



# 中信建投証券股份有限公司 CSC FINANCIAL CO., LTD.

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

## INTERIM REPORT 2022





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# DEFINITIONS

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

## Definitions of common terms

“A Share(s)”	listed domestic shares in the share capital of our Company with a nominal value of RMB1.00 each, listed on the SSE and traded in RMB
“Articles of Association” or “Articles”	the articles of association of the Company
“Beijing Financial Holdings Group”	Beijing Financial Holdings Group Limited (北京金融控股集團有限公司)
“Board” or “Board of Directors”	the Board of Directors of our Company
“BSE”	Beijing Stock Exchange
“Central Huijin”	Central Huijin Investment Ltd. (中央匯金投資有限責任公司)
“China Futures”	China Futures Co., Ltd. (中信建投期貨有限公司)
“China Securities Capital”	China Capital Management Co., Ltd (中信建投資本管理有限公司)
“China Securities Funds”	China Fund Management Co., Ltd. (中信建投基金管理有限公司)
“China Securities International”	China Securities (International) Finance Holding Company Limited (中信建投(國際)金融控股有限公司)
“China Securities Investment”	China Securities Investment Limited (中信建投投資有限公司)
“CITIC Group”	CITIC Group Corporation Ltd. (中國中信集團有限公司)
“CITIC Limited”	CITIC Limited (中國中信股份有限公司)
“CITIC Securities”	CITIC Securities Co., Ltd. (中信證券股份有限公司)
“Company Law”	Company Law of the People’s Republic of China
“connected transaction”	has the same meaning ascribed to it under the Hong Kong Listing Rules
“CSC”, “Company”, “our Company” or “parent company”	CSC Financial Co., Ltd. (中信建投證券股份有限公司)
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“FICC”	fixed-income securities, currencies and commodities

## DEFINITIONS

“Glasslake Holdings”	Glasslake Holdings Limited (鏡湖控股有限公司)
“Group”	CSC Financial Co., Ltd. and its subsidiaries
“Guangdong CSRC”	Guangdong Regulatory Bureau of the China Securities Regulatory Commission
“H Share(s)”	listed overseas foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“IPO”	initial public offering
“Ministry of Finance”	Ministry of Finance of the People’s Republic of China
“NEEQ Company”	National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統有限責任公司)
“PwC”	PricewaterhouseCoopers
“PwC Zhong Tian”	PricewaterhouseCoopers Zhong Tian LLP
“QFII”	Qualified Foreign Institutional Investor
“related party transaction(s)”	has the same meaning ascribed to it under the SSE Listing Rules
“related party/connected transaction”	related party transaction(s) and connected transaction(s)
“Reporting Period”	from 1 January 2022 to 30 June 2022
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RQFII”	Renminbi Qualified Foreign Institutional Investor
“Securities Law”	Securities Law of the People’s Republic of China
“Shanghai and Shenzhen Stock Exchanges”	Shanghai Stock Exchange and Shenzhen Stock Exchange
“Share(s)”	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares



## DEFINITIONS

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“Shareholder(s)”	holder(s) of the Share(s)
“SSE”	Shanghai Stock Exchange
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (as amended from time to time)
“State-owned Assets Supervision and Administration Commission of Beijing”	the State-owned Assets Supervision and Administration Commission of People’s Government of the Beijing Municipality (北京市人民政府國有資產監督管理委員會)
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZSE”	Shenzhen Stock Exchange
“Tengyun Investment”	Xizang Tengyun Investment Management Limited (西藏騰雲投資管理有限公司)
“the Date of Disclosure of the Report”	30 August 2022
“the end of 2021”	31 December 2021
“the end of the Reporting Period”	30 June 2022
“US\$”, “USD”, “US Dollar(s)”	United States dollars, the lawful currency of the United States
“WFOE”	wholly foreign owned enterprise
“Wind Info”	Wind Information Co., Ltd. (萬得信息技術股份有限公司)
“Yunnan CSRC”	Yunnan Regulatory Bureau of the China Securities Regulatory Commission

1. The Company prepared this interim report in both English and Chinese. In the event of any discrepancies in interpretation between the English version and Chinese version of this interim report, the Chinese version shall prevail.
2. In this interim report, the discrepancies in the decimal place between the sum of the amount of each sub-item and the grand total are due to rounding to the nearest integer.

# SECTION 1 COMPANY INFORMATION

## I. PROFILE

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

### Registered Capital and Net Capital

Unit: Yuan Currency: RMB

	As at the end of the Reporting Period (30 June 2022)	As at the end of the previous year (31 December 2021)
Registered Capital	<b>7,756,694,797.00</b>	7,756,694,797.00
Net Capital	<b>64,087,308,750.18</b>	66,931,599,813.72

Note: As of the Date of Disclosure of the Report, the total number of Shares of the Company was 7,756,694,797, of which 6,495,671,035 Shares were A Shares and 1,261,023,762 Shares were H Shares.

## II. BASIC INFORMATION

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

Registered Address	Unit 4, No. 66 Anli Road, Chaoyang District, Beijing
Postal Code of Registered Address	100101
Office Address	No. 188 Chaonei Avenue, Dongcheng District, Beijing
Postal Code of Office Address	100010
Place of Business in Hong Kong	18/F, Two Exchange Square, Central, Hong Kong
Website	www.csc108.com
National Customer Service Hotline	+86 95587/400 8888 108
Investor Contact Hotline	+8610-6560 8107
Facsimile	+8610-6518 6399
United Social Credibility Code	91110000781703453H
Websites for Information Disclosure	HKExnews website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) Website of SSE (www.sse.com.cn) Website of the Company (www.csc108.com)
Stock Code (H Shares)	6066.HK
Stock Code (A Shares)	601066.SH
Authorised Representatives of the Company	Wang Changqing, Li Geping
Joint Company Secretaries	Wang Guangxue, Wong Wai Ling

## SECTION 1 COMPANY INFORMATION

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### III. CONTACT PERSONS AND METHODS

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

### IV. PLACES WHERE INTERIM REPORTS OF THE COMPANY ARE AVAILABLE

No. 188 Chaonei Avenue, Dongcheng District, Beijing  
Unit 4, No. 66 Anli Road, Chaoyang District, Beijing  
18/F, Two Exchange Square, Central, Hong Kong

### V. OTHER RELEVANT INFORMATION

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

## SECTION 2 FINANCIAL SUMMARY

### KEY ACCOUNTING DATA

*Unit: RMB million*

Items	<b>January to June 2022</b>	January to June 2021	Increase/ decrease as compared to the same period last year (%)
Total revenue and other income	<b>18,849</b>	16,471	14.44
Operating profit	<b>5,481</b>	5,657	-3.11
Profit before income tax	<b>5,489</b>	5,660	-3.02
Net profit attributable to equity holders of the Company	<b>4,375</b>	4,529	-3.40
Net cash flow from operating activities	<b>9,856</b>	-1,921	N/A

*Unit: RMB million*

Items	<b>30 June 2022</b>	31 December 2021	Increase/ decrease as compared to the end of last year (%)
Total assets	<b>465,314</b>	452,791	2.77
Total liabilities	<b>376,405</b>	372,785	0.97
Equity attributable to equity holders of the Company	<b>88,868</b>	79,818	11.34
Total share capital	<b>7,757</b>	7,757	-



## SECTION 2 FINANCIAL SUMMARY

### KEY FINANCIAL INDICATORS

Items	January to June 2022	January to June 2021	Increase/ decrease as compared to the same period last year (%)
Basic earnings per share (RMB Yuan/Share)	<b>0.52</b>	0.55	-5.45
Diluted earnings per share (RMB Yuan/Share)	<b>0.52</b>	0.55	-5.45
Return on weighted average equity (%)	<b>6.03</b>	7.23	Decreased by 1.20 percentage points

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

Items	30 June 2022	31 December 2021	Increase/ decrease as compared to the end of last year (%)
Net assets per share attributable to equity holders of the Company (RMB Yuan/Share)	<b>11.46</b>	10.29	11.37
Gearing ratio (%)	<b>74.66</b>	77.76	Decreased by 3.10 percentage points

*Note:* In the gearing ratios for each presentation period shown in the above table, the impact of accounts payable to brokerage clients has been excluded from the assets and liabilities.

The net assets per share attributable to equity holders of the Company shown in the table above included the perpetual subordinated bonds issued by the Company. After excluding such impact, the net assets per share attributable to ordinary equity holders of the Company as at the end of Reporting Period was RMB8.50 (31 December 2021: RMB8.36).

## SECTION 2 FINANCIAL SUMMARY

### NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS OF THE COMPANY

Items	30 June 2022	31 December 2021
Net capital ( <i>RMB Million</i> )	<b>64,087</b>	66,932
Net assets ( <i>RMB Million</i> )	<b>85,033</b>	76,441
Total risk capital reserves ( <i>RMB Million</i> )	<b>25,429</b>	23,729
Risk coverage ratio (%)	<b>252.02</b>	282.07
Capital leverage ratio (%)	<b>16.20</b>	15.85
Liquidity coverage ratio (%)	<b>219.50</b>	228.96
Net stable funding ratio (%)	<b>138.02</b>	137.31
Net capital/net assets (%)	<b>75.37</b>	87.56
Net capital/liabilities (%)	<b>26.21</b>	24.98
Net assets/liabilities (%)	<b>34.77</b>	28.53
Proprietary equity securities and securities derivatives/net capital (%)	<b>10.16</b>	12.97
Proprietary non-equity securities and securities derivatives/net capital (%)	<b>266.72</b>	258.72

*Note:* During the Reporting Period, all risk control indicators including net capital of the Company complied with the relevant requirements of the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) from the CSRC.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### I. ANALYSIS ON CORE COMPETITIVENESS

#### 1. Leading innovative business system

The Company has a balanced and all-round investment banking business, a wealth management business with sound product pedigrees and continuously improved investment and advisory capabilities of buyers, a professional and integrated trading and institutional client services business, and a fast-growing asset management business with huge potential; the Company implemented integrated management of subsidiaries to ensure maximum resources efficiency, comprehensive customer service and large-scale business system of the Company. The innovative, leading, healthy and balanced business system ensures that the Company can quickly seize market opportunities and effectively resist business fluctuations, which is the stabilizer for the Company's continuous growth.

#### 2. Well-structured customer base

The Company has a customer base with industry-leading scale, complete and reasonable structure. The Company serves leading enterprises and high-quality companies in various industries, as well as a number of "professionalism, refinement, specialization and novelty" small and medium-sized enterprises; maintains stable cooperation with major financial institutions and investment institutions in the market; and serves government customers to make good use of the capital market and serves tens of millions of individual customers to do well in wealth management. In the process of serving corporate customers, institutional customers, government customers and individual customers, the Company actively expands the Internet business ecosystem, and consolidates customer loyalty with professional, sincere, all-round and continuously optimized comprehensive financial services. Customers with reasonable structure and continuous growth have become the foundation for the healthy development of the Company.

#### 3. Comprehensive coverage of channel network

The Company has more than 300 physical outlets across the country, covering major cities and potential regions, and has a wholly-owned subsidiary in Hong Kong, which has professional advantages in providing comprehensive financial solutions and global capital services. The Company has independently built an industry-leading online smart investment advisory platform. More than 6,000 professional licensed consultants are able to quickly respond to customers' online consultation. The Company is cultivating a professional, young and nationwide content team. On the basis of online and offline interconnection, the Company is creating more diversified, professional and attractive content services, which will become a new growth pole for the Company's channel network.

#### 4. Continuous enhancement of technology research and development

Over the years, the Company has continued to promote digital construction with the standards of "recording, analyzing, measuring and improving all", strived to realize the same customer management, same business management and unified operation management, and continuously strengthened the deep integration of artificial intelligence, big data, cloud computing, blockchain and other emerging technologies with business scenarios. The Company is orderly promoting and gradually realizing the intelligence of customer service, business processing and operation process. The continuously strengthened research and development capability is the technical basis of empowering employees, empowering management and empowering business.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### 5. Industry-leading risk control and compliance

The Company has established a scientific and reasonable comprehensive risk management system and compliance management system with clear rights and responsibilities, covering the whole process before, during and after the event, and with strategic foresight. The Company is one of the first batch of six consolidated supervision pilot enterprises in the domestic securities industry, and also one of the first batch of enterprises on the white list of supervision. A prudent, stable and industry-leading risk control and compliance management mechanism is a strong guarantee for the Company's long-term healthy development.

### 6. Corporate culture of excellence

Adhering to the core value of "achievements leading to status", the Company has formed 12-Chinese character development experience of "following the right path, acting diligently, pursuing simplicity and never turning the skip". Adhering to the business philosophy of "mutual benefit for others", the Company has built a corporate culture rooted in employees, growing together with customers and developing together with the market, and is committed to becoming a first-class investment bank in China that is trusted by customers, recognized by employees and satisfied by shareholders. The Company has attached great importance to the training and cultivation of cadres and employees at all levels. The talent team is well-structured of high stability and strong professional ability. It has formed a proactive management team and a diligent and loyal staff team.

### 7. Strong shareholder background

Beijing Financial Holdings Group Limited, Central Huijin Investment Ltd. and CITIC Group Corporation Ltd., the major investors of the Company, are large state-owned enterprises with strong capital strength, mature capital operation experience, rich market resources and high social recognition, and are vital executives of national strategies and crucial explorers of financial reform.

## II. BUSINESS OVERVIEW

### (I) Overview

As of 30 June 2022, the total assets of the Group were RMB465,314 million, representing an increase of 2.77% as compared with that on 31 December 2021. Equity attributable to equity holders of the Company was RMB88,868 million, representing an increase of 11.34% as compared with that on 31 December 2021. During the Reporting Period, total revenue and other income of the Group amounted to RMB18,849 million in aggregate, representing a year-on-year increase of 14.44%. Total expenses amounted to RMB13,368 million, representing a year-on-year increase of 23.62%. Net profit attributable to equity holders of the Company amounted to RMB4,375 million, representing a year-on-year decrease of 3.40%.

### (II) Analysis of Principal Businesses

The principal businesses of the Group comprise four segments: investment banking business, wealth management business, trading and institutional client services business and asset management business. During the Reporting Period, total revenue and other income of the investment banking business segment amounted to RMB2,938 million in aggregate, representing a year-on-year increase of 42.69%. Total revenue and other income of the wealth management business segment amounted to RMB4,553 million in aggregate, representing a year-on-year increase of 5.08%. Total revenue and other income of the trading and institutional client services business segment amounted to RMB6,714 million in aggregate, representing a year-on-year increase of 3.12%. Total revenue and other income of the asset management business segment amounted to RMB665 million in aggregate, representing a year-on-year increase of 5.72%.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### 1. Investment Banking Business Segment

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

#### (1) *Equity Financing Business*

In the first half of 2022, a total of 298 equity financing projects were issued on the whole market, representing a year-on-year decrease of 37.92%, and the funds raised amounted to RMB527.383 billion, representing a year-on-year increase of 0.83%. Among them, IPO projects amounted to 176, representing a year-on-year decrease of 33.83%, and the funds raised amounted to RMB260.064 billion, representing a year-on-year increase of 18.96%; and equity refinancing projects amounted to 122, and the funds raised amounted to RMB267.319 billion, representing a year-on-year decrease of 42.99% and 12.19%, respectively. (Source: Wind Info. According to the statistics on the issuance date, IPO projects included listing projects and projects transferred to BSE, and refinancing excluded asset-oriented private placement and convertible bonds)

In the first half of 2022, the Company completed 39 equity financing projects with the lead underwriting amount of RMB74.170 billion, both ranking No. 2 in the industry. Among them, there were 22 IPO lead underwriters, with the lead underwriting amount of RMB40.598 billion, both ranking No. 2 in the industry. The Company served IPO projects of JinkoSolar, AVICUAS, Huaqin Technology and other enterprises, and actively supported the national strategies in terms of “dual carbon” development, scientific and technological innovation, and national defense and military; and exclusively sponsored and led the underwriting of the private placement projects for CATL with an amount of RMB45.0 billion, which was the largest refinancing project in terms of financing scale since the implementation of the registration-based system, and also the refinancing project in the ChiNext market with the largest scale and the largest amount of full subscription in cash through market-wide inquiry. In addition, the Company completed eight convertible bond projects in the first half of 2022, with the lead underwriting amount of RMB22.369 billion, both ranking No. 1 in the industry in terms of number and amount of projects. In terms of project reserves, as of the end of the Reporting Period, the Company had 92 IPO projects under review, ranking No. 2 in the industry, including 13 and 17 projects on the Main Board and STAR Market of the SSE respectively, 12 and 38 projects on the Main Board and ChiNext market of the SZSE respectively, as well as 12 projects on the BSE. The Company had 22 equity refinancing projects (including convertible bonds) under review, tying for No. 2 in the industry. (Sources: CSRC, Shanghai and Shenzhen Stock Exchanges, BSE, Wind Info and statistics of the Company)

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2022, details of the equity financing business sponsored and underwritten by the Company in Shanghai and Shenzhen Stock Exchanges and BSE are set out below:

Items	First half of 2022		First half of 2021	
	Amount of lead underwriting (RMB'00 million)	Number of offerings	Amount of lead underwriting (RMB'00 million)	Number of offerings
IPO	405.98	22	153.34	21
Refinancing Issuance	335.72	17	246.73	18
Total	741.70	39	400.07	39

Source: Statistics of the Company

Note: Items under IPO include BSE projects; the statistical scope of refinancing includes allotment of shares, public placement, financing-oriented private placement (inclusive of reorganization ancillary financing), preference shares, but excludes asset-oriented private placement.

In the first half of 2022, the Company completed the private placement for 10 enterprises listed on the NEEQ with a fund raised of RMB343 million. As of the end of the Reporting Period, the Company had continuously supervised 49 innovative enterprises listed on the NEEQ. (Sources: NEEQ Company and Choice Financial Terminal)

For overseas business, in the first half of 2022, China Securities International completed one Hong Kong Main Board IPO sponsorship project with a fund raised of HK\$215 million; and completed one placing project with a fund raised of HK\$5,670 million.

### Outlook for the second half of 2022

In the second half of 2022, the reformation of registration-based system on main board of Chinese stock exchanges is expected to be comprehensively implemented in the capital market to further enhance the capital market's ability to serve the real economy. The Company will strengthen industry tracking and regional development, optimize the synergy and cooperation among investment banking businesses, work hard and conscientiously in customer development, project undertaking, issuance and sales, etc., and always pursue high-quality development; continuously promote the integration of investment banks in mainland China and Hong Kong, continue to expand its business scope in Hong Kong market, realise the diversified development of different types of products, such as the homecoming of China-concept stocks, privatization of Hong Kong stocks and cross-border acquisitions, and further enhance its comprehensive ability to serve clients.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### **(2) Debt Financing Business**

In the first half of 2022, due to the combined effect of COVID-19 pandemic, fiscal and monetary policies, etc., the domestic bond market showed a volatile trend. Facing the disturbance arising from the conflict between Russia and Ukraine, the repeated pandemic and the interest rate hike by the Federal Reserve, a number of domestic growth stabilization policies were introduced intensively in the first half of the year, and a package of measures continued to focus on the objectives such as stabilizing the economy. The implementation of prudent monetary policy was intensified, and the total amount and structure of monetary policy tools had been exerted to stabilize the macroeconomic market. In the first half of 2022, the issuance scale of credit bonds in the whole market (excluding interbank certificates of deposit) was RMB8,987.129 billion, representing a year-on-year decrease of 3.97%.

In the first half of 2022, the Company's debt financing business continued to maintain good development momentum. A total of 1,388 lead underwriting projects were completed, with a lead underwriting scale of RMB725.958 billion, both ranking No. 2 in the industry. Among them, there were 360 corporate bonds under the lead underwriting, with a lead underwriting scale of RMB220.239 billion, ranking No. 1 in the industry. (Sources: the Securities Association of China and Wind Info)

In the first half of 2022, the Company led the underwriting of 17 carbon neutral special bonds with an underwriting scale of RMB7.673 billion, and actively implemented the strategic goal of "carbon peak and carbon neutrality". In addition, as the lead underwriter, the Company completed the country's first clean air bond for Zhejiang Anji Liangshan State Owned (浙江安吉兩山國控), and also led the underwriting of 3 ocean-specific blue bonds for CGN Wind Energy and China Merchants Commerce Leasing (招商局通商租賃), dedicating finance strength for our country's low-carbon and green development. The Company actively implemented the strategy of serving the innovation-driven development of China, and led the underwriting of 10 technological innovation bonds with a lead underwriting scale of RMB5.021 billion, of which the corporate bond of Hualu Holdings Group (華魯控股集團) under the lead underwriting was the first corporate bond for technological innovation and low-carbon transformation in China. The Company also led the underwriting of BOE's digital economy corporate bond, which was the first "digital economy" bond in the market. The lead underwriting amount of the Company's innovation and entrepreneurship bonds ranked No. 1 in the industry (Source: the Securities Association of China).

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Details of debt financing business of the Company in the first half of 2022 are as follows:

Items	First half of 2022			First half of 2021		
	Amount of lead underwriting (RMB'00 million)	Total project scale (RMB'00 million)	Number of offerings	Amount of lead underwriting (RMB'00 million)	Total project scale (RMB'00 million)	Number of offerings
Corporate bonds	2,202.39	4,926.99	360	2,003.97	4,383.26	295
Enterprise bonds	125.77	269.80	25	196.92	457.00	36
Convertible bonds	298.69	979.44	9	202.12	402.12	6
Financial bonds	1,336.21	8,954.57	64	720.23	5,067.00	50
Others	3,296.52	24,414.78	930	3,301.81	17,894.90	588
<b>Total</b>	<b>7,259.58</b>	<b>39,545.58</b>	<b>1,388</b>	<b>6,425.05</b>	<b>28,204.28</b>	<b>975</b>

Source: Wind Info and statistics of the Company

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

For overseas business, in the first half of 2022, China Securities International participated in and completed 47 bond underwriting projects in the Hong Kong market, with an underwriting scale of HK\$119,359 million, among which, there were 18 global coordinator projects, with an underwriting scale of HK\$41,907 million.

### Outlook for the second half of 2022

In the second half of 2022, in addition to consolidating and maintaining the market competitiveness of traditional advantageous business type, the Company will further strengthen the service for customers such as industrial enterprises, banks and listed companies, strive to establish new project reserves including debt financing instruments of non-financial enterprises, financial bonds, and corporate bonds, develop innovative business such as green bonds, technology innovation bonds, rural revitalization bonds, publicly offered REITs, Panda Bonds, exchangeable bonds and convertible bonds, in order to provide a full range of products, achieve balanced development and keep improving its overall strength in debt financing business. For overseas business, China Securities International will continue to actively develop offshore bond projects of Chinese enterprises, act as global coordinator and bookrunner, continuously develop rating advisory services and enrich the dimension of debt financing products and services under the background of accelerating the integration of domestic and overseas teams.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### **(3) Financial Advisory Business**

In the first half of 2022, the M&A committee of CSRC reviewed and approved a total of 13 M&A projects, the ChiNext Market M&A Committee (創業板併購重組委) of SZSE reviewed and approved 2, and STAR Market M&A Committee (科創板併購重組委) of SSE reviewed and approved 1, a total of 16, representing a year-on-year decrease of 15.79%. In the first half of 2022, the Company completed 4 financial advisory projects for M&A, ranking No. 2 in the industry. The transaction amount was RMB5.679 billion, ranking No. 4 in the industry. In terms of project reserves, as of the end of the Reporting Period, the Company had 6 M&A projects under review pending the approval in the meeting, ranking No. 3 in the industry. (Sources: Wind Info and statistics of the Company)

#### *Outlook for the second half of 2022*

In the second half of 2022, the Company will increase the development of strategic customers, further improve the efficiency of project execution, continue to promote domestic-overseas integration, continuously improve its advantages in the field of financial advisers for bankruptcy restructuring and debt restructuring of listed companies and promote the balanced development of the Company's M&A business. At the same time, the Company will also actively develop high-quality listed companies and other high-quality growth-stage small and medium-sized technological innovation-based enterprises, and prepare project reserves for the sponsorship business of the BSE.

## **2. Wealth Management Business Segment**

The Group's wealth management business segment mainly comprises brokerage and wealth management business, margin financing and securities lending business and repurchase business.

### **(1) Brokerage and Wealth Management Business**

In the first half of 2022, the A-share market declined at first but then rose, leading to the "V"-shaped market that hit the bottom and then rebounded. The SSE Composite Index and the SZSE Component Index once reached the lows of 2,863.65 points and 10,087.53 points on the same day, decreased by 21.32% and 32.10%, respectively, as compared with those at the beginning of the year, and then the market started a rebound trend. In the first half of 2022, the bilateral trading volume of equity and funds in the market was RMB222 trillion, representing a year-on-year increase of 11.21% (Source: Shanghai and Shenzhen Stock Exchanges). The Company established an integrated client services platform and the business ecological chain covering business varieties including financial products, margin financing and securities lending, the NEEQ, STAR Market, investment advisory, share options, precious metals and futures through active resource integration. The Company, with customer-oriented culture, continued to strengthen the core competitiveness of brokerage business through raising the standard of service and increasing service methods, and strived to fulfil diversified wealth management, investment and financing needs of retail clients, high-net-worth clients, institutional clients and corporate clients at different levels.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

For securities brokerage business, in the first half of 2022, the net income from securities brokerage business of the Company was RMB2.685 billion, with a market share of 4.06%, ranking No. 7 in the industry. The net income from agency trading securities business (including seats) was RMB2.217 billion, with a market share of 3.80%, ranking the No. 9 in the industry. The standardized financial products sold by the Company on a commission basis amounted to RMB80.469 billion, and the net income from selling financial products on a commission basis was RMB468 million, with a market share of 6.05%, ranking the No. 7 in the industry. The Company's stocks and hybrid public funds maintained a scale of RMB70.6 billion, and the non-monetary public funds maintained a scale of RMB76.4 billion, both ranking the No. 4 in the industry. The market value of custody securities of the Company was RMB6.40 trillion, with a market share of 9.39%, ranking the No. 2 in the industry. There were 10,930,000 A-share customer capital accounts, with a market share of 3.44%, ranking No. 11 in the industry (Sources: Shanghai and Shenzhen Stock Exchanges, China Securities Depository and Clearing Corporation Limited, the Securities Association of China, Asset Management Association of China and statistics of the Company). The average monthly active customers of the mobile transaction client-side APP, "Qingting Dianjin", ranked No. 7 in the industry.

In terms of futures brokerage business, in the first half of 2022, affected by various factors such as the COVID-19 pandemic and the complex international situation, the trading scale of the futures market was lower than that of the same period last year, and the cumulative trading volume and turnover of the national futures market both decreased year on year. As of the end of the Reporting Period, China Futures has realised a cumulative agency transaction amount of RMB6.70 trillion, representing a year-on-year decrease of 5.10%. Among them, the commodity futures agency transaction amount was RMB4.99 trillion, representing a year-on-year decrease of 5.20%, whereas the financial futures agency transaction amount was RMB1.71 trillion, representing a year-on-year decrease of 4.61%. During the Reporting Period, the agency transaction amount of China Futures accounted for 1.30% of the market, representing a year-on-year increase of 5.69%; and there were 15,634 new clients, representing a year-on-year increase of 47.12%.

With respect to overseas business, as of the end of the Reporting Period, China Securities International's cumulative stock transaction amount of wealth management (personal retail) clients was HK\$9.781 billion, there were 3,999 new clients as compared with that as at the end of 2021, and the cumulative number of clients was 24,520<sup>1</sup>, representing an increase of 29% as compared with that of the same period last year; the total market value of clients' stock under custody was HK\$13.501 billion, representing a year-on-year increase of 24%.

### *Outlook for the second half of 2022*

For securities brokerage business, in the second half of 2022, the Company will continue to focus on online strategic channels, and establish a standardized online customer acquisition and operation service system. The Company will continuously improve the full life cycle service system of investment consultants and financial products, improve the service level of asset allocation, and make use of its own comprehensive business advantages to enrich the service content of institutions and professional trading customers. The Company will strengthen technology empowerment, optimize Qingting Dianjin APP and other internet platforms, and provide customers with customized and intelligent one-stop online wealth management services. The Company will build a high-quality wealth management team, constantly consolidate the core competitiveness of "good investment advisors, good products and good transactions", and adhere to the transformation of wealth management with the characteristics of CSC.

<sup>1</sup> According to the requirements of the SFC on the protection of clients' assets and the "Client Services and Account Management Manual" on the treatment of "dormant accounts", the Company will change those accounts with no funds or shares held, and which have not been traded for two years or more or which have been frozen for over 12 months into dormant accounts, which are not included in the cumulative number of clients.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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In terms of futures brokerage business, China Futures will adhere to the strategy of deeply cultivating the source, actively embrace the new media era, and continue to improve the customer service system. Otherwise, China Futures will actively promote the implementation of wealth management business with futures characteristics, dig deep into collaborative resources and continuously improve the ability to serve the real economy.

With respect to overseas business, as an overseas extension of the Company's securities business, China Securities International will continue to rely on the Company's domestic resources to serve the overseas investment needs of domestic clients. On the one hand, China Securities International will continuously improve its various investment platforms and enrich the types of overseas investment products to build an overseas comprehensive wealth management service platform, and on the other hand, China Securities International will continuously promote the service quality and improve the customer experience, and provide a full range of comprehensive financial services to meet the diversified overseas investment needs of clients.

### **(2) Margin Financing and Securities Lending Business**

In the first half of 2022, margin financing and securities lending business scale in the whole market declined as a result of the impact of the market environment. As of the end of the Reporting Period, the balance of margin financing and securities lending of the Shanghai Stock Exchange and Shenzhen Stock Exchange was RMB1,603,331 million, which decreased by 12.49% as compared with that as at the end of 2021. The balance of the Company's margin financing and securities lending business was RMB59,373 million, representing a decrease of 11.40% as compared with that at the end of 2021, accounting for 3.70% of the market, increasing 0.05 percentage point from the end of 2021. The number of margin financing and securities lending accounts was approximately 173,200, representing an increase of 2.63% as compared with that as at the end of 2021. In the first half of 2022, the Company's interest income from its margin financing and securities ranked No. 10 in the industry. (Sources: Wind Info, the Securities Association of China and statistics of the Company)

For the overseas business, as of the end of the Reporting Period, the balance of China Securities International's margin financing and securities lending business was HK\$340 million<sup>2</sup>.

#### *Outlook for the second half of 2022*

In the second half of 2022, the Company will strive to improve the depth of service to high net worth customers, and further improve the professional service ability by expanding business channels, enhancing internal coordination, enriching business models and other measures; at the same time, strengthen scientific and technological empowerment, build customer online service ecology and digital operation system, continue to promote the development of tiered customer service system, and provide customers with automatic, intelligent and differentiated service plans based on customer category and layered management with collateral. For overseas business, China Securities International will adhere to the principle of prioritizing risk control, improve the types of financing products, identify the financing demands of transaction customers, increase the coverage of institutional customers, and provide customers with all-round comprehensive investment and financing services.

<sup>2</sup> Excluding margin business of Hong Kong IPO stocks.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### **(3) Repurchase Business**

In the first half of 2022, risks from stock pledge business were further alleviated in the market. As of the end of the Reporting Period, the balance of principal of collateralized stock repurchase business of the Company was RMB10,521 million, among which, the balance of principal of investment (in the table) collateralized stock repurchase business amounted to RMB4,767 million, with an average collateral coverage ratio of 281.93%; the balance of principal of management (off the table) collateralized stock repurchase business amounted to RMB5,754 million. In the first half of 2022, the Company ranked No. 13 in the industry in terms of interest income from collateralized stock repurchase. (Sources: the Securities Association of China and statistics of the Company)

#### *Outlook for the second half of 2022*

In the second half of 2022, under the prerequisite of ensuring risks which can be measured, controlled and at a tolerable level, the Company will stably and prudently carry out stock pledge repurchase business. The Company will accelerate resources integration, and provide a basket of business solutions to the strategic customers. Leveraging on its own investment and research capabilities, the Company will strengthen risk identification on listed companies. The Company will, through restructuring of its business structure, further improve asset quality of its stock pledge repurchase business.

### **3. Trading and Institutional Client Services Business Segment**

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

#### **(1) Stock Sales and Trading Businesses**

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



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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With respect to the securities trading business, the Company closely tracked domestic and international economic conditions and market change to strengthen macro-strategy research and judgment, actively seek opportunities arising in the market, and strictly controlled risks relating to business. In terms of derivatives trading business, as one of the industry's first primary dealers of OTC options, the Company steadily promoted OTC derivatives business such as OTC options and income swaps, further enriching the types of linked targets and income structure, continuing to expand the subject of cross-border derivatives business and meeting the individualised business needs of domestic and foreign customers. Based on the "CSC Global Multi-Asset Risk Parity Index (GARP)", in the first half of 2022, the Company independently developed the "CSC China Multi-Asset Risk Parity Index (CARP)" and the "CSC World Large-scale Asset Allocation Index (WARP)", which covered the most representative asset classes in the world, including domestic and overseas equities, treasury bonds and credit bonds, with full diversification across countries and asset classes, and used risk parity technology to optimise allocation and diversify risk, thereby achieving the goal of cyclicity. In addition, the Company continued to expand its market creation business scope and scale to enhance its market competitiveness. The current market creation products include ETF funds, options, futures and other trading products.

In terms of the stock sales business, in the first half of 2022, the Company completed 39 stock sale projects as a lead underwriter, with a cumulative sales amount of RMB74,170 million, including 22 IPOs and 17 sales of non-public issuance of stock. The sales amount was RMB40.598 billion and RMB33.572 billion respectively. The underwriting amount of IPO projects and equity refinancing projects both ranked No. 2 in the industry. (Sources: Wind Info and statistics of the Company)

For the overseas business, the institutional sales and trading businesses of China Securities International mainly provide trading, advisory and research services, and sell stocks underwritten by the Company to institutional clients. China Securities International has formed a cross-industry, cross-market and cross-asset class research service matrix, constantly improving the service system for institutional clients, further enhancing its influence in the secondary stock market in Hong Kong and gradually establishing brand awareness. As of the end of the Reporting Period, the cumulative number of institutional clients for the institutional sales and trading businesses of China Securities International was 525, and the institutional clients' cumulative stock trading volume realised in the first half of 2022 was HK\$13.472 billion.

### *Outlook for the second half of 2022*

In the second half of 2022, the Company will continue to strengthen macroeconomic research and market strategy research, continue to pay attention to economic environment and industry changes, conduct in-depth research on industry and individual stock opportunities, closely track the dynamics of listed companies, adhere to the business positioning of absolute returns, and prevent and control position risks. The Company will focus on meeting customers' asset allocation and risk management needs, continue to promote the development of OTC derivatives business, enhance the market competitiveness of market-making business, continue to expand the business model of cross-border investment, further meet customers' needs and improve their own capital investment system.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### (2) *Fixed-income Products Sales and Trading Businesses*

In the first half of 2022, under the combined effect of factors such as the impact of the pandemic, the conflict between Russia and Ukraine and the interest rate hike by the Federal Reserve, the overall liquidity of the domestic financial market was loose, and the bond market showed a volatile pattern. For the bond investment, the Company adhered to the basic trading strategy of “high-level credit bonds and short-duration” and continued to expand the non-directional trading business supplemented by means such as derivatives arbitrage and hedging, and the comprehensive investment return rate continued to be higher than the market average. With the continuous enrichment of the business types and varieties of the FICC investment, market-making and counterparty trading, the Company has newly obtained the market maker qualification for treasure bond futures granted by the CFFE, and officially launched the market-making business of treasure bond futures; completed the creation of GC Jingdian 01 credit protection contract (the first bond financing special support plan project for private enterprises in the market) and 22 Bidi 01 credit protection contract (the first batch of credit protection contracts for private real estate enterprises in the market), effectively supporting the bond financing of private enterprises; won the Outstanding Market Maker and Marketing Award issued by Bond Connect Company Limited for its “Bond Connect” (Northbound) market-making business, keeping in top 5 in the industry in terms of the market-making comprehensive ranking of “Bond Connect” and becoming the first batch of underwriters in the ePrime system (Source: Bond Connect Company Limited); the foreign exchange and commodity trading business developed steadily, and the foreign exchange trading volume was at the leading position in the industry; with the deepening of the integrated business in Hong Kong, the Company’s first EU carbon emission quota transaction has been successfully implemented, and the cross-border integrated market-making business based on foreign currency bonds has been launched.

The fixed income sales business continued to maintain its leading position in the industry. During the Reporting Period, credit bonds underwriting scale ranked No. 1 among domestic financial institutions (Source: Bloomberg L.P.), of which there were 214 competitive sales projects, and the proportion of the top 2 reached 88% (Source: statistics of the Company); and RMB bonds sale scale ranked No. 2 among securities firms (Source: statistics of the Company), among which the lead underwriting amount and number of corporate bonds both ranked No. 1 in the market, the lead underwriting amount of debt financing instruments of non-financial enterprises ranked No. 1 among securities firms, the lead underwriting amount of financing bonds ranked No. 2 among securities firms and the underwriting amount of local bonds ranked No. 4 among securities firms (Source: Wind Info). The underwriting amount of China US Dollar Bonds remained the fifth among Chinese-funded securities firms (Source: Bloomberg L.P.). In addition, investment advisory business has developed steadily, and the scale and market reputation have maintained a good momentum of development. The terms and types of the independent fixed income products such as “Gushoubao”, “Guyilian”, “Zhangneiyang” and “Zhai e Tong” have been constantly enriched.

As of the end of the Reporting Period, China Securities International realised a bond transaction volume of HK\$63.516 billion, representing a year-on-year increase of 145%.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### *Outlook for the second half of 2022*

In the second half of 2022, FICC business of the Company will continue to adhere to the business philosophy of “professionalism, customer first, international vision and pursuit of excellence”. The Company will accelerate the pace of internationalization, promote the digital transformation, make proprietary investment steadily, and provide high-quality product sales and comprehensive transaction services for domestic and overseas customers. The Company will continue to improve its multi-asset sales and trading ability to serve domestic and foreign customers, and build a bridge connecting domestic and foreign customers with the capital market. Otherwise, the Company will actively expand domestic and overseas bond, foreign exchange, commodities and related derivatives business, establish a rich and complete fixed income product series, promote the in-depth integration of digital transformation and business lines, systematically integrate domestic and overseas integrated sales resources, increase the breadth and depth of domestic and overseas customer coverage, and help domestic customers “go global” and overseas customers “bring in” with excellent product design and pricing capabilities.

### **(3) Investment Research Business**

The Company’s investment research business mainly provides institutional clients with research consultation services covering macro-economy, fixed income, economic and industrial policies, major asset allocation, market strategies, financial engineering, industries and companies. The Company’s major clients include public funds, insurance companies, National Social Security Fund, banks and bank wealth management subsidiaries, private funds, brokers, trust companies and other domestic and foreign financial institutions. The Company provides clients with research reports and various personalized research consultation services. In the first half of 2022, under the background of the COVID-19 pandemic and the complex and changeable international situation, the Company strengthened targeted research planning and cross-industry interaction, better grasped the market conditions and market hotspots, vigorously strengthened remote services and middle-end product transformation in terms of service methods, and significantly increased the frequency of services to key customers. As of the end of the Reporting Period, the Company’s research and sale teams comprised 250 members, and the research business is divided into 10 research groups covering 36 research fields. In the first half of 2022, the team completed 3,235 research reports, provided 22,813 online and offline roadshow and 532 surveys for institutional clients, and successfully organized large-scale conferences such as the online listed company exchange meeting in spring with the theme of “Digging in the Year of the Tiger” and the 2022 Mid-term Capital Market Summit.

### *Outlook for the second half of 2022*

In the second half of 2022, with the moderate recovery of the macro-economy, the Company’s investment research business will effectively grasp the current market opportunities, continuously improve the breadth and depth of research business coverage, improve the level of digital services, and provide more comprehensive and in-depth research services for domestic and overseas customers.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### **(4) Prime Brokerage Business**

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

As of the end of the Reporting Period, the total scale of custody and operating services of the Company amounted to RMB759,994 million. Among it, the number of products under custody reached 5,145, and products of operating service reached 5,184, representing an increase of 15.15% and 14.13% respectively as compared with that as at the end of 2021.

The prime brokerage system of the Company is one of the most comprehensive system with the widest range of supportive systems among the securities brokers, which currently has supported markets and types of transactions of margin financing and securities lending services, stock index futures, commodity futures, stock options, BSE, Southbound and over-the-counter public funds to offer its clients with convenience and favourable experience in carrying out various businesses at the same time. The self-developed algorithmic trading platform within the prime brokerage system maintained a leading position in the industry in terms of the efficiency of execution of algorithmic trading, which is widely recognised and trusted by clients including banks, insurance companies, public funds, private funds, enterprises and high-net-worth individuals, including clients of QFII sector. New services such as BSE stocks, Shanghai and Shenzhen REITs and commodity futures algorithm trading also satisfied customers' diversified trading needs. The Company's self-developed special counter for institutional transactions provides financial institutions with independent and more functional trading channels, which is widely recognized by banks, public funds and insurance asset management institution customers. The turnover of the main broker business continued to grow, the trading effect of algorithmic trading continued to optimize, and the types and scale of customers continued to expand. As of the end of the Reporting Period, the number of existing customers in the Prime Brokerage (PB) system of the Company was 8,103, representing a year-on-year increase of 14.32%; a total of 24 public funds and 8 insurance asset management institutions used the Company's algorithm trading services; a total of 69 customers used the agency commissioning service of our Company, with a total of 88 targets.

#### *Outlook for the second half of 2022*

In the second half of 2022, with the aim to constantly satisfy professional institutional investors' trading needs, the Company continued to improve its various types of prime brokerage system and counter services for institutions. The embedded algorithmic platform will connect with more trading software and will provide more algorithm trading strategies for clients. The Company will keep abreast of the changes in the market environment and regulatory policy changes to further provide diversified and personalised professional trading services, so as to further meet the trading needs of various clients. The Company will take "strengthening the custodian outsourcing business and improving customer service experience" as the major focus, insist on market-oriented approach, digitization-led and intelligent operation, and actively build a sustainable business model to provide high-quality custodian outsourcing operation services to different kinds of asset custodian institutions.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### **(5) QFII, RQFII and WFOE Businesses**

With the aim of providing full-product and one-stop financial services for foreign institutions such as QFII, RQFII and WFOE, the Company takes advantage of and integrates the advantageous business resources of the Company in China, as well as gives full play to the geographical advantages of China Securities International, a subsidiary, so as to promote cross-border integrated development. As a domestic brokerage agency for QFII and RQFII, the Company has accumulated many years of experience in providing QFII and RQFII client services. With the help of the Company's first-class investment research service resources, the Company continues to upgrade and improve our trading system and trading algorithms, continuously optimizes our account opening and trading processes and strives to improve customer experience and trading efficiency. At present, the Company has formed a professional service system for foreign institutions featuring rich investment research services, advanced trading system and trading algorithms.

#### *Outlook for the second half of 2022*

In the second half of 2022, the Company will continue to build a diversified foreign client network, with an aim to provide its clients with advanced investment research and trading services. The Company will integrate superior resources and actively coordinate, so as to provide high-level, all-round, diversified and differentiated full-product financial services for foreign institutional customers. The Company will strive to use professional services to maximize customer benefits and improve its international influence, so as to promote the coordinated development of the Company's domestic and overseas businesses.

### **(6) Other Investment Businesses**

In the first half of 2022, China Securities Investment adhered to the principle of "maintain stable and sustainable development" and the concept of "serve real economy, serve technological innovation, serve economic transformation", focused on the investment scope with equity investment as the mainstay, and pan-equity investment and innovative investment business as the supplement, persisted in the large-scale investment and did a good job in project development, reserve and investment layout in an orderly manner based on the premise of strictly controlling the quality of the project. China Securities Investment completed 27 investment projects (including 9 IPO co-investments on STAR Market) with an investment amount of RMB1,301 million during the Reporting Period.

#### *Outlook for the second half of 2022*

In the second half of 2022, facing the turbulent recovery of the global economy and the tightening of liquidity in major economies, China Securities Investment will continue to adhere to its strategic positioning and investment philosophy, maintain large-scale investment, further improve the investment layout, improve the overall balance of the asset portfolio in terms of industry track, investment varieties and exit methods, as well as enhance the ability to resist market cycles and fluctuations.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 4. Asset Management Business Segment

Asset management business segment of the Group mainly includes asset management business of the securities companies, fund management business and private equity investment business.

#### (1) Asset Management Business of the Securities Companies

In the first half of 2022, the Company's asset management business was fully deployed in the fields such as fixed income, "fixed income+", equity, quantitative, derivative and FOF, providing a full strategy and diversified products, continuously enriching investment varieties, and continuously expanding the depth and breadth of products and services. During the Reporting Period, the Company successfully completed the public offering transformation of margin products and officially resumed signing contracts. The scale of fixed income, equity and other types of products grew steadily, and quantitative, derivative and FOF products formed a special series, and the overall performance of the products was excellent. In the first half of 2022, the Company established its asset management subsidiaries in an orderly manner.

According to the statistics of the Securities Association of China, as of the end of the Reporting Period, the Company's entrusted asset management scale reached to RMB453,851 million, ranking No. 5 in the industry.

In the first half of 2022, the scale of the Company's asset management business is as follows:

*Unit: RMB'00 million*

	<b>Asset management scale</b>	
	<b>30 June 2022</b>	<b>31 December 2021</b>
Collective asset management business	<b>2,042.88</b>	1,612.90
Targeted asset management business	<b>1,222.63</b>	1,286.45
Specialised asset management business	<b>1,273.00</b>	1,373.37
Total	<b>4,538.51</b>	4,272.72

Source: Securities Association of China

As of 30 June 2022, the asset management business scale of China Securities International was approximately US\$31 million, of which bond investment management scale was approximately US\$11 million, equity investment management scale was approximately US\$1.19 million, and the management scale of Balanced Fund was approximately US\$19 million.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### *Outlook for the second half of 2022*

In the second half of 2022, the Company will continue to deepen internal and external collaboration, vigorously enhance its active management capability, further enrich types of asset management products and strategies, lay out key tracks, and create distinctive and diversified product lines. The Company, with customer-oriented culture, will comprehensively sort out the brand system, focus on promoting the construction of the channel marketing network, and coordinate the development of institutional and retail businesses. Meanwhile, the Company will deeply implement the talent development strategy, cultivate and introduce outstanding asset management talents, and provide customers with a full range of services with specialized division of labor. In the future, the Company will continue to steadily promote the establishment of asset management subsidiaries, focus on improving the core competitiveness of business development, build an excellent asset management brand, and promote the high-quality development of the asset management business.

### **(2) Fund Management Business**

In the first half of 2022, China Securities Funds continued to make efforts to deploy public fund business, optimize product structure and improve product quality, and the performance of active equity products continued to improve. As of the end of the Reporting Period, the asset management scale of China Securities Funds reached RMB75.348 billion, representing an increase of 25.79% as compared with that as at the end of 2021, of which the management scale of public funds was RMB55.457 billion, representing an increase of 14.84% as compared with that as at the end of 2021; the management scale of China Securities Funds' special account products and fund subsidiary Yuandaxin Capital Management (Beijing) Co., Ltd.'s special account products was RMB19.891 billion, representing an increase of 71.34% as compared with that as at the end of 2021. As of the end of the Reporting Period, China Securities Funds managed a total of 39 public funds with a management scale of RMB55.457 billion. Among 33 funds participating in the market return ranking (all of the remaining 6 products have been established for less than 6 months, and there is no public ranking in the market), the return of 18 funds ranked in the top 50%, 11 funds ranked in the top 30%, 4 funds ranked in the top 20% and 2 funds ranked in the top 10%. The investment performance of public funds has developed steadily. (Sources: Wind Info and statistics of the Company)

### *Outlook for the second half of 2022*

In the second half of 2022, with the continuous development of public fund business and the maturity of investment and research capabilities, China Securities Funds will continue to promote the establishment of a core talent team, and continuously enrich the product system to strengthen the investment and research capabilities. China Securities Funds will improve its own research strength, form strong support for investment, gradually expand the investment and research tracks, strengthen investment in equity, tools, and fixed income products and continuously improve investment and research capabilities. Meanwhile, China Securities Funds will also improve marketing capabilities, strengthen customer system construction, strengthen internal management, and drive business development. China Securities Funds will smoothly promote the businesses of its own subsidiaries, actively seek new business growth points, continue to expand customer base, build a complete e-commerce service system, and continuously launch key and core products to realise a stable growth in management scale and the value preservation and appreciation of the clients' assets, continuously strengthen its core competitiveness and improve its brand influence.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### **(3) Private Equity Investment Business**

In the first half of 2022, the domestic private equity industry experienced certain fluctuations, and fund-raising, investment and exit from the market all faced challenges. China Securities Capital has always adhered to the “large fund” strategy, and continuously expanded fund-raising channels and the scale of fund management. According to the market hotspots, China Securities Capital insisted on conducting in-depth research in key areas, and continuously improved project development efficiency and project investment quality. As of the end of the Reporting Period, China Securities Capital had 61 funds under management and filing, with a fund management scale exceeding RMB65 billion, and accumulatively completed investments in nearly 300 companies, with an average investment yield from exit projects of 114%.

#### *Outlook for the second half of 2022*

In the second half of 2022, China Securities Capital will continue to adhere to the national strategy of serving real economy, serving technological innovation and developing in a green way, focusing on cooperation with national-level funds of funds, government platforms and state-owned capital platforms. China Securities Capital will insist on investment in the field of “hard technology” by leveraging its own professional investment capability, and pay close attention to the rapidly developing hot tracks such as digital intelligence, low-carbon technology, high-end manufacturing, life technology and new materials, so as to create more value for shareholders and investors.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### III. FINANCIAL STATEMENT ANALYSIS

#### (I) Profitability Analysis

In the first half of 2022, the Group realised a total revenue and other income of RMB18,849 million, representing a year-on-year increase of 14.44%. The changes of key items were as follows:

- fee and commission income amounted to RMB7,631 million, representing a year-on-year increase of 24.34%, which was mainly due to the year-on-year increase in fee and commission income from investment banking business in the first half of 2022;
- interest income amounted to RMB4,518 million, representing a year-on-year increase of 5.98%, which was mainly due to the year-on-year increase in interest income from bank deposit in the first half of 2022;
- investment gains amounted to RMB2,932 million, representing a year-on-year decrease of 15.77%, which was mainly due to the decrease in net gains from financial assets at fair value through profit or loss in the first half of 2022;
- other income amounted to RMB3,768 million, representing a year-on-year increase of 45.48%, which was mainly due to the increase in the bulk commodity sales business scale of the futures subsidiary in the first half of 2022.

In the first half of 2022, the total expenses of the Group amounted to RMB13,368 million, representing a year-on-year increase of 23.62%. The changes of key items were as follows:

- fee and commission expenses amounted to RMB886 million, representing a year-on-year increase of 24.61%, which was mainly due to the increase in fee and commission expenses from brokerage business in the first half of 2022;
- interest expenses amounted to RMB3,547 million, representing a year-on-year increase of 3.29%, which was mainly due to the year-on-year increase in interest expenses of bonds in issue and the accounts payable to brokerage clients in the first half of 2022;
- other operating expenses and costs amounted to RMB4,815 million, representing a year-on-year increase of 38.12%, which was mainly due to the increase in the bulk commodity sales business scale of the futures subsidiary in the first half of 2022;
- credit impairment losses amounted to RMB65 million, which was mainly due to the provision of the impairment allowance on financial assets at fair value through other comprehensive income in the first half of 2022.

In the first half of 2022, the Group realised net profit attributable to equity holders of the Company of RMB4,375 million, representing a year-on-year decrease of 3.40%, and realised basic earnings per share of RMB0.52, representing a year-on-year decrease of 5.45%. The return on weighted average equity was 6.03%, representing a year-on-year decrease of 1.20 percentage points.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### (II) Asset Structure and Asset Quality

During the Reporting Period, the Company recorded growth in both total assets and total liabilities to different extents. The Company maintained more prudent operation, stable structure of assets and liabilities, and sound asset quality and financial position.

As of 30 June 2022, the total assets of the Group amounted to RMB465,314 million, representing an increase of RMB12,523 million, or 2.77%, as compared with that as at the end of the previous year. After deducting the accounts payable to brokerage clients, the total assets of the Group amounted to RMB350,925 million, representing a decrease of RMB8,784 million, or 2.44%, as compared with that as at the end of the previous year, among which, investment assets (which mainly included investments in associates and investments in financial assets) accounted for 60.25%; margin accounts and financial assets held under resale agreements accounted for 21.12%; cash and bank balances accounted for 8.22%; and other assets accounted for 10.41% in aggregate.

As of 30 June 2022, the total liabilities of the Group amounted to RMB376,405 million, representing an increase of RMB3,620 million, or 0.97%, as compared with that as at the end of the previous year. After deducting the accounts payable to brokerage clients, the total liabilities of the Group amounted to RMB262,016 million, representing a decrease of RMB17,686 million, or 6.32%, as compared with that as at the end of the previous year, among which, financial assets sold under repurchase agreements amounted to RMB95,951 million, accounting for 36.62%; short-term borrowings, placements from banks and other financial institutions, short-term financing instruments payable and non-current liabilities due within one year amounted to RMB56,473 million, accounting for 21.55%; bonds in issue amounted to RMB54,109 million, accounting for 20.65%; financial liabilities at fair value through profit or loss and derivative financial liabilities amounted to RMB16,285 million, accounting for 6.22%; and the amount from other liabilities in aggregate was RMB39,198 million, accounting for 14.96%.

As of 30 June 2022, the Group's equity attributable to equity holders of the Company amounted to RMB88,868 million, representing an increase of RMB9,050 million, or 11.34%, as compared with that as at the end of the previous year.

As of 30 June 2022, after deducting the accounts payable to brokerage clients, the gearing ratio of the Group was 74.66%, representing a decrease of 3.10 percentage points, as compared with that as at the end of the previous year.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### (III) Cash Flow Status

Excluding the impact of the changes in the accounts payable to brokerage clients, the Group's net change in cash and cash equivalents was RMB-7,006 million in the first half of 2022, representing a year-on-year decrease of RMB9,842 million, which was mainly due to the year-on-year decrease in net cash inflow from investing and financing activities.

Net cash flow from operating activities in the first half of 2022 was RMB9,856 million, representing a year-on-year increase of RMB11,776 million in net inflow as compared with the net cash flow of RMB-1,920 million in the same period of 2021, which was mainly attributable to the year-on-year increase in cash inflow from operating activities due to the change in margin accounts and financial assets at fair value through profit or loss in the current period.

Net cash flow from investing activities in the first half of 2022 was RMB-6,194 million, representing a year-on-year increase of RMB11,013 million in net outflow as compared with the net cash flow of RMB4,819 million in the same period of 2021, which was mainly attributable to the negative net cash flow from purchase or disposal of financial assets at fair value through other comprehensive income in the current period.

Net cash flow from financing activities in the first half of 2022 was RMB-10,668 million, representing a year-on-year increase of RMB10,605 million in net outflow as compared with the net cash flow of RMB-63 million in the same period of 2021, which was mainly attributable to a year-on-year decrease in the cash inflow from financing activities arising from the decrease in cash received from bond issuance.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### IV. ANALYSIS OF PRINCIPAL SUBSIDIARIES

Name	Shareholding of the Company	Date of establishment	Registered capital	Office address	Registered address	Contact number
China Futures	100%	16 March 1993	RMB1,400 million	27/F and 30/F, Hilton Business Center, No.131, Zhongshan 3rd Road, Yuzhong District, Chongqing (重慶市渝中區中山三路131號希爾頓商務中心27樓、30樓)	27/F and 30/F, Hilton Business Center, No.131, Zhongshan 3rd Road, Yuzhong District, Chongqing (重慶市渝中區中山三路131號希爾頓商務中心27樓、30樓)	023-86769602
China Securities Capital	100%	31 July 2009	RMB3,500 million	12/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恒中心大廈B座12層)	Room 2, East Side, 6/F, 188 Chaoyangmennei Avenue, Dongcheng District, Beijing (北京市東城區朝陽門內大街188號6層東側2間)	010-85130648
China Securities International	100%	12 July 2012	Paid-in capital of HK\$4,000 million	18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong	18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong	+852-34655600
China Securities Funds	100%	9 September 2013	RMB300 million	17 & 19/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恒中心大廈B座17、19層)	Unit 1, Building No. 3, Balongqiao Yayuan, Qiaozhi Town, Huairou District, Beijing (北京市懷柔區橋梓鎮八龍橋雅苑3號樓1室)	010-59100281
China Securities Investment	100%	27 November 2017	RMB6,100 million	11/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恒中心大廈B座11層)	Unit 109, Block C, Beijing Fund Town Center, No. 1 Jinyuan Avenue, Changgou Town, Fangshan District, Beijing (北京市房山區長溝鎮金元大街1號北京基金小鎮大廈C座109)	010-85130622



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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1. China Futures: As of 30 June 2022, total assets and net assets of China Futures amounted to RMB33,805.97 million and RMB2,905.40 million, respectively. In the first half of 2022, China Futures realised total revenue and other income amounting to RMB4,247.14 million, and net profit amounting to RMB310.46 million. (Unaudited)

The principle businesses of China Futures include: commodity futures brokerage, financial futures brokerage, futures investment consulting, asset management and fund sales.

Subsequent event: In July 2022, China Futures completed the change of office address. The office address was changed from 27/F and 30/F, Hilton Business Center, No. 131, Zhongshan 3rd Road, Yuzhong District, Chongqing to Room 2603, 27/F and 30/F, Hilton Business Center, No. 131, Zhongshan 3rd Road, Yuzhong District, Chongqing.

2. China Securities Capital: As of 30 June 2022, total assets and net assets of China Securities Capital amounted to RMB3,838.54 million and RMB2,118.84 million, respectively. In the first half of 2022, China Securities Capital realised total revenue and other income of RMB117.91 million, and net profit amounting to RMB32.13 million. (Unaudited)

The principle businesses of China Securities Capital include: project investment, investment management, asset management and financial advisory (excluding intermediaries).

3. China Securities International: As of 30 June 2022, total assets and net assets of China Securities International amounted to RMB18,976.13 million and RMB3,397.46 million, respectively. In the first half of 2022, China Securities International realised total revenue and other income amounting to RMB122.80 million, and net profit amounting to RMB-57.01 million. (Unaudited)

The principle businesses of China Securities International include: holding and investment, and its subsidiaries might engage in businesses including securities brokerage, asset management, corporate finance, investment consulting, futures trading, proprietary investment and insurance brokerage.

4. China Securities Funds: As of 30 June 2022, total assets and net assets of China Securities Funds amounted to RMB747.56 million and RMB637.07 million, respectively. In the first half of 2022, China Securities Funds realised total revenue and other income amounting to RMB141.82 million, and net profit amounting to RMB28.16 million. (Unaudited)

The principle businesses of China Securities Funds include: fund raising, fund sales, specific customer asset management, asset management and other businesses approved by the CSRC.

5. China Securities Investment: As of 30 June 2022, total assets and net assets of China Securities Investment amounted to RMB5,930.61 million and RMB5,409.27 million, respectively. In the first half of 2022, China Securities Investment realised total revenue and other income amounting to RMB152.23 million, and net profit amounting to RMB109.34 million. (Unaudited)

The principle businesses of China Securities Investment include: investment management, equity investment management, investment consulting (excluding intermediaries) and project investment.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### V. INFORMATION OF SECURITIES BRANCHES

No.	Branch	Date of establishment	Registered address	Contact number
1	Hubei Branch	6 February 2012	3/F, Block A, Longyuan Building, 24 Zhongbei Road, Wuchang District, Wuhan City, Hubei Province	027-87890128
2	Shanghai Branch	6 February 2012	No. 06, 07, 18/F, Block T2, No. 398 Huoshan Road, Yangpu District, Shanghai	021-55138037
3	Shenyang Branch	7 February 2012	No. 1, 12/F, 61 Beizhan Road, Shenhe District, Shenyang City, Liaoning Province	024-22556761
4	Jiangsu Branch	13 February 2012	2/F, Huanghe Building, 58 Longyuan West Road, Gulou District, Nanjing City	025-83156571
5	Hunan Branch	1 March 2013	No. 9, Furong Middle Road Section 2, Furong District, Changsha City, Hunan Province	0731-82229568
6	Fujian Branch	16 April 2013	3/F, Wuyi Center, 33 East Street, Gulou District, Fuzhou City, Fujian Province	0591-87612358
7	Zhejiang Branch	18 April 2013	Room 604, 6/F, 225 Qing Chun Road, Shangcheng District, Hangzhou City, Zhejiang Province	0571-87067252
8	Northwest Branch	19 April 2013	56 Nanda Street, Beilin District, Xi'an City, Shaanxi Province	029-87265999-202
9	Guangdong Branch	24 April 2013	Room 6804 and 6805, No. 233 Tianhe North Road, Tianhe District, Guangzhou City (Office only)	020-38381917
10	Chongqing Branch	14 April 2014	2-2, Block 2, Yijing Fenghao, 195 Longshan Road, Longshan Avenue, Yubei District, Chongqing City	023-63624398
11	Shenzhen Branch	21 April 2014	35E, Radio and Television Financial Center, No. 1 Pengcheng Road, Futian District, Shenzhen City	0755-23953860
12	Sichuan Branch	25 April 2014	No. 25, South Third Section, First Ring Road, Wuhou District, Chengdu City, Sichuan Province	028-85576963
13	Shandong Branch	23 May 2014	11/F, Block 4, 8 Long'ao North Road, Lixia District, Jinan City, Shandong Province	0531-68655601
14	Jiangxi Branch	28 May 2014	Unit 05, 30/F, Block 2#, Heping International Hotel, 69 Yanjiang North Avenue, Donghu District, Nanchang City, Jiangxi Province	0791-86700335
15	Henan Branch	3 June 2014	2/F, Zhonghua Mansion, 3 Shangwu Outer Ring Road, Zhengzhou District (Zhengdong), Henan Pilot Free Trade Zone	0371-69092409
16	Shanghai Free Trade Zone Branch	26 September 2014	Room 2206, North Building, 528 South Pudong Road, China (Shanghai) Free Trade Zone	021-68801573
17	Tianjin Branch	10 November 2014	No. 389, Jiefang South Road, Hexi District, Tianjin	022-23660571
18	Beijing Hongyi Branch	19 March 2019	11006, 9/F, Building 1, No. 2 Nanzhugan Hutong, Dongcheng District, Beijing	010-65726085
19	Hainan Branch	29 December 2020	1 and 2/F, Yindu Building, No.38 Haifu Avenue, Haikou City	0898-65357208
20	Ningxia Branch	30 December 2020	No. 65, Hubin West Street, Xingqing District, Yinchuan City	0951-6737057
21	Guizhou Branch	31 December 2020	No. 2, 1-8/F, No. 13, Yan'an Middle Road, Yunyan District, Guiyang City, Guizhou Province	0851-83879300

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

No.	Branch	Date of establishment	Registered address	Contact number
22	Jilin Branch	5 January 2021	19/F, Zhengrong Building, No. 621 Changchun Street, Nangan District, Changchun City, Jilin Province	0431-81939356
23	Shanxi Branch	7 January 2021	7/F, Crown Tower, 252 Xinjian Road, Xing Hua Ling District, Taiyuan City	0351-4073321
24	Heilongjiang Branch	8 January 2021	No. 99, Zhongyi Street, Daoli District, Harbin City, Heilongjiang Province (Baishun Fenghua Apartment)	0451-87536666
25	Xinjiang Branch	12 January 2021	No. 446, Nanhu North Road, Shuimogou District, Urumqi City, Xinjiang	0991-4165678
26	Gansu Branch	12 January 2021	Room 001, 2/F, Block B, Yongli Building, No. 58 Gaolan Road, Chengguan District, Lanzhou City, Gansu Province	0931-8826000
27	Inner Mongolia Branch	12 January 2021	Room 101, Building 105, Yuan Yi Xin Jia Yuan, Wulanchabu East Road, Saihan District, Hohhot City, Inner Mongolia Autonomous Region	0471-6248166
28	Guangxi Branch	14 January 2021	No. 07, Building 1, No.1 Lingshijun, No.10 Zhongwen Road, Qingxiu District, Nanning City, Guangxi	0771-5772676
29	Beijing Dongcheng Branch	15 January 2021	No. 6 Dongzhimen South Street, Dongcheng District, Beijing	010-64156666
30	Anhui Branch	15 January 2021	113, 114, Building 1 and 2, Fenge Century Apartment, No. 499, Chang Jiangxi Road, Shushan District, Hefei City, Anhui Province	0551-65501717
31	Qinghai Branch	18 January 2021	No. 26-2, Building 1, No. 126, Xiguan Street, Chengxi District, Xining City, Qinghai Province	0971-8276771
32	Beijing Chaoyang Branch	20 January 2021	Unit 4, No. 66 Anli Road, Chaoyang District, Beijing	010-56326080
33	Beijing Haidian Branch	20 January 2021	1/F, No. 108, and the entire second floor of No. 18 Danling Street, Haidian District, Beijing	010-82666923
34	Beijing Jingnan Branch	26 January 2021	Meiyuan Market South Section, No. 15, Nanda Hongmen Road, Fengtai District, Beijing	010-68759957
35	Beijing Jingxi Branch	29 January 2021	No. 39, Sanlihe Road, Haidian District, Beijing	010-58739666
36	Yunnan Branch	2 February 2021	2F, Hydropower Technology Building, No. 115, Renmin East Road, Panlong District, Kunming City, Yunnan Province	0871-63117584
37	Hebei Branch	9 February 2021	Room 601 and Shop 101 and 102, Office Building 1, Wufang Building, 88 West Street, Chang'an District, Shijiazhuang City	0311-86682430
38	Ningbo Branch	9 October 2021	Room (3-1), No. 562, Zhenming Road, Haishu District, Ningbo City, Zhejiang Province	0574-87705128
39	Xiamen Branch	8 June 2022	Units 01, 02 and 03, 8/F, Xiamen Century Center, No. 50 Minzu Road, Siming District, Xiamen City	0592-2075995
40	Suzhou Branch	13 June 2022	Room 101 & 501, Xinghai International Business Plaza, No. 200 Xinghai Street, Suzhou Industrial Park	0512-67152188

*Note:* For the establishment of the above branches, the date of obtaining the "License to Operate Securities and Futures Business" shall prevail for any occurrence after 1 January 2020.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### VI. EXPLANATION OF CHANGES IN SCOPE OF STATEMENT CONSOLIDATION

As of 30 June 2022, the Company had a total of 7 structured entities included in the first-level consolidation scope of the financial statements. There were 12 first-level entities included in the consolidation scope of the financial statements of the Company.

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

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

In accordance with Explanation on Implementation of Tax Preferential Treatments concerning Western China Development Strategy (《關於執行國家西部大開發所得稅優惠政策的說明》) issued by local taxation bureau in Yuzhong District, Chongqing City and Announcement on Continuation of Implementation of Tax Preferential Treatments concerning Western China Development Strategy [2020] No. 23 (《關於延續西部大開發企業所得稅政策的公告》([2020] No. 23) issued by the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission, the applicable income tax rates for China Futures is 15%.

The income tax rate for China Securities International is 16.5%.

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

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

### IX. FINANCING

In the first half of 2022, the Company publicly issued three tranches of subordinated bonds with a total issuance amount of RMB10.0 billion; publicly issued two tranches of perpetual subordinated bonds with a total issuance amount of RMB8.0 billion; issued one tranche of short-term commercial paper with an issuance amount of RMB2.5 billion; and issued 315 tranches of structured notes with a total issuance amount of approximately RMB26.4 billion.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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As of the end of the Reporting Period, the balance of outstanding corporate bonds of the Company amounted to RMB16.5 billion, the balances of perpetual subordinated bonds, subordinated bonds, US Dollar bonds, short-term commercial papers and financial bonds amounted to RMB23.0 billion, RMB46.0 billion, USD1.0 billion (equivalent to approximately RMB6.7 billion), RMB10.5 billion and RMB4.0 billion, respectively, the balance of structured notes amounted to approximately RMB33.6 billion and the balance of various debt financing instruments amounted to approximately RMB140.3 billion in total. The above utilization of proceeds was in line with the content in the prospectus or the agreement. In the second half of 2022, the Company will continue to utilize the proceeds in accordance with the operation and development strategies with reference to capital market conditions.

In the second half of 2022, the Company will continue to take opportunities to issue corporate bonds, subordinated bonds, perpetual subordinated bonds, private placement bonds, short-term commercial papers, financial bonds, structured notes and other financing instruments permitted by regulatory authorities according to the its own capital needs with reference to the market conditions.

### X. RISK MANAGEMENT

#### (I) Overview

The Company attaches great importance to the formation of a risk management system all the time. The Company adheres to the strategic policy of healthy development and establishes the business philosophy of putting risk management in an important position and “risk management as priority, risk management by all”. The Company’s risk management is in line with the Company’s general operating strategic goal, ensures that the risks are measurable, controllable and bearable, and obtains reasonable risk returns. The Company continues to enhance its risk management system in accordance with the needs arising from its business development, market condition changes and the regulatory requirements, so as to enhance group risk management capability. During the Reporting Period, the Company ensured the enhancement and effective operation of a comprehensive risk management mechanism.

#### (II) Structure of Risk Management

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

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

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

The Supervisory Committee is responsible for the supervision responsibility of overall risk management, supervises and inspects the due diligence of the Board of Directors and the Company's Executive Committee in risk management, and urges rectification.

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

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

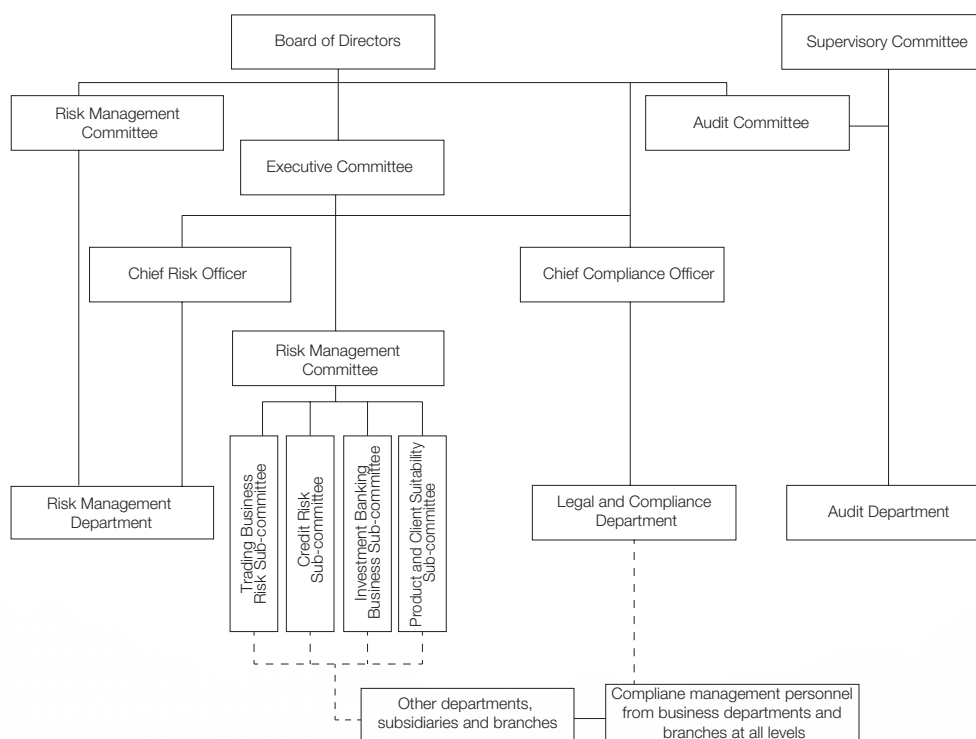
The Chief Risk Officer of the Company is responsible for leading professional risk management activities across the Company, including organizing the formulation of relevant risk management rules and procedures, improving the Company's risk management practices, and guiding the Risk Management Department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

Each and every department, branch and subsidiary of the Company, within their respective roles and responsibilities, is responsible for following the rules and procedures, and risk control policies, and implementing risk-control measures and engaging in direct risk control efforts in their business activities, and the person in charge is the first person responsible for risk management of the unit; each employee of the Company is responsible for the effectiveness of risk management through diligence, prudence and timely reporting.

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



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS



In addition, the Company has established the internal audit department. Through company-level review, the Company conducted export management and terminal risk control of investment banking projects, and performed ultimate approval of decision-making functions for the materials and documents submitted, reported, issued or disclosed in the name of the Company, strengthening Risk Management for Investment Banking.

### (III) Risk Management Mechanism

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

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

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

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

During the Reporting Period, as a pilot securities companies under consolidated supervision, the Company continued to strengthen the vertical control of domestic and overseas subsidiaries and the integrated management of the Group in accordance with regulatory requirements, and optimized the customer credit management, risk warnings, and new business and new product risk control, the risk identification and management and control capabilities of the Company have been further strengthened.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

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

#### 1. Strategic Risk Management

Strategic risks refer to the risks that affect the Company's overall development direction, corporate culture, information and capability of survival or corporate effectiveness. Based on serving the high-quality development of China's economy in the new era, the Company implements national financial policies, relies on the development environment of the capital market with Chinese characteristics, and takes the Company's core values, development vision and goals as the internal guidelines for formulating various strategic plans; the Company establishes rational organizational structure of strategic management, improves the strategic management mechanism, and clearly formulates the procedures and methods of strategic planning; the Company establishes assessment mechanism for strategic risk, pays close attention to the macroeconomic situation at home and abroad, the status of the industry, national industrial policies, scientific and technological progress, technological innovation, strategic partners, competitors and market demand, and identifies, analyzes and evaluates strategic risks; based on the assessment on the implementation of strategic planning, the Company will make adjustment or take targeted measures to effectively prevent and control strategic risks when necessary.

#### 2. Credit Risk Management

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

Credit risks of the Company arising from securities financing business primarily include risks from decline in value or insufficient liquidity of collateral provided by counterparties due to insufficient repayment ability, customers' failure to repay debts in full in a timely manner due to involvement in legal disputes of collateral assets, and credit risks arising from fraudulent credit information, violation of contracts and regulatory requirements in transaction actions. Control of credit risk from securities financing business is realised primarily through risk education for customers, credit investigation and verification on customers, credit management, risk assessment on collateralized (pledged) securities, reasonable setting of limit indicators, daily marking to market, customer risk warnings, forced position liquidation and legal recourse. In addition, for the financing of defaulting customers, customers with insufficient guaranteed securities and normal customers, the Company will perform the provision for impairment by complying with the requirements of accounting standards, and actively recover debts from defaulting customers.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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Credit risk arising from bond investments is primarily due to bond financing instrument issuer defaults or decline in the creditworthiness of issuers, defaults of counterparty to bond trade, among others. The Company conducts necessary due diligence to issuers and counterparties, establishes an internal rating system for implementing internal rating on issuers, debts and counterparty, executes access and limit management based on internal and external rating, and controls credit risk of bond investment by periodic and non-periodic risk screening and post-investment tracking. The Company controls credit risks relating to over-the-counter derivative transactions by setting counterparty ratings and credit lines, and setting limits on the size of transactions and related credit risk exposures before transactions can take place. The Company conducts a daily check and measurement of the credit risk exposures of counterparties. The Company has also adopted mark-to-market practices to monitor the contracts of derivative transactions and for valuation of collateral, and established forced position squaring procedures to control its credit risk exposures within established credit limits.

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

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

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### 3. Liquidity Risk Management

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

The Company has established clear decision-making levels, along with authority mechanism, mechanism for hierarchical control, and has clearly defined the duties and functions of the Board of Directors, as well as executive management and business departments in terms of liquidity risk management. The Company implements management on liquidity risk limits and establishes a liquidity risk limit indicator system covering three levels of the Company, business lines and products, as well as parent companies and subsidiaries. The Company conducts daily position analyses and monthly liquidity position analyses mechanism to manage liquidity movements in a timely manner, and evaluates the impact of asset and liability allocation and adjustment on liquidity risk on a regular or irregular basis. In order to effectively control the market liquidity risk of its securities portfolios, the Company has implemented securities centralized management system in securities investment and securities financing business, and adopted bond credit rating standards for fixed income securities investments. The Company has also established a liquidity reserve asset management system to cope with potential capital needs by holding sufficient high-quality liquidity assets that can be realised at any time.

The Company has improved its daily practice for liquidity risk management and control mechanism, refining internal funds transfer pricing (FTP) system, as well as optimizing liquidity emergency plans and stress tests. During the Reporting Period, the Company rationally planned the scale of our assets and liabilities, optimized the maturity structure of liabilities, maintained adequate liquidity reserve, the liquidity coverage ratio and the net stable funding ratio were within the compliant and stable range and secured liquidity risk to be measurable and controllable.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### 4. Market Risk Management

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

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

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



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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With regard to foreign exchange rate risk, the Company commenced the foreign exchange settlement and sale business with the approval of the SAFE in 2020, and China Securities International, the overseas subsidiary of the Company, held foreign currency assets and liabilities. As the assets and liabilities denominated in foreign currencies held by our Company represent an insignificant portion of the entire assets and liabilities, and represent a small portion of the income structure, the Company is of the view that the impact of foreign exchange rate risk on the Company's current operation is not significant in general. The Company established a foreign exchange risk management mechanism and managed its foreign exchange rate risk by limiting the size of assets and liabilities denominated in foreign currencies and general position management on foreign exchange settlement and sale, assigning stop-loss limits for investments and risk exposures in companies and risk hedging instruments with foreign exchange derivatives. Other price risks refer to risks of fair value decline to the Company's investment portfolio due to fluctuations in market prices other than stock prices, interest rates, and foreign exchange rates. The Company's investment portfolio primarily comprises equity securities, fixed income securities and their derivative instruments. Other market price-related businesses include gold, commodity and its derivatives trading where the Company primarily focuses on providing liquidity services and arbitrage trading in this type of business, representing small risk exposure. Accordingly, the other price risks do not have a significant impact on the Company's current operations.

### 5. Operational Risk Management

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

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

The Risk Management Department monitors and assesses the operational risks of various businesses including the brokerage business, and also implements regular risk control evaluation. It examines the key risks of various business and management lines, and establishes and implements key control measures in practical business procedures. The department also develops and improves internal control matrix. The business departments are organized to conduct self-evaluation of risk and control to identify new material risks and take appropriate risk control measures. Statistical analysis on various types of operational risk events is performed at least on an annual basis to calculate the frequency of their occurrence and the level of losses, as well as to assess the changing trend of risk and risk allocations. During the Reporting Period, the Company further implemented various risk warnings and risk education programs, and held company-wide training on risk management topics, kept promoting the specific application of professional management tools for operational risk, improved contingency plans under pandemic situations, and actively responded to unexpected pandemic situations in individual regions.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### 6. Information Technology Risk Management

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

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

### 7. Legal Risk and Compliance Risk Management

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

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

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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### 8. Reputation Risk Management

Reputation risks refer to the risks of negative comments to the Company from relevant stakeholders as a result of our operations, management and other activities or external events. The Company has established a reputational risk management mechanism to clarify the framework, division of responsibilities and management requirements of the reputational risk management. The Company follows the management principle of prevention first, attaches great importance to the relationship management of stakeholders such as customers and investors, and formulates relevant complaint handling mechanisms and measures. The Company standardizes the information release process and establishes a spokesperson system. The Company implements public opinion monitoring and hierarchical management to timely detect, and actively and prudently handle various reputational incidents. During the Reporting Period, the Company did not have any major reputational incidents and maintained a normal and good operating environment.

### XI. OTHER STATEMENT

Save as disclosed in this interim report, from 1 January 2022 to 30 June 2022, there are no material changes affecting the Company's performance that need to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules.



## SECTION 4 SIGNIFICANT EVENTS

### I. MATERIAL LITIGATION AND ARBITRATION

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

### II. PUNISHMENT DURING THE REPORTING PERIOD OF THE COMPANY

During the Reporting Period and as of the Date of Disclosure of the Report, the Company has been subject to the following administrative supervision measures:

#### 1. Administrative Supervision Measures of Issuing Warning Letter to CSC Taken by CSRC on 27 May 2022

On 27 May 2022, CSRC issued the Decision on Taking Measures of Issuing Warning Letter to CSC Financial Co., Ltd. ([2022] No. 24), pointing out that the stock index-linked targets of OTC option contract of the Company exceeded the specified range, violating the provisions of Article 17 of the Administrative Measures on Over-The-Counter Options Business of Securities Companies, accordingly CSRC decided to take administrative supervision measures of issuing warning letter to the Company.

In view of the punishment, the Company's rectification measures are as follows: 1. the relevant transactions have expired, and the Company would no longer carry out OTC derivatives business linked to stock indexes that exceed the scope specified by the regulatory authorities; 2. the Company further improves the targets management process and establishes a "list of linked targets" in its OTC derivatives business system, and only the targets included in the list can be traded in OTC derivatives; 3. the Company has performed compliance accountability of the relevant accountable departments and persons.

#### 2. Administrative Supervision Measures of Issuing Warning Letter to Qingyuan Qingxin Avenue Securities Business Department of CSC Taken by Guangdong CSRC on 3 August 2022

On 3 August 2022, Guangdong CSRC issued the Decision on Taking Measures of Issuing Warning Letter to Qingyuan Qingxin Avenue Securities Business Department of CSC Financial Co., Ltd. ([2022] No. 96), pointing out that Qingyuan Qingxin Avenue Securities Business Department of the Company had the following problems: First, the employees of the business department had the behaviors (such as using other people's securities accounts to buy and sell stocks, privately accepting the entrustment of customers to buy and sell stocks, and handling securities subscription transactions on behalf of customers) during their employment, while the business department failed to detect and check the relevant situation in time. Secondly, the mobile phone numbers reported to the business department by its employees were entrusted by multiple customers from the same source, and the business department failed to monitor and warn in real time, failed to be cautious about obvious abnormal situations, and failed to take adequate measures for the exposed compliance risks. The above behaviors reflected that the compliance management of the business department was not in place, and violated the relevant requirements under the Article 6 of the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies and the Article 17 of Interim Provisions on the Administration of Securities Brokers. Guangdong CSRC decided to take administrative supervision measures of issuing warning letter to Qingyuan Qingxin Avenue Securities Business Department.

## SECTION 4 SIGNIFICANT EVENTS

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In view of the punishment, the Company's rectification measures are as follows: 1. the Company further strengthens the management of employees' practicing behaviors, and organizes employees to conduct compliance talks and compliance training in respect of this risk event; 2. the Company strengthens the compliance inspections on employees' personal investment behaviors, employees' electronic equipment management, and the wealth management on behalf of customers by employees; 3. the Company strengthens the due diligence of the personal background and marital status of new employees, strictly follows the Company's rules and regulations, and deals with the intentional concealment, false reporting and repeated violations in a timely manner; 4. the Company will perform compliance accountability of the relevant accountable departments and persons.

### **3. Administrative Supervision Measures of Issuing Warning Letter to Yunnan Branch of CSC Taken by Yunnan CSRC on 16 August 2022**

On 16 August 2022, Yunnan CSRC issued the Decision on Taking Measures of Issuing Warning Letter to Yunnan Branch of CSC Financial Co., Ltd. ([2022] No. 8), pointing out that the materials submitted by Yunnan Branch to Yunnan CSRC were inaccurate and incomplete, which was in violation of the relevant requirements under the Article 13 of the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies. Yunnan CSRC decided to take administrative supervision measures of issuing warning letter to Yunnan Branch.

In view of the punishment, the Company's rectification measures are as follows: 1. the Company has carefully sorted out and improved the workflow and review mechanism for the branches to submit materials to the regulatory authorities, increased the review efforts, enriched the means and methods for checking employees' part-time jobs, and carried out compliance training for relevant personnel to ensure the integrality and completeness of the relevant submitted materials; 2. the Company has further enhanced its cadre management, strengthened background investigation to ensure the compliance of employment conditions, and submitted external part-time information of Directors, Supervisors, senior management and persons in charge of branches to regulatory authorities according to laws; 3. the Company will perform compliance accountability of the relevant accountable departments and persons.

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

During the Reporting Period, the Company did not have material asset acquisition, disposal or swap, and business combinations. During the Reporting Period, the Company did not have material off-balance sheet item and contingent liability which may have an impact on the financial condition and operating results, such as material external guarantee, mortgage and pledge.

## **IV. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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

## **V. REPURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY**

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

### VI. DIVIDEND

The Board of Directors did not present the proposal in relation to the distribution of any 2022 interim dividends for the six months ended 30 June 2022.

### VII. CUSTODY WORK

On 17 July 2020, the CSRC issued an announcement deciding to take over New Times Securities Company Limited (hereinafter referred to as the New Times Securities) in accordance with the law. Entrusted by the CSRC, the Company established the custody group for New Times Securities (hereinafter referred to as the Custody Group) to perform the duties of the custodian. The Custody Group strictly followed the requirements of the Takeover Committee, complied with the Regulations on Risk Handling of Securities Companies, and completed all kinds of work in an orderly manner with the working principles of “solidifying history, maintaining operation, complying with laws and regulations and making no risks” in accordance with the requirements of “double posts and double responsibilities”. In May 2022, the CSRC issued an announcement declaring to conclude the takeover and custody work of New Times Securities. During the custody period, the Custody Group established a long-term mechanism for custody work, to effectively improve the compliance construction and governance system of New Times Securities, ensure the smooth operation of various businesses of New Times Securities, and successfully finish the custody work.

### VIII. OTHER IMPORTANT EVENTS

- (I) Relevant Information Conducive to Ecological Protection and Fulfillment of Environmental Responsibilities

The Company has thoroughly implemented the national strategic deployment on achieving “carbon peak and carbon neutrality” goals, actively served the implementation of policy requirements such as the “Opinions of the CPC Central Committee and the State Council on Completely, Accurately and Comprehensively Implementing New Development Concepts to Do a Good Job in Carbon Peak and Carbon Neutrality” and the “Action Plan for Carbon Dioxide Peaking Before 2030”, and firmly grasped the green development opportunities. By vigorously developing initial public offering (IPO), refinancing issuance, bond issuance and other businesses, the Company provides financing support for green and low-carbon related industries such as energy conservation and environmental protection, clean production, clean energy, ecological environment, green upgrading of infrastructure, etc., thereby continuing to promote the all-round green transformation of economic and social development.

During the Reporting Period, the Company has cumulatively led the underwriting of 44 green bonds, with a lead underwriting scale of RMB30.416 billion. Among them, there were 17 carbon neutral bonds, with a lead underwriting scale of RMB7.673 billion and a raised capital of RMB24.409 billion. During the Reporting Period, the typical practices on ecological protection, pollution control and fulfillment of environmental responsibilities carried out by the Company are as follows:



## SECTION 4 SIGNIFICANT EVENTS

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Jinko Power Technology Co., Ltd. (hereinafter referred to as the Jinko Technology) is the world's leading clean energy supplier and service provider. In May 2022, the Company, as the lead underwriter, cooperated with China Securities Finance Corporation Limited to jointly establish the first credit protection contract in the exchange with an amount of RMB100 million based on carbon neutral green corporate bonds for rural revitalization, so as to support the successful issuance of Jinko Technology's carbon neutral green corporate bonds (first tranche) for rural revitalization in 2022, and become the first bond issued under the special support plan for private enterprise bond financing in the exchange bond market. The issuance scale of the bonds was RMB500 million, with a coupon rate of 5.50%, being the lowest rate among the AA rated private enterprise bonds with the same term in the same period. The funds raised was mainly used to repay interest-bearing debts related to photovoltaic power station projects for green carbon neutrality and rural revitalization, which helped to improve the carbon emission reduction benefits and drove the economic development in rural areas.

As the world's leading new energy innovation technology company, Contemporary Amperex Technology Co., Ltd. (hereinafter referred to as the CATL) has core technical strengths and forward-looking R&D layout in key areas of the industrial chain such as battery materials, battery systems and battery recycling. In June 2022, the Company exclusively sponsored the private placement projects for CATL, and acted as the lead underwriter to complete the issuance of RMB45 billion of raised funds. The subscription amount of this issuance is more than twice the amount of the raised funds. It has created many market records and will help improve CATL's production capacity and R&D capabilities. It is also an important practice for the Company to actively participate in the construction of China's new energy system.

In June 2022, China Securities International learned from the development experience of the international carbon market, and completed the first EU carbon emission quota transaction together with its counterparty, with a nominal principal of about US\$160 million, making a significant step in exploring and developing carbon financial services.

The Company has deeply participated in the daily work of the Green and Sustainable Investment Committee of the Asset Management Association of China, actively promoted the asset management industry to actively fulfill the ESG investment responsibilities, and served the green transformation and high-quality development of the real economy. During the Reporting Period, the Company launched the ESG-themed collective asset management plan for the first time, focusing on investing in bonds and stock assets with good ESG indicators and in line with the concept of green and sustainable development.

In addition, the Company has also actively participated in the formulation of green development related standards. During the Reporting Period, the Company has, as a non-permanent member of the Green Bond Standard Committee, made significant contributions to the preparation of the "China Green Bond Principles" (hereinafter referred to as the Principles). The Principles, which was officially released in July 2022, has effectively advanced the integration of China's green bond standards with international standards.

## SECTION 4 SIGNIFICANT EVENTS

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### (II) Measures Taken to Reduce Carbon Emissions and Their Effects during the Reporting Period

The Company strictly abides by the requirements under the laws and regulations related to environmental protection, strives to reduce the impact of various business activities on the environment, and promotes low-carbon green development in its operational aspects.

In terms of green operation, the Company has continued to improve the level of its digital business. By applying the “All-in-one Counter” system, the Company has achieved paperless review and electronic signature of over-the-counter business in branches and off-site witness business, which reduces the use of paper in business sides while improving the business handling efficiency.

In terms of green operation, the Company has taken measures such as strengthening energy management in office areas, regularly carrying out waste recycling and treatment, promoting digital paperless office and applying energy-saving equipment and technology to effectively achieve energy conservation and consumption reduction in operation areas.

In terms of green procurement, the Company sets green procurement points in the procurement process, and encourages cooperative suppliers to reduce their impact on the environment in the process of business development.

### (III) Rural Revitalization and Other Measures

#### 1. CSC

- (1) During the Reporting Period, the Company donated RMB12.60 million to Pingbian County, Yunnan Province and Qianjiang District, Chongqing City, of which the assistance fund for Pingbian County will be used for three assistance projects, including the construction of a county-level cold chain logistics warehousing and distribution center, the construction of the new era civilization practice station and supporting facilities of Ximatang Village Committee of Xinxian Town, and the reconstruction and expansion project of Yuping Primary School. The assistance fund for Qianjiang District will be used for four assistance projects, including the plant renovation project of Chongqing Shengeng Food Co., Ltd., the beef cattle breeding project in Yutian Village, Shijia Town, the industrial road hardening project in Chengnan Street, and the teaching equipment procurement project of Shaba Town Central School.
- (2) During the Reporting Period, due to the outbreak of the COVID-19 pandemic in Shanghai, the Company donated anti-pandemic materials worth approximately RMB49,900 to Lujiazui Street, Pudong New District, Shanghai.
- (3) During the Reporting Period, the Company purchased fertilizers worth approximately RMB4,900 to help the villagers in need in Zhongcun Village and Lvjiala Village, Luohandong Township, Jingchuan County, Gansu Province.

## SECTION 4 SIGNIFICANT EVENTS

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- (4) During the Reporting Period, in response to the “Notice on the Voluntary Tree Planting Work of the Central State Organs in 2022” issued by the Greening Office of the Central State Organs, the Company called on its employees to donate about RMB31,200 to perform their duties of voluntary tree planting through donation.
- (5) During the Reporting Period, due to the outbreak of the COVID-19 pandemic in Jilin Province, the Company used RMB48,000 from the employee charity donation fund and RMB16,000 donated by employees, totaling RMB64,000, to support local fight against the pandemic by way of purchasing anti-pandemic materials.

### 2. China Futures

- (1) During the Reporting Period, China Futures signed the “Strategic Cooperation Agreement on Rural Revitalization” with a total of six places, including Mengla County, Lanping Bai and Pumi Autonomous County, Lushui City, Fugong County, and Gongshan Dulong and Nu Autonomous County in Yunnan Province, and Ganyan Tujia Township, Cili County, Hunan Province; and signed the “Party Building Cooperation Agreement” with the CPC Lanying Township Committee of Wuxi County, Chongqing City to carry out the Party building cooperation activities.
- (2) During the Reporting Period, China Futures donated RMB250,000 to Cili County in Hunan Province and Wuxi County in Chongqing City to aid local ginger, eucommia, honeysuckle and other planting projects; it also consumed a total of RMB325,000 to purchase local products from Yanchang County in Shaanxi Province, as well as Qianjiang District and Fengjie County in Chongqing.
- (3) During the Reporting Period, China Futures carried out the live pig “insurance + futures” pilot project in Qianjiang District and Wanzhou District, Chongqing City, underwriting a total of 4,310 live pigs; carried out the soybean and corn “insurance + futures” pilot project in Longjiang County, Heilongjiang, underwriting 142 tons of soybeans and 268 tons of corn; provided over-the-counter options services with a royalty of RMB398,100 to two live pig breeding cooperatives and two live pig breeding enterprises in Qianjiang District, Chongqing, covering 744 tons of live pigs, with a cumulative claim of RMB1,707,600, and held 28 professional knowledge training sessions.



# SECTION 5 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

## I. SHARE CAPITAL STRUCTURE OF THE COMPANY

As of the end of the Reporting Period, the share capital structure of the Company was as follows:

Name of Shareholders	Type of Shares	Number of Shares	Percentage in the total number of Shares
Beijing Financial Holdings Group (北京金控集團)	A Shares	2,684,309,017	34.61%
Central Huijin (中央匯金)	A Shares	2,386,052,459	30.76%
HKSCC Nominees Limited (香港中央結算 (代理人)有限公司) <i>(Note)</i>			
Glasslake Holdings (鏡湖控股)	H Shares	351,647,000	4.53%
Other Shares held under the name of HKSCC Nominee Limited	H Shares	909,120,618	11.72%
CITIC Securities (中信証券)	A Shares	382,849,268	4.94%
Tengyun Investment (騰雲投資)	A Shares	109,556,553	1.41%
Hong Kong Securities Clearing Company Limited	A Shares	50,922,105	0.66%
Fujian Gui'an Xintiandi Tourism Culture Investment Co., Ltd.	A Shares	38,861,100	0.50%
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open- ended Fund (中國建設銀行股份有限公司 – 國泰中證全指證券公司交易型開放式 指數證券投資基金)	A Shares	22,713,671	0.29%
China Construction Bank Corporation – Huabao CSI All Share Securities Company Trading Index Securities Investment Open- ended Fund (中國建設銀行股份有限公司 – 華寶中證全指證券公司交易型開放式 指數證券投資基金)	A Shares	16,890,118	0.22%
Other public holders of A Shares	A Shares	803,516,744	10.36%
Other public holders of H Shares	H Shares	256,144	Less than 0.01%
<b>Total</b>		<b>7,756,694,797</b>	<b>100.00%</b>

*Note:* As of 30 June 2022, the Company noted from the Shareholders' interests disclosed on the Hong Kong Stock Exchange that Glasslake Holdings held 351,647,000 H Shares of the Company, representing 4.53% of the total share capital of the Company. The total number of H Shares of the Company held by HKSCC Nominees Limited acting as the nominee for all institutional and individual investors that maintain an account with it was 1,260,767,618 H Shares as of 30 June 2022. Save for 351,647,000 H Shares of the Company held under the name of HKSCC Nominees Limited by Glasslake Holdings, to the knowledge of the Company, the number of remaining H Shares of the Company held under the name of HKSCC Nominees Limited was 909,120,618 H Shares.

## SECTION 5 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

### II. SHAREHOLDERS

As of 30 June 2022, the total number of Shareholders as shown on the register of members of the Company was 189,156, of which 189,094 were A Shareholders and 62 were H Share registered Shareholders. The H Share registered Shareholders include HKSCC Nominees Limited, which held H Shares of the Company as the nominee for all institutional and individual investors that maintained an account with it as of 30 June 2022.

### III. DISCLOSURE OF INTERESTS

Interests and short positions to be disclosed by the shareholders pursuant to the securities and futures ordinance

To the knowledge of the Directors, as at 30 June 2022, the following Shareholders (except Directors, Supervisors or chief executives) had interests or short positions in any Shares and underlying Shares of the Company required to be entered into the register to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Number of Shares Directly and Indirectly Held	Class of Shares	Nature of Interest	Approximate Percentage of the Total Issued Ordinary Share Capital	Approximate Percentage of the Relevant Class of Shares
1. Beijing Financial Holdings Group (北京金融集團)	Beneficial owner	2,684,309,017	A Shares	Long positions	34.61%	41.32%
2. Central Huijin (中央匯金)	Beneficial owner	2,386,052,459	A Shares	Long positions	30.76%	36.73%
3. CITIC Securities (中信証券)	Beneficial owner	382,849,268	A Shares	Long positions	4.94%	5.89%
		250,000	A Shares	Short positions	Less than 0.01%	Less than 0.01%
	Approved lending agent	250,000	A Shares	Long positions (Shares available for loan)	Less than 0.01%	Less than 0.01%
4. Glasslake Holdings (鏡湖控股) <i>(Note 1)</i>	Beneficial owner	351,647,000	H Shares	Long positions	4.53%	27.89%
5. Affluent East Investments Limited (東滿投資有限公司) <i>(Note 1)</i>	Interest of Controlled Corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
6. CITIC Limited (中信股份) <i>(Note 1)</i>	Interest of Controlled Corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
7. CITIC Group (中信集團) <i>(Note 1)</i>	Interest of Controlled Corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
8. Shanghai Ningquan Asset Management Co., Ltd. (上海寧泉資產管理有限公司)	Investment manager	100,830,500	H Shares	Long positions	1.30%	8.00%
9. Wellington Management Group LLP <i>(Note 2)</i>	Investment manager	89,047,525	H Shares	Long positions	1.15%	7.06%
		4,213	H Shares	Short positions	Less than 0.01%	Less than 0.01%

## SECTION 5 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

Notes:

- (1) Glasslake Holdings is wholly-owned by Affluent East Investments Limited (東滿投資有限公司) (“Affluent East”), which is in turn a wholly-owned subsidiary directly controlled by CITIC Limited. CITIC Group indirectly holds a majority of equity interest in CITIC Limited. Therefore, each of Affluent East, CITIC Limited and CITIC Group is deemed to be interested in the H Shares held by Glasslake Holdings under the SFO.
- (2) Wellington Management Group LLP holds a total of 89,047,525 shares (long position) and 4,213 shares (short position) of H shares in the Company by virtue of its relationship with a number of corporations, of which 122 shares (long position) and 4,213 shares (short position) H shares are held in an unlisted derivative instrument settled in cash. According to the disclosure of interest notice filed by Wellington Management Group LLP, with a relevant event date of 27 May 2022, the following interests in H shares were held by Wellington Management Group LLP:

Name of controlled corporation	Name of controlling person	%	Direct interest (Y/N)	Number of Shares	
Wellington Group Holdings LLP	Wellington Management Group LLP	99.70	N	Long positions	89,047,525
				Short positions	4,213
Wellington Investment Advisors Holdings LLP	Wellington Group Holdings LLP	99.99	N	Long positions	89,047,525
				Short positions	4,213
Wellington Management Global Holdings, Ltd.	Wellington Investment Advisors Holdings LLP	94.10	N	Long positions	59,638,543
Wellington Management Company LLP	Wellington Investment Advisors Holdings LLP	99.99	Y	Long positions	29,408,982
				Short positions	4,213
Wellington Management Hong Kong Ltd	Wellington Management Global Holdings, Ltd.	100.00	Y	Long positions	15,153,000
Wellington Management International Ltd	Wellington Management Global Holdings, Ltd.	100.00	Y	Long positions	44,469,571
Wellington Management Singapore Pte. Ltd.	Wellington Management Global Holdings, Ltd.	100.00	Y	Long positions	15,972

Save as disclosed above, as at 30 June 2022, to the knowledge of the Directors, no other person (except Directors, Supervisors and senior management of the Company) had interests and short positions in the Shares, underlying Shares and debentures of the Company which were required, pursuant to Section 336 of the SFO, to be recorded in the register to be kept by the Company referred to therein.

Save as disclosed in this report, as at 30 June 2022, Directors did not hold positions as directors or employees in companies which had interests or short positions that needed to be notified to the Company under divisions 2 and 3 of Part XV of the SFO.

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

Not available.



# SECTION 6 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## I. THE BOARD OF DIRECTORS AND THE BOARD COMMITTEE

### Composition of the Board of Directors

As of the end of the Reporting Period, the Board of the Company comprises of 14 Directors, two of which are executive Directors (Mr. Wang Changqing and Mr. Li Geping), seven are non-executive Directors (Mr. Yu Zhongfu, Mr. Wang Xiaolin, Ms. Zhang Qin, Ms. Zhu Jia, Ms. Zhang Wei, Mr. Yang Dong and Ms. Wang Hua) and five are independent non-executive Directors (Mr. Dai Deming, Mr. Bai Jianjun, Mr. Liu Qiao, Mr. Po Wai Kwong and Mr. Lai Guanrong). Mr. Wang Changqing is the Chairman of the Board, Mr. Yu Zhongfu and Mr. Wang Xiaolin are the Vice Chairmen, and Mr. Li Geping is the general manager. Save as the above employment information and the publicly disclosed information, none of the Directors, Supervisors and members of the senior management is related to other Directors, Supervisors and members of the senior management of the Company.

### Board Committees under the Board of the Company

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

<b>Name of committee</b>	<b>Members of committee</b>
Development Strategy Committee	Wang Changqing (Chairman), Yu Zhongfu, Wang Xiaolin, Li Geping, Zhu Jia, Yang Dong, Wang Hua, Lai Guanrong
Risk Management Committee	Zhang Wei (Chairman), Li Geping, Zhang Qin, Yang Dong, Wang Hua, Bai Jianjun, Liu Qiao
Audit Committee	Dai Deming (Chairman), Wang Xiaolin, Zhang Qin, Po Wai Kwong, Lai Guanrong
Remuneration and Nomination Committee	Bai Jianjun (Chairman), Wang Changqing, Yu Zhongfu, Zhang Wei, Dai Deming, Liu Qiao, Po Wai Kwong

During the Reporting Period, all Directors have faithfully and diligently performed their duties entitled by laws and regulations, and protected the overall interests of the Company and its Shareholders, especially the legitimate interests of minority Shareholders. The Audit Committee of the Board of the Company has reviewed the accounting policies adopted by the Company and discussed matters such as the internal control and financial reports, including a comprehensive review of the consolidated interim financial information for the six months ended 30 June 2022 and the interim results announcement, and no disagreement has been proposed in respect of the accounting policies adopted by the Company and financial reports. The external auditor of the Company has reviewed the interim financial information in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

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

## SECTION 6 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### II. THE SUPERVISORY COMMITTEE

The Company strictly complied with the requirements of the Articles of Association and relevant rules in respect of the appointment of Supervisors. As of the Date of Disclosure of the Report, the Company's Supervisory Committee comprises five Supervisors, including the Chairman of the Supervisory Committee (Mr. Zhou Xiaoyu), two Shareholder representative Supervisors (Ms. Ai Bo and Mr. Wang Xiaoguang) and two employee representative Supervisors (Ms. Lin Xuan and Mr. Zhao Ming).

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

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

Name	Positions	Changes
Li Yunan	Senior management	Resigned
Zhao Lijun	Supervisor	Resigned
Wang Xiaoguang	Supervisor	Elected

### IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT FROM THE END OF THE REPORTING PERIOD TO THE DISCLOSURE DATE

Not available.

### V. DEALING IN SECURITIES BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules (the "Model Code") in respect of the securities transactions entered into by its Directors and Supervisors. The Company has made specific inquiries to all Directors and Supervisors on any non-compliance with the Model Code. All the Directors and Supervisors have confirmed that they have completely complied with the provisions and standards set out in the Model Code during the period from 1 January 2022 up to the date of announcement of 2022 interim results.

## SECTION 6 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

To the knowledge of the Directors, as of 30 June 2022, no Directors, Supervisors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), which were required, pursuant to Section 352 of the SFO, to be recorded in the register to be kept by the Company, or required, pursuant to the Model Code under Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

As of 30 June 2022, no Directors and Supervisors or their respective spouses or children under 18 years of age had been granted the rights to gain benefits by way of purchasing Shares or debentures of the Company or exercise any aforesaid rights by themselves, nor had Directors and Supervisors or their respective spouses or children under 18 years of age been granted the aforesaid rights from any other corporate body due to the arrangement made by the Company or any of its subsidiaries.

### **VII. RIGHTS OF DIRECTORS TO ACQUIRE SHARES OR DEBENTURES**

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



## SECTION 6 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### VIII. EMPLOYEES

#### (I) Number and Composition of Employees

As of the end of the Reporting Period, the Group had 12,336 employees in total (including labor outsourcing personnel), specific composition of which was as follows:

Item	The Group		The Company	
	Number of employees	Percentage (%)	Number of employees	Percentage (%)
Business personnel	9,641	78.15	9,016	80.83
Information technology personnel	1,094	8.87	1,013	9.08
Professional structure	295	2.39	233	2.09
Financial personnel	115	0.93	46	0.41
Administration personnel	1,191	9.66	847	7.59
Others				
Total	12,336	100	11,155	100

#### (II) Relevant Information of Securities Brokers

As of the end of the Reporting Period, the Company had a total of 58 securities business departments that had implemented a securities broker system. There was a total of 210 brokers who obtained practicing qualifications for securities brokers as reviewed and approved by the Securities Association of China.

#### (III) Employee Remuneration

The Company has implemented the concept of stable operation and sustainable development, established a complete and stable remuneration management mechanism, and closely integrated the remuneration level with the post value of employees as well as the risk management ability and compliance management level of the Company. The Company conducts a comprehensive evaluation on the internal control management, compliance management and risk management level of each department, branch and subsidiary every year, which is ultimately reflected in the year-end assessment and remuneration incentives, so as to ensure that the remuneration incentive and restraint mechanism is effectively connected with the Company's internal control management, compliance management and risk management, and avoid excessive incentives and short-term incentives. The Company has set up a remuneration deferred payment mechanism, and the remuneration payment progress and proportion are matched with the risk attributes, characteristics and duration of the employees' position, so as to effectively cover the duration of the risk. The Company deeply promotes the industry cultural concept of "compliance, integrity, professionalism, and prudence", as well as the corporate culture spirit of "integrity, focus, growth, and win-win" among employees, in order to guide employees to pay attention to long-term development goals, practice honestly, perform duties with due diligence and work hard to create value for the Company and society.

## SECTION 6 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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The Company has established a sound human resource remuneration management system in compliance with the provisions of the PRC laws on labour contract, labour protection, etc., formulated various rules and regulations in relation to remunerations, positions and grades, performance assessments, benefits and holidays, etc., and stringently implemented such rules and regulations. The Company has effectively protected the employees' interest in various aspects such as labor protection, working environment, payment of wages, social insurance, healthcare and vacation.

The Company determines remuneration standards strictly in compliance with the principles of marketization and sharing, and remuneration for employees includes fixed salary, performance-related bonuses and insurance benefits. Fixed salary is determined according to the position and grade, and the standard of position and grade is determined taking account of the comprehensive factors such as qualification, working capability, professional knowledge and experience, and market level of employees, while performance-related bonuses are determined comprehensively according to the strategy implementation, result performance, comprehensive assessment level, honest practice evaluation, etc. of employees in the corresponding year, and are fully associated with their post value, compliance management and risk control capabilities. The total amount of annual bonuses is deducted in accordance with the standards determined by the Board. The Company establishes a comprehensive benefit protection system, and the statutory benefits are paid in accordance with the rules and standards as stipulated by the state. Benefits of the Company include various aspects, including replenishment of medical insurance, enterprise annuity, paid leave and medical examination.

The Company has a complete internal governance structure, and a clear division of responsibilities in each department, to ensure the effective implementation, supervision and continuous improvement of the remuneration management mechanism.

### (IV) Training Program

The Company continues to promote and implement talent cultivating and training systems with "comprehensive layout, overall planning, implementation by levels and clear purposes", constantly improves its multi-level talent cultivating system which focuses on the "ladder of training for the growth of employees", and emphasizes on strengthening the talent echelon construction. Through the hybrid learning methods combining the face-to-face teaching, online broadcasting teaching and online learning, supplemented by the digital learning platform of E-learning and its mobile terminal as carriers, so as to ensure the scope and depth of training coverage, the Company creates room for learning and growth for the majority of cadres and employees and comprehensively improves their management skills, professional skills and professionalism.

1. The Company enhanced the training of senior employees on strategic awareness and leadership, broadened their innovative idea and international perspective, improved their reform management capability, strategic execution capability, operating management capability, business synergy capability, risk prevention capability and integrated humanity quality, and cultivated high-quality leaders for enterprise operation and management.

## SECTION 6 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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2. The Company strengthened the training of mid-level employees on implementation, competence and professional skills, and strived to improve their professional knowledge reserve, project implementation capability, business development and innovation capability as well as team management capability.
3. The Company strengthened the cultivation of talent team of outstanding young cadres in headquarters and branches by enhancing their integrated training on self-management, team management, systematic thinking and problem analysis and solving ability as well as promoting the improvement of their management awareness and level.
4. The Company strengthened the professional skills training for professionals in key fields, and reinforced the training and reserve of professionals in the fields of investment research, digitization, internationalization, key account managers and investment banking project.
5. The Company popularised vocational training and common skills training for ordinary employees, strengthened the promotion of values for the integration of its industry culture and corporate culture, as well as the education of practicing compliance, business operation, workflow, regulations and policies, and strived to enhance their communication and presentation capability, customer service capability, team coordination capability and office operation capability.
6. The Company paid attention to carrying out normalized compliance and risk control education, integrity practice education and information security education for all employees.

The Company attached high importance to recruitment at university campuses, and commenced a series of enrollment and trainee cultivation program to recruit outstanding graduates and students with working and placement opportunities. During the Reporting Period, the Company provided over 4,300 internship positions for the on-campus students, and hired over 600 new graduates for headquarters and branches. The Company provided an approximately 64-hour online orientation in total for new entrants in headquarters and branches recruited at university campuses, and organized concentrated induction training for new entrants in a unified manner.

### (V) Relationship with Employees

The Company believes that excellent cadre and staff teams are the cornerstone for sustainable development of the Company and has made active investment continuously in the human resources management. The Company constantly attracts professional talents to join and creates the core competitiveness of the Company through a series of human resources management measures such as stringent recruitment conditions and selection procedures, market-oriented remuneration mechanisms, complete training and cultivating programs, effective performance management policies and long-term talents development plans.

During the Reporting Period and as of the Date of Disclosure of the Report, the Company has not experienced any strike actions by employees or other material labor disputes affecting the operation of the Company, and the Company has maintained a good relationship with its employees.



# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 63 to 144, which comprises the interim condensed consolidated statement of financial position of CSC Financial Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2022 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 30 August 2022

# INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

	Note	Six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
<b>Revenue</b>			
Fee and commission income	6	7,630,578	6,137,040
Interest income	7	4,518,465	4,263,207
Net investment gains	8	2,932,390	3,481,342
		<b>15,081,433</b>	13,881,589
Other income	9	3,767,511	2,588,924
<b>Total revenue and other income</b>		<b>18,848,944</b>	16,470,513
Fee and commission expenses	10	(885,979)	(710,963)
Interest expenses	10	(3,546,577)	(3,433,533)
Staff costs	10	(3,954,670)	(3,402,040)
Tax and surcharges		(78,060)	(73,465)
Other operating expenses and costs	10	(4,815,040)	(3,485,866)
Credit impairment (losses)/reversals	11	(65,104)	305,094
Impairment losses on other assets		(22,037)	(12,475)
<b>Total expenses</b>		<b>(13,367,467)</b>	(10,813,248)
<b>Operating profit</b>		<b>5,481,477</b>	5,657,265
Share of profits and losses of associates		7,183	2,592
<b>Profit before income tax</b>		<b>5,488,660</b>	5,659,857
Income tax expense	12	(1,106,233)	(1,167,286)
<b>Profit for the period</b>		<b>4,382,427</b>	4,492,571
Attributable to:			
Equity holders of the Company		4,375,356	4,529,126
Non-controlling interests		7,071	(36,555)
		<b>4,382,427</b>	4,492,571
Earnings per share attributable to ordinary equity holders of the Company (expressed in RMB yuan per share)			
– Basic and diluted	14	0.52	0.55

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
<b>Profit for the period</b>	<b>4,382,427</b>	4,492,571
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit or loss in subsequent period</b>		
Net gains on investments in debt instruments measured at fair value through other comprehensive income	146,190	189,094
Net losses on investments in debt instruments measured at fair value through other comprehensive income reclassified to profit or loss on disposal	(103,390)	(5,979)
Income tax relating to these items	(15,898)	(45,863)
	<b>26,902</b>	137,252
Share of other comprehensive income of associates	(50)	25
Foreign currency translation differences	151,486	(17,920)
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Net losses on investments in equity instruments designated as at fair value through other comprehensive income	(18,910)	(138,020)
Income tax relating to these items	-	37,536
	<b>(18,910)</b>	(100,484)
<b>Other comprehensive income for the period, net of tax</b>	<b>159,428</b>	18,873
<b>Total comprehensive income for the period</b>	<b>4,541,855</b>	4,511,444
Attributable to:		
Equity holders of the Company	4,534,784	4,547,999
Non-controlling interests	7,071	(36,555)
	<b>4,541,855</b>	4,511,444

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



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	15	628,362	701,008
Right-of-use assets	16	1,669,701	1,822,761
Investment properties		47,003	49,146
Intangible assets	17	498,998	519,133
Investments in associates	19	109,435	111,002
Financial assets at fair value through profit or loss	20	8,780,749	7,576,009
Financial assets held under resale agreements	22	4,884	9,906
Refundable deposits	23	10,851,512	10,395,629
Deferred tax assets	24	2,238,608	1,967,844
Other non-current assets	25	87,438	94,082
<b>Total non-current assets</b>		<b>24,916,690</b>	<b>23,246,520</b>
<b>Current assets</b>			
Margin accounts	26	52,980,150	57,808,146
Accounts receivable	27	25,830,734	23,075,172
Financial assets at fair value through profit or loss	20	144,192,549	153,971,907
Financial assets at fair value through other comprehensive income	21	55,548,514	48,358,146
Derivative financial assets	28	2,797,348	2,517,942
Financial assets held under resale agreements	22	21,122,026	19,011,848
Cash held on behalf of clients	29	108,159,807	88,118,755
Cash and bank balances	30	28,831,806	36,002,716
Other current assets	31	934,156	680,274
<b>Total current assets</b>		<b>440,397,090</b>	<b>429,544,906</b>
<b>Total assets</b>		<b>465,313,780</b>	<b>452,791,426</b>
<b>Current liabilities</b>			
Accounts payable to brokerage clients	32	114,389,211	93,082,812
Lease liabilities	33	457,190	444,289
Derivative financial liabilities	28	3,903,811	4,295,326
Financial liabilities at fair value through profit or loss	34	4,546,030	2,345,498
Financial assets sold under repurchase agreements	35	95,950,952	99,595,667
Placements from banks and other financial institutions	36	2,510,406	8,528,656
Taxes payable	37	892,996	1,486,151
Short-term borrowings	38	563,412	987,374
Short-term financing instruments payable	39	15,714,848	18,290,179
Other current liabilities	40	72,729,070	75,365,016
<b>Total current liabilities</b>		<b>311,657,926</b>	<b>304,420,968</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<b>Net current assets</b>		<b>128,739,164</b>	125,123,938
<b>Total assets less current liabilities</b>		<b>153,655,854</b>	148,370,458
<b>Non-current liabilities</b>			
Financial liabilities at fair value through profit or loss	34	<b>7,835,101</b>	5,454,391
Bonds in issue	41	<b>54,108,672</b>	60,020,192
Lease liabilities	33	<b>1,212,843</b>	1,359,022
Deferred tax liabilities	24	<b>1,587,516</b>	1,525,316
Other non-current liabilities		<b>2,948</b>	5,253
<b>Total non-current liabilities</b>		<b>64,747,080</b>	68,364,174
<b>Net assets</b>		<b>88,908,774</b>	80,006,284
<b>Equity</b>			
Share capital	42	<b>7,756,695</b>	7,756,695
Other equity instruments	43	<b>22,912,302</b>	14,937,500
Reserves	44	<b>31,484,165</b>	31,323,286
Retained earnings		<b>26,714,382</b>	25,800,975
Equity attributable to equity holders of the Company		<b>88,867,544</b>	79,818,456
Non-controlling interests		<b>41,230</b>	187,828
<b>Total equity</b>		<b>88,908,774</b>	80,006,284

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

Approved and authorized for issue by the Board of Directors on 30 August 2022.

**Wang Changqing**

Chairman

**Li Geping**

Executive Director and General Manager

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

	Attributable to equity holders of the Company											
	Note	Share capital	Other equity instruments	Reserves					Retained earnings	Subtotal	Non-controlling interests	Total
				Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve				
At 1 January 2022 (Audited)		7,756,695	14,937,500	12,447,626	5,616,762	12,514,173	713,053	31,672	25,800,975	79,818,456	187,828	80,006,284
Profit for the period		-	-	-	-	-	-	-	4,375,356	4,375,356	7,071	4,382,427
Other comprehensive income for the period		-	-	-	-	-	7,942	151,486	-	159,428	-	159,428
Total comprehensive income for the period		-	-	-	-	-	7,942	151,486	4,375,356	4,534,784	7,071	4,541,855
Capital injected by equity holders												
- Capital injected by other equity instrument holders	43	-	7,974,802	-	-	-	-	-	-	7,974,802	-	7,974,802
- Others		-	-	(30,626)	-	-	-	-	-	(30,626)	(152,934)	(183,560)
Appropriation to general reserve	44	-	-	-	-	32,077	-	-	(32,077)	-	-	-
Dividends to equity holders		-	-	-	-	-	-	-	(3,063,894)	(3,063,894)	-	(3,063,894)
Distribution to other equity instrument holders		-	-	-	-	-	-	-	(365,978)	(365,978)	-	(365,978)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	(735)	(735)
At 30 June 2022 (Unaudited)		<u>7,756,695</u>	<u>22,912,302</u>	<u>12,417,000</u>	<u>5,616,762</u>	<u>12,546,250</u>	<u>720,995</u>	<u>183,158</u>	<u>26,714,382</u>	<u>88,867,544</u>	<u>41,230</u>	<u>88,908,774</u>

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



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

	Attributable to equity holders of the Company											
	Note	Share capital	Other equity instruments	Reserves					Retained earnings	Subtotal	Non-controlling interests	Total
				Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve				
At 1 January 2021 (Audited)		7,756,695	9,961,509	12,490,667	4,524,647	10,548,880	286,290	90,370	22,076,125	67,735,183	336,264	68,071,447
Profit for the period		-	-	-	-	-	-	-	4,529,126	4,529,126	(36,555)	4,492,571
Other comprehensive income for the period		-	-	-	-	-	36,793	(17,920)	-	18,873	-	18,873
Total comprehensive income for the period		-	-	-	-	-	36,793	(17,920)	4,529,126	4,547,999	(36,555)	4,511,444
Capital injected by equity holders												
- Capital injected by other equity instrument holders	43	-	4,975,991	-	-	-	-	-	-	4,975,991	-	4,975,991
- Others		-	-	(43,042)	-	-	-	-	-	(43,042)	(101,519)	(144,561)
Appropriation to general reserve	44	-	-	-	-	28,236	-	-	(28,236)	-	-	-
Dividends to equity holders		-	-	-	-	-	-	-	(2,908,761)	(2,908,761)	-	(2,908,761)
Distribution to other equity instrument holders		-	-	-	-	-	-	-	(232,616)	(232,616)	-	(232,616)
At 30 June 2021 (Unaudited)		<u>7,756,695</u>	<u>14,937,500</u>	<u>12,447,625</u>	<u>4,524,647</u>	<u>10,577,116</u>	<u>323,083</u>	<u>72,450</u>	<u>23,435,638</u>	<u>74,074,754</u>	<u>198,190</u>	<u>74,272,944</u>

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
<b>Cash flows from operating activities</b>		
Profit before income tax	5,488,660	5,659,857
Adjustments for:		
Interest expenses on bonds in issue, short-term financing instruments payable, borrowings and lease liabilities	1,944,705	1,831,095
Dividend income and interest income from financial assets at fair value through other comprehensive income	(844,578)	(983,999)
Net gains from disposal of financial assets at fair value through other comprehensive income	(111,779)	(54,542)
Net gains from disposal of subsidiaries and associates	–	(55,405)
Share of profits from associates and joint ventures	(7,183)	(2,592)
Net gains on disposal of property, plant, equipment and other assets	(385)	(299)
Revaluation gains on financial instruments at fair value through profit or loss	(46,822)	(208,459)
Net foreign exchange gains	(10,875)	(7,326)
Depreciation and amortization	488,355	356,646
Credit impairment losses/(reversals)	65,104	(305,094)
Impairment losses on other assets	22,037	12,475
	<b>6,987,239</b>	<b>6,242,357</b>
<b>Net changes in operating assets</b>		
Margin accounts	4,898,191	(8,858,390)
Financial assets at fair value through profit or loss	8,142,648	(2,435,714)
Cash held on behalf of clients	(20,049,277)	(14,754,733)
Financial assets held under resale agreements	(2,111,991)	(244,079)
Other operating assets	(3,570,221)	(5,910,093)
	<b>(12,690,650)</b>	<b>(32,203,009)</b>
<b>Net changes in operating liabilities</b>		
Accounts payable to brokerage clients	21,306,399	15,093,550
Financial liabilities at fair value through profit or loss	5,095,759	1,642,606
Financial assets sold under repurchase agreements	(3,612,771)	3,185,773
Placements from banks and other financial institutions	(6,000,000)	–
Other operating liabilities	389,845	5,813,066
	<b>17,179,232</b>	<b>25,734,995</b>
<b>Net cash inflow/(outflow) from operating activities before tax</b>	<b>11,475,821</b>	<b>(225,657)</b>
Income tax paid	(1,619,916)	(1,695,279)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>9,855,905</b>	<b>(1,920,936)</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
<b>Cash flows from investing activities</b>		
Net cash flow from purchase or disposal of financial assets at fair value through other comprehensive income	(6,936,664)	3,693,285
Dividend income and interest income received from financial assets at fair value through other comprehensive income	843,884	1,127,648
Cash paid for purchase of property, plant and equipment, intangible assets and other assets	(110,206)	(134,119)
Net cash flow from investments in associates	-	131,557
Other cash flows from investing activities	9,268	662
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(6,193,718)</b>	4,819,033
<b>Cash flows from financing activities</b>		
Cash inflows from issuing perpetual bonds	8,000,000	5,000,000
Cash inflows from borrowing activities	2,919,758	20,590,842
Cash inflows from issuing bonds	33,016,430	70,856,968
Cash outflows from distribution to other equity instrument holders	(402,500)	(195,000)
Cash outflows from distribution to subsidiaries' non-controlling equity holders	(735)	-
Repayments of debts	(51,765,199)	(94,082,637)
Repayments of interest on debts	(1,928,145)	(1,714,515)
Other cash outflows from financing activities	(507,158)	(518,253)
<b>Net cash outflow from financing activities</b>	<b>(10,667,549)</b>	(62,595)
<b>Net change in cash and cash equivalents</b>	<b>(7,005,362)</b>	2,835,502
Cash and cash equivalents at the beginning of the period	35,235,352	27,765,499
Effect of exchange rate changes on cash and cash equivalents	170,813	(38,899)
<b>Cash and cash equivalents at the end of the period (Note 45)</b>	<b>28,400,803</b>	30,562,102

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 1 GENERAL INFORMATION

CSC Financial Co., Ltd. (the “Company”) (formerly known as China Securities Finance Co., Ltd.) is the successor entity of China Securities Finance Limited Liability Company which was approved for establishment by the China Securities Regulatory Commission (the “CSRC”) on 2 November 2005. The original registered capital of the Company was RMB2,700,000,000. The registered address of the Company is Unit 4, No.66 Anli Road, Chaoyang District, Beijing, the People’s Republic of China (the “PRC”).

The Company received the approval of CSRC on 30 June 2011 to convert into a joint stock company, with registered capital increased to RMB6,100,000,000.

The Company completed its initial public offering of overseas listed foreign shares (“H shares”) on The Stock Exchange of Hong Kong Limited on 9 December 2016. Under this offering, the Company issued a total of 1,076,470,000 new shares with a nominal value of RMB1 per share. On 5 January 2017, the Company issued an additional 69,915,238 H shares through partial exercise of the over-allotment option with a nominal value of RMB1 per share. The registered capital of the Company increased to RMB7,246,385,238 after such issuance. The Company completed the industrial and commercial registration for these changes on 5 June 2017, and obtained its new business license with the Unified Social Credit Code of 91110000781703453H on 9 June 2017.

The Company completed its initial public offering of domestic listed shares (“A shares”) on the Shanghai Stock Exchange on 20 June 2018. The Company issued a total of 400,000,000 shares with a nominal value of RMB1 per share. After this issuance, the share capital of the Company increased to RMB7,646,385,238. The Company completed the registration procedure for its non-public offering of A-shares in the Shanghai branch of China Securities Depository and Clearing Co., Ltd. on 28 December 2020. The Company issued a total of 110,309,559 shares with a nominal value of RMB1 per share. After this issuance, the share capital of the Company increased to RMB7,756,694,797. And the company completed the registration procedures for the change of business license related to the registered capital on 25 June 2021.

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 2 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”, as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial statements should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021, which have been audited.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies used in preparing the interim condensed consolidated financial statements are the same as those adopted in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021.

### 3.1 Amendments to the accounting standards effective in 2022 and adopted by the Group

In the current interim period, the Group has adopted the following International Financial Reporting Standards (“IFRSs”) and amendments issued by the International Accounting Standards Board (“IASB”), that are mandatorily effective for the current interim period. Descriptions of these standards and amendments were disclosed in the Group’s annual consolidated financial statements for the year ended 31 December 2021.

(1)	Amendments to IFRS 3	Business Combinations
(2)	Amendments to IAS16	Property, Plant and Equipment
(3)	Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets
(4)	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	IASB Annual Improvements 2018 -2020 cycle

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

			<b>Effective for annual periods beginning on or after</b>
(1)	Amendments to IAS 1	Classification of Liabilities	1 January 2024
(2)	Amendments to IFRS 17	Insurance Contracts	1 January 2023
(3)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred. Early application of the amendments continues to be permitted.
(4)	Amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	Disclosure of Material Accounting Policy Information, and Distinction of Changes in Accounting Policies from Changes in Accounting Estimates	1 January 2023
(5)	Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2021. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

### 3.3 Significant Accounting Judgements and Estimates

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

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainties were the same as those that applied to the Group's consolidated financial statements for the year ended 31 December 2021.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 4 TAXATION

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

### (1) Income tax

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

In accordance with Explanation on Implementation of Tax Preferential Treatments concerning Western China Development Strategy issued by local taxation bureau in Yuzhong District, Chongqing City and Announcement on Continuation of Implementation of Tax Preferential Treatments concerning Western China Development Strategy [2020] No. 23 issued by the Ministry of Finance (the “MOF”), the State Administration of Taxation (the “SAT”) and the National Development and Reform Commission, the applicable income tax rates for China Futures Co., Ltd. is 15%.

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

### (2) Value added tax

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 4 TAXATION (CONTINUED)

- (3) Urban maintenance and construction taxes and educational surcharges are charged at 7% and 3% of VAT payable, respectively. In addition, according to the provisions of “Administrative Measures for Collection and Usage of Local Educational Surcharges in Beijing” (Jing Zheng Fa [2011] No.72), since 1 January 2012, the local educational surcharges of the Company’s head office and securities trading department located in Beijing are paid at 2% of the total amount of value-added tax payable.
- (4) Vehicle and vessel taxes, property taxes and stamp duties are levied in accordance with the provisions of the relevant tax laws and regulations.

## 5 OPERATING SEGMENT INFORMATION

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

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

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

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

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

Other segment: primarily commodity trading and the treasury function from the head office.

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 5 OPERATING SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 June 2022					Total
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	
Segment revenue and other income						
Fee and commission income	2,937,991	2,167,908	1,887,344	637,335	-	7,630,578
Interest income	-	2,347,614	1,792,260	5,011	373,580	4,518,465
Net investment gains	-	-	2,923,411	8,979	-	2,932,390
Other income	300	37,607	110,781	13,832	3,604,991	3,767,511
Total revenue and other income	<u>2,938,291</u>	<u>4,553,129</u>	<u>6,713,796</u>	<u>665,157</u>	<u>3,978,571</u>	<u>18,848,944</u>
Segment expenses	(1,593,848)	(3,206,732)	(4,473,562)	(331,772)	(3,761,553)	(13,367,467)
Including: Interest expenses	(55,151)	(1,092,958)	(2,346,985)	(24,145)	(27,338)	(3,546,577)
Credit impairment (losses)/reversals	(110)	(17,938)	(47,901)	-	845	(65,104)
Impairment losses on other assets	-	-	-	-	(22,037)	(22,037)
Operating profit	<u>1,344,443</u>	<u>1,346,397</u>	<u>2,240,234</u>	<u>333,385</u>	<u>217,018</u>	<u>5,481,477</u>
Share of profits and losses of associates	-	-	-	(63)	7,246	7,183
Profit before income tax	<u>1,344,443</u>	<u>1,346,397</u>	<u>2,240,234</u>	<u>333,322</u>	<u>224,264</u>	<u>5,488,660</u>
Income tax expense						<u>(1,106,233)</u>
Net profit for the period						<u>4,382,427</u>
Other segment information:						
Depreciation and amortization	126,043	124,715	181,932	30,598	25,067	488,355
Capital expenditure	27,753	28,864	41,007	6,413	6,169	110,206



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 5 OPERATING SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 June 2021					Total
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	
Segment revenue and other income						
Fee and commission income	2,059,006	2,054,460	1,390,646	632,928	-	6,137,040
Interest income	-	2,252,311	1,628,413	3,996	378,487	4,263,207
Net investment gains	-	-	3,492,014	(10,672)	-	3,481,342
Other income	-	25,999	22	2,828	2,560,075	2,588,924
<b>Total revenue and other income</b>	<b>2,059,006</b>	<b>4,332,770</b>	<b>6,511,095</b>	<b>629,080</b>	<b>2,938,562</b>	<b>16,470,513</b>
Segment expenses	(1,175,302)	(2,882,036)	(3,758,535)	(354,036)	(2,643,339)	(10,813,248)
Including: Interest expenses	(38,650)	(1,049,049)	(2,276,650)	(55,787)	(13,397)	(3,433,533)
Credit impairment (losses)/reversals	-	75,403	228,479	-	1,212	305,094
Impairment losses on other assets	-	-	-	-	(12,475)	(12,475)
<b>Operating profit</b>	<b>883,704</b>	<b>1,450,734</b>	<b>2,752,560</b>	<b>275,044</b>	<b>295,223</b>	<b>5,657,265</b>
Share of profits and losses of associates	-	-	-	(510)	3,102	2,592
<b>Profit before income tax</b>	<b>883,704</b>	<b>1,450,734</b>	<b>2,752,560</b>	<b>274,534</b>	<b>298,325</b>	<b>5,659,857</b>
Income tax expense						(1,167,286)
<b>Net profit for the period</b>						<b>4,492,571</b>
Other segment information:						
Depreciation and amortization	69,162	106,054	137,540	30,782	13,108	356,646
Capital expenditure	25,807	41,986	50,507	10,834	4,985	134,119

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 6 FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2022	2021
Brokerage services income	3,739,672	3,359,316
Investment banking income	2,937,991	2,059,006
Asset and fund management income	637,335	632,928
Others	315,580	85,790
Total	<b>7,630,578</b>	6,137,040

## 7 INTEREST INCOME

	Six months ended 30 June	
	2022	2021
Margin financing and securities lending	1,855,200	1,881,349
Bank deposits	1,492,963	1,239,824
Financial assets at fair value through other comprehensive income	838,692	786,959
Financial assets held under resale agreements	231,879	335,924
Others	99,731	19,151
Total	<b>4,518,465</b>	4,263,207

## 8 NET INVESTMENT GAINS

	Six months ended 30 June	
	2022	2021
Net (losses)/gains from financial assets at fair value through profit or loss	(371,849)	3,935,011
Dividend income from financial assets at fair value through other comprehensive income	5,886	197,040
Net gains from disposal of associates	-	55,405
Net gains from disposal of financial assets at fair value through other comprehensive income	111,779	54,542
Net gains/(losses) from financial liabilities at fair value through profit or loss	467,112	(269,373)
Net gains/(losses) from derivatives	2,597,352	(452,577)
Net gains/(losses) attributable to other interest holders of consolidated structured entities	122,110	(38,706)
Total	<b>2,932,390</b>	3,481,342

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 9 OTHER INCOME

	Six months ended 30 June	
	2022	2021
Income from bulk commodity trading	3,568,944	2,524,354
Rental income	7,458	9,612
Net gains on foreign exchange	121,491	7,326
Government grants	16,475	3,773
Gains on disposal of property, plant and equipment	385	437
Others	52,758	43,422
<b>Total</b>	<b>3,767,511</b>	<b>2,588,924</b>

## 10 EXPENSES

	Six months ended 30 June	
	2022	2021
<b>Fee and commission expenses:</b>		
Brokerage expenses	681,475	578,027
Investment banking expenses	106,124	99,197
Others	98,380	33,739
<b>Total</b>	<b>885,979</b>	<b>710,963</b>
<b>Interest expenses:</b>		
Bonds in issue	1,696,745	1,363,640
Financial assets sold under repurchase agreements	928,512	968,202
Placements from banks and other financial institutions	337,076	436,560
Short-term financing instruments payable	214,855	443,292
Accounts payable to brokerage clients	255,619	145,007
Lease liabilities	30,597	17,121
Borrowings	2,508	7,042
Others	80,665	52,669
<b>Total</b>	<b>3,546,577</b>	<b>3,433,533</b>
<b>Staff costs (including directors' and supervisors' remuneration):</b>		
Salaries, bonuses and allowances	3,345,018	2,929,814
Staff benefits	349,778	265,136
Contributions to defined contribution schemes (i)	259,874	207,090
<b>Total</b>	<b>3,954,670</b>	<b>3,402,040</b>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 10 EXPENSES (CONTINUED)

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

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

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

### Other operating expenses and costs:

	Six months ended 30 June	
	2022	2021
Cost of bulk commodity trading	3,566,284	2,510,421
Depreciation and amortization expenses	488,355	356,646
Office operating expenses	144,355	69,456
Electronic equipment operating expenses	106,470	103,393
Membership fees of exchanges	85,642	61,468
Business travel expenses	68,678	85,348
Postal and communication expenses	50,360	43,613
Securities investor protection fund	46,759	41,127
Business entertainment expenses	44,844	54,188
Consulting expenses	40,031	32,423
Auditors' remuneration	3,348	3,528
Others	169,914	124,255
Total	<b>4,815,040</b>	<b>3,485,866</b>

## 11 CREDIT IMPAIRMENT LOSSES/(REVERSALS)

	Six months ended 30 June	
	2022	2021
Financial assets at fair value through other comprehensive income	54,202	13,222
Margin financing	8,193	16,688
Financial assets held under resale agreements	2,258	(334,031)
Others	451	(973)
Total	<b>65,104</b>	<b>(305,094)</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)*

## 12 INCOME TAX EXPENSE

(1) Income tax

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
Current income tax		
– Mainland China	<b>1,327,094</b>	1,323,162
– Outside Mainland China	<b>62</b>	1,148
Subtotal	<b>1,327,156</b>	1,324,310
Deferred income tax	<b>(220,923)</b>	(157,024)
Total	<b>1,106,233</b>	1,167,286

(2) Reconciliation between income tax and accounting profit

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
Profit before income tax	<b>5,488,660</b>	5,659,857
Income tax at the PRC statutory income tax rate	<b>1,372,165</b>	1,414,964
Effects of different applicable rates of tax prevailing in various jurisdictions	<b>(29,697)</b>	(35,964)
Non-deductible expenses	<b>8,699</b>	5,725
Non-taxable income	<b>(239,677)</b>	(157,223)
Others	<b>(5,257)</b>	(60,216)
Income tax expenses at the Group's effective income tax rate	<b>1,106,233</b>	1,167,286

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 13 DIVIDENDS

	Six months ended 30 June	
	2022	2021
Dividends distribution to ordinary shareholders	<b>3,063,894</b>	2,908,761
Distribution to other equity instrument holders (Note 14(i))	<b>365,978</b>	232,616

A cash dividend of RMB3.95 (tax inclusive) per 10 ordinary shares related to the year of 2021 amounting to RMB3,064 million (tax inclusive) in total and based on 7,756,694,797 shares was approved at the annual general meeting held on 28 June 2022. All dividends were distributed on 18 August 2022.

A cash dividend of RMB3.75 (tax inclusive) per 10 ordinary shares related to the year of 2020 amounting to RMB2,909 million (tax inclusive) in total and based on 7,756,694,797 shares was approved at the annual general meeting held on 29 June 2021. All dividends were distributed on 19 August 2021.

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

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

	Six months ended 30 June	
	2022	2021
<b>Earnings:</b>		
Profit attributable to equity holders of the Company	<b>4,375,356</b>	4,529,126
Less: Profit attributable to other equity instrument holders of the Company (i)	<b>(365,978)</b>	(232,616)
Profit attributable to ordinary equity holders of the Company	<b>4,009,378</b>	4,296,510
<b>Shares:</b>		
Weighted average number of ordinary shares in issue (thousand)	<b>7,756,695</b>	7,756,695
Basic and diluted earnings per share (in RMB yuan)	<b>0.52</b>	0.55

There were no dilutive shares during the six months ended 30 June 2022 (six months ended 30 June 2021: None).

(i) As of 30 June 2022, there were five tranches of perpetual subordinated bonds existed under the terms and conditions as detailed in Note 43 Other Equity Instruments.

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 15 PROPERTY, PLANT AND EQUIPMENT

	Properties and buildings	Electronic devices	Transportation vehicles	Communication equipment	Office equipment	Security equipment	Others	Total
<b>Cost</b>								
1 January 2022	421,191	951,128	35,030	4,813	77,232	8,230	37,149	1,534,773
Increases	2,392	39,517	1,080	8	687	511	-	44,195
Decreases	-	(4,326)	(1,123)	(185)	(232)	(167)	-	(6,033)
30 June 2022	<u>423,583</u>	<u>986,319</u>	<u>34,987</u>	<u>4,636</u>	<u>77,687</u>	<u>8,574</u>	<u>37,149</u>	<u>1,572,935</u>
<b>Accumulated depreciation</b>								
1 January 2022	(154,151)	(534,360)	(31,031)	(3,632)	(69,564)	(6,263)	(34,764)	(833,765)
Increases	(7,057)	(106,238)	(483)	(165)	(1,628)	(321)	(901)	(116,793)
Decreases	-	4,408	1,089	111	233	144	-	5,985
30 June 2022	<u>(161,208)</u>	<u>(636,190)</u>	<u>(30,425)</u>	<u>(3,686)</u>	<u>(70,959)</u>	<u>(6,440)</u>	<u>(35,665)</u>	<u>(944,573)</u>
<b>Net carrying amount</b>								
30 June 2022	<u>262,375</u>	<u>350,129</u>	<u>4,562</u>	<u>950</u>	<u>6,728</u>	<u>2,134</u>	<u>1,484</u>	<u>628,362</u>
<b>Cost</b>								
1 January 2021	413,761	826,027	36,670	6,743	76,659	8,699	37,059	1,405,618
Increases	7,430	282,738	2,528	454	6,709	818	304	300,981
Decreases	-	(157,637)	(4,168)	(2,384)	(6,136)	(1,287)	(214)	(171,826)
31 December 2021	<u>421,191</u>	<u>951,128</u>	<u>35,030</u>	<u>4,813</u>	<u>77,232</u>	<u>8,230</u>	<u>37,149</u>	<u>1,534,773</u>
<b>Accumulated depreciation</b>								
1 January 2021	(140,092)	(539,891)	(34,291)	(5,633)	(73,431)	(6,853)	(33,140)	(833,331)
Increases	(14,059)	(151,970)	(783)	(380)	(2,262)	(678)	(1,801)	(171,933)
Decreases	-	157,501	4,043	2,381	6,129	1,268	177	171,499
31 December 2021	<u>(154,151)</u>	<u>(534,360)</u>	<u>(31,031)</u>	<u>(3,632)</u>	<u>(69,564)</u>	<u>(6,263)</u>	<u>(34,764)</u>	<u>(833,765)</u>
<b>Net carrying amount</b>								
31 December 2021	<u>267,040</u>	<u>416,768</u>	<u>3,999</u>	<u>1,181</u>	<u>7,668</u>	<u>1,967</u>	<u>2,385</u>	<u>701,008</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 16 RIGHT-OF-USE ASSETS

	Properties and buildings	Others	Total
<b>Cost</b>			
1 January 2022	2,342,235	259,637	2,601,872
Increases	131,311	24,582	155,893
Decreases	(209,969)	(1,126)	(211,095)
Foreign currency translation differences	16,366	-	16,366
	<u>2,279,943</u>	<u>283,093</u>	<u>2,563,036</u>
30 June 2022	<u>2,279,943</u>	<u>283,093</u>	<u>2,563,036</u>
<b>Accumulated depreciation</b>			
1 January 2022	(668,905)	(110,206)	(779,111)
Increases	(255,451)	(21,128)	(276,579)
Decreases	166,327	630	166,957
Foreign currency translation differences	(4,602)	-	(4,602)
	<u>(762,631)</u>	<u>(130,704)</u>	<u>(893,335)</u>
30 June 2022	<u>(762,631)</u>	<u>(130,704)</u>	<u>(893,335)</u>
<b>Carrying amount</b>			
30 June 2022	<u>1,517,312</u>	<u>152,389</u>	<u>1,669,701</u>
<b>Cost</b>			
1 January 2021	1,445,123	259,434	1,704,557
Increases	1,241,641	2,839	1,244,480
Decreases	(338,081)	(2,636)	(340,717)
Foreign currency translation differences	(6,448)	-	(6,448)
	<u>2,342,235</u>	<u>259,637</u>	<u>2,601,872</u>
31 December 2021	<u>2,342,235</u>	<u>259,637</u>	<u>2,601,872</u>
<b>Accumulated depreciation</b>			
1 January 2021	(632,906)	(74,977)	(707,883)
Increases	(371,530)	(37,501)	(409,031)
Decreases	333,484	2,272	335,756
Foreign currency translation differences	2,047	-	2,047
	<u>(668,905)</u>	<u>(110,206)</u>	<u>(779,111)</u>
31 December 2021	<u>(668,905)</u>	<u>(110,206)</u>	<u>(779,111)</u>
<b>Carrying amount</b>			
31 December 2021	<u>1,673,330</u>	<u>149,431</u>	<u>1,822,761</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 17 INTANGIBLE ASSETS

	Software	Trading seat rights and others	Total
<b>Cost</b>			
1 January 2022	984,043	74,618	1,058,661
Increases	56,419	-	56,419
Decreases	-	-	-
Foreign currency translation differences	1,084	37	1,121
30 June 2022	<u>1,041,546</u>	<u>74,655</u>	<u>1,116,201</u>
<b>Accumulated amortization</b>			
1 January 2022	(469,928)	(69,600)	(539,528)
Increases	(76,954)	-	(76,954)
Decreases	-	-	-
Foreign currency translation differences	(721)	-	(721)
30 June 2022	<u>(547,603)</u>	<u>(69,600)</u>	<u>(617,203)</u>
<b>Net carrying amount</b>			
30 June 2022	<u>493,943</u>	<u>5,055</u>	<u>498,998</u>
<b>Cost</b>			
1 January 2021	721,623	74,221	795,844
Increases	279,866	415	280,281
Decreases	(16,815)	-	(16,815)
Foreign currency translation differences	(631)	(18)	(649)
31 December 2021	<u>984,043</u>	<u>74,618</u>	<u>1,058,661</u>
<b>Accumulated amortization</b>			
1 January 2021	(365,766)	(69,600)	(435,366)
Increases	(119,582)	-	(119,582)
Decreases	15,032	-	15,032
Foreign currency translation differences	388	-	388
31 December 2021	<u>(469,928)</u>	<u>(69,600)</u>	<u>(539,528)</u>
<b>Net carrying amount</b>			
31 December 2021	<u>514,115</u>	<u>5,018</u>	<u>519,133</u>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 18 INVESTMENTS IN SUBSIDIARIES

	30 June 2022	31 December 2021
Investments in subsidiaries	<b>10,550,844</b>	9,267,283

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

Name of subsidiaries	Principal operating place	Place of registration	Registered share capital	Proportion of voting rights		Directly/Indirectly hold	Principal activities
				30 June 2022	31 December 2021		
China Futures Co., Ltd. <i>(i)</i>	Chongqing	Chongqing	RMB1,400 million	100%	100%	Directly	Futures brokerage
China Capital Management Co., Ltd.	Beijing	Beijing	RMB3,500 million	100%	100%	Directly	Project investment
China Securities (International) Finance Holding Co., Ltd. <i>(ii)</i>	Hong Kong	Hong Kong	Not applicable	100%	100%	Directly	Shareholding and investment
China Fund Management Co., Ltd. <i>(iii)</i>	Beijing	Beijing	RMB300 million	100%	75%	Directly	Funds business, asset management
China Securities Investment Co., Ltd. <i>(i)</i>	Beijing	Beijing	RMB6,100 million	100%	100%	Directly	Investment management, equity investment management, investment consultancy and project management

(i) During the six months ended 30 June 2022, the Company paid RMB400 million and RMB700 million of the subscribed capital to China Futures Co., Ltd and China Securities Investment Co., Ltd., respectively.

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

(iii) In February 2022, the Company acquired 25% equity of China Fund Management Co., Ltd., which was publicly transferred by Aerospace Science & Technology Finance Co., Ltd. The Company completed the registration and this transfer increased the Company's proportion of voting rights to China Fund Management Co., Ltd. from 75% to 100%. China Fund Management Co., Ltd. became a wholly-owned subsidiary of CSC Financial Co., Ltd.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)*

## 19 INVESTMENTS IN ASSOCIATES

	<b>30 June 2022</b>	31 December 2021
Investments in associates	<b>109,435</b>	111,002

The following table illustrates details of investments in associates:

Name	1 January 2022	Increase	Decrease	Movements using the equity method	Cash dividends or profits declared	Impairment allowance for the current period	30 June 2022
CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd.	52,777	-	-	4,793	(8,700)	-	48,870
Zhongguancun Equity Trading Service Group Co., Ltd.	24,012	-	-	1,408	-	-	25,420
Shenzhen MALONG TECHNOLOGIES Co., Ltd.	8,307	-	-	(63)	-	-	8,244
Beijing Equity Trading Center Co., Ltd.	25,906	-	-	995	-	-	26,901
<b>Total</b>	<b>111,002</b>	<b>-</b>	<b>-</b>	<b>7,133</b>	<b>(8,700)</b>	<b>-</b>	<b>109,435</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 19 INVESTMENTS IN ASSOCIATES (CONTINUED)

Name	1 January 2021	Increase	Decrease	Movement using the equity method	Cash dividends or profits declared	Impairment allowance for the current period	31 December 2021
CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd.	50,802	-	-	1,975	-	-	52,777
Jiangsu DDBS Environment Remediation Co., Ltd	48,804	-	(48,961)	157	-	-	-
Beijing Tinavi Medical Technology Co., Ltd.	44,208	-	(43,044)	(1,164)	-	-	-
Guangdong South Lead TV & Film Co., Ltd.	27,191	-	(27,191)	-	-	-	-
Beijing Siban Technology Development Co., Ltd.	25,809	-	(25,851)	42	-	-	-
Zhongguancun Equity Trading Service Group Co., Ltd.	21,757	-	-	2,255	-	-	24,012
Shenzhen MALONG TECHNOLOGIES Co., Ltd.	9,460	-	-	(1,153)	-	-	8,307
Beijing Haifu Capital Management Co., Ltd.	1,255	-	(1,257)	2	-	-	-
Beijing Equity Trading Center Co., Ltd.	-	25,851	-	55	-	-	25,906
Total	<u>229,286</u>	<u>25,851</u>	<u>(146,304)</u>	<u>2,169</u>	<u>-</u>	<u>-</u>	<u>111,002</u>

As at 30 June 2022 and 31 December 2021, given there was no sign of impairment on the Group's investments in associates, no further impairment allowance was made.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022	31 December 2021
<b>Non-current</b>		
Financial assets at fair value through profit or loss		
Debt instruments	46,195	54,919
Equity investments	7,866,041	6,508,439
Others	868,513	1,012,651
Subtotal	8,780,749	7,576,009
Analyzed into:		
Listed outside Hong Kong	2,944,387	2,381,073
Unlisted	5,836,362	5,194,936
Subtotal	8,780,749	7,576,009
<b>Current</b>		
Financial assets at fair value through profit or loss		
Debt instruments	77,848,285	87,162,849
Equity investments	18,556,558	21,285,047
Fund investments	16,452,724	16,606,441
Others	31,334,982	28,917,570
Subtotal	144,192,549	153,971,907
Analyzed into:		
Listed in Hong Kong	10,432,895	7,856,672
Listed outside Hong Kong	103,955,005	115,528,444
Unlisted	29,804,649	30,586,791
Subtotal	144,192,549	153,971,907
Total	152,973,298	161,547,916

As at 30 June 2022, the fair value of financial assets pledged as collateral for repurchase agreements (Note 35), placements from China Securities Finance Corporation Limited (“CSF”) (Note 36), futures business and securities borrowing business, and etc, by the Group totaled RMB70,856.54 million (31 December 2021: RMB82,663.63 million).

As at 30 June 2022, financial assets held by the Group included securities lent amounted to RMB2,852.92 million (31 December 2021: RMB2,582.01 million).

As at 30 June 2022, the fair value of financial assets at fair value through profit or loss in restricted period held by the Group was RMB2,795.20 million (31 December 2021: RMB4,544.33 million).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2022	31 December 2021
<b>Current</b>		
Debt instruments	55,465,881	48,260,539
Equity instruments	82,633	97,607
Subtotal	<b>55,548,514</b>	48,358,146
Analyzed into:		
Listed in Hong Kong	4,163,594	2,221,302
Listed outside Hong Kong	51,354,920	46,136,844
Unlisted	30,000	–
Total	<b>55,548,514</b>	48,358,146

- (i) As at 30 June 2022, the fair value of securities classified as financial assets at fair value through other comprehensive income of the Group which have been pledged as collateral for repurchase agreements (Note 35), placements from CSF (Note 36) and securities borrowing business were RMB44,645.44 million.

As at 31 December 2021, the fair value of securities classified as financial assets at fair value through other comprehensive income of the Group which have been pledged as collateral for repurchase agreements (Note 35), placements from CSF (Note 36), short-term borrowings (Note 38) and securities borrowing business were RMB39,202.57 million.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 22 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	<b>30 June 2022</b>	31 December 2021
<b>Non-current</b>		
Analyzed by collateral:		
Stock	5,008	10,020
Allowance for credit impairment losses	(124)	(114)
Subtotal	4,884	9,906
<b>Current</b>		
Analyzed by collateral:		
Stock	4,769,059	4,341,391
Debts	16,996,931	15,312,173
	21,765,990	19,653,564
Allowance for impairment losses	(643,964)	(641,716)
Subtotal	21,122,026	19,011,848
Total	21,126,910	19,021,754

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

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

	<b>30 June 2022</b>	31 December 2021
Collateral received	26,132,609	24,125,395
Including: Collateral allowed to be re-pledged	175,636	-
Including: Collateral re-pledged	-	-
	-	-



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 23 REFUNDABLE DEPOSITS

	30 June 2022	31 December 2021
Performance bonds	9,503,792	7,739,810
Trading deposits	1,276,975	2,586,664
Credit deposits	70,745	69,155
Total	<u>10,851,512</u>	<u>10,395,629</u>

## 24 DEFERRED TAX ASSETS AND LIABILITIES

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

Deferred tax assets	Salaries, bonuses, and allowances payable	Fair value changes of financial instruments	Allowance for credit impairment losses	Others	Total
1 January 2022	1,163,789	170,755	547,966	85,334	1,967,844
Credited/(debited) to the consolidated income statement	319,171	(93,995)	17,569	17,851	260,596
Credited to other comprehensive income	-	6,661	53	3,454	10,168
30 June 2022	<u>1,482,960</u>	<u>83,421</u>	<u>565,588</u>	<u>106,639</u>	<u>2,238,608</u>
Deferred tax assets	Salaries, bonuses, and allowances payable	Fair value changes of financial instruments	Allowance for credit impairment losses	Others	Total
1 January 2021	921,854	112,668	623,648	67,349	1,725,519
Credited/(debited) to the consolidated income statement	241,935	71,579	(75,665)	19,799	257,648
Debited to other comprehensive income	-	(13,492)	(17)	(1,814)	(15,323)
31 December 2021	<u>1,163,789</u>	<u>170,755</u>	<u>547,966</u>	<u>85,334</u>	<u>1,967,844</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)*

## 24 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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

<b>Deferred tax liabilities</b>	<b>Fair value changes of financial instruments</b>	<b>Others</b>	<b>Total</b>
1 January 2022	<b>1,523,839</b>	<b>1,477</b>	<b>1,525,316</b>
Debited to the consolidated income statement	<b>39,536</b>	<b>137</b>	<b>39,673</b>
Debited to other comprehensive income	<b>22,456</b>	<b>71</b>	<b>22,527</b>
30 June 2022	<b>1,585,831</b>	<b>1,685</b>	<b>1,587,516</b>
	Fair value changes of financial instruments	Others	Total
1 January 2021	1,064,118	1,298	1,065,416
Debited to the consolidated income statement	347,310	219	347,529
Debited/(credited) to other comprehensive income	112,411	(40)	112,371
31 December 2021	1,523,839	1,477	1,525,316

## 25 OTHER NON-CURRENT ASSETS

As at 30 June 2022 and 31 December 2021, other non-current assets of the Group primarily represented long-term deferred expenses incurred on network engineering projects and leasehold improvements of property, plant and equipment.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 26 MARGIN ACCOUNTS

	30 June 2022	31 December 2021
Margin accounts		
– Individuals	42,146,520	47,854,449
– Institutions	12,026,056	11,133,597
	<b>54,172,576</b>	58,988,046
Allowance for impairment losses	<b>(1,192,426)</b>	(1,179,900)
Total	<b>52,980,150</b>	57,808,146

Margin accounts are funds that the Group provided to clients in margin financing business. As at 30 June 2022 and 31 December 2021, no margin accounts were pledged for repurchase agreements (Note 35).

As at 30 June 2022, the fair value of securities lent in margin financing business was RMB7,318.93 million (31 December 2021: RMB9,755.35 million).

As at 30 June 2022, the Group received collateral with fair value amounted to RMB199,709.59 million (31 December 2021: RMB226,033.18 million), in connection with its margin financing business.

## 27 ACCOUNTS RECEIVABLE

	30 June 2022	31 December 2021
Trading deposits for return swaps	20,920,182	19,512,677
Clearing funds receivable	1,289,675	447,732
Assets management fee receivable	121,034	143,075
Others	3,520,408	2,991,481
	<b>25,851,299</b>	23,094,965
Allowance for impairment losses (i)	<b>(20,565)</b>	(19,793)
Total	<b>25,830,734</b>	23,075,172

(i) ECL on accounts receivable arising from revenue recognized in accordance with IFRS 15 – Revenue, is measured using simplified approach under IFRS9. ECL on the rest of accounts receivable is measured using the general approach and as at 30 June 2022, accounts receivable measured using general approach was classified under Stage 1 (31 December 2021: Stage 1).



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 27 ACCOUNTS RECEIVABLE (CONTINUED)

(ii) Analyzed by aging

As at 30 June 2022				
Allowance for impairment losses by portfolio	Carrying amount		Allowance for impairment losses	
	Value	Percentage	Value	Percentage
Less than 1 year	25,837,620	99.95%	(13,009)	63.26%
1 to 2 years	2,961	0.01%	(143)	0.70%
2 to 3 years	990	0.00%	(104)	0.50%
More than 3 years	9,728	0.04%	(7,309)	35.54%
Total	25,851,299	100.00%	(20,565)	100.00%
As at 31 December 2021				
Allowance for impairment losses by portfolio	Carrying amount		Allowance for impairment losses	
	Value	Percentage	Value	Percentage
Less than 1 year	23,078,664	99.93%	(11,811)	59.67%
1 to 2 years	4,607	0.02%	(197)	1.00%
2 to 3 years	1,803	0.01%	(840)	4.24%
More than 3 years	9,891	0.04%	(6,945)	35.09%
Total	23,094,965	100.00%	(19,793)	100.00%

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 28 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2022		
	Nominal value	Fair value	
		Assets	Liabilities
Interest rate derivatives	522,088,067	293	344
Equity derivatives	140,346,891	2,535,201	3,703,567
Currency derivatives	130,591,662	-	-
Credit derivatives	201,370	66	1,656
Others	52,058,209	261,788	198,244
Total	<u>845,286,199</u>	<u>2,797,348</u>	<u>3,903,811</u>
	As at 31 December 2021		
	Nominal value	Fair value	
		Assets	Liabilities
Interest rate derivatives	552,026,250	29	25
Equity derivatives	151,858,094	2,217,103	4,139,812
Currency derivatives	189,498,544	113,129	-
Credit derivatives	174,237	4,980	772
Others	35,367,388	182,701	154,717
Total	<u>928,924,513</u>	<u>2,517,942</u>	<u>4,295,326</u>

Under the “Daily Mark-to-Market and Settlement Arrangement”, the Group’s future contracts are settled daily. The amount of mark-to-market gain or loss of those unexpired future contracts is reflected in profit or loss and the account captioned “cash and bank balances”. As at 30 June 2022, the fair value of the Group’s unexpired futures contracts was negative RMB210.86 million (31 December 2021: RMB32.41 million).

## 29 CASH HELD ON BEHALF OF CLIENTS

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 30 CASH AND BANK BALANCES

	30 June 2022	31 December 2021
Deposits in banks	<b>28,831,806</b>	36,002,716

As at 30 June 2022, the Group had restricted deposits of RMB428.26 million (31 December 2021: RMB766.49 million).

## 31 OTHER CURRENT ASSETS

	30 June 2022	31 December 2021
Commodity inventories	<b>222,162</b>	47,067
Interest receivable (i)	<b>99,554</b>	119,419
Prepaid expenses	<b>33,401</b>	13,816
Dividend receivable	<b>6,068</b>	–
Deferred expenses	<b>4,838</b>	30,971
Others	<b>625,755</b>	514,949
	<b>991,778</b>	726,222
Allowance for impairment losses	<b>(57,622)</b>	(45,948)
Total	<b>934,156</b>	680,274

(i) As at 30 June 2022 and 31 December 2021, interest income of financial assets accrued under effective interest rate method, which was overdue but not received, was reflected in Interest receivable under other current assets. Interest receivable not yet due were included in the carrying amount of the related financial assets.

## 32 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 33 LEASE LIABILITIES

	30 June 2022	31 December 2021
<b>Current</b>		
Lease liabilities	457,190	444,289
<b>Non-current</b>		
Lease liabilities	1,212,843	1,359,022
Total	<u>1,670,033</u>	<u>1,803,311</u>

As at 30 June 2022, the Group's leases committed but not yet commenced were RMB431.04 million (31 December 2021: RMB414.61 million) (Note 49.2).

## 34 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022	31 December 2021
<b>Current</b>		
Financial liabilities at fair value through profit or loss (Held for trading)		
– Debt instruments	987,081	1,029,622
Financial liabilities designated as at fair value through profit or loss		
– Structured notes (i)	3,447,472	1,315,876
– Others	111,477	–
Subtotal	<u>4,546,030</u>	<u>2,345,498</u>
<b>Non-current</b>		
Financial liabilities designated as at fair value through profit or loss		
– Structured notes (i)	7,835,101	5,454,391
Total	<u>12,381,131</u>	<u>7,799,889</u>

(i) As at 30 June 2022 and 31 December 2021, the structured notes held by the Group were mainly linked to equity indexes.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 35 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2022	31 December 2021
<b>Current</b>		
Analyzed by collateral:		
Debt securities (Notes 20 and 21)	81,193,047	81,945,486
Gold	5,388,509	5,880,104
Others (Notes 20)	9,369,396	11,770,077
Total	95,950,952	99,595,667

As at 30 June 2022 and 31 December 2021, other collaterals mainly included the standard bonds for pledge-style quotation-driven repurchase.

## 36 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2022	31 December 2021
<b>Current</b>		
Placements from CSF (Notes 20 and 21)	2,510,406	7,528,350
Placements from banks	-	1,000,306
Total	2,510,406	8,528,656

## 37 TAXES PAYABLE

	30 June 2022	31 December 2021
<b>Current</b>		
Income tax	726,760	1,019,520
Value added tax	98,064	283,771
Others	68,172	182,860
Total	892,996	1,486,151

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 38 SHORT-TERM BORROWINGS

	30 June 2022	31 December 2021
<b>Current</b>		
Analyzed by nature:		
Credit borrowings	563,412	101,770
Mortgage borrowings (Notes 20 and 21)	-	885,604
Total	<u>563,412</u>	<u>987,374</u>

As at 30 June 2022 and 31 December 2021, the Group had fixed-rate borrowings which carried interest rate from 1.81% to 3.75% and 0.36% to 4.67%.

As at 30 June 2022, the Group held no collateral for its short-term borrowings. As at 31 December 2021, the Group held collateral with fair value amounted to RMB1,049.60 million.

## 39 SHORT-TERM FINANCING INSTRUMENTS PAYABLE

Name	Interest		Coupon rate	1 January 2022	Increase	Decrease	30 June 2022
	commencement date	Maturity date					
Short-term commercial paper							
21 CSC CP014	17/09/2021	16/09/2022	2.75%	3,023,959	40,911	-	3,064,870
21 CSC CP015	24/09/2021	24/06/2022	2.75%	3,022,377	39,328	(3,061,705)	-
21 CSC CP016	11/11/2021	11/11/2022	2.79%	2,007,797	27,671	-	2,035,468
21 CSC CP017	13/12/2021	09/09/2022	2.68%	3,004,185	39,870	-	3,044,055
22 CSC CP001	27/06/2022	16/12/2022	1.99%	-	2,500,545	-	2,500,545
Structured notes (//)				7,231,861	16,827,318	(18,989,269)	5,069,910
Total				<u>18,290,179</u>	<u>19,475,643</u>	<u>(22,050,974)</u>	<u>15,714,848</u>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 39 SHORT-TERM FINANCING INSTRUMENTS PAYABLE (CONTINUED)

Name	Interest commencement date	Maturity date	Coupon rate	1 January 2021	Increase	Decrease	31 December 2021
Short-term commercial paper							
20 CSC CP014	14/10/2020	13/01/2021	2.69%	4,023,289	3,538	(4,026,827)	-
20 CSC CP015	03/11/2020	29/01/2021	3.12%	4,522,695	10,770	(4,533,465)	-
20 CSC CP016	26/11/2020	25/02/2021	3.35%	4,013,216	20,192	(4,033,408)	-
20 CSC CP017	16/12/2020	17/03/2021	2.80%	3,504,296	20,137	(3,524,433)	-
21 CSC CP001	11/01/2021	09/04/2021	2.40%	-	4,023,145	(4,023,145)	-
21 CSC CP002	27/01/2021	28/04/2021	2.42%	-	4,024,134	(4,024,134)	-
21 CSC CP003	24/02/2021	26/05/2021	2.89%	-	4,532,423	(4,532,423)	-
21 CSC CP004BC	15/03/2021	11/06/2021	2.62%	-	4,528,425	(4,528,425)	-
21 CSC CP005BC	08/04/2021	25/06/2021	2.35%	-	3,919,585	(3,919,585)	-
21 CSC CP006BC	27/04/2021	23/07/2021	2.35%	-	3,016,804	(3,016,804)	-
21 CSC CP007BC	25/05/2021	20/08/2021	2.29%	-	4,017,065	(4,017,065)	-
21 CSC CP008BC	10/06/2021	08/09/2021	2.35%	-	4,526,075	(4,526,075)	-
21 CSC CP009BC	24/06/2021	17/09/2021	2.40%	-	4,525,151	(4,525,151)	-
21 CSC CP010BC	21/07/2021	19/10/2021	2.28%	-	4,525,299	(4,525,299)	-
21 CSC CP011BC	18/08/2021	16/11/2021	2.18%	-	3,418,276	(3,418,276)	-
21 CSC CP012BC	27/08/2021	28/10/2021	2.10%	-	3,010,701	(3,010,701)	-
21 CSC CP013	08/09/2021	08/12/2021	2.38%	-	2,011,867	(2,011,867)	-
21 CSC CP014	17/09/2021	16/09/2022	2.75%	-	3,023,959	-	3,023,959
21 CSC CP015	24/09/2021	24/06/2022	2.75%	-	3,022,377	-	3,022,377
21 CSC CP016	11/11/2021	11/11/2022	2.79%	-	2,007,797	-	2,007,797
21 CSC CP017	13/12/2021	09/09/2022	2.68%	-	3,004,185	-	3,004,185
Short-term corporate bond							
20 Xintou S2	28/07/2020	28/07/2021	2.90%	1,516,294	27,206	(1,543,500)	-
21 Xintou S1	29/07/2021	29/12/2021	2.45%	-	1,013,949	(1,013,949)	-
Structured notes //				24,716,254	38,315,877	(55,800,270)	7,231,861
Total				<u>42,296,044</u>	<u>100,548,937</u>	<u>(124,554,802)</u>	<u>18,290,179</u>

As at 30 June 2022 and 31 December 2021, there were no defaults related to any short-term financing instruments payable by the Group.

As at 30 June 2022 and 31 December 2021, the interests of short-term financing instruments payable measured by the effective interest rate method were included in the carrying amount of the related financial instruments, which amounted to RMB155.21 million and RMB91.76 million, respectively.

- (i) As at 30 June 2022 and 31 December 2021, the structured notes issued by the Group are at a fixed annual interest rate or a fixed plus floating interest rate. The fixed interest rate ranges are 1.90%-3.20% and 2.40%-3.35%, respectively.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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## 40 OTHER CURRENT LIABILITIES

	30 June 2022	31 December 2021
Bonds in issue with maturity within one year (1)	37,684,193	44,293,792
Trading deposits for return swaps	13,866,159	15,462,829
Salaries, bonuses and allowances payable	6,065,424	4,705,290
Dividends payable (Note 13)	3,382,962	355,589
Amounts due to other holders of consolidated structured entities at fair value	1,030,140	1,207,726
Settlement deposits payable	1,679,484	1,214,642
Accounts payable to underwriting clients	702,838	478,081
Futures settlement risk funds payable	163,906	145,032
Provision	59,600	59,546
Securities investor protection fund payable	46,759	57,625
Funds payable to securities holders	5,980	5,980
Others	8,041,625	7,378,884
Total	<b>72,729,070</b>	<b>75,365,016</b>

(1) Bonds in issue with maturity within one year as at 30 June 2022 and 31 December 2021 were as follows:

		30 June 2022	31 December 2021
19 Xintou C1	(i)	-	5,707,566
19 Xintou C2	(ii)	-	5,147,340
19 Xintou C3	(iii)	-	4,102,516
20 Xintou C1	(iv)	-	4,170,064
20 Xintou C3	(v)	-	5,200,351
21 Xintou C1	(vi)	2,030,931	2,063,833
21 Xintou C3	(vii)	-	3,076,022
21 Xintou C5	(viii)	3,637,754	3,575,881
21 Xintou C7	(ix)	1,033,112	1,015,295
21 Xintou C9	(x)	4,629,797	4,556,883
19 CSC Financial Bond 01	(xi)	4,127,254	4,056,979
20 Xintou G1	(xii)	5,038,605	-
20 Xintou G3	(xiii)	3,011,738	-
Structured notes	(xiv)	14,175,002	1,621,062
Total		<b>37,684,193</b>	<b>44,293,792</b>

(i) In January 2019, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB5.5 billion. The bond pays interest annually at 4.00% per annum and is not guaranteed. The bond was fully redeemed in January 2022.

(ii) In April 2019, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB5 billion. The bond pays interest annually at 4.20% per annum and is not guaranteed. The bond was fully redeemed in April 2022.

(iii) In May 2019, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB4 billion. The bond pays interest annually at 4.12% per annum and is not guaranteed. The bond was fully redeemed in May 2022.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 40 OTHER CURRENT LIABILITIES (CONTINUED)

- (1) Bonds in issue with maturity within one year as at 30 June 2022 and 31 December 2021 were as follows: (Continued)
- (iv) In November 2020, the Company publicly issued a 457-day fixed rate subordinated bond with a face value of RMB4 billion. The bond pays the principal and interest at maturity at 3.90% per year and is not guaranteed. The bond was fully redeemed in February 2022.
  - (v) In December 2020, the Company publicly issued a 455-day fixed rate subordinated bond with a face value of RMB5 billion. The bond pays the principal and interest at maturity at 3.84% per year and is not guaranteed. The bond was fully redeemed in March 2022.
  - (vi) In January 2021, the Company publicly issued a 546-day fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.50% per annum, the last-period interest is paid along with the redemption of the principal and is not guaranteed.
  - (vii) In March 2021, the Company publicly issued a 455-day fixed rate subordinated bond with a face value of RMB3 billion. The bond pays the principal and interest at maturity at 3.40% per year and is not guaranteed. The bond was fully redeemed in June 2022.
  - (viii) In April 2021, the Company publicly issued a 456-day fixed rate subordinated bond with a face value of RMB3.5 billion. The bond pays the principal and interest at maturity at 3.27% per year and is not guaranteed.
  - (ix) In June 2021, the Company publicly issued a 457-day fixed rate subordinated bond with a face value of RMB1 billion. The bond pays the principal and interest at maturity at 3.30% per year and is not guaranteed.
  - (x) In July 2021, the Company publicly issued a 457-day fixed rate subordinated bond with a face value of RMB4.5 billion. The bond pays the principal and interest at maturity at 3.05% per year and is not guaranteed.
  - (xi) In August 2019, the Company publicly issued a 3-year fixed rate financial bond with a face value of RMB4 billion. The bond pays interest annually at 3.52% per annum and is not guaranteed.
  - (xii) In March 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB5 billion. The bond pays interest annually at 2.94% per annum and is not guaranteed.
  - (xiii) In April 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB3 billion. The bond pays interest annually at 2.56% per annum and is not guaranteed.
  - (xiv) As at 30 June 2022, the Company had structured notes named “Gushouxin series” amounted to RMB1,050.12 million, “Zhiyingbao series” amounted to RMB12,393.24 million, which accrue interests at fixed annual rate of 2.60% to 4.40%; “Kanzhangbao series” amounted to RMB731.64 million, which accrue interest at floating rate linked to one or more stock indexes. The remaining tenure were less than one year. The principal and interest of these structured notes are payable at maturity and are not guaranteed. As at 31 December 2021, the Company had structured notes named “Gushouxin series” amounted to RMB0.10 million, “Zhiyingbao series” amounted to RMB1,520.94 million, which accrue interests at fixed annual rate of 3.00% to 3.95%; “Kanzhangbao series” amounted to RMB100.02 million, which accrue interest at floating rate linked to one or more stock indexes. The remaining tenure were less than one year. The principal and interest of these structured notes are payable at maturity and are not guaranteed.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 41 BONDS IN ISSUE

	30 June 2022	31 December 2021
Corporate bonds in issue	15,455,311	23,150,209
Subordinated bonds in issue	35,532,094	25,223,533
Structured notes in issue	3,121,267	11,646,450
Total	<u>54,108,672</u>	<u>60,020,192</u>

(1) As at 30 June 2022 and 31 December 2021, there were no defaults related to any bonds in issue.

(2) The details of bonds in issue

		30 June 2022	31 December 2021
Corporate bonds			
20 Xintou G1	(40(1)(xii))	–	5,107,844
20 Xintou G2	(i)	1,006,459	1,021,672
20 Xintou G3	(40(1)(xiii))	–	3,047,560
20 Xintou G4	(ii)	3,098,112	3,043,052
20 Xintou G5	(iii)	4,638,555	4,558,698
CSCIF A N2508	(iv)	3,368,812	3,198,713
CSCIF A N2406	(v)	3,343,373	3,172,670
Subtotal		<u>15,455,311</u>	<u>23,150,209</u>
Subordinated bonds			
20 Xintou C2	(vi)	1,023,419	1,001,959
20 Xintou C4	(vii)	1,021,410	1,000,051
21 Xintou C2	(viii)	1,015,444	1,034,404
21 Xintou C4	(ix)	1,009,146	1,028,159
21 Xintou C6	(x)	2,011,630	2,047,845
21 Xintou C8	(xi)	2,496,928	2,542,798
21 Xintou 10	(xii)	1,548,018	1,521,290
21 Xintou 11	(xiii)	4,091,310	4,021,408
21 Xintou 12	(xiv)	2,048,960	2,011,006
21 Xintou 13	(xv)	4,090,365	4,015,541
21 Xintou 14	(xvi)	2,033,405	2,000,968
21 Xintou 16	(xvii)	3,043,226	2,998,104
22 Xintou C1	(xviii)	4,042,319	–
22 Xintou C2	(xix)	2,025,244	–
22 Xintou C3	(xx)	1,008,380	–
22 Xintou C4	(xxi)	2,019,383	–
22 Xintou C6	(xxii)	1,003,507	–
Subtotal		<u>35,532,094</u>	<u>25,223,533</u>
Structured notes	(xxiii)	3,121,267	11,646,450
Carrying amount		<u>54,108,672</u>	<u>60,020,192</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 41 BONDS IN ISSUE (CONTINUED)

- (2) The details of bonds in issue (Continued)
- (i) In March 2020, the Company publicly issued a 5-year fixed rate corporate bond with a face value of RMB1 billion. The bond pays interest annually at 3.13% per annum and is not guaranteed.
  - (ii) In July 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB3 billion. The bond pays interest annually at 3.55% per annum and is not guaranteed.
  - (iii) In July 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB4.5 billion. The bond pays interest annually at 3.46% per annum and is not guaranteed.
  - (iv) In August 2020, CSCIF Asia Limited, an indirect wholly owned subsidiary of the Company, issued a 5-year medium-term note with a face value of USD0.5 billion and an annual interest rate of 1.75%. The note pays interest every six months, and is guaranteed unconditionally and irrevocably by CSC Financial Co., Ltd.
  - (v) In June 2021, CSCIF Asia Limited, an indirect wholly owned subsidiary of the Company, issued a 3-year medium-term note with a face value of USD0.5 billion and an annual interest rate of 1.125%. The note pays interest every six months, and is guaranteed unconditionally and irrevocably by CSC Financial Co., Ltd.
  - (vi) In November 2020, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 4.20% per annum and is not guaranteed.
  - (vii) In December 2020, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 4.18% per annum and is not guaranteed.
  - (viii) In January 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 3.87% per annum and is not guaranteed.
  - (ix) In March 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 3.88% per annum and is not guaranteed.
  - (x) In April 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.70% per annum and is not guaranteed.
  - (xi) In June 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB2.5 billion. The bond pays interest annually at 3.75% per annum and is not guaranteed.
  - (xii) In July 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1.5 billion. The bond pays interest annually at 3.50% per annum and is not guaranteed.
  - (xiii) In October 2021, the Company publicly issued a 2-year fixed rate subordinated bond with a face value of RMB4 billion. The bond pays interest annually at 3.43% per annum and is not guaranteed.
  - (xiv) In October 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.75% per annum and is not guaranteed.
  - (xv) In October 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB4 billion. The bond pays interest annually at 3.68% per annum and is not guaranteed.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 41 BONDS IN ISSUE (CONTINUED)

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

- (xvi) In November 2021, the Company publicly issued a 2-year fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.13% per annum and is not guaranteed.
- (xvii) In December 2021, the Company publicly issued a 2-year fixed rate subordinated bond with a face value of RMB3 billion. The bond pays interest annually at 3.07% per annum and is not guaranteed.
- (xviii) In January 2022, the Company publicly issued a 2-year fixed rate subordinated bond with a face value of RMB4 billion. The bond pays interest annually at 2.90% per annum and is not guaranteed.
- (xix) In January 2022, the Company publicly issued a 5-year fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.45% per annum and is not guaranteed.
- (xx) In February 2022, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 3.08% per annum and is not guaranteed.
- (xxi) In February 2022, the Company publicly issued a 5-year fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.49% per annum and is not guaranteed.
- (xxii) In April 2022, the Company publicly issued a 5-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 3.57% per annum and is not guaranteed.
- (xxiii) As at 30 June 2022, the Company had structured notes named "Zhiyingbao series" amounted to RMB3,121.27 million, which accrue interests at a fixed annual rate in the range of 3.30%~3.60%, with a remaining tenure of more than one year. The principal and interest of these structured notes are payable at maturity and are not guaranteed.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)*

## 42 SHARE CAPITAL

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

	<b>30 June 2022</b>	31 December 2021
Issued and fully paid ordinary shares of RMB1 each <i>(in thousands)</i>		
– A shares	<b>6,495,671</b>	6,495,671
– H shares	<b>1,261,024</b>	1,261,024
 Total	 <b>7,756,695</b>	 7,756,695

## 43 OTHER EQUITY INSTRUMENTS

Other equity instruments of the Group are as follows:

- In August 2019, the Company issued the first tranche of perpetual subordinated bonds of 2019 amounted to RMB5 billion.
- In March 2020, the Company issued the first tranche of perpetual subordinated bonds of 2020 amounted to RMB5 billion.
- In May 2021, the Company publicly issued perpetual subordinated bonds of 2021 to professional investors (the “2021 perpetual subordinated bonds”) amounted to RMB5 billion.
- In March 2022, the Company publicly issued the first tranche of perpetual subordinated bonds of 2022 to professional investors (the “2022 1st perpetual subordinated bonds”) amounted to RMB4.5 billion.
- In June 2022, the Company publicly issued the second tranche of perpetual subordinated bonds of 2022 to professional investors (the “2022 2nd perpetual subordinated bonds”) amounted to RMB3.5 billion.

The issuance terms related to the equity attributes of other equity instruments that existed at the end of the period mentioned above are as follows:

- The bonds are repriced every 5 interest-accruing years, and at the end of the repricing cycle, the issuer has the option to extend the bonds for another repricing cycle (another five years) or redeem them in full;
- The bonds offer no redemption option to the investors so that investors cannot require the issuer to redeem their bonds during the duration of the bonds;

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 43 OTHER EQUITY INSTRUMENTS (CONTINUED)

The issuance terms related to the equity attributes of other equity instruments that existed at the end of the period mentioned above are as follows: (Continued)

- The Company has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interests and accreted interests already deferred according to the related terms, without any limitation with respect to the number of deferrals. Mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital;
- The priority over repayment of the 2019, the 2020, the 2021, the 2022 1st and the 2022 2nd perpetual subordinated bonds is subordinated to the Company's general debts and other subordinated debt, unless in the event of liquidation of the Company, investors of these bonds cannot require the Company to accelerate payment of bonds' principals.

The perpetual subordinated bonds issued by the Company are classified as equity instruments, and recognized under equity in the consolidated statement of financial position. As at 30 June 2022, the interest payable of perpetual subordinated bonds was RMB319.07 million. As at 31 December 2021, the interest payable of perpetual subordinated bonds was RMB355.59 million. The interest amounted to RMB402.50 million was paid in the first half of 2022.

## 44 RESERVES

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

### (1) Capital reserve

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

### (2) Surplus reserves

#### (i) Statutory surplus reserve

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 44 RESERVES (CONTINUED)

(2) Surplus reserves (Continued)

### (ii) Discretionary surplus reserve

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

(3) General reserve

Pursuant to the requirements of regulatory authorities, including the Ministry of Finance and the CSRC, the Company is required to appropriate 10% of its profit for the year for the general risk reserve and 10% for the transaction risk reserve. Regulatory reserves that are established by subsidiaries and branches in certain countries or jurisdictions outside Mainland China in accordance with the regulatory requirements in their respective territories are also included herein.

(4) Investment revaluation reserve

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

(5) Foreign currency translation reserve

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

## 45 CASH AND CASH EQUIVALENTS

	30 June 2022	30 June 2021
Cash and bank balances	<b>28,831,806</b>	31,049,135
Less: Restricted deposits ( <i>Note 30</i> )	<b>(428,256)</b>	(486,336)
Interest receivable	<b>(2,747)</b>	(697)
	<b>28,400,803</b>	30,562,102
Cash and cash equivalents	<b>28,400,803</b>	30,562,102



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 46 COMMITMENTS AND CONTINGENT LIABILITIES

### (1) Capital commitments

	30 June 2022	31 December 2021
Contracted, but not provided for	<u>180,638</u>	<u>52,023</u>

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

### (2) Legal proceedings

The Company and its subsidiaries are subject to claims and are parties to legal and regulatory proceedings in their ordinary course of businesses. As at 30 June 2022 and 31 December 2021, management of the Group believes that the Group was not involved in any material legal, or arbitration proceedings that if adversely determined, would have material impact on its financial position or results of operations of the Group.

## 47 RELATED PARTY DISCLOSURES

### (1) Beijing Financial Holdings Group and companies under Beijing Financial Holdings Group

As at 30 June 2022 and 31 December 2021, Beijing Financial Holdings Group Co., Ltd. ("Beijing Financial Holdings Group") owned 34.61% of the equity interest of the Company.

Beijing Financial Holdings Group was established by State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality, which is an integrated financial investment holding platform and managed as a municipal level I enterprise.

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

	Six months ended 30 June	
	2022	2021
Fee and commission income	1,097	–
Interest income	174	223
Fee and commission expenses	(24)	(948)
Interest expenses	(105)	(75)
Other operating expenses and costs	<u>(44)</u>	<u>(51)</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 47 RELATED PARTY DISCLOSURES (CONTINUED)

- (1) Beijing Financial Holdings Group and companies under Beijing Financial Holdings Group  
(Continued)

	30 June 2022	31 December 2021
<b>Assets</b>		
Cash and bank balances	47,790	163,799
Financial assets at fair value through profit or loss	–	100,307
	–	164,106
<b>Liabilities</b>		
Accounts payable to brokerage clients	1	1
Other current liabilities	46	26
	47	27

- (2) Central Huijin and companies under Central Huijin

As at 30 June 2022 and 31 December 2021, Central Huijin Investment Limited (“Central Huijin”) owned 30.76% of the equity interest of the Company.

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

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

	Six months ended 30 June	
	2022	2021
Fee and commission income	21,246	56,352
Interest income	269,544	175,955
Other income	–	1,894
Fee and commission expenses	(64,739)	(35,203)
Interest expenses	(73,477)	(94,089)
Other operating expenses and costs	(445)	(337)
	123,129	103,682

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 47 RELATED PARTY DISCLOSURES (CONTINUED)

### (2) Central Huijin and companies under Central Huijin (Continued)

	30 June 2022	31 December 2021
<b>Assets</b>		
Financial assets at fair value through other comprehensive income	662,763	10,473
Financial assets at fair value through profit or loss	3,892,162	4,687,554
Derivative financial assets	64,467	119,640
Cash held on behalf of clients	20,748,705	15,630,605
Cash and bank balances	3,597,735	5,305,147
Accounts receivable	515,571	35,095
Right-of-use assets	4,843	4,721
Other current assets	2,357	20,310
<b>Liabilities</b>		
Financial liabilities at fair value through profit or loss	285	–
Accounts payable to brokerage clients	87,940	15,315
Derivative financial liabilities	126,724	214,888
Financial assets sold under repurchase agreements	5,917,635	6,269,076
Short-term borrowings	342,258	81,767
Lease liabilities	4,890	4,544
Other current liabilities	840,250	796,087

### (3) Government related entities

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

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

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 47 RELATED PARTY DISCLOSURES (CONTINUED)

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

The Group's major transactions and balances with other major shareholders and its related parties were as follows:

	Six months ended 30 June	
	2022	2021
Fee and commission income	7,496	8,664
Interest income	99,662	111,448
Other income	467	–
Fee and commission expense	(10,331)	(16,504)
Interest expenses	(20,248)	(9,068)
Other operating expenses and costs	(3,320)	(1,114)
	30 June 2022	31 December 2021
<b>Assets</b>		
Financial assets at fair value through other comprehensive income	253,248	–
Financial assets at fair value through profit or loss	378,237	1,157,115
Derivative financial assets	18,251	26,262
Cash held on behalf of clients	9,300,936	5,920,567
Cash and bank balances	1,114,455	1,101,030
Accounts receivable	81,322	35,098
Right-of-use assets	633,167	–
Other current assets	6,361	284
<b>Liabilities</b>		
Accounts payable to brokerage clients	579,012	672,376
Derivative financial liabilities	2,431	9,781
Lease liabilities	658,417	–
Other current liabilities	54,636	13,809

### (5) The Group's associates

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 47 RELATED PARTY DISCLOSURES (CONTINUED)

### (6) Key management personnel

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

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

	Six months ended 30 June	
	2022	2021
Salaries, bonuses and allowances	82,690	66,959
Staff benefits	618	690
Contributions to defined contribution schemes	1,138	1,221
Total	84,446	68,870

## 48 FAIR VALUE AND FAIR VALUE HIERARCHY

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

Fair value hierarchy

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

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

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

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 48 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

For certain unlisted equity securities (private equity securities), thinly traded equity securities, subordinated tranche of asset-backed securities, certain over-the-counter derivative contracts and trust plans, the management uses counterparty quotations or valuation techniques to determine their fair value. Valuation techniques used primarily include discount cash flow model, option pricing model and comparable companies methods, etc. The fair value measurement of these financial instruments may use unobservable inputs that may have significant impact on the valuation results, and therefore, the Group includes them as Level 3 assets and liabilities. The unobservable parameters that may have impacts on the valuation include, among others, liquidity discount, price to book ratio and volatility of underlying assets. As at 30 June 2022 and 31 December 2021, the fair value of the financial assets and liabilities classified under level 3 is not significantly sensitive to a reasonable change in these unobservable inputs. The Group has implemented internal control procedures to monitor and control the Group's exposures to such financial instruments.

(1) Financial instruments recorded at fair value

	30 June 2022			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss				
– Debt instruments	9,211,995	68,634,637	47,848	77,894,480
– Equity investments	18,192,339	6	8,230,254	26,422,599
– Fund investments	8,289,273	8,163,450	1	16,452,724
– Others	–	28,492,214	3,711,281	32,203,495
Subtotal	<u>35,693,607</u>	<u>105,290,307</u>	<u>11,989,384</u>	<u>152,973,298</u>
Financial assets at fair value through other comprehensive income				
– Debt instruments	–	55,465,480	401	55,465,881
– Equity instruments	82,633	–	–	82,633
Subtotal	<u>82,633</u>	<u>55,465,480</u>	<u>401</u>	<u>55,548,514</u>
Derivative financial assets	<u>372,114</u>	<u>1,670,403</u>	<u>754,831</u>	<u>2,797,348</u>
Total assets	<u><u>36,148,354</u></u>	<u><u>162,426,190</u></u>	<u><u>12,744,616</u></u>	<u><u>211,319,160</u></u>
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	–	987,081	–	987,081
– Financial liabilities designated as at fair value through profit or loss	–	50,332	11,343,718	11,394,050
Subtotal	<u>–</u>	<u>1,037,413</u>	<u>11,343,718</u>	<u>12,381,131</u>
Derivative financial liabilities	<u>366,491</u>	<u>1,568,206</u>	<u>1,969,114</u>	<u>3,903,811</u>
Total liabilities	<u><u>366,491</u></u>	<u><u>2,605,619</u></u>	<u><u>13,312,832</u></u>	<u><u>16,284,942</u></u>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 48 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

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

	31 December 2021			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss				
– Debt instruments	7,974,743	79,186,453	56,572	87,217,768
– Equity investments	20,990,911	35,274	6,767,301	27,793,486
– Fund investments	9,607,676	6,998,598	167	16,606,441
– Others	5,220	26,259,353	3,665,648	29,930,221
Subtotal	38,578,550	112,479,678	10,489,688	161,547,916
Financial assets at fair value through other comprehensive income				
– Debt instruments	2,123,695	46,136,443	401	48,260,539
– Equity instruments	97,607	–	–	97,607
Subtotal	2,221,302	46,136,443	401	48,358,146
Derivative financial assets	307,716	1,643,790	566,436	2,517,942
Total assets	41,107,568	160,259,911	11,056,525	212,424,004
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	1,029,622	–	–	1,029,622
– Financial liabilities designated as at fair value through profit or loss	–	–	6,770,267	6,770,267
Subtotal	1,029,622	–	6,770,267	7,799,889
Derivative financial liabilities	300,537	1,761,219	2,233,570	4,295,326
Total liabilities	1,330,159	1,761,219	9,003,837	12,095,215

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 48 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

- (2) Movements in Level 3 Financial Instruments measured at fair value

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

	Six months ended 30 June 2022				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2022	10,489,688	401	566,436	6,770,267	2,233,570
Total gains or losses for the period	274,129	-	1,683,786	(474,080)	(124,066)
Total gains recorded in other comprehensive income	-	-	-	-	-
Increases	4,726,234	-	143,865	5,969,693	769,314
Decreases	(3,350,641)	-	(1,639,256)	(922,162)	(909,704)
Transfers to Level 1 from Level 3	(150,026)	-	-	-	-
30 June 2022	<u>11,989,384</u>	<u>401</u>	<u>754,831</u>	<u>11,343,718</u>	<u>1,969,114</u>
Gains/(losses) for the period included in profit or loss for assets/liabilities held at the end of the period	<u>274,129</u>	<u>-</u>	<u>1,683,786</u>	<u>474,080</u>	<u>124,066</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 48 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

### (2) Movements in Level 3 Financial Instruments measured at fair value (Continued)

Movements in Level 3 Financial Instruments measured at fair value in each period/year are as follow: (Continued)

	Year ended 31 December 2021				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2021	5,050,054	2,494	338,266	1,590,589	1,344,869
Total gains or losses for the year	46,199	6,783	521,633	473,149	1,648,446
Total gains recorded in other comprehensive income	-	(31)	-	-	-
Increases	8,915,820	-	360,004	14,935,089	1,208,471
Decreases	(7,531,674)	(8,845)	(653,467)	(10,228,560)	(1,968,216)
Transfers to Level 3 from Level 2	4,009,289	-	-	-	-
31 December 2021	<u>10,489,688</u>	<u>401</u>	<u>566,436</u>	<u>6,770,267</u>	<u>2,233,570</u>
Gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	<u>46,199</u>	<u>6,783</u>	<u>521,633</u>	<u>(473,149)</u>	<u>(1,648,446)</u>

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

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 48 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

### (4) Transfers between Level 1 and Level 2

During the six months ended 30 June 2022, the amount of financial assets at fair value through profit and loss from Level 2 to Level 1 were RMB210.01 million.

During the year ended 31 December 2021, the amount of financial assets at fair value through profit and loss from Level 1 to Level 2 were RMB10.01 million and the amount of financial assets at fair value through profit and loss from Level 2 to Level 1 were RMB504.05 million.

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

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

As at 30 June 2022 and 31 December 2021, the carrying amounts and fair value of bonds in issue (including bonds in issue with maturity within one year) are summarized below:

	30 June 2022	31 December 2021
Bonds in issue (including bonds in issue with maturity within one year)		
– Carrying amount (Notes 40 and 41)	91,792,865	104,313,984
– Fair value	<u>92,030,350</u>	<u>104,852,092</u>

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

The Group's risk management and control system is not significantly changed compared to 31 December 2021.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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FOR THE SIX MONTHS ENDED 30 JUNE 2022

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## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Structure of risk management

### The Board

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

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

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

### The Operation Management

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
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## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Structure of risk management (Continued)

### The Department, Branch and Subsidiary

Each and every department and branch/subsidiary of the Group, whose responsible person assumes primary responsibility for the risk management of the unit, within their respective roles and responsibilities, is responsible for following the decisions, rules and procedures, and risk management policies, and implementing risk-control measures and engaging in direct risk control efforts in their business activities. Every staff of the Group has the responsibility of diligence, prudent prevention and timely reporting on the effectiveness of risk management.

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

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

### Risk management activities

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

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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FOR THE SIX MONTHS ENDED 30 JUNE 2022

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## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk management activities (Continued)

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

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

### Risk analysis and control

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

#### 49.1 Credit risk

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

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

Credit risk relating to bond investments is primarily due to the decline in the creditworthiness of credit issuer of the debt financing instruments or defaults, counterparty defaults. The Group carries out due diligence for issuers and counterparties, establishes internal ratings for issuers, debts and counterparties, manages the access and size of transactions according to the internal and external rating, and controls credit risk using other tools for subsequent monitoring and management. In the first half of 2022, the Group continues to improve the credit quality of its investment portfolio, optimize the issuer rating and credit granting and concentration management mechanism, strengthen risk early warning, and effectively control the loss of default.

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.1 Credit risk (Continued)

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

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

#### ***Expected credit loss measurement***

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

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

- A financial instrument that is not credit-impaired on initial recognition is classified as "Stage 1" and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired;
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
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## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.1 Credit risk (Continued)

#### *Expected credit loss measurement (Continued)*

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

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

- Selection of the appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Determination of forward-looking measurements and weightings; and
- The estimated future cash flows for the financial assets classified under Stage 3.

Measuring ECL – models and parameters

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

The Group fully considers forward-looking information when measuring ECL. ECL are the discounted product of the PD, LGD, and EAD after considering the forward-looking impact.

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. For securities financing business, the Group determines the PD by borrower based on factors including the coverage ratio of underlying collateral value to margin loan (collateral to loan ratio) and the volatility of such collateral’s valuation. For debt securities investments, internal credit rating is taken into consideration.
- LGD represents the Group’s expectation of the extent of loss on a defaulted exposure. For securities financing business, the Group determines LGD, based on factors including the realizable value of collateral upon forced liquidation taking into consideration the estimated volatility over the realization period. For debt securities investments, LGD is determined based on assessed publicly available information from credit rating agencies, and type of securities.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.1 Credit risk (Continued)

#### ***Expected credit loss measurement (Continued)***

Measuring ECL – models and parameters (Continued)

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

The criteria of Significant increase in credit risk (SICR)

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

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

For securities financing business, the Group considered securities financing business to have experienced a SICR if collateral to loan ratios are lower than the force liquidation thresholds, which means a decline in collateral valuation or the quality of the third-party collateral is significantly reduced. As at 30 June 2022 and 31 December 2021, over 95% of the securities financing balances of the Group were covered by collateral value of over the force liquidation thresholds of related loan or repo amounts.

For debt securities investments, the Group makes use of its internal rating measurement system's results. The Group considers debt securities investments to have experienced a SICR if the latest internal ratings of the issuers of debt securities or the debt securities themselves underwent two notches of downward migration or more, compared with those ratings as at the acquisition date; and if the latest internal rating of issuers of debt securities or the debt securities themselves were under the predetermined grading. As at 30 June 2022 and 31 December 2021, majority of the debt securities investments of the Group were rated as investment grade or above and there was no SICR.

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
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## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.1 Credit risk (Continued)

#### ***Expected credit loss measurement (Continued)***

Definition of default and credit impairment

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

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

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

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

- Securities financing business with collateral to loan ratios above the force liquidation thresholds and those past due for no more than 30 days are classified under Stage 1.
- Securities financing business with collateral to loan ratios fall below the pre-determined force liquidation thresholds but above 100%; or those past due for more than 30 days but no more than 90 days are classified under Stage 2.
- Securities financing business with collateral to loan ratios fall below 100%; or those past due for more than 90 days are classified under Stage 3.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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FOR THE SIX MONTHS ENDED 30 JUNE 2022

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## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.1 Credit risk (Continued)

#### ***Expected credit loss measurement (Continued)***

Forward-looking information

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

For all portfolios the Group concluded that three scenarios appropriately captured non-linearities of key economic variables. The scenario weightings are determined by a combination of statistical analysis and expert judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The Group reevaluates the quantity and characteristic of these scenarios at each balance sheet date. As at 30 June 2022 and 31 December 2021, the Group set three scenarios of optimism, base and pessimism for analysis of main product types, and the probability-weight of base scenario adopted by the Group was more than that of the other scenarios.

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

As at 30 June 2022, by taking current economy situation, pandemic's impact and supporting policies applied by the government into comprehensive consideration, the Company updated the relevant economic indicators used for forward-looking measurement according to the latest economic forecast. As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes as at the financial statement date.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.1 Credit risk (Continued)

#### *Expected credit loss measurement (Continued)*

Sensitivity analysis

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

As mentioned above, the Group adopts three scenarios for all portfolios, being the optimistic scenario, base scenario and pessimistic scenario. A sensitivity analysis was applied to these scenarios as at 30 June 2022 and 31 December 2021 and the results were as follows:

- (i) The incremental impact on the ECL allowance of applying the probability weighted scenarios was no more than a 5% deviation from the base ECL scenario;
- (ii) The decremental impact on the ECL allowance of increasing the weighting applied to the optimistic scenario by 10% and a corresponding reduction of 10% weighting applied to the base scenario was no more than 5% of the ECL allowance;
- (iii) The incremental impact of shifting 10% of the weighting from the base case scenario to the pessimistic scenario was no more than 5% of the ECL allowance.

Meanwhile, the Group also uses sensitivity analysis to monitor the impact of changes to the credit risk classification of financial assets on ECL. As at 30 June 2022 and 31 December 2021, assuming there was no SICR since initial recognition, and all the financial assets in Stage 2 were moved to Stage 1, the decremental impact on ECL allowance recognized in statement of financial position would be less than 5%.

Collateral and other credit enhancements

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.1 Credit risk (Continued)

#### *Expected credit loss measurement (Continued)*

Impairment provision of securities financing business

As at 30 June 2022, the percentage of impairment provision applied by the Group on securities financing business under the Stage 1, Stage 2 and Stage 3 were 0.25%, 9.08% and 84.89%, respectively (31 December 2021: 0.21% · 4.12% and 70.85%).

Credit risk exposure analysis

As at 30 June 2022 and 31 December 2021, the credit quality of the Group's financing exposures to customers was in good condition and over 95% of the securities financing business of the Group were with collateral to loan ratios no lower than the force liquidation thresholds. High threshold of margin loans to collateral ratios indicated that PD was low. For debt securities investments, the Group employed both open market credit ratings and internal credit ratings simultaneously as admittance criteria. The debt securities will be admitted only when the internal and external ratings criteria are met. Majority of the Group's debt securities investments were rated as investment grade (AA) or above externally.

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

	30 June 2022	31 December 2021
Financial assets at fair value through profit or loss	<b>121,483,306</b>	128,418,814
Cash held on behalf of clients	<b>108,159,807</b>	88,118,755
Margin accounts	<b>52,980,150</b>	57,808,146
Financial assets at fair value through other comprehensive income	<b>55,465,881</b>	48,260,539
Deposits in banks	<b>28,831,806</b>	36,002,716
Financial assets held under resale agreements	<b>21,126,910</b>	19,021,754
Refundable deposits	<b>10,851,512</b>	10,395,629
Derivative financial assets	<b>2,797,348</b>	2,517,942
Others	<b>26,516,192</b>	23,663,592
	<b>428,212,912</b>	414,207,887



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.1 Credit risk (Continued)

ECL	30 June 2022			Total
	Stage of ECL			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
<b>Margin accounts</b>				
Carrying amount	53,107,184	108	1,065,284	54,172,576
Loss allowance	(127,139)	(3)	(1,065,284)	(1,192,426)
Book value	<u>52,980,045</u>	<u>105</u>	<u>-</u>	<u>52,980,150</u>
<b>Financial assets held under resale agreements</b>				
Carrying amount	20,649,866	209,901	911,231	21,770,998
Loss allowance	(12,440)	(19,058)	(612,590)	(644,088)
Book value	<u>20,637,426</u>	<u>190,843</u>	<u>298,641</u>	<u>21,126,910</u>
Including: stock-pledged repurchase business				
Carrying amount	3,652,935	209,901	911,231	4,774,067
Loss allowance	(12,440)	(19,058)	(612,590)	(644,088)
Collateral	<u>12,107,078</u>	<u>624,206</u>	<u>1,222,767</u>	<u>13,954,051</u>
<b>Financial assets at fair value through other comprehensive income (debt instruments)</b>				
Book value	<u>55,465,480</u>	<u>-</u>	<u>401</u>	<u>55,465,881</u>
Loss allowance	<u>(466,668)</u>	<u>-</u>	<u>(13,372)</u>	<u>(480,040)</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.1 Credit risk (Continued)

ECL	31 December 2021			Total
	Stage of ECL			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
<b>Margin accounts</b>				
Carrying amount	57,923,903	1,362	1,062,781	58,988,046
Loss allowance	(117,063)	(56)	(1,062,781)	(1,179,900)
Book value	<u>57,806,840</u>	<u>1,306</u>	<u>–</u>	<u>57,808,146</u>
<b>Financial assets held under resale agreements</b>				
Carrying amount	18,338,264	–	1,325,320	19,663,584
Loss allowance	(12,703)	–	(629,127)	(641,830)
Book value	<u>18,325,561</u>	<u>–</u>	<u>696,193</u>	<u>19,021,754</u>
Including: stock-pledged repurchase business				
Carrying amount	3,026,091	–	1,325,320	4,351,411
Loss allowance	(12,703)	–	(629,127)	(641,830)
Collateral	<u>11,840,014</u>	<u>–</u>	<u>2,632,884</u>	<u>14,472,898</u>
<b>Financial assets at fair value through other comprehensive income (debt instruments)</b>				
Book value	<u>48,260,138</u>	<u>–</u>	<u>401</u>	<u>48,260,539</u>
Loss allowance	<u>(417,714)</u>	<u>–</u>	<u>(13,372)</u>	<u>(431,086)</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.1 Credit risk (Continued)

The movements of loss allowance are mainly affected by:

- Increases are primarily attributable to new financial instruments recognized, changes in PD, LGD and expected cash flow recovery rate affected by market changes, the resulted movements amongst Stage 1, Stage 2 and Stage 3, and updates of parameters and assumptions in the ECL model;
- Reversals include the reversals caused by the redemption or disposal of financial assets, the impact of changes in model parameters and assumption;
- Transfers between stages due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired, and the corresponding measurement basis changes between the 12-month (12M) or the Lifetime basis; and
- Foreign exchange and other movements include changes in foreign exchange translations for assets denominated in foreign currencies and other movements.

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

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

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired)	
1 January 2022	117,063	56	1,062,781	1,179,900
Increases	65,707	3	-	65,710
Reversals	(56,695)	(2)	(820)	(57,517)
Write-offs	-	-	(804)	(804)
Transfer:				
Stage 1 to stage 2	(2)	2	-	-
Stage 2 to stage 1	56	(56)	-	-
Foreign exchange and other movements	1,010	-	4,127	5,137
30 June 2022	<u>127,139</u>	<u>3</u>	<u>1,065,284</u>	<u>1,192,426</u>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.1 Credit risk (Continued)

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

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired)	
1 January 2021	99,346	2	1,069,322	1,168,670
Increases	95,814	54	2,197	98,065
Reversals	(78,089)	–	(5,170)	(83,259)
Write-offs	–	–	(341)	(341)
Transfer:				
Stage 1 to stage 2	(2)	2	–	–
Stage 1 to stage 3	(1)	–	1	–
Stage 2 to stage 1	2	(2)	–	–
Foreign exchange and other movements	(7)	–	(3,228)	(3,235)
31 December 2021	<u>117,063</u>	<u>56</u>	<u>1,062,781</u>	<u>1,179,900</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.1 Credit risk (Continued)

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

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2022	12,703	–	629,127	641,830
Increases	8,275	18,700	92,630	119,605
Reversals	(8,180)	–	(109,167)	(117,347)
Write-offs	–	–	–	–
Transfer:				
Stage 1 to stage 2	(358)	358	–	–
30 June 2022	<u>12,440</u>	<u>19,058</u>	<u>612,590</u>	<u>644,088</u>

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2021	41,902	576	1,043,291	1,085,769
Increases	5,034	–	164,631	169,665
Reversals	(33,483)	(576)	(579,538)	(613,597)
Write-offs	–	–	–	–
Transfer:				
Stage 1 to stage 3	(743)	–	743	–
Foreign exchange and other movements	(7)	–	–	(7)
31 December 2021	<u>12,703</u>	<u>–</u>	<u>629,127</u>	<u>641,830</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.1 Credit risk (Continued)

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

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2022	417,714	–	13,372	431,086
Increases	161,753	–	–	161,753
Reversals	(107,551)	–	–	(107,551)
Write-offs	(5,367)	–	–	(5,367)
Foreign exchange and other movements	119	–	–	119
30 June 2022	<u>466,668</u>	<u>–</u>	<u>13,372</u>	<u>480,040</u>

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2021	297,592	–	20,124	317,716
Increases	258,258	–	–	258,258
Reversals	(137,611)	–	–	(137,611)
Write-offs	(462)	–	(6,752)	(7,214)
Foreign exchange and other movements	(63)	–	–	(63)
31 December 2021	<u>417,714</u>	<u>–</u>	<u>13,372</u>	<u>431,086</u>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.2 Liquidity risk

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

The Group has established clear decision-making levels, authority delegation and risk control rules and procedures, and clearly defined the roles and responsibilities of the Board of Directors, executive management and business departments in liquidity risk control. The Asset and Liability Management Committee of the Executives Committee is responsible for organizing and managing the asset and liability allocation plan of the Group, reviewing and approving the internal valuation interest rate of capital and emergency plans for liquidity risk. The Group established the Treasury Operations Department to initiate the management of the liquidity of its proprietary funds, accounting for expanding mid- and long-term stable funding channels, reasonably adjusting the asset allocation among various business lines, and steadily optimizing its assets and liabilities structure. The Group implements liquidity risk limits management and conducts daily and monthly liquidity position analyzes to manage liquidity movements. For effective management of market liquidity risk of its securities portfolios, the Group has implemented securities centralization management for securities investment and financing activities, and has adopted credit rating criteria for fixed-income securities investments. The Group has improved its daily practice for liquidity risk management and control mechanism with the assistance of liquidity reserve asset management system, refining internal funds transfer pricing (FTP) system, as well as establishing and optimizing liquidity emergency plans and stress tests. During the six months ended 30 June 2022, the Group has appropriately planned its scale and structure of assets and liabilities, promoted the overall management of liabilities, and maintained sufficient liquidity reserve and ensured its regulatory liquidity coverage ratio and net stable funding ratio were being fully complied with, and its liquidity risk was closely monitored and controlled.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.2 Liquidity risk (Continued)

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

	30 June 2022					Total
	Overdue/ repayable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Accounts payable to brokerage clients	114,389,211	-	-	-	-	114,389,211
Lease liabilities	-	156,167	350,520	1,267,812	14,928	1,789,427
Derivative financial liabilities	3,842,838	49,041	11,932	-	-	3,903,811
Financial liabilities at fair value through profit or loss	226,049	1,733,092	2,586,889	7,835,101	-	12,381,131
Financial assets sold under repurchase agreements	-	92,073,720	3,947,230	-	-	96,020,950
Placements from banks and other financial institutions	-	2,014,156	506,319	-	-	2,520,475
Short-term borrowings	-	564,149	-	-	-	564,149
Short-term financing instruments payable	-	10,581,062	5,222,857	-	-	15,803,919
Bonds in issue	-	344,062	1,262,864	56,120,241	-	57,727,167
Others <sup>(i)</sup>	24,225,015	15,308,323	27,699,521	2,344	603	67,235,806
<b>Total</b>	<b>142,683,113</b>	<b>122,823,772</b>	<b>41,588,132</b>	<b>65,225,498</b>	<b>15,531</b>	<b>372,336,046</b>
Cash flows from derivative financial liabilities settled on a net basis	3,842,838	47,923	220	-	-	3,890,981
Gross-settled derivative financial liabilities	-	1,118	11,712	-	-	12,830
Contractual amounts receivable	-	-	-	-	-	-
Contractual amounts payable	-	1,118	11,712	-	-	12,830

(i) Others mainly include bonds in issue with maturity within one year, and trading deposits for return swaps.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.2 Liquidity risk (Continued)

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

	31 December 2021					Total
	Overdue/ repayable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Accounts payable to brokerage clients	93,082,812	-	-	-	-	93,082,812
Lease liabilities	-	169,276	333,136	1,423,211	19,615	1,945,238
Derivative financial liabilities	4,263,723	25,515	6,088	-	-	4,295,326
Financial liabilities at fair value through profit or loss	-	77,454	2,270,557	5,454,392	-	7,802,403
Financial assets sold under repurchase agreements	-	97,193,025	2,497,310	-	-	99,690,335
Placements from banks and other financial institutions	-	8,553,649	-	-	-	8,553,649
Short-term borrowings	-	987,408	-	-	-	987,408
Short-term financing instruments payable	-	6,756,536	11,755,938	-	-	18,512,474
Bonds in issue	-	283,694	1,220,906	62,258,639	-	63,763,239
Others (i)	25,677,287	15,549,250	29,917,864	4,657	596	71,149,654
<b>Total</b>	<b>123,023,822</b>	<b>129,595,807</b>	<b>48,001,799</b>	<b>69,140,899</b>	<b>20,211</b>	<b>369,782,538</b>
Cash flows from derivative financial liabilities settled on a net basis	4,263,723	24,520	7	-	-	4,288,250
Gross-settled derivative financial liabilities	-	995	6,081	-	-	7,076
Contractual amounts receivable	-	-	-	-	-	-
Contractual amounts payable	-	995	6,081	-	-	7,076

(i) Others mainly include bonds in issue with maturity within one year, and trading deposits for return swaps.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.2 Liquidity risk (Continued)

The table below analyzes the Group's lease agreements, which were committed as at 30 June 2022 and 31 December 2021 but not commenced into the relevant maturity groupings based on their contractual maturities:

	30 June 2022				
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Lease liabilities	<u>73,147</u>	<u>73,147</u>	<u>219,842</u>	<u>64,906</u>	<u>431,042</u>
	31 December 2021				
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Lease liabilities	<u>39,804</u>	<u>73,785</u>	<u>209,869</u>	<u>91,147</u>	<u>414,605</u>

### 49.3 Market risk

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

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

During the six months ended 30 June 2022, while the Group earns reasonable investment returns, market risks are effectively controlled within the scope of various risk limit indicators.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.3 Market risk (Continued)

#### (1) Value at risk (VaR)

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

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

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

	30 June 2022	31 December 2021
Equity price-sensitive financial instruments	222,489	97,736
Interest rate-sensitive financial instruments	120,296	75,604

#### (2) Interest rate risk

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.3 Market risk (Continued)

#### (2) Interest rate risk (Continued)

Interest rate sensitivity analysis of are as follows:

Sensitivity to revenue	30 June 2022	31 December 2021
Change in basis points		
+25 basis points	(476,095)	(605,412)
– 25 basis points	478,319	609,842
Sensitivity to equity	30 June 2022	31 December 2021
Change in basis points		
+25 basis points	(286,003)	(273,109)
– 25 basis points	288,511	275,879

#### (3) Foreign currency rate risk

As at 30 June 2022, the foreign exchange exposure is approximately RMB2,662 million (31 December 2021: RMB6,177 million). The Group manages its foreign exchange rate risk by implementing integrated management of domestic and foreign Fixed-Income securities, Currencies and Commodities (FICC) and derivatives business, and manages its foreign exchange risk by limiting the scale of foreign-currency-denominated assets and liabilities and the comprehensive position of foreign exchange settlement and sales, setting the company's self-operated investment stop-loss limit, risk exposure limit, and using foreign exchange derivative risk hedging tools. The majority of its income-generating business activities under the current structure are conducted in RMB, with only a small portion denominated in foreign currencies. Given the small portion of the foreign-currency-denominated businesses in both its assets and liabilities portfolio and income structure, the Group believes that its foreign exchange rate risk has an insignificant impact on its current operations.

#### (4) Other price risks

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.4 Capital management

The Group's objectives of capital management are:

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

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revised 2016) (the "Administrative Measures") issued by the CSRC in 2016 and Calculation Standards for Risk Control Indicators of Securities Companies (CSRC Announcement [2020] No.10) (the "Calculation Standards") issued by the CSRC in 2020, respectively, the Company is required to meet the following standards for risk control indicators on a continual basis:

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

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

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

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

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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FOR THE SIX MONTHS ENDED 30 JUNE 2022

(In RMB thousands, unless otherwise stated)

## 50 EVENTS AFTER THE REPORTING PERIOD

(1) Issuance of short-term corporate bond

In July 2022, the Company publicly issued a 91-day fixed rate short-term corporate bond to professional investors with a face value of RMB1 billion ("22 Xintou S1"). The bond pays the principal and interest at 1.78% upon maturity and is not guaranteed.

(2) Issuance of short-term commercial paper

In July 2022, the Company publicly issued a 149-day fixed rate commercial paper with a face value of RMB4 billion ("22 CSC CP002"). The bond pays the principal and interest at 1.93% upon maturity and is not guaranteed.

In July 2022, the Company publicly issued a 302-day fixed rate commercial paper with a face value of RMB3 billion ("22 CSC CP003"). The bond pays the principal and interest at 2.14% upon maturity and is not guaranteed.

In July 2022, the Company publicly issued a 175-day fixed rate commercial paper with a face value of RMB3 billion ("22 CSC CP004"). The bond pays the principal and interest at 1.92% upon maturity and is not guaranteed.

(3) Issuance of perpetual subordinated bond

In August 2022, the Company publicly issued a perpetual subordinated bond with a face value of RMB2 billion. The bond is repriced every 5 interest-accruing years and at the end of the repricing cycle, the Company has the option to extend the bond for another repricing cycle (another five years) or redeem it in full. The bond accrues interest at floating rate with an initial fixed annual interest rate of 3.20% in the first 5 interest-accruing years and will be repriced every 5 years from the sixth year. The bond pays interest annually in case of the Company not exercising the option to defer the interest payment and is not guaranteed.



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