |

(c) Underwriting commitments

As at 30 June 2022, according to the relevant underwriting agreements, underwriting commitments taken but not provided for by the Group are amounted to RMB61,652,000,000 (31 December 2021(audited): RMB79,109,000,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

32. CONTINGENT LIABILITIES AND PROVISION OF COMPENSATION

As at 30 June 2022 and 31 December 2021, the Group involved in the following legal, arbitration or administrative proceedings:

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

Since June 2018, the Company has successively received the civil indictments brought by Xinyuan Fund Management Limited (鑫元基金管理有限公司), Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司), Goldstate Capital Fund Management Co., Ltd. (金元順安基金管理有限公司), Bank of Nanjing Co., Ltd. (南京銀行股份有限公司), Chuangjin Hexin Fund Management Limited (創金合信基金管理有限公司), Tianhong Asset Management Co., Ltd. (天弘基金管理有限公司), SDIC Taikang Trust Co., Ltd. (國投泰康信託有限公司), Changan Funds Management Co., Ltd. (長安基金管理有限公司), China Foreign Economy And Trade Trust Co., Ltd. (中國對外經濟貿易信託有限公司) and Beijing Xinrisheng Investment Management Co., Ltd. (北京鑫日昇投資管理有限公司), the preferential holders (collectively the “Plaintiffs”) of the Special Scheme, claiming for the repayment of the outstanding principals (i.e., RMB20 million, RMB60 million, RMB130 million, RMB100 million, RMB40 million, RMB35 million, RMB4 million, RMB26 million, RMB20 million and RMB10 million, respectively, in aggregate of RMB445 million), and the interest payable and relevant charges from the Company. The Plaintiffs claimed that the Company, as the manager of the Special Scheme, had failed to perform its responsibilities in accordance with the laws and regulations as well as the requirements under the agreements and documents in relation to the Special Scheme, and therefore shall be liable for compensation to the Plaintiffs. Since August 2018, the Company has made counterplea against the Plaintiffs at the competent courts according to the time schedule of the competent courts in succession.

Details of the lawsuits against the Plaintiffs refer to note 56 to the Company's 2021 Annual Report.

On 9 February 2022, the Beijing Financial Court upheld the original decision ruled by the People's Court of Xicheng District, Beijing on 28 June 2021 that the Company to compensate Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd. the outstanding principals and the interest payable and rejected the other appeals requested by the above two companies. Subsequently, the Company initiated a retrial to the Beijing High People's Court, which has accepted it and has not yet made a retrial result. During the six months ended 30 June 2022, the Company settled the compensation to the above two companies. On 14 July 2022, the Beijing Financial Court upheld the original decision ruled by the People's Court of Xicheng District, Beijing on 28 June 2021 that ruled the Company to compensate Xinyuan Fund Management Limited the outstanding principals and the interest payables. The Company is preparing to initiate a retrial.

On 28 June 2022, Beijing High People's Court upheld the original decision ruled by the Beijing Second intermediate People's Court on 26 February 2021 that the Company to compensate Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. the outstanding principals and the interest payable. The Company is preparing to initiate a retrial.

On 23 June 2022 and 30 June 2022, the People's Court of Xicheng District, Beijing ruled the Company to compensate SDIC Taikang Trust Co., Ltd., Changan Funds Management Co., Ltd., China Foreign Economy And Trade Trust Co., Ltd. and Beijing Xinrisheng Investment Management Co., Ltd. the principals and interest payable. The Company has appealed against these four cases.

During the six months ended 30 June 2022, the Company has provided a provision in relation to these lawsuits amounted to RMB148,197,000 (six months ended 30 June 2021: Nil), considers the expected loss on the settlement of the litigation and has settled the compensation amounted to RMB76,639,000 (six months ended 30 June 2021: Nil). As at 30 June 2022, the provision of compensation to these lawsuits amounted to RMB336,612,000 (31 December 2021 (audited): RMB265,054,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

33. RELATED PARTY TRANSACTIONS AND BALANCES

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

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|--|---|---|
| Balances as at the end of the period/year: | | |
| – Account payables to brokerage clients | 388 | 15,011 |
| – Other payables | 20,942 | 35,570 |
| | 20,942 | 35,570 |
| | Six months ended 30 June | |
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Transactions during the period: | | |
| – Fees and commission income | 344 | 841 |
| – Interest expenses | 11 | 3 |
| – Lease expenses | 1,479 | 1,264 |
| – Consulting fees | 2,802 | 498 |
| | 2,802 | 498 |

(ii) Key management personnel remuneration

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

| | Six months ended 30 June | |
|-------------------------------------|---|--------------------------------|
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Fees, salaries, allowance and bonus | 20,583 | 26,777 |
| Contribution to pension schemes | 316 | 324 |
| | 20,899 | 27,101 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

34. SEGMENT REPORTING

| | Brokerage and wealth management <i>RMB'000</i> | Investment banking <i>RMB'000</i> | Proprietary trading <i>RMB'000</i> | Investment management <i>RMB'000</i> | Others <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|---|---|--|--|--------------------------|-------------------------|
| Six months ended 30 June 2022 (unaudited) | | | | | | |
| Revenue | | | | | | |
| – External | 886,540 | 106,355 | 89,927 | 217,473 | 20,275 | 1,320,570 |
| – Inter-segment | (5) | – | 5 | – | – | – |
| Other income and gains | 5,182 | 219 | 164 | 28,276 | 2,086 | 35,927 |
| Segment revenue and other income | 891,717 | 106,574 | 90,096 | 245,749 | 22,361 | 1,356,497 |
| Segment expenses | (789,993) | (83,340) | (289,417) | (620,020) | (66,902) | (1,849,672) |
| Profit/(Loss) before tax | <u>101,724</u> | <u>23,234</u> | <u>(199,321)</u> | <u>(374,271)</u> | <u>(44,541)</u> | <u>(493,175)</u> |
| Other segment information: | | | | | | |
| – Interest income | 325,360 | 7,837 | 66,841 | 7,152 | 18,650 | 425,840 |
| – Interest expenses | (119,823) | (160) | (117,823) | (11,145) | – | (248,951) |
| – Depreciation and amortisation | (65,363) | (1,873) | (4,052) | (25,932) | (13,055) | (110,275) |
| – Impairment losses/(Reversal of impairment losses), net | 5,476 | – | (6,902) | (270) | 30 | (1,666) |
| – Capital expenditure | 43,901 | 64 | 14 | 5,902 | 1,596 | 51,477 |
| – Right-of-use assets additions | 62,118 | – | – | 526 | – | 62,644 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

34. SEGMENT REPORTING (CONTINUED)

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

34. SEGMENT REPORTING (CONTINUED)

| | Brokerage and wealth management RMB'000 | Investment banking RMB'000 | Proprietary trading RMB'000 | Investment management RMB'000 | Others RMB'000 | Total RMB'000 |
|---|--|----------------------------------|-----------------------------------|-------------------------------------|-------------------|-------------------|
| As at 30 June 2022 (unaudited): | | | | | | |
| Segment assets | 21,853,328 | 704,986 | 10,573,085 | 2,836,823 | 1,081,116 | 37,049,338 |
| Deferred tax assets | | | | | | 398,483 |
| Total assets | | | | | | <u>37,447,821</u> |
| Segment liabilities | 18,588,544 | 156,507 | 7,854,792 | 1,298,668 | 223,866 | 28,122,377 |
| Deferred tax liabilities | | | | | | 797 |
| Total liabilities | | | | | | <u>28,123,174</u> |
| At as 31 December 2021 (audited): | | | | | | |
| Segment assets | 21,520,480 | 751,330 | 10,848,996 | 3,288,515 | 561,723 | 36,971,044 |
| Deferred tax assets | | | | | | 272,012 |
| Total assets | | | | | | <u>37,243,056</u> |
| Segment liabilities | 18,363,612 | 226,163 | 7,270,893 | 1,376,293 | 267,250 | 27,504,211 |
| Deferred tax liabilities | | | | | | 15,185 |
| Total liabilities | | | | | | <u>27,519,396</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

35. FAIR VALUE MEASUREMENTS

(a) Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three level inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.

Level 3 inputs: significant unobservable inputs for the asset or liability.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

35. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Fair value hierarchy (Continued)

Disclosures of level in fair value hierarchy:

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|-------------------------|-------------------------|-----------------------|--------------------------|
| Recurring fair value measurements: | | | | |
| As at 30 June 2022 (unaudited) | | | | |
| Financial assets at FVTPL: | | | | |
| – Debt securities | 1,035,901 | 5,207,570 | 157 | 6,243,628 |
| – Equity securities | 937,756 | 201,179 | 72,914 | 1,211,849 |
| – Investment funds | 1,519,369 | 173,791 | 21,581 | 1,714,741 |
| – Assets management schemes | – | 278,952 | – | 278,952 |
| – Collective trust schemes | – | 140,232 | – | 140,232 |
| | <u>3,493,026</u> | <u>6,001,724</u> | <u>94,652</u> | <u>9,589,402</u> |
| Financial assets at FVTOCI: | | | | |
| – Debt securities | <u>132,376</u> | <u>2,445,339</u> | – | <u>2,577,715</u> |
| | <u><u>3,625,402</u></u> | <u><u>8,447,063</u></u> | <u><u>94,652</u></u> | <u><u>12,167,117</u></u> |
| Financial liabilities at FVTPL: | | | | |
| – Debt securities | – | <u>707,206</u> | – | <u>707,206</u> |
| | <u><u>–</u></u> | <u><u>707,206</u></u> | <u><u>–</u></u> | <u><u>707,206</u></u> |
| As at 31 December 2021 (audited) | | | | |
| Financial assets at FVTPL: | | | | |
| – Debt securities | 1,275,597 | 5,298,314 | 156 | 6,574,067 |
| – Equity securities | 1,332,605 | 579,582 | 101,880 | 2,014,067 |
| – Investment funds | 975,338 | 163,740 | 21,580 | 1,160,658 |
| – Assets management schemes | – | 340,572 | – | 340,572 |
| – Collective trust schemes | – | 182,561 | – | 182,561 |
| | <u>3,583,540</u> | <u>6,564,769</u> | <u>123,616</u> | <u>10,271,925</u> |
| Financial assets at FVTOCI: | | | | |
| – Debt securities | <u>142,777</u> | <u>1,627,828</u> | – | <u>1,770,605</u> |
| | <u><u>3,726,317</u></u> | <u><u>8,192,597</u></u> | <u><u>123,616</u></u> | <u><u>12,042,530</u></u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

35. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Fair value hierarchy (Continued)

Disclosures of level in fair value hierarchy: (Continued)

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

One equity security with fair value of RMB22,507,000 was determined with reference to market comparable company in the previous year. During the six months ended 30 June 2022, the fair value of the equity security was determined by the recent transactions price. Thus, the investment was transferred from Level 3 to Level 2 category.

During the year ended 31 December 2021, one debt security with fair value of RMB20,000,000 was determined with reference to discounted cash flow in the previous year. During the year, the fair value of the debt security was determined by using the latest valuation results published by China bond pricing system. Thus, the investment was transferred from Level 3 to Level 2 category.

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

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

| | 30 June 2022 | | 31 December 2021 | |
|---|--|---|--|---|
| | Carrying amount <i>RMB'000</i> (unaudited) | Fair value <i>RMB'000</i> (unaudited) | Carrying amount <i>RMB'000</i> (audited) | Fair value <i>RMB'000</i> (audited) |
| Financial assets: | | | | |
| – Debt investments measured at amortised cost | 318,992 | 316,294 | 319,039 | 315,545 |
| Financial liabilities: | | | | |
| – Subordinated bonds | 1,580,006 | 1,599,203 | 1,577,487 | 1,571,598 |
| – Long-term corporate bonds | 1,927,667 | 1,984,984 | 1,920,996 | 1,979,156 |
| | 3,507,673 | 3,584,187 | 3,498,483 | 3,550,754 |

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

35. FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

Level 1 fair value measurements

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

Level 2 fair value measurements

As at 30 June 2022, the Group's financial assets at FVTPL and FVTOCI and financial liabilities at FVTPL under level 2 fair value measurements consist of debt securities, equity securities, investment funds, assets management schemes and collective trust schemes and their fair value measurements were determined as follows:

Debt securities of RMB7,652,909,000 (31 December 2021(audited): RMB6,926,142,000), of which value are available on China bond pricing system on the valuation date, fair values are determined by using the latest valuation results published by China bond pricing system.

For equity securities of RMB201,179,000 (31 December 2021(audited): RMB579,582,000), fair values are determined by using the latest quoted price adjusted by certain observable inputs.

For investment funds, assets management schemes and collective trust schemes of RMB173,791,000 (31 December 2021(audited): RMB163,740,000), RMB278,952,000 (31 December 2021(audited): RMB340,572,000) and RMB140,232,000 (31 December 2021(audited): RMB182,561,000), respectively, fair values are determined based on the quoted prices or recent market transaction price of the underlying investments in each portfolio or the net asset values as published by the fund managers.

During the six months ended 30 June 2022, there were no significant changes of valuation techniques for level 2 fair value measurements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

35. FAIR VALUE MEASUREMENTS (CONTINUED)

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

Level 3 fair value measurements

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

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

| Description | Fair value as at | | Valuation technique | Unobservable inputs | Relationship of unobservable input(s) to fair value |
|-----------------------------|--|--|-----------------------------|--|--|
| | 30 June 2022 (unaudited) RMB'000 | 31 December 2021 (audited) RMB'000 | | | |
| Unlisted equity investments | 72,914 | 101,880 | Market comparable companies | Discount rate for lack of marketability – 40% (31 December 2021(audited): 40%) | The higher the discount rate, the lower the fair value |
| Unlisted investment funds | 21,581 | 21,580 | Market comparable companies | Discount rate for lack of marketability – 40% (31 December 2021(audited): 40%) | The higher the discount rate, the lower the fair value |
| Debt securities | 157 | 156 | Discounted cash flow | Risk adjusted discount rate 5.5% (31 December 2021(audited): 5.5%) | The higher the discount rate, the lower the fair value |
| | 94,652 | 123,616 | | | |

During the six months ended 30 June 2022, there were no significant changes of valuation techniques for level 3 fair value measurements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

35. FAIR VALUE MEASUREMENTS (CONTINUED)

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

| | Financial assets at FVTPL RMB'000 |
|--|--|
| At 1 January 2022 (audited) | 123,616 |
| Changes in fair value recognised in profit or loss | (6,797) |
| Purchases | 340 |
| Transfer | (22,507) |
| | 94,652 |
| At 30 June 2022 (unaudited) | 94,652 |
| Total loss included in profit or loss during the period | (6,797) |
| At 1 January 2021 (audited) | 243,811 |
| Changes in fair value recognised in profit or loss | 8,334 |
| Transfer | (20,000) |
| Sales and settlements | (108,529) |
| | 123,616 |
| At 31 December 2021 (audited) | 123,616 |
| Total loss included in profit or loss during the period | (8,334) |

36. APPROVAL OF FINANCIAL STATEMENTS

The Interim Financial Information were approved and authorised for issue by the Board of Directors on 19 August 2022.