



# 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



# 2023

## INTERIM REPORT

# Contents

Definitions .....	2
Section 1 Company Information.....	5
Section 2 Financial Summary.....	7
Section 3 Management Discussion and Analysis .....	10
Section 4 Significant Events .....	44
Section 5 Changes in Ordinary Shares and Information on Shareholders .....	50
Section 6 Directors, Supervisors, Senior Management and Employees .....	54
Annex Report on Review of Interim Financial Information and Notes to the Interim Condensed Consolidated Financial Statements.....	61

## DEFINITIONS

---

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

“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 CSRC”	Beijing Regulatory Bureau of the China Securities Regulatory Commission
“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 Capital”	China Capital Management Co., Ltd (中信建投資本管理有限公司)
“China Fund”	China Fund Management Co., Ltd. (中信建投基金管理有限公司)
“China Futures”	China Futures Co., Ltd. (中信建投期貨有限公司)
“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 Co., Ltd. (中信建投投資有限公司)
“CITIC Group”	CITIC Group Corporation (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”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“ESG”	Environmental, Social and Governance

“FICC”	Fixed-income securities, currencies and commodities
“Glasslake Holdings”	Glasslake Holdings Limited (鏡湖控股有限公司)
“Group”	CSC Financial Co., Ltd. and its subsidiaries
“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 HKD
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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)
“QFI”	Qualified Foreign 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 2023 to 30 June 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“same period last year”	1 January 2022 to 30 June 2022
“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
“Shareholder(s)”	holder(s) of the Share(s)

## DEFINITIONS

---

“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 2023
“the end of 2022/the end of last year”	31 December 2022
“the end of the Reporting Period”	30 June 2023
“US\$”, “USD”, “US Dollar(s)”	United States dollars, the lawful currency of the United States of America
“WFOE”	wholly foreign owned enterprise
“Wind Info”	Wind Information Co., Ltd. (萬得信息技術股份有限公司)

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	Wang Changqing (acting)

### Registered Capital and Net Capital

Unit: Yuan Currency: RMB

	As at the end of the Reporting Period (30 June 2023)	As at the end of the previous year (31 December 2022)
Registered Capital	7,756,694,797.00	7,756,694,797.00
Net Capital	65,205,500,375.20	66,252,299,897.85

## 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 Principal Office Address	100010
Place of Business in Hong Kong	18/F, Two Exchange Square, Central, Hong Kong
Website	www.csc108.com
Email	601066@csc.com.cn
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 the Shanghai Stock Exchange (www.sse.com.cn) Website of the Company (www.csc108.com)
Stock Code (H Shares)	6066. HK
Stock Code (A Shares)	601066. SH
Authorized Representative of the Company	Wang Changqing
Joint Company Secretaries	Wang Guangxue, Wong Wai Ling

## SECTION 1 COMPANY INFORMATION

---

### 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	601066@csc.com.cn	601066@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	KPMG Huazhen LLP 8th Floor, Office Tower E2, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing
	KPMG 8th Floor, Prince's Building, 10 Chater Road, 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 2023</b>	January to June 2022	Increase/ decrease as compared to the same period last year (%)
Total revenue and other income	<b>18,652</b>	18,849	-1.05
Operating profit	<b>5,170</b>	5,481	-5.67
Profit before income tax	<b>5,170</b>	5,489	-5.81
Net profit attributable to equity holders of the Company	<b>4,307</b>	4,380	-1.66
Net cash flow from operating activities	<b>-3,370</b>	9,856	-134.19

*Unit: RMB million*

Items	<b>30 June 2023</b>	31 December 2022	Increase/ decrease as compared to the end of last year (%)
Total assets	<b>553,419</b>	509,206	8.68
Total liabilities	<b>457,816</b>	415,910	10.08
Equity attributable to equity holders of the Company	<b>95,558</b>	93,251	2.47
Total share capital	<b>7,757</b>	7,757	-



## SECTION 2 FINANCIAL SUMMARY

### KEY FINANCIAL INDICATORS

Items	January to June 2023	January to June 2022	Increase/ decrease as compared to the same period last year (%)
Basic earnings per share (RMB Yuan/Share)	<b>0.49</b>	0.52	-5.77
Diluted earnings per share (RMB Yuan/Share)	<b>0.49</b>	0.52	-5.77
Return on weighted average equity (%)	<b>5.44</b>	6.04	Decreased by 0.60 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 stipulated 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 2023	31 December 2022	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>12.32</b>	12.02	2.5
Gearing ratio (%)	<b>78.00</b>	76.67	Increased by 1.33 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 RMB9.11 (31 December 2022: RMB8.81).

## SECTION 2 FINANCIAL SUMMARY

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

Items	30 June 2023	31 December 2022
Net capital (RMB Million)	<b>65,206</b>	66,252
Net assets (RMB Million)	<b>90,058</b>	88,848
Total risk capital reserves (RMB Million)	<b>29,448</b>	29,282
Risk coverage ratio (%)	<b>221.42</b>	226.26
Capital leverage ratio (%)	<b>13.82</b>	15.17
Liquidity coverage ratio (%)	<b>249.70</b>	235.00
Net stable funding ratio (%)	<b>131.78</b>	142.44
Net capital/net assets (%)	<b>72.40</b>	74.57
Net capital/liabilities (%)	<b>20.51</b>	22.92
Net assets/liabilities (%)	<b>28.33</b>	30.73
Proprietary equity securities and securities derivatives/net capital (%)	<b>14.97</b>	9.57
Proprietary non-equity securities and securities derivatives/net capital (%)	<b>341.61</b>	321.63

*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

---

### I. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

#### 1. Leading innovative business system

The Company has a balanced and all-round investment banking business, a wealth management business with comprehensive product spectrum and continuously improved investment advisory capabilities, a professional and integrated trading and institutional client service capabilities, and a fast-growing “large asset management” (“大資管”) business with huge potential; the Company implemented integrated management of subsidiaries to ensure maximum resources efficiency, comprehensive customer service and large-scale business development 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 small and medium-sized enterprises with the characteristics of “professionalism, refinement, specialization and novelty” (“專精特新”); maintains stable cooperation with major financial institutions and investment institutions in the market; serves government customers to make good use of the capital market as well as tens of millions of individual customers to do a good job in wealth management. In the process of serving corporate customers, institutional customers, government customers and individual customers, the Company adhered to the philosophy of “finance for people” (“人民金融”), and increased the customer stickiness and consolidated the customer base with professional, sincere, all-round and continuously optimized comprehensive financial services. Customers with reasonable structure and constant growth have laid 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 integrated financial solutions and global capital services. The Company has independently built an industry-leading online intelligent 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 driver 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” (“記錄一切、分析一切、衡量一切、改進一切”), 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

### 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 companies included in the Supervision White List. 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 "recognition for achievement" ("有作為才能有地位"), the Company has formed 12-character development experience of "following the right path, acting diligently, pursuing simplicity and never turning the skip" ("走正道·勤作為·求簡單·不折騰"). Adhering to the business philosophy of "mutual benefit for others" ("利他共贏益他共榮"), the Company has built a corporate culture rooted in employees, growing together with customers and developing together with the market, and is committed to building CSC into 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 has excellent structure, high stability and strong professional ability. The Company has a proactive management team and a diligent and loyal staff team.

### 7. Strong shareholder background

Beijing Financial Holdings Group Co., Ltd., Central Huijin Investment Ltd. and CITIC Group Corporation, 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 important executives of national strategies and important explorers of financial reform.

## II. BUSINESS OVERVIEW

### (I) Overview

As of 30 June 2023, the total assets of the Group were RMB553,419 million, representing an increase of 8.68% as compared with that on 31 December 2022. Equity attributable to equity holders of the Company was RMB95,558 million, representing an increase of 2.47% as compared with that on 31 December 2022. Total revenue and other income of the Group during the Reporting Period amounted to RMB18,652 million in aggregate, representing a year-on-year decrease of 1.05%. Total expenses amounted to RMB13,482 million, representing a year-on-year increase of 0.86%. Net profit attributable to equity holders of the Company amounted to RMB4,307 million, representing a year-on-year decrease of 1.66%.

### (II) Analysis of Principal Businesses

The principal businesses of the Group comprise four segments: investment banking business segment, wealth management business segment, trading and institutional client services business segment and asset management business segment. During the Reporting Period, total revenue and other income of the investment banking business segment amounted to RMB2,714 million in aggregate, representing a year-on-year decrease of 7.62%. Total revenue and other income of the wealth management business segment amounted to RMB4,802 million in aggregate, representing a year-on-year increase of 5.47%. Total revenue and other income of the trading and institutional client services business segment amounted to RMB8,232 million in aggregate, representing a year-on-year increase of 22.61%. Total revenue and other income of the asset management business segment amounted to RMB742 million in aggregate, representing a year-on-year increase of 11.58%.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

---

### 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 2023, a total of 318 equity financing projects were issued on the whole market, representing a year-on-year increase of 6.35%, and the funds raised amounted to RMB464.605 billion, representing a year-on-year decrease of 11.93%. Among them, IPO projects amounted to 184, representing a year-on-year increase of 4.55%, and the funds raised amounted to RMB218.720 billion, representing a year-on-year decrease of 15.90%; and equity refinancing projects amounted to 134, representing a year-on-year increase of 8.94%, and the funds raised amounted to RMB245.885 billion, representing a year-on-year decrease of 8.07%. (Source: Wind Info. According to the statistics on the issuance date, IPO projects included listing projects on the BSE, and refinancing excluded asset-oriented private placement and convertible bonds)

In the first half of 2023, the Company completed 40 equity financing projects with the lead underwriting amount of RMB67.491 billion, both ranking No.2 in the industry. Among them, there were 18 IPO lead underwriters, with the lead underwriting amount of RMB29.284 billion, both ranking No.2 in the industry. In the first half of 2023, the Company proactively integrated into the national strategies and actively served the real economy. The enterprises served by the Company included Hunan Yuneng, a domestic major supplier of lithium-ion battery cathode materials, CSSC Special Gas, a leading enterprise in electronic specialty gases, CASIC Nanhu, a domestic pioneer in anti-air early-warning radar, Southchip Technology, a domestic leading enterprise in the design of analog and embedded chip, Xindong Lianke, a leading enterprise in MEMS (Micro Electro Mechanical Systems) inertial sensor, Chipmore Technology, a high-end and advanced packaging and testing service provider of integrated circuits, PYLONTECH, a supplier of energy storage battery systems, Risen Energy, a photovoltaic new energy enterprise, BAIC BluePark, a pioneer in the new energy automobile industry, and others. The Company continued to actively pursue the strategy of rural revitalization, boosted shared prosperity and assisted Sichuan Gold, an issuer located in Muli Tibetan Autonomous County, Liangshan Prefecture, which was once a key county for national poverty alleviation and development work, and a deeply underprivileged county, in completing its IPO project. In addition, the Company also completed four convertible bond projects, with the lead underwriting amount of RMB9.755 billion. As of the end of the Reporting Period, the Company had 73 IPO projects under review, ranking No.2 in the industry, including 18 and nine projects on the Main Board and STAR Market of the SSE respectively, 11 and 26 projects on the Main Board and ChiNext market of the SZSE respectively, as well as nine projects on the BSE. The Company had 27 equity refinancing projects (including convertible bonds) under review, ranking No.2 in the industry. (Sources: Shanghai and Shenzhen Stock Exchanges, BSE, Wind Info and statistics of the Company)

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2023, 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 2023		First half of 2022	
	Amount of lead underwriting (RMB'00 million)	Number of offerings	Amount of lead underwriting (RMB'00 million)	Number of offerings
IPO	292.84	18	405.98	22
Refinancing issuance	382.07	22	335.72	17
<b>Total</b>	<b>674.91</b>	<b>40</b>	<b>741.70</b>	<b>39</b>

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 non-public issuance, reorganization ancillary financing), preference shares, but excludes asset-oriented private placement.

In the first half of 2023, the Company completed the private placement for 15 enterprises listed on the NEEQ with a fund raised of RMB432 million. As of the end of the Reporting Period, the Company had continuously supervised 55 innovative enterprises listed on the NEEQ. (Sources: NEEQ Company and Choice Financial Terminal)

For overseas business, in the first half of 2023, China Securities International completed two Hong Kong Main Board IPO sponsorship projects with a fund raised of HK\$5,806 million. Among which, the project of ZJLD was the largest IPO project in Hong Kong IPO market in terms of financing scale in the first half of 2023.

### *Outlook for the second half of 2023*

In the second half of 2023, with the smooth operation of the comprehensive registration-based system and the gradual stabilization of domestic economic recovery, the equity financing business will maintain steady development. The Company will further deepen the matrix layout of “industry + region + product”, actively implement the major national development strategies, and continuously strengthen the professional abilities to serve the real economy, to serve the construction of modern industrial systems and to support the realization of high-level scientific and technological self-reliance; attach great importance to project quality control, and strengthen continuous supervision and risk prevention and control; properly carry out valuation, pricing and sales work in alignment with the market; actively develop high-quality listed companies and other high-quality innovative small and medium-sized enterprises; continue to promote the further implementation of integration between domestic and foreign areas; increase the collaborations with other business lines of the Company, and continuously promote the high-quality development of the equity financing business.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

---

For overseas business, China Securities International will 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.

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

In the first half of 2023, yield of the bond market retrenched from the high level at the beginning of the year, and demonstrated an overall downward trend coupled with a significant drop in finance costs on bonds. The issuance scale of credit bonds in the whole market (excluding interbank certificates of deposit) was RMB9,206.629 billion, representing a year-on-year increase of 2.30%.

In the first half of 2023, the Company's debt financing business continued to maintain good development momentum. A total of 1,561 lead underwriting projects were completed, with a lead underwriting scale of RMB726.410 billion, both ranking No.2 in the industry. Among them, there were 492 corporate bond projects under the lead underwriting, ranking No.1 in the industry, with a lead underwriting scale of RMB213.493 billion, ranking No.2 in the industry. (Sources: the Securities Association of China and Wind Info)

In the first half of 2023, the Company actively implemented major national strategic policies, and led the underwriting of 34 green bonds, with an underwriting scale of RMB32.136 billion, among which there were five carbon neutral special bonds, with an underwriting scale of RMB1.610 billion. The Company led the underwriting of the Guangdong-Hong Kong-Macao Greater Bay Area green technology innovation corporate bonds (blue bonds) of CGN Wind Power, which was beneficial to facilitate the sustainable utilisation of ocean wind energy resources and support the further optimisation of energy structure and layout in the Guangdong-Hong Kong-Macao Greater Bay Area. The CSC Financial-SPIC New Energy REIT project, in which the Company acted as the scheme manager and financial advisor and China Fund acted as the fund manager, is the first offshore wind power infrastructure public REITs project in China, whose target assets are high-quality large-scale offshore wind power projects and ancillary operation and maintenance stations, and is also the first central government-owned new energy infrastructure public REITs project in China. The Company led the underwriting of 65 technology innovation corporate bonds and technology innovation instruments, with an underwriting scale of RMB29.444 billion, among which the Company led the underwriting of technology innovation renewable corporate bonds of CNCEC and technology innovation instruments of Beijing E-Town Capital, which were important initiatives of the bond market in serving the national innovation-driven development strategy. The Company ranked No.1 in the industry both in terms of the number and amount for the lead underwriting of technology innovation corporate bonds. (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 2023 are as follows:

Items	First half of 2023			First half of 2022		
	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	2,134.93	5,303.61	492	2,202.39	4,926.99	360
Enterprise bonds	157.19	323.10	27	125.77	269.80	25
Convertible bonds	97.55	127.55	4	298.69	979.44	9
Financial bonds	1,231.41	7,391.00	69	1,336.21	8,954.57	64
Others	3,643.01	28,354.60	969	3,296.52	24,414.78	930
<b>Total</b>	<b>7,264.10</b>	<b>41,499.86</b>	<b>1,561</b>	<b>7,259.58</b>	<b>39,545.58</b>	<b>1,388</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 2023, China Securities International participated in and completed 46 bond underwriting projects in the Hong Kong market, with an underwriting scale of HK\$97.254 billion, among which, there were 24 global coordinator projects, with an underwriting scale of HK\$33.848 billion.

### Outlook for the second half of 2023

In the second half of 2023, the Company will continue to thoroughly implement the requirements of the Company's "14th Five-Year Plan" ("十四五"规划) and focus on high-quality development when carrying out the debt financing business. The Company will further promote the matrix layout of "industry + region + product", continuously improve the customer service system, continuously strengthen the prevention and control of business risks, maintain stable project reserves, continuously develop innovative businesses, achieve the development pattern of complete varieties and balanced development, and continuously enhance the overall strength of the debt financing business.

For overseas business, China Securities International will further deepen domestic and overseas integration, proactively probe into diversified debt financing products, and continue to carry out deep engagement and serve offshore bond projects of Chinese-funded enterprises.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

---

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

In the first half of 2023, the CSRC and stock exchanges reviewed and approved a total of 13 M&A and reorganisation projects for listed companies on the A-share market. The Company completed five financial advisory projects for M&A and reorganisation, and the transaction amount was RMB66.087 billion, both ranking No.2 in the industry. Among which, the transaction amount of the project of share swap and absorption of AVIC Electromechanical by AVIC Avionics was RMB48.624 billion, which is the largest M&A and reorganisation project among listing companies in the history of military industry sector in the A-share market. As of the end of the Reporting Period, the Company had two M&A and reorganisation projects under review and pending the approval by the CSRC, ranking No.5 in the industry. (Sources: Wind Info and statistics of the Company)

#### *Outlook for the second half of 2023*

In the second half of 2023, the Company will increase its efforts in developing clients among central government-owned enterprises, state-owned enterprises and industry leaders, improve the quality of project execution, promote the cross-border business development, consolidate its advantages in the field of financial consultancy for bankruptcy reorganization and debt restructuring of listed companies, and help listed companies realise high-quality development through its M&A and reorganisation financial consultancy business, thereby serving the landing and implementation of national strategies.

## **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 2023, the average daily trading volume of stock funds in A-share market was approximately RMB944.595 billion, representing a year-on-year decrease of 3.41%. The portion of newly established stock-focused funds was RMB181.880 billion, representing a year-on-year decrease of 24.42% (Sources: Shanghai and Shenzhen Stock Exchanges and Wind Info). Since the beginning of 2023, both the stock and bond markets have demonstrated structured market trends. The brokerage business in the securities industry is facing operational challenges, with commission levels and customer growth under pressure. 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 2023, the net income from securities brokerage business of the Company was RMB2.373 billion, with a market share of 3.99%, ranking No.7 in the industry. The net income from agency trading securities business (including seats) was RMB1.928 billion, with a market share of 3.69%, ranking No.8 in the industry. The standardized financial products sold by the Company on a commission basis amounted to RMB75.5 billion, and the net income from selling financial products on a commission basis was RMB445 million, with a market share of 6.29%, ranking No.5 in the industry. The Company's stocks and hybrid public funds maintained a scale of RMB72.2 billion, ranking No.5 in the industry. The market value of custody securities of the Company was RMB4.04 trillion, with a market share of 5.64%, ranking No.3 in the industry. There were 13,150,000 A-share customer capital accounts, with a market share of 3.80%, ranking No.9 in the industry. The average monthly active customers of the mobile transaction client-side APP, "Qingting Dianjin" ("蜻蜓點金"), ranked No.7 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)

In terms of futures brokerage business, in the first half of 2023, the turnover scale of the futures market significantly improved, with the cumulative trading volume of the nationwide futures market amounting to approximately 3.951 billion lots, representing a year-on-year increase of 29.71%; and with the cumulative trading turnover amounting to approximately RMB262.13 trillion, representing a year-on-year increase of 1.80%. As of the end of the Reporting Period, China Futures realised a cumulative agency transaction amount of RMB8.78 trillion, representing a year-on-year increase of 30.91%. Among them, the commodity futures agency transaction amount was RMB5.93 trillion, representing a year-on-year increase of 18.84%, whereas the financial futures agency transaction amount was RMB2.85 trillion, representing a year-on-year increase of 66.06%. During the Reporting Period, the agency transaction amount of China Futures accounted for 1.67% of the market, representing a year-on-year increase of 28.57%; and there were 17,770 new clients, representing a year-on-year increase of 13.66%.

With respect to overseas business, as of the end of the Reporting Period, China Securities International's cumulative stock transaction amount of wealth management clients was HK\$10.568 billion, representing a year-on-year increase of 8%; the total market value of clients' stock under custody was HK\$16.676 billion, representing a year-on-year increase of 24%.

### *Outlook for the second half of 2023*

In terms of securities brokerage business, in the second half of 2023, the Company will continue to focus on the online strategic channel, establish a standardized online customer acquisition and operational service system; continuously improve the full lifecycle service system for investment advisory and financial products, and enhance the level of asset allocation services; leverage its comprehensive business advantages to enrich services for institutional and professional trading-oriented clients; reinforce technological empowerment, optimize internet platforms such as the "Qingting Dianjin" app, and provide customers with customized and intelligent one-stop online wealth management services; build a high-quality wealth management team; consistently solidify the core competitiveness of "good consultancy, good products, good trading" ("好投顧、好產品、好交易"), and adhere to the path of wealth management with distinctive CSC characteristics.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

---

In the futures brokerage business, China Futures will adhere to the strategy of deepening its core strengths, meticulously cultivate internet marketing, continuously improve the customer service system, and enhance operational and service efficiency. The Company will actively establish a wealth management business with futures characteristics, elevate the level of asset allocation, and steadily advance its wealth management business. Through thorough exploration of internal and external synergistic resources, it will continuously enhance its ability to serve the real economy.

With respect to overseas business, China Securities International will strive to achieve win-win results for customers' operation and investors' long-term income in the same direction, and build a wealth management path integrating "Asset Planning + Investment Consultancy + Entrusted Wealth Management", with a view to offer full services for clients' overseas assets.

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

In the first half of 2023, margin financing and securities lending business scale in the whole market ascended to a certain extent. 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 RMB1,588,498 million, which increased by 3.12% as compared with that as at the end of 2022. The balance of the Company's margin financing and securities lending business was RMB60,835 million, representing an increase of 1.39% as compared with that at the end of 2022, accounting for 3.83% of the market, decreasing 0.07 percentage point from the end of 2022. The number of margin financing and securities lending accounts was 0.1805 million, representing an increase of 2.43% as compared with that as at the end of 2022. In the first half of 2023, the Company's interest income from its margin financing and securities lending ranked No.7 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\$139 million<sup>1</sup>.

#### *Outlook for the second half of 2023*

In the second half of 2023, the Company will focus on enhancing the depth of service for high-net-worth clients. Through measures such as expanding business channels, enhancing internal collaboration, and enriching business models, the Company will further enhance its professional service capabilities. Simultaneously, it will strengthen technological empowerment to create a customer online service ecosystem and a digital operational system. The Company will comprehensively promote customer segmentation service solutions based on customer classification and collateral-tier management, providing automated, intelligent, and differentiated service solutions to customers.

Regarding overseas business, China Securities International will adhere to the principle of prioritizing risk control. It will concentrate on exploring the financing needs of existing trading-oriented clients, increasing institutional client coverage, and offering comprehensive investment and financing services to customers.

<sup>1</sup> Excluding margin business of Hong Kong IPO stocks.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

---

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

In the first half of 2023, stock pledge business in the whole market developed steadily and healthily. As of the end of the Reporting Period, the balance of principal of stock pledge repurchase business of the Company was RMB8,539 million, among which, the balance of principal of investment (in the table) stock pledge repurchase business amounted to RMB5,236 million, with an average performance guarantee ratio of 268.35%; the balance of principal of management (off the table) stock pledge repurchase business amounted to RMB3,302 million. In the first half of 2023, the Company ranked No.10 in the industry in terms of interest income from stock pledge repurchase. (Sources: the Securities Association of China and statistics of the Company)

#### *Outlook for the second half of 2023*

In the second half of 2023, the Company will prudently and cautiously carry out stock pledge repurchase operations while ensuring that risks are measurable, controllable, and bearable. The Company will expedite resource integration to provide comprehensive financial services to strategic clients. Leveraging its own research and investment capabilities, it will enhance risk identification for listed companies, and continuously guard against business risks. Through refined internal management, the Company will continue to improve the 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, QFI 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 income swaps. It provides clients with customised 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

---

With respect to the stock 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. The Company continued to expand its strategy index product portfolio, and based on the launched and independently developed "CSC Chinese Assets Risk Parity Index (CARP)" and "CSC World Assets Risk Parity Index (WARP)", it also launched and promoted a composite strategy index of "CSC World Asset Risk Parity Macro Hedge Index (WARPMACRO)" during the Reporting Period to achieve the goal of responding to various market environments in a stable manner. In addition, the Company continued to expand its market-making business categories and scale to enhance its market competitiveness in market-making operations. The current market-making products include ETF funds, options, futures, stock and other trading products.

In terms of the stock sales business, in the first half of 2023, the Company completed a total of 40 stock sale projects as a lead underwriter, with a cumulative sales amount of RMB67,491 million, including 18 IPOs, 21 sales of non-public issuance of stocks and one right issue. The sales amount was RMB29,284 million, RMB38,012 million and RMB195 million, respectively. The underwriting amount of IPO projects and equity refinancing projects ranked No.2 and No.3 in the industry, respectively. (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 clients for the institutional sales and trading businesses of China Securities International was 526, and the institutional clients' cumulative stock trading volume realised in the first half of 2023 was HK\$25.506 billion.

### *Outlook for the second half of 2023*

In the second half of 2023, the Company will continue to strengthen macroeconomic research and market strategy analysis. It will closely monitor economic conditions and industry changes, conduct in-depth research on industry and individual stock opportunities, closely follow developments of listed companies, and adhere to the positioning of absolute return business while preventing and controlling holding risks. The Company will prioritize meeting clients' asset allocation and risk management needs. It will continue to advance the development of over-the-counter derivatives business, enrich the portfolio of strategic index products, expand cross-border investment business models, enhance market competitiveness in market-making operations, further meet customer demands, and refine its proprietary capital investment system.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

---

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

In the first half of 2023, the fixed-income business of the Company progressed with stability regarding the construction of a “dual-platform” system that integrates buyer-side research with client trading needs. Leveraging on its traditional strengths in bond product business, the Company continued to enrich the types of derivatives, foreign exchanges, commodities and other related FICC products, resulting in a steady development of business scale and the completion of the first domestic carbon quota transaction of the Company. At the same time, the Company deeply built its investment research capabilities, and improved its investment level. The Company adhered to the philosophies such as “serving the real economy” and “customer-oriented”, spared no efforts to deploy the customer demand trading platform, newly launched bond index income swap businesses with the themes of “rural revitalization” and “green finance”, thus supporting the capital market in fulfilling its role in allocating resources for social responsibility and green development. The Company newly launched the exchange-traded bond market-making business, completed the construction of a whole market-making map spreading across interbank, the Shanghai Stock Exchange and Shenzhen Stock Exchange as well as the treasury bond futures market, with its market-making ranking at the forefront in the market, and was honored the Excellent Northbound Trading Market Maker from Bond Connect.

In terms of bond sales, the Company consistently maintains a leading position in the industry. It ranks No.2 among domestic financial institutions in terms of the scale of credit bond sales (Source: Bloomberg L.P.). The Company ranks No.1 and No.2 in terms of the number of bond underwritings and underwriting amounts, respectively, among securities firms. For association products and corporate bonds, the Company ranks No.1 in the lead underwriting amounts among securities firms, while in financial bonds, it holds the No.2 position (Source: Wind Info).

During the Reporting Period, China Securities International realised a bond transaction volume of HK\$55.332 billion, representing a year-on-year decrease of 12.89%.

#### *Outlook for the second half of 2023*

In the second half of 2023, the Company’s FICC business will continue to uphold the business philosophy of “Professionalism, Customer-centric, International Perspective, and Pursuit of Excellence.” It will deepen the construction of a “dual-platform” system that integrates buyer-side research with client trading needs. The Company will actively implement a development strategy centered around “Professionalization, Internationalization, and Digitization,” striving to become a reliable product provider, strategic provider, and trading service provider for clients both domestically and internationally.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

---

### **(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 personalised research consultation services. In 2022, the amount of income from public fund commissions of the Company ranked No.2 in the industry with a market share of 5.20%. In the first half of 2023, the Company strengthened the in-depth research, enhanced the synergies in industry chain research, acquired a better understanding of the market conditions and market hotspots, actively organised various themed research on industry chains, 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 281 members, and the research business is divided into ten research groups covering 36 research fields. In the first half of 2023, the team completed 3,174 research reports with a full coverage of market focus of "valuation system with Chinese characteristics", "artificial intelligence" and "digital economy". The numbers of various research services, services for listed companies, surveys and meetings experienced a year-on-year increase of 9%, 24%, 890% and 249%, respectively. The Company also successfully organised large-scale conferences such as the Spring Capital Market Summit named "Spring blossoms for a bright future" ("春暖花開•鵬程萬里") and the Mid-term Capital Market Summit named "Gather strength for a new pattern and welcome new opportunities together" ("聚力新格局·共迎新機遇").

#### *Outlook for the second half of 2023*

In the second half of 2023, with the moderate recovery of the macro-economy, the Company's investment research business will effectively grasp the current market structural opportunities, strengthen research on fields of digitalization, artificial intelligence, high-end manufacturing, ESG and so on, and continuously improve the breadth and depth of research business coverage. At the same time, the Company will increase its investment in financial technology, improve the informatization of its compliance management, enhance data accumulation and sharing, increase basic work efficiency of researchers by information means, and reduce costs, enrich digital assets and improve the level of digital services for clients through data collection and sharing.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

---

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

The Company provides market-leading full-chain prime brokerage services to institutional clients, 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 RMB842,076 million. Among them, the number of products under custody reached 6,330, and products of operating service reached 6,556, representing an increase of 8.97% and 9.25% respectively as compared with that as at the end of 2022.

The prime brokerage system of the Company is one of the most comprehensive systems 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, 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 QFI 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 recognised by banks, public funds and insurance asset management institution customers. In the first half of 2023, the turnover of the prime brokerage business continued to grow, the trading effect of algorithmic trading continued to optimise, 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 10,872, representing a year-on-year increase of 14.63%; a total of 28 public funds and ten insurance asset management institutions used the Company's algorithm trading services; a total of 113 customers used the agency commissioning service of our Company, with a total of 150 targets.

#### *Outlook for the second half of 2023*

In the second half of 2023, with the aim to constantly satisfy professional institutional investors' trading needs, the Company will continue 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 policies to further provide diversified and personalised professional trading services, so as to further meet the trading needs of various clients. The Company will make full use of its platform advantages of widespread connection and high-frequency and routine for custodian outsourcing business, continue to improve its operation capabilities, expand its business scope, and continuously build a "full-process, one-stop" custodian outsourcing service system.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

---

### **(5) QFI and WFOE Businesses**

As a domestic broker of QFIs and WFOEs, the Company has accumulated many years of experience in serving foreign customers and has focused on providing full-product one-stop financial services for foreign organizations such as QFIs and WFOEs. Meanwhile, the Company takes advantage of and integrates domestic and overseas advantageous business resources, as well as gives full play to the geographical advantages of China Securities International, a subsidiary, so as to promote cross-border integrated development. In the first half of 2023, the Company continuously tapped into the QFI and WFOE business opportunities, strengthened customer stickiness with the help of first-class securities research service resources, continuously optimized the account opening and trading processes through continuously upgrading and improving the trading system and trading algorithm, and made efforts to improve the investment and trading experience of foreign customers. Currently, the Company has formed a specialized investment trading service system for foreign organizations, which features rich securities research services, advanced trading systems and trading algorithms.

#### *Outlook for the second half of 2023*

In the second half of 2023, 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 2023, China Securities Investment adhered to the principle of "Steady progress for long-term success" and the concept of "serve real economy, serve technological innovation, serve economic transformation and serve national strategy", focused on the investment scope with equity investment as the mainstay, and pan-equity investment and innovative investment business as the supplement 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 16 investment projects (including seven IPO co-investment projects on STAR Market) with an investment amount of RMB689 million during the Reporting Period.

#### *Outlook for the second half of 2023*

In the second half of 2023, China Securities Investment will continue to adhere to its strategic positioning and investment philosophy, optimize its investment arrangements and investment strategies according to the current situation, improve the overall balance of its asset portfolio in terms of industry segment, types of investment and exit methods, and enhance its ability to grow across market cycles and resist 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 2023, the Company's asset management business continued to promote active management transformation, fully deployed in the fields such as fixed income, "Fixed Income-Plus" ("固收+"), equity, quantitative, derivative and FOF, providing a full strategy for products and diversified services to cater for the needs and risk preferences of different investors, continued to improve the customer service system, and steadily enhanced its "customer-oriented" professional service capabilities. Meanwhile, the Company established its asset management subsidiaries in an orderly manner.

As of the end of the Reporting Period, the Company's entrusted asset management scale reached RMB452,438 million, ranking No.5 in the industry with income from asset management business ranking No.8 in the industry (Source: the Securities Association of China). Details are set out in the table below:

Unit: RMB'00 million

	Asset management scale	
	30 June 2023	30 June 2022
Collective asset management business	1,564.90	2,042.88
Targeted asset management business	1,384.00	1,222.63
Specialised asset management business	1,575.48	1,273.00
Total	4,524.38	4,538.51

Source: Securities Association of China

As of the end of the Reporting Period, the asset management business scale of China Securities International was approximately US\$37 million, of which bond investment management scale was approximately US\$5 million, the management scale of Balanced Fund was approximately US\$19 million, and the management scale of specialised client was approximately US\$13 million.

#### Outlook for the second half of 2023

In the second half of 2023, the asset management business of the Company will further implement the "customer-oriented" concept, enhance the coverage of institutional and retail clients, and improve market development capabilities and client service levels; vigorously enhance the active management ability, focus on giving full play to the unique advantages of asset management, build distinctive product pedigrees for securities firms and foster differential competitiveness; promote the digital transformation and strengthen the development of technology-based asset management institutions; comprehensively sort out the brand system and improve the brand recognition; steadily promote the establishment and operation of asset management subsidiaries and continue to improve its market competitiveness and influence.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

---

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

In the first half of 2023, China Fund 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 Fund reached RMB80.836 billion, representing a decrease of 21.19% as compared with that as at the end of 2022, of which the management scale of public funds was RMB60.642 billion, representing an increase of 7.41% as compared with that as at the end of 2022; the aggregate management scale of China Fund's special account products and its fund subsidiary's special account products was RMB20.194 billion, representing a decrease of 56.21% as compared with that as at the end of 2022. As of the end of the Reporting Period, China Fund managed a total of 50 public funds with a management scale of RMB60.642 billion. Among 48 funds participating in the market return ranking (both of the remaining two funds have been established for less than six months, and there is no public ranking in the market), the return of 28 funds ranked in the top 50%, 18 funds ranked in the top 30%, 11 funds ranked in the top 20% and two 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 2023*

In the second half of 2023, with the continuous development of public fund business and the maturity of investment and research capabilities, China Fund 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 Fund will improve its own research strength, form strong support for investment, gradually expand the investment and research coverage, strengthen investment in equity, tools, and fixed income products and continuously improve investment and research capabilities. Meanwhile, China Fund will also further improve marketing capabilities, strengthen customer system construction, strengthen internal management, and drive business development. China Fund will actively seek new business growth points, 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

---

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

In the first half of 2023, the overall equity investment market in China tended to flatten out, compliance requirements in the industry continued to reinforce, along with some investors' liquidity was yet to be released, the fund-raising market experienced a slight decrease, and the pace of the investment market continued to slow down with hard technology remained as the main line for investment. China Capital closely focused on the national "14th Five-Year Plan" ("十四五"規劃) and the 2035 long-term goal ("2035年遠景目標"), and continued to optimise the strategy and direction of its industrial investment, with a view to continuously improve the quality and effectiveness of its industrial investment in serving the national strategy. As of the end of the Reporting Period, China Capital had its filing scale increased by RMB4.6 billion with a fund management scale exceeding RMB50.0 billion and an investment in projects completed of RMB1.8 billion, and three companies invested by it have been listed. As at the end of the Reporting Period, China Capital ranked sixth among private equity subsidiaries of brokers in terms of average monthly paid-in amount. (Source: Asset Management Association of China)

#### *Outlook for the second half of 2023*

In the second half of 2023, China Capital will continue to bear in mind the original intention and mission of finance serving the real economy, exert its professional advantages, and increase the investment in key areas including technological innovation, small and medium-sized enterprises, green low-carbon and military industry, stimulate economic vitality, foster innovation momentum, help build a new development pattern, and demonstrate the mission of a state-owned financial investment organization.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

---

### III. FINANCIAL STATEMENT ANALYSIS

#### (I) Profitability Analysis

In the first half of 2023, the Group realised a total revenue and other income of RMB18,652 million, representing a year-on-year decrease of 1.05%. The changes of key items were as follows:

- fee and commission income amounted to RMB7,276 million, representing a year-on-year decrease of 4.65%, which was mainly due to the year-on-year decrease in fee and commission income from investment banking business in the first half of 2023;
- interest income amounted to RMB5,209 million, representing a year-on-year increase of 15.29%, which was mainly due to the year-on-year increase in interest income from financial assets at fair value through other comprehensive income in the first half of 2023;
- investment gains amounted to RMB4,288 million, representing a year-on-year increase of 46.25%, which was mainly due to the increase in gains from financial assets at fair value through profit or loss in the first half of 2023;
- other income amounted to RMB1,879 million, representing a year-on-year decrease of 50.13%, which was mainly due to the decrease in income from bulk commodity trading in the first half of 2023.

In the first half of 2023, the total expenses of the Group amounted to RMB13,482 million, representing a year-on-year increase of 0.86%. The changes of key items were as follows:

- fee and commission expenses amounted to RMB1,052 million, representing a year-on-year increase of 18.74%, which was mainly due to the increase in fee and commission expenses from brokerage business in the first half of 2023;
- staff costs amounted to RMB4,077 million, representing a year-on-year increase of 3.08%, which was mainly due to the year-on-year increase in fixed salaries and labour insurance fund arising from the increase in headcount in the first half of 2023;
- interest expenses amounted to RMB4,133 million, representing a year-on-year increase of 16.52%, which was mainly due to the year-on-year increase in interest expenses of financial assets sold under repurchase agreements in the first half of 2023;
- other operating expenses and costs amounted to RMB4,160 million, representing a year-on-year decrease of 13.60%, which was mainly due to the decrease in the costs of bulk commodity sales of the futures subsidiary in the first half of 2023;
- credit impairment losses reversed amounted to RMB18 million, which was mainly due to the reversion of the impairment losses on financial assets held under resale agreements in the first half of 2023.

In the first half of 2023, the Group realised net profit attributable to equity holders of the Company of RMB4,307 million, representing a year-on-year decrease of 1.66%, and realised basic earnings per share of RMB0.49, representing a year-on-year decrease of 5.77%. The return on weighted average equity was 5.44%, representing a year-on-year decrease of 0.60 percentage point.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (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 2023, the total assets of the Group amounted to RMB553,419 million, representing an increase of RMB44,213 million, or a growth of 8.68%, 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 RMB434,622 million, representing an increase of RMB34,710 million, or a growth of 8.68%, 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 65.67%; margin accounts and financial assets held under resale agreements accounted for 20.24%; cash and bank balances accounted for 8.87%; and other assets accounted for 5.22% in aggregate.

As of 30 June 2023, the total liabilities of the Group amounted to RMB457,816 million, representing an increase of RMB41,905 million, or a growth of 10.08%, 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 RMB339,019 million, representing an increase of RMB32,402 million, or a growth of 10.57%, as compared with that as at the end of the previous year, among which, financial assets sold under repurchase agreements amounted for 38.07%; short-term borrowings, placements from banks and other financial institutions, short-term financing instruments payable and non-current liabilities due within one year amounted for 25.15%; bonds in issue amounted for 17.00%; financial liabilities at fair value through profit or loss and derivative financial liabilities amounted for 6.41%; and other liabilities accounted for 13.37% in aggregate.

As of 30 June 2023, the Group's equity attributable to equity holders of the Company amounted to RMB95,558 million, representing an increase of RMB2,307 million, or a growth of 2.47%, as compared with that as at the end of the previous year.

As of 30 June 2023, after deducting the accounts payable to brokerage clients, the gearing ratio of the Group was 78.00%, representing an increase of 1.33 percentage points, as compared with that as at the end of the previous year.

### (III) Cash Flow Status

Excluding the impact of the changes in the accounts payable to brokerage clients, the Group's net increase in cash and cash equivalents was RMB-1,199 million in the first half of 2023, representing a year-on-year increase of RMB5,807 million, which was mainly due to the year-on-year increase in net cash inflow from financing activities.

Net cash outflow from operating activities in the first half of 2023 was RMB3,370 million, as compared with the net cash inflow of RMB9,856 million in the same period of 2022, which was mainly attributable to the increase in financial assets at fair value through profit or loss in the current period.

Net cash outflow from investing activities in the first half of 2023 was RMB5,116 million, as compared with the net cash outflow of RMB6,194 million in the same period of 2022, which was mainly attributable to the increase in the interest income received from financial assets at fair value through other comprehensive income in the current period.

Net cash inflow from financing activities in the first half of 2023 was RMB7,287 million, as compared with the net cash outflow of RMB10,668 million in the same period of 2022, which was mainly attributable to the increase in the cash inflow received from bond issuance and decrease in the cash outflow for repayments of debts in the current period.



## 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	Room 2603, 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2603室、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 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 Chaoyangmen Inner St, 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 up 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 Fund	100%	9 September 2013	RMB450 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

*Note:* As of the end of the Reporting Period, the registered capital of China Fund was RMB300 million. In July 2023, the registered capital of China Fund was changed to RMB450 million. For details, please refer to relevant announcements.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

---

1. China Futures: As of 30 June 2023, total assets and net assets of China Futures amounted to RMB45,156.53 million and RMB3,487.39 million, respectively. In the first half of 2023, China Futures realized total revenue and other income amounting to RMB2,711.42 million, and net profit amounting to RMB306.51 million. (Unaudited)

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

2. China Capital: As of 30 June 2023, total assets and net assets of China Capital amounted to RMB4,202.78 million and RMB2,725.62 million, respectively. In the first half of 2023, China Capital realized total revenue and other income amounting to RMB197.41 million, and net profit amounting to RMB85.39 million. (Unaudited)

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

3. China Securities International: As of 30 June 2023, total assets and net assets of China Securities International amounted to RMB22,867.21 million and RMB3,854.09 million, respectively. In the first half of 2023, China Securities International realized total revenue and other income amounting to RMB752.50 million, and net profit amounting to RMB309.28 million. (Unaudited)

The principal 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 Fund: As of 30 June 2023, total assets and net assets of China Fund amounted to RMB793.27 million and RMB668.55 million, respectively. In the first half of 2023, China Fund realized total revenue and other income amounting to RMB172.80 million, and net profit amounting to RMB36.55 million. (Unaudited)

The principal businesses of China Fund 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 2023, total assets and net assets of China Securities Investment amounted to RMB6,773.61 million and RMB6,387.21 million, respectively. In the first half of 2023, China Securities Investment realized total revenue and other income amounting to RMB251.54 million, and net profit amounting to RMB183.00 million. (Unaudited)

The principal 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	Unit 01, 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	1/F and 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	Rooms 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/F and 2/F, Yindu Building, No.38 Haifu Avenue, Haikou City	0898-65357208
20	Ningxia Branch	30 December 2020	Room 101 (Maisonette), No. 25 Commercial Building, Zhongying Yujing Phase II, No. 515 Fenghuang North Street, Xingqing District, Yinchuan City, Ningxia (self-declaration)	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	2/F, 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 Shops 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	Rooms 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" (《經營證券期貨業務許可證》) 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 2023, the Company had a total of 16 structured entities included in the first-level consolidation scope of the financial statements. There were 21 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 income tax rate applicable to the Company is 25%.

In accordance with the 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 rate for China Futures is 15%.

The applicable 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 2023, the Company publicly issued one tranche of subordinated bonds with an issuance amount of RMB3.5 billion; non-publicly issued two tranches of corporate bonds with a total issuance amount of RMB4.5 billion; issued thirteen tranches of short-term commercial papers with a total issuance amount of RMB33.5 billion; issued 560 tranches of structured notes with a total issuance amount of approximately RMB7.0 billion; and issued two tranches of offshore RMB bonds with a total issuance amount of RMB3.0 billion.

As of the end of the Reporting Period, the balance of outstanding corporate bonds of the Company amounted to RMB38.0 billion, the balances of perpetual subordinated bonds, subordinated bonds, offshore US Dollar bonds, offshore RMB bonds and short-term commercial papers amounted to RMB25.0 billion, RMB38.5 billion, US\$1.0 billion (approximately RMB7.2 billion), RMB3.0 billion and RMB37.5 billion, respectively, and the balance of structured notes amounted to approximately RMB18.9 billion. The utilisation of proceeds above was in line with the content in the prospectus or the agreement. In the second half of 2023, the Company will continue to utilise the proceeds in accordance with the operation and development strategies with reference to capital market conditions.

In the second half of 2023, 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 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” (“風控優先、全員風控”). 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 management. The Company has three dedicated risk control departments, namely the Risk Management Department, the Legal and Compliance Department and the Audit Department, which independently manage and monitor 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.

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; establishes 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.

The 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.

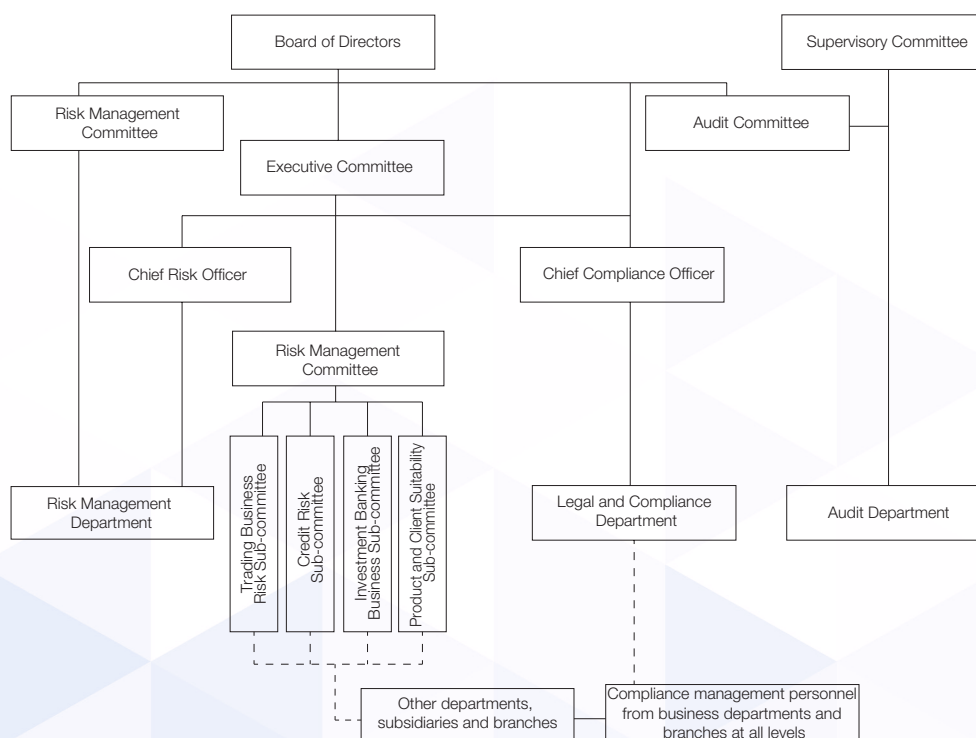
The Risk Management Committee under the Executive Committee is responsible for determining the Company’s risk appetite, risk tolerance level, overall risk limits, important specific risk limits and risk control standards; formulating and promoting the implementation of the Company’s risk management rules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

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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 polices, 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 departments are independent from other business departments and management departments, establish their own working systems, standardize the business processes, operate independently, and perform their respective risk management functions. 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.



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 business.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (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 《公司風險目錄和關鍵控制列表》, 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.

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 failure on transaction system, while emergency response mechanism has been established and is drilled sporadically or 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.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

---

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 company 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 new business and new product risk control and risk management system, the risk identification and management and control capabilities of the Company have been further strengthened.

### **(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 corresponding policies and procedures to identify and analyse these risks, and set out appropriate risk limits and internal control processes, in order to effectively monitor and control risks above through sound control mechanisms and information technology systems. 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 real economy and serving national strategies, 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, analyses 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.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

---

### 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 collateralised (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.

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, the 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

---

### 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 hierarchical decision-making and authority mechanism, along with centralized management by specialized departments and hierarchical control mechanism, 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 establishes a 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, 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 by implementing 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.

### 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 market risk management 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 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 realise front-end controls over relevant limit indicators. The Company adopts value at risk (VaR) as a tool to measure the market risk of its investment portfolio comprising securities and its

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

---

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.

With regard to foreign exchange 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. During the Reporting Period, as the assets and liabilities denominated in foreign currencies held by our Company represent a slightly increased 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 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 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 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, 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.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

---

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 continued to carry out various risk warnings and risk education, held trainings on risk management topics, kept promoting the specific application of professional management tools for operational risk, strengthened business continuity management, and actively responded to various emergencies.

### **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 IT 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 early 2023, the Company established the Data Management Department, which took a leading role in the implementation of construction of data governance system, the promotion of execution of data-related standardized rules and the coordination of data management efforts to improve the Company's data quality and the application effectiveness of information technology. In addition, the emergency management of business continuity of the Company is led by the Risk Management Department, the IT 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

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

---

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 consultation, compliance review, compliance inspection, 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 aspects 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.

In April 2023, the CSRC imposed an administrative penalty on Amethystum Storage Technology Co., Ltd. (“Amethystum Storage”) due to its fraudulent issuance and violation of laws and regulations in respect of information disclosure. As the sponsor and lead underwriter of Amethystum Storage, in May 2023, the Company with other intermediary institutions jointly contributed RMB1.0 billion to establish a special fund for compensation in advance on the event in relation to Amethystum Storage, which was used to compensate eligible investors in advance for their investment losses, so as to safeguard the legitimate rights and interests of investors and maintain the stability of the securities market order. The Company also proactively applied to the CSRC for the application of the Rules for the Undertakings Made by the Parties to Securities and Futures Administrative Law Enforcement and was officially accepted by the CSRC in June 2023. For details, please refer to relevant announcement of the Company.

### **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 respond to various reputational risk incidents. During the Reporting Period, the Company did not have any major reputational risk incidents and maintained a normal and good operating environment.

## **XI. OTHER STATEMENT**

Save as disclosed in this interim report, from 1 January 2023 to 30 June 2023, 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, the Company has been subject to the following administrative punishments or administrative supervision measures:

#### 1. Administrative Penalties Imposed on CSC and Its Related Personnel by the People's Bank of China on February 6, 2023

On February 6, 2023, the People's Bank of China issued the Written Decision of Administrative Penalty (Yin Fa Jue Zi [2023] No. 11-15) 《行政處罰決定書》(銀罰決字[2023]11號-15號)), pointing out that due to the violation of relevant anti-money laundering laws and regulations by the Company, it decided to impose a fine of RMB13.88 million on the Company, and impose a fine of RMB235,000 in aggregate on the then-chairman of Brokerage Business Management Committee of the Company, the then-administrative head of the Legal and Compliance Department of the Company, the then-director of the Asset Management Department and Compliance Risk Control Department of the Company, and the then-head of the comprehensive business management team under the IT Department of the Company.

The Company and its related personnel have paid the above fines within the prescribed time. In response to such penalty, the Company's rectification measures are as follows: (1) the Company immediately investigates and rectifies the relevant issues during the inspection, formulates a special rectification plan for the issues pointed out in the inspection as soon as possible and implements the plan seriously; (2) the Company comprehensively fulfils the responsibilities on the management of anti-money laundering, and urges relevant departments to strictly complete the task of rectification in accordance with the division of responsibilities on anti-money laundering; (3) the Company continues to consolidate the foundation of the internal control system, improves and optimizes business processes, strives to improve the digitalization level of anti-money laundering, strengthens work supervision and management, and continues to enhance the capabilities of the Company on the prevention and control of money laundering risk.

#### 2. Administrative Supervision Measures for Rectification to CSC Taken by Beijing CSRC on February 24, 2023

On February 24, 2023, the Beijing CSRC issued the Decision on Taking Rectification Measures against CSC Financial Co., Ltd. ([2023] No. 43) 《關於對中信建投證券股份有限公司採取責令改正措施的決定》([2023]43號)), pointing out that the Company had the following problems in the process of carrying out bond underwriting business: firstly, the internal control of investment banking business was not perfect, quality control and internal audit were not strict; secondly, the work was not standardized enough, and there were low-level errors in the documents submitted for individual projects; thirdly, entrusted management duties were not performed completely. The above behaviors violated the provisions of Article 3 and Article 61 of the Guidelines for the Internal Controls of the Investment Banking Business of Securities Companies 《證券公司投資銀行業務內部控制指引》 and Article 58 of the Administrative Measures for the Issuance and Trading of Corporate Bonds 《公司債券發行與交易管理辦法》, and accordingly Beijing CSRC decided to take administrative supervision measures for rectification against the Company. The above behaviors also violated relevant provisions of the Rules on the Listing and Transfer of Non-publicly Issued Corporate Bonds on the Shanghai Stock Exchange 《上海證券交易所非公開發行公司債券掛牌轉讓規則》 and the Rules Governing the Listing of Corporate Bonds on the Shanghai Stock Exchange 《上海證券交易所公司債券上市規則》, and accordingly the Shanghai Stock Exchange took administrative supervision measures for written warning against the Company on April 10, 2023.



## SECTION 4 SIGNIFICANT EVENTS

In response to such penalty, the Company's rectification measures are as follows: (1) the Company comprehensively revises and improves the investment banking business system, strengthens the internal control operation management, strengthens the construction of the internal control team, refines the internal control requirements, and strengthens the whole-process control; (2) the Company organizes and carries out special trainings, emphasizing the importance of risk prevention and control; strengthens the warning education for employees, and requires employees to conduct detailed due diligence and entrusted management; (3) the Company enriches the means of entrusted management, strengthens the construction of the special team for duration management, and strengthens the continuous tracking and monitoring on the issuers.

### **3. Administrative Supervision Measures of Issuing Warning letters to CSC Taken by Beijing CSRC on March 23, 2023**

On March 23, 2023, the Beijing CSRC issued the Decision on Taking Administrative Supervisory Measures of Issuing Warning Letters to CSC Financial Co., Ltd. ([2023] No. 62) 《關於對中信建投證券股份有限公司採取出具警示函行政監管措施的決定》([2023]62號)), pointing out that the Company had inadequate control over the innovation of brokerage business, failed to formulate and improve the relevant systems for cooperation with third-party internet platforms in a timely manner, and needed to strengthen the management of staff practice regularity and reputation risk of partners. In addition, the Company also had inadequate management of employee behavior and business data storage in branch offices and inadequate identification of risk points of clean practice in subsidiaries. The above behaviors violated the provisions of Article 84 and Article 88 of the Guidelines for the Internal Controls of Securities Companies 《證券公司內部控制指引》, Paragraph 1 of Article 12 of the Provisions on the Supervision and Administration of Branches of Securities Companies 《證券公司分支機構監管規定》, Article 6 of the Regulations on Business Integrity of Securities and Futures Operating Institutions and Their Staff 《證券期貨經營機構及其工作人員廉潔從業規定》 and Paragraph 1 of Article 27 of the Regulations on Supervision and Administration of Securities Companies 《證券公司監督管理條例》, accordingly Beijing CSRC decided to take administrative supervision measures of issuing warning letter to the Company.

In response to such penalty, the Company's rectification measures are as follows: (1) continue to strengthen the management capabilities of the headquarters project team and the quality control operation team in the Internet channel cooperation, improve the channel evaluation mechanism, reconstruct the management system and assessment mechanism of the WeChat group, strengthen channel management, and enhance the level of complaint handling; (2) launch a company-wide self-examination and rectification of the shared website to strengthen the business data storage management capabilities; (3) supervise the subsidiaries to establish rules and systems, embed a risk prevention mechanism for clean practices in financial management, project investment process, post-investment management, etc., and strengthen the checks and balances of positions and internal supervision.

### **4. Administrative Supervision Measures of Issuing Warning letters to CSC Taken by Beijing CSRC on June 16, 2023**

On June 16, 2023, the Beijing CSRC issued the Decision on Taking Administrative Supervisory Measures of Issuing Warning Letters to CSC Financial Co., Ltd. ([2023] No. 104) 《關於對中信建投證券股份有限公司採取出具警示函行政監管措施的決定》([2023]104號)), pointing out that the Company had the following problems: firstly, it failed to formulate special internal systems on investment value research reports, failed to specify tracking and monitoring systems on the publication or transmission of the Company's research reports by third parties and the Company's

## SECTION 4 SIGNIFICANT EVENTS

---

evaluation and assessment systems on compliance risk control were not sufficiently detailed; secondly, the management and approval of research and analysis on certain research reports were not in compliance with the Company's internal systems, the transcripts of certain research reports under random inspections were incomplete and the records of compliance review opinions were insufficient; thirdly, the information quoted in certain research reports under random inspections were inconsistent with the sources of information. The above conditions violated the provisions of Article 3, Article 6, Article 9, Article 10 and Article 18 of the Interim Provisions on the Release of Securities Research Reports (CSRC Announcement [2020] No. 20) 《發佈證券研究報告暫行規定》(證監會公告[2020]20號)), accordingly Beijing CSRC decided to take administrative supervision measures of issuing warning letter to the Company.

In response to such penalty, the Company's rectification measures are as follows: (1) formulate special systems on investment value research reports, specify tracking and monitoring requirements on the publication or transmission of the Company's research reports by third parties in relevant systems and improve compliance evaluation mechanism on relevant staff in relation to the publication of securities research reports; (2) review and study the setting of authority in the approval process of research and analysis by business platforms and adjust the approval procedures based on relevant systems and requirements on the Company's research reports; (3) intensify the management on the information sources of research reports, specify the standards on the quotation of information in research reports; strengthen the record management of the review on research reports, maintain complete review opinions in systems and achieve the compulsory uploading of the transcripts of research reports through systematic control.

### 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 2023 interim dividends for the six months ended 30 June 2023.



## VII. OTHER IMPORTANT EVENTS

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

The Company has proactively responded to the national strategies of “carbon peak and carbon neutrality” (“碳達峰、碳中和”) and “development of green finance” (“發展綠色金融”), and based on its actual business practice to thoroughly implement 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” (“中共中央國務院關於完整準確全面貫徹新發展理念做好碳達峰碳中和工作的意見”) and the “Action Plan for Carbon Dioxide Peaking Before 2030” (“2030年前碳達峰行動方案”), as well as other policies and requirements, and the national development plan of “prioritizing eco-environmental protection, conserves resources and uses them efficiently for green and low-carbon development” (“推進生態優先、節約集約、綠色低碳發展”). By pursuing initial public offering, refinancing issuance, bond issuance, financial advisory 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.

During the Reporting Period, the Company has vigorously developed the businesses of green bond underwriting and issuance, green equity financing and ESG-themed funds. It remained committed to responsible investment, accelerated the green transformation of economic and social development, and injected financial momentum for the construction of a beautiful China.

The Company has cumulatively led the underwriting of 34 green bonds, with a lead underwriting scale of RMB32.136 billion and a raised capital of RMB232.799 billion. Among them, there were five carbon neutral bonds, with a lead underwriting scale of RMB1.610 billion and a raised capital of RMB6.141 billion (Source of data: Wind Info). The Company completed a total of seven green equity financing projects, with a lead underwriting amount of RMB23.109 billion. China Securities International participated in and completed the issuance of eight green bonds and one sustainable development bond, with a financing scale of approximately US\$2.853 billion.

The Company independently developed the ESG “Fixed Income-Plus” (“固收+”) strategy products based on the dynamic ESG evaluation system and investment research framework for environment, social responsibility and corporate governance, and these products were fully recognized by institutional clients. During the Reporting Period, the Company continued to launch three ESG-themed asset management products and established a total of six “Fixed Income-Plus” products with ESG strategies. The combined scale reached RMB750 million, and the performance of these products consistently ranked among the top performers in the market for the same period in the “Fixed Income-Plus” category.

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:

BAIC BJEV, a subsidiary of BAIC BluePark New Energy Technology Co., Ltd. (hereinafter referred to as BAIC BluePark), a pioneer in China’s new energy vehicle (NEV) industry, has accumulatively provided the society with more than 500,000 new energy pure electric vehicles, making outstanding contributions to the comprehensive green transformation of economic and social development. In May 2023, the Company solely sponsored the private placement projects for BAIC BluePark, which raised a total amount of RMB6.045 billion. This project is the first refinancing project among the listed companies on the main board of the Shanghai Stock Exchange that was processed by transfer, approved and came into effect with registration after the implementation of the full registration system. It is also one of the largest refinancing projects in the NEV industry in recent years, providing capital guarantee for the high-quality development and industrial upgrading of China’s NEV industry.

## SECTION 4 SIGNIFICANT EVENTS

---

CGN Wind Power Company Limited (hereinafter referred to as CGN Wind Power) is a leading wind energy developer in China, and has repeatedly set practical precedents in the wind energy industry. In June 2023, the Company acted as the lead underwriter to support CGN Wind Power's successful issuance of Guangdong, Hong Kong and Macao Greater Bay Area Green Technology and Innovation Corporate Bonds (Blue Bonds). The size of the bond issue was RMB1 billion, and the capital raised was mainly used for the construction of offshore wind energy projects to help further transform and optimize the energy structure and layout of the Guangdong, Hong Kong and Macao Greater Bay Area.

During the Reporting Period, significant progress and achievements were made in the Company's carbon finance business. In February 2023, the Company received the No-Objection Letter for CSC's Proprietary Participation in Carbon Emissions Trading (Ji Gou Bu Han [2023] No. 97) 《關於中信建投證券股份有限公司自營參與碳排放權交易的無異議函》(機構部函[2023]97號)) from the CSRC, allowing us to engage in such trading in approved domestic markets on a proprietary basis. The Company has continued to arrange its carbon finance business and put in place various infrastructure work for domestic carbon market transactions. The completion of the first carbon quota transaction of the Company on the Shanghai Environment and Energy Exchange is a major step on the path of expanding the breadth and depth of the Company's carbon finance products and services, and an important milestone in the Company's efforts to serve the PRC in establishing a sound carbon emissions trading system.

The Company has also actively participated in the formulation work on green development related standards. During the Reporting Period, as a member unit of the Green and Sustainable Investment Committee of Asset Management Association of China, the Company proactively participated in the research and supporting works on sustainable investment and the formulation of classification standards for high-carbon and low-carbon industries to boost the long-term development of domestic ESG product specifications.

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

The Company acknowledges the importance of environmental protection and sustainable development, and has always strictly complied with environmental protection laws and regulations, firmly upholds green management as the cornerstone of the strategy. It promotes low-carbon green development in its operational aspects, and strives to reduce the impact of various business activities on the environment.

In terms of green operation, the Company continues to promote digital business. By applying the All-in-one Counter system (一櫃通系統) in more than 300 branches nationwide, the Company has achieved paperless review and electronic signature of over-the-counter business and off-site witness business, with the function covering 99% of the account business, which has greatly reduced the consumption of paper resources.

In terms of green operations, the Company requires the air-conditioning temperature to be under control and some of the lights to be turned off during non-normal working hours. It encourages employees to turn off office computers or set to power-saving mode in a timely manner when out of use, turn off the lights and air-conditioner as they leave. The Company continues to strengthen energy management in office areas, conducts regular waste recycling and disposal, and promotes paperless office based on OA system.

## SECTION 4 SIGNIFICANT EVENTS

---

In terms of green procurement, the Company advocates and promotes the concept of green procurement, gives consideration to economic and environmental benefits in procurement activities, and under the same conditions of performance, technology, service and other indicators, takes environmental protection, resource conservation, safety and health, circulation and low carbon and recycling promotion into full consideration, and gives priority to energy-, water- and resource-saving green raw materials, products and services when procure and use them. At the same time, the Company requires partnered suppliers to take the initiative to promote environmentally friendly technologies, actively control and reduce pollution that may arise from production and operation, and disclose information in a sufficient and timely manner for supervision from the general public.

In terms of green travel, the Company advocates the concept of low-carbon and encourages employees to adopt public transportation. Especially for short-distance travel, employees are encouraged to walk or ride in order to reduce the dependence on vehicles. Meanwhile, the Company attaches great importance to the use of company vehicles, strictly prohibits appropriation of the Company's vehicles, tracks the energy efficiency of vehicles in a timely manner and promptly replaces high energy-consuming equipment.

### (III) Rural Revitalization and Other Measures

During the Reporting Period, the Company donated RMB13 million to Pingbian County, Yunnan Province and Qianjiang District, Chongqing Municipality, which was used for a total of nine assistance projects, including rural infrastructure construction and rural education construction. It also donated RMB30,000 to Rucheng in Chenzhou City, Hunan Province for restoration and protection of the old Party-related site.

The Company proactively provided high quality financial services to comprehensively promote rural revitalization and completed the market's first income swap transaction linked to the "ChinaBond – ABC Rural Vitalization Bond Index (Code: CBC07201.CS)" of Agricultural Bank of China, which guided the flow of social capital to key areas of rural revitalization.

During the Reporting Period, China Futures signed the "Strategic Cooperation Agreement on Rural Revitalization" with a total of sixteen places, including Jiangkou County in Guizhou Province, Luoning County in Henan Province and Xi County in Shanxi Province; and signed the "Party Building Cooperation Agreement" with 24 grass-roots party organizations, including the General Branch Committee of Mengrun Village, Mengpeng Town, Mengla County, and the Branch Committee of DuoFo Village, Nilong Town, Pingchang County to carry out the Party building cooperation activities.

During the Reporting Period, China Futures donated a total of approximately RMB852,400 to Qianjiang District of Chongqing Municipality, Shouxian County of Anhui Province and Qichun County of Jiangxi Province, which were used to support agriculture industry projects and rural education. It also donated RMB260,600 for consumer support in Yuanyang County of Yunnan Province, Neixiang County of Henan Province and Jinshan District of Shanghai.

China Futures launched a total of 25 "insurance + futures" projects in Qianjiang District of Chongqing Municipality, Mengla County of Yunnan Province and other areas, with varieties covering sugar, live pigs, corn, feed, natural rubber, eggs and apples, and provided a total of approximately RMB521 million of risk protection. It also provided over-the-counter option services to nine real enterprises and organized 50 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 1)</i>			
Glaslake Holdings (鏡湖控股)	H Shares	351,647,000	4.53%
Beijing Financial Holdings Group <i>(Note 2)</i>	H Shares	56,570,000	0.73%
Other Shares held under the name of HKSCC Nominee Limited	H Shares	852,529,618	10.99%
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 (香港中央結算有限公司) <i>(Note 3)</i>	A Shares	54,317,508	0.70%
Fujian Gui'an Xintiandi Tourism Culture Investment Co., Ltd. (福建貴安新天地旅遊 文化投資有限公司)	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	29,052,862	0.37%
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	21,159,995	0.27%
Other public holders of A Shares	A Shares	789,512,273	10.18%
Other public holders of H Shares	H Shares	277,144	Less than 0.01%
<b>Total</b>		<b>7,756,694,797</b>	<b>100.00%</b>

*Note 1:* HKSCC Nominees Limited is the nominee holder of the H Shares held by non-registered shareholders, and “Other Shares held under the name of HKSCC Nominee Limited” in the above table are other H Shares held by HKSCC Nominees Limited other than Beijing Financial Holdings Group and Glaslake Holdings.

*Note 2:* The Company issued the Overseas Regulatory Announcement – Announcement on the Increase in Shareholding of H Shares of the Company by the Largest Shareholder and the Subsequent Plan for Shareholding Increase (《海外監管公告-關於第一大股東增持公司H股股份及後續增持計劃的公告》) on 18 May 2023, pursuant to which Beijing Financial Holdings Group, the largest shareholder of the Company, intended to increase its shareholding of shares of the Company to an amount not exceeding 1.20% of the total share capital of the Company during the 12 months from the occurrence date of the shareholding increase. Please refer to the announcement for details. As of 30 June 2023, Beijing Financial Holdings Group held 2,740,879,017 shares in the Company in aggregate (including A shares and H shares), which accounted for 35.34% of the total issued share capital of the Company. In July 2023, Beijing Financial Holdings Group continued to increase its shareholding of H Shares of the Company. For specific progress, please refer to “Subsequent events” in “III. DISCLOSURE OF INTERESTS” in this section. As of the Date of Disclosure of the Report, the shareholding increase plan has not yet been completed.

*Note 3:* The shares held by Hong Kong Securities Clearing Company Limited are A Shares held by non-registered shareholders under Shanghai Stock Connect.

# SECTION 5 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

## II. SHAREHOLDERS

As of 30 June 2023, the total number of Shareholders as shown on the register of members of the Company was 157,245, of which 157,183 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 2023.

## 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 2023, 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 (北京金控集團)	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%
			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) <sup>(Note 1)</sup>	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) <sup>(Note 1)</sup>	Interest of Controlled Corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
6. CITIC Limited (中信股份) <sup>(Note 1)</sup>	Interest of Controlled Corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
7. CITIC Group (中信集團) <sup>(Note 1)</sup>	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	100,121,500	H Shares	Long positions	1.29%	7.94%
9. Wellington Management Group LLP <sup>(Note 2)</sup>	Investment manager	87,560,042	H Shares	Long positions	1.13%	6.94%
		438,165	H Shares	Short positions	Less than 0.01%	0.03%



## 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 87,560,042 shares (long position) and 438,165 shares (short position) of H shares in the Company by virtue of its relationship with a number of corporations, of which 8,203 shares (long position) and 11,515 shares (short position) of 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 6 June 2023, the following interests in H shares were held by Wellington Management Group LLP:

Name of controlled corporation	Name of controlling person	% control	Direct interest (Y/N)	Number of Shares
Wellington Group Holdings LLP	Wellington Management Group LLP	99.70	N	Long positions Short positions 438,165
Wellington Investment Advisors Holdings LLP	Wellington Group Holdings LLP	99.99	N	Long positions Short positions 438,165
Wellington Management Global Holdings, Ltd.	Wellington Investment Advisors Holdings LLP	94.10	N	Long positions 52,865,076
Wellington Management Company LLP	Wellington Investment Advisors Holdings LLP	99.99	Y	Long positions Short positions 438,165
Wellington Management Hong Kong Ltd	Wellington Management Global Holdings, Ltd.	100.00	Y	Long positions 19,539,926
Wellington Management International Ltd	Wellington Management Global Holdings, Ltd.	100.00	Y	Long positions 33,325,150

Subsequent events:

The Company noted from the interests disclosed by Beijing Financial Holdings Group, a shareholder, on the Hong Kong Stock Exchange in July 2023 that its interests or short positions in H Shares of the Company were as follows:

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
Beijing Financial Holdings Group (北京金融集團)	Beneficial owner	63,895,000	H Shares	Long positions	0.82%	5.07%



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

---

Save as disclosed above, as at 30 June 2023, 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 2023, 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

### 1. Composition of the Board of Directors

As of the end of the Reporting Period, the Board of the Company comprises of 11 Directors, one of which is executive Director (Mr. Wang Changqing), six are non-executive Directors (Mr. Li Min, Mr. Wu Ruilin, Mr. Yan Xiaolei, Ms. Zhu Jia, Mr. Yang Dong and Ms. Wang Hua) and four are independent non-executive Directors (Mr. Po Wai Kwong, Mr. Lai Guanrong, Mr. Zhang Zheng and Mr. Wu Xi). Mr. Wang Changqing is the Chairman of the Board, and Mr. Li Min and Mr. Wu Ruilin are the Vice Chairmen. 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.

### 2. 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), Li Min, Wu Ruilin, Zhu Jia, Yang Dong, Wang Hua, Lai Guanrong
Risk Management Committee	Wu Ruilin (Chairman), Yan Xiaolei, Yang Dong, Wang Hua, Zhang Zheng
Audit Committee	Wu Xi (Chairman), Wu Ruilin, Yan Xiaolei, Po Wai Kwong
Remuneration and Nomination Committee	Lai Guanrong (Chairman), Wang Changqing, Li Min, Yang Dong, Po Wai Kwong, Zhang Zheng, Wu Xi

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 2023 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 six Supervisors, including the Chairman of the Supervisory Committee (Mr. Zhou Xiaoyu), three Shareholder representative Supervisors (Mr. Dong Hongfu, 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
Wang Xiaolin	Director	Resigned
Lu Ya	Senior management	Resigned
Yu Zhongfu	Director	Resigned
Zhang Qin	Director	Resigned
Zhang Wei	Director	Resigned
Zhou Chengyue	Independent Director	Resigned
Li Geping	Director, senior management	Resigned
Wu Ruilin	Director	Elected
Li Min	Director	Elected
Yan Xiaolei	Director	Elected
Dong Hongfu	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 2023 up to the date of announcement of 2023 interim results.

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

---

### **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 2023, 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 2023, 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 13,804 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 (%)	
Professional structure	Business personnel	11,303	81.88	10,244	82.18
	Information technology personnel	1,118	8.10	1,043	8.37
	Financial personnel	298	2.16	240	1.93
	Administration personnel	95	0.69	48	0.39
	Others	990	7.17	891	7.15
Total	13,804	100.00	12,466	100.00	

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

As of the end of the Reporting Period, the Company had a total of 25 securities business departments that were implementing a securities broker system. There was a total of 76 brokers who obtained practicing qualifications for securities brokers as reviewed and approved by the Securities Association of China.

#### (III) Remuneration Policies

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.

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

---

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 with the post value of employees as well as the risk management and compliance management 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.

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 and support the high-quality development of the Company.



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

---

### (IV) Training Program

In the first half of 2023, the Company made ongoing efforts to improve the talent system construction based on its business strategy, continuously improved the multi-level talent development system centered on the “ladder of training for the growth of employees”, attached great importance to the development of the current cadres, the echelon of outstanding young cadres and professional talent, and created learning and growth space for cadres and employees.

- 1) Carried out the “Lighthouse Program” for middle-level and above cadres in the Company to enhance their improvement in theoretical cultivation, strategic thinking, business awareness, leadership and business collaboration.
- 2) Carried out the “Long Voyage Program” for the heads of the branch offices, including organizing “Pilot Class” for the general managers of the branch offices, “Continued Sailing Class” and “Cruising Class” for business department managers of different seniors, and “Set Sailing Class” for newly hired business department managers, to help the heads of the branches improve their business awareness and master advanced management concepts.
- 3) Classified and cultivated outstanding young cadres. Carried out the “Sunglow Program” for the management echelon of various business lines at the headquarters. Customized management improvement training camps for different business scenarios, team characteristics, and management pain points, with problem-solving as the guide and consolidating the responsibility of frontline managers. Carried out the “Firework Plan” for outstanding young cadres in branch offices. Among them, a “Flame Class” was held for the management talent echelon of the branch offices to strengthen the ideals, beliefs and strategic execution, establish the concept of overall situation and systems thinking, and improve the overall coordination and operation decision-making ability; a “Torch Class” was held for the management talent echelon of business departments to promote role transformation, establish business awareness and management thinking, consolidate management skills, and accelerate the growth from business cadres to management cadres. And a “Management Literacy Improvement Class” was held for team leaders at headquarters and subsidiaries to enhance their ability to “manage people and business” in daily team management. Carried out overall planning, unified selection, and centralized training for management trainees.
- 4) Carried out the “Climbing the Peak Program” for the development of professional talents. The Company promoted the cultivation of digital talents and held lectures on digital transformation, financial science and technology general education classes, data analysis and product thinking practice training camps. The Company launched special training for industry research talents in primary market, and continued to advance the grass-roots trainings and advanced trainings of investment research talents in secondary market. The Company held two series of trainings of “Entering the Hong Kong Capital Market” and “Cross Border Business Communication and Cross-cultural Exchange” to help broaden employees’ international perspective and enhance overseas business expansion capabilities, and promote integrated business development. The Company organized the training camp for key account managers with “customer-oriented” as the principle, cultivated versatile institutional sales talents and paid attention to professional training for talents of investment banking projects.

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

---

- 5) Attached great importance to the education of compliance, integrity, and information security for all employees, and regularly strengthened their awareness and ability skill enhancement.
- 6) Attached great importance to campus recruitment and provided jobs and internship opportunities for outstanding graduates and current students. During the Reporting Period, the Company provided over 1,800 internship positions for current students, recruited over 300 fresh graduates, provided nearly 64 hours of pre-job online courses, and organized centralized training for new employees.

By continuously implementing the above training programs, the Company has established a relatively complete hierarchical and classified talent training system, and has reserved a group of high-quality and professional young cadres and outstanding talents.

### **(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, enhances the cohesion of talents 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 and stable remuneration mechanisms, comprehensive 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

---

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 62 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 2023 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”.

### **KPMG**

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

30 August 2023

# INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

	Note	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
<b>Revenue</b>			
Fee and commission income	6	7,276,239	7,630,578
Interest income	7	5,208,745	4,518,465
Net investment gains	8	4,287,772	2,932,390
		<b>16,772,756</b>	15,081,433
Other income	9	1,878,792	3,767,511
<b>Total revenue and other income</b>		<b>18,651,548</b>	18,848,944
Fee and commission expenses	10	(1,051,554)	(885,979)
Interest expenses	10	(4,132,619)	(3,546,577)
Staff costs	10	(4,076,884)	(3,954,670)
Tax and surcharges		(75,001)	(78,060)
Other operating expenses and costs	10	(4,159,975)	(4,815,040)
Credit impairment reversals/(losses)	11	17,752	(65,104)
Impairment losses on other assets		(3,507)	(22,037)
<b>Total expenses</b>		<b>(13,481,788)</b>	(13,367,467)
<b>Operating profit</b>		<b>5,169,760</b>	5,481,477
Share of profits and losses of associates		108	7,183
<b>Profit before income tax</b>		<b>5,169,868</b>	5,488,660
Income tax expense	12	(854,828)	(1,101,316)
<b>Profit for the period</b>		<b>4,315,040</b>	4,387,344
Attributable to:			
Equity holders of the Company		4,307,477	4,380,273
Non-controlling interests		7,563	7,071
		<b>4,315,040</b>	4,387,344
Earnings per share attributable to ordinary equity holders of the Company (expressed in RMB yuan per share)			
– Basic and diluted	14	0.49	0.52

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 2023  
(In RMB thousands, unless otherwise stated)

	<b>Six months ended 30 June</b>	
	<b>2023</b> <b>(Unaudited)</b>	2022 (Unaudited)
<b>Profit for the period</b>	<b>4,315,040</b>	4,387,344
<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	<b>591,010</b>	146,190
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income reclassified to profit or loss on disposal	<b>31,817</b>	(103,390)
Income tax relating to these items	<b>(150,920)</b>	(15,898)
	<b>471,907</b>	26,902
Share of other comprehensive income of associates	<b>34</b>	(50)
Foreign currency translation differences	<b>122,699</b>	151,486
<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	<b>(12,787)</b>	(18,910)
Income tax relating to these items	<b>-</b>	-
	<b>(12,787)</b>	(18,910)
<b>Other comprehensive income for the period, net of tax</b>	<b>581,853</b>	159,428
<b>Total comprehensive income for the period</b>	<b>4,896,893</b>	4,546,772
Attributable to:		
Equity holders of the Company	<b>4,889,330</b>	4,539,701
Non-controlling interests	<b>7,563</b>	7,071
	<b>4,896,893</b>	4,546,772

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 2023

(In RMB thousands, unless otherwise stated)

	Note	30 June 2023 (Unaudited)	31 December 2022 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	15	576,840	670,051
Right-of-use assets	16	1,632,122	1,855,388
Investment properties		44,883	38,142
Intangible assets	17	645,677	670,381
Investments in associates	19	107,666	107,524
Financial assets at fair value through profit or loss	20	10,975,482	9,161,354
Financial assets at fair value through other comprehensive income		1,400	–
Financial assets held under resale agreements	22	4,913	4,868
Refundable deposits	23	12,507,740	10,881,160
Deferred tax assets	24	1,033,072	1,143,449
Other non-current assets	25	96,190	92,558
<b>Total non-current assets</b>		<b>27,625,985</b>	<b>24,624,875</b>
<b>Current assets</b>			
Margin accounts	26	55,718,988	52,870,595
Accounts receivable	27	11,680,015	10,825,581
Financial assets at fair value through profit or loss	20	192,521,716	178,149,786
Financial assets at fair value through other comprehensive income	21	77,973,539	70,719,979
Derivative financial assets	28	3,848,571	2,863,416
Financial assets held under resale agreements	22	32,230,752	25,546,432
Cash held on behalf of clients	29	112,243,780	103,904,955
Cash and bank balances	30	38,550,430	38,944,880
Other current assets	31	1,024,836	755,511
<b>Total current assets</b>		<b>525,792,627</b>	<b>484,581,135</b>
<b>Total assets</b>		<b>553,418,612</b>	<b>509,206,010</b>
<b>Current liabilities</b>			
Accounts payable to brokerage clients	32	118,797,098	109,294,147
Lease liabilities	33	498,832	512,432
Derivative financial liabilities	28	4,367,652	3,258,544
Financial liabilities at fair value through profit or loss	34	9,798,935	6,491,380
Financial assets sold under repurchase agreements	35	129,078,173	122,153,951
Placements from banks and other financial institutions	36	9,784,310	8,724,569
Taxes payable	37	354,306	941,312
Short-term borrowings	38	368,946	1,243,577
Short-term financing instruments payable	39	41,847,796	19,541,248
Other current liabilities	40	76,259,296	74,037,483
<b>Total current liabilities</b>		<b>391,155,344</b>	<b>346,198,643</b>



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

	<i>Note</i>	<b>30 June 2023 (Unaudited)</b>	31 December 2022 (Audited)
<b>Net current assets</b>		<b>134,637,283</b>	138,382,492
<b>Total assets less current liabilities</b>		<b>162,263,268</b>	163,007,367
<b>Non-current liabilities</b>			
Financial liabilities at fair value through profit or loss	34	<b>7,560,662</b>	5,815,574
Bonds in issue	41	<b>57,636,992</b>	62,210,438
Lease liabilities	33	<b>1,183,589</b>	1,371,584
Deferred tax liabilities	24	<b>276,573</b>	311,861
Other non-current liabilities		<b>2,734</b>	2,368
<b>Total non-current liabilities</b>		<b>66,660,550</b>	69,711,825
<b>Net assets</b>		<b>95,602,718</b>	93,295,542
<b>Equity</b>			
Share capital	42	<b>7,756,695</b>	7,756,695
Other equity instruments	43	<b>24,906,528</b>	24,906,528
Reserves	44	<b>34,012,070</b>	33,398,108
Retained earnings		<b>28,883,104</b>	27,189,876
Equity attributable to equity holders of the Company		<b>95,558,397</b>	93,251,207
Non-controlling interests		<b>44,321</b>	44,335
<b>Total equity</b>		<b>95,602,718</b>	93,295,542

Approved and authorized for issue by the Board of Directors on 30 August 2023.

**Wang Changqing**

*Chairman*

**Wang Changqing**

*Executive Director and General Manager (acting)*

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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				
Balance at 1 January 2023		7,756,695	24,906,528	12,417,001	6,386,088	13,953,964	307,911	333,144	27,189,876	93,251,207	44,335	93,295,542
Profit for the period		-	-	-	-	-	-	-	4,307,477	4,307,477	7,563	4,315,040
Other comprehensive income for the period		-	-	-	-	-	459,154	122,699	-	581,853	-	581,853
Total comprehensive income for the period		-	-	-	-	-	459,154	122,699	4,307,477	4,889,330	7,563	4,896,893
Capital injected/(reduced) by equity holders												
- Others		-	-	-	-	-	-	-	-	-	(1,000)	(1,000)
Appropriation to general reserve	44	-	-	-	-	33,512	-	-	(33,512)	-	-	-
Dividends to equity holders		-	-	-	-	-	-	-	(2,094,308)	(2,094,308)	-	(2,094,308)
Distribution to other equity instrument holders		-	-	-	-	-	-	-	(487,832)	(487,832)	-	(487,832)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	(6,577)	(6,577)
Others		-	-	-	(1,403)	-	-	-	1,403	-	-	-
At 30 June 2023 (Unaudited)		7,756,695	24,906,528	12,417,001	6,384,685	13,987,476	767,065	455,843	28,883,104	95,558,397	44,321	95,602,718

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 2023  
(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 31 December 2021 (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
Plus: Impact of changes in accounting policies	3.1	-	-	-	(621)	(1,188)	-	-	(3,455)	(5,264)	-	(5,264)
Adjusted balance at 1 January 2022		<u>7,756,695</u>	<u>14,937,500</u>	<u>12,447,626</u>	<u>5,616,141</u>	<u>12,512,985</u>	<u>713,053</u>	<u>31,672</u>	<u>25,797,520</u>	<u>79,813,192</u>	<u>187,828</u>	<u>80,001,020</u>
Profit for the period		-	-	-	-	-	-	-	4,380,273	4,380,273	7,071	4,387,344
Other comprehensive income for the period		-	-	-	-	-	7,942	151,486	-	159,428	-	159,428
Total comprehensive income for the period		-	-	-	-	-	<u>7,942</u>	<u>151,486</u>	<u>4,380,273</u>	<u>4,539,701</u>	<u>7,071</u>	<u>4,546,772</u>
Capital injected/(reduced) 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		-	-	-	-	-	-	-	(365,979)	(365,979)	-	(365,979)
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>5,616,141</u>	<u>12,545,062</u>	<u>720,995</u>	<u>183,158</u>	<u>26,715,843</u>	<u>88,867,196</u>	<u>41,230</u>	<u>88,908,426</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 2023  
(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
<b>Cash flows from operating activities</b>		
Profit before income tax	5,169,868	5,488,660
Adjustments for:		
Interest expenses on bonds in issue, short-term financing instruments payable, borrowings and lease liabilities	1,951,724	1,944,705
Dividend income and interest income from financial assets at fair value through other comprehensive income	(1,230,030)	(844,578)
Net gains from disposal of financial assets at fair value through other comprehensive income	(115,641)	(111,779)
Share of profits from associates and joint ventures	(108)	(7,183)
Net gains on disposal of property, plant, equipment and other assets	(201)	(385)
Revaluation gains on financial instruments at fair value through profit or loss	(1,940,133)	(46,822)
Net foreign exchange gains	(43,780)	(10,875)
Depreciation and amortization	545,309	488,355
Credit impairment (reversals)/losses	(17,752)	65,104
Impairment losses on other assets	3,507	22,037
	<b>4,322,763</b>	<b>6,987,239</b>
<b>Net changes in operating assets</b>		
Margin accounts	(2,724,868)	4,898,191
Financial assets at fair value through profit or loss	(14,523,639)	8,142,648
Cash held on behalf of clients	(8,363,053)	(20,049,277)
Financial assets held under resale agreements	(6,639,994)	(2,111,991)
Other operating assets	(2,289,420)	(3,570,221)
	<b>(34,540,974)</b>	<b>(12,690,650)</b>
<b>Net changes in operating liabilities</b>		
Accounts payable to brokerage clients	9,502,951	21,306,399
Financial liabilities at fair value through profit or loss	4,434,299	5,095,759
Financial assets sold under repurchase agreements	6,952,427	(3,612,771)
Placements from banks and other financial institutions	1,060,000	(6,000,000)
Other operating liabilities	6,343,246	389,845
	<b>28,292,923</b>	<b>17,179,232</b>
<b>Net cash flows from operating activities before tax</b>	<b>(1,925,288)</b>	<b>11,475,821</b>
Income tax paid	(1,444,370)	(1,619,916)
<b>Net cash flows from operating activities</b>	<b>(3,369,658)</b>	<b>9,855,905</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2023 (Unaudited)	2022 (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	(6,436,947)	(6,936,664)
Dividend income and interest income received from financial assets at fair value through other comprehensive income	1,455,732	843,884
Cash paid for purchase of property, plant and equipment and other assets	(135,128)	(110,206)
Other cash flows from investing activities	191	9,268
<b>Net cash flows from investing activities</b>	<b>(5,116,152)</b>	<b>(6,193,718)</b>
<b>Cash flows from financing activities</b>		
Cash inflows from issuing perpetual bonds	–	8,000,000
Cash inflows from borrowing activities	5,799,199	2,919,758
Cash inflows from issuing bonds	46,526,511	33,016,430
Cash outflows from distribution to other equity instrument holders	(697,250)	(402,500)
Cash outflows from distribution to subsidiaries' non-controlling equity holders	(6,577)	(735)
Repayments of debts	(42,026,372)	(51,765,199)
Repayments of interest on debts	(1,964,625)	(1,928,145)
Other cash outflows from financing activities	(343,655)	(507,158)
<b>Net cash flows from financing activities</b>	<b>7,287,231</b>	<b>(10,667,549)</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,198,579)</b>	<b>(7,005,362)</b>
Cash and cash equivalents at the beginning of the period	38,560,954	35,235,352
Effect of exchange rate changes on cash and cash equivalents	(259,999)	170,813
<b>Cash and cash equivalents at the end of the period (Note 45)</b>	<b>37,102,376</b>	<b>28,400,803</b>

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 2023

(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, market-making trading business of listed securities, 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 2023  
(In RMB thousands, unless otherwise stated)

## 2 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023 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 do not include all financial information and data which annual consolidated financial statements are required to disclose, therefore, 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 2022, 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 2022.

### 3.1 Amendments to the accounting standards effective in 2023 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 2022.

(1)	Amendments to IFRS 17	Insurance Contracts
(2)	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
(3)	Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction

The adoption of the above-mentioned standards and amendments does not have a material 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 2023

(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	Non-current liabilities with contractual conditions	1 January 2024
(2)	Amendments to IFRS 16	Lease liability in a sale-and-leaseback	1 January 2024
(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.

Description of these standards and amendments was disclosed in the Group's consolidated financial statements for the year ended 31 December 2022. The Group does not expect that the adoption of these standards and amendments will have material 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 2022.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(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 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 2023

(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 and branch offices 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 2023  
(In RMB thousands, unless otherwise stated)

## 5 OPERATING SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 June 2023					Total
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	
Segment revenue and other income						
Fee and commission income	2,710,322	2,285,510	1,668,866	611,541	-	7,276,239
Interest income	-	2,448,181	2,344,687	14,466	401,411	5,208,745
Net investment gains	-	-	4,184,103	103,669	-	4,287,772
Other income	3,400	68,743	34,271	12,096	1,760,282	1,878,792
Total revenue and other income	<u>2,713,722</u>	<u>4,802,434</u>	<u>8,231,927</u>	<u>741,772</u>	<u>2,161,693</u>	<u>18,651,548</u>
Segment expenses	(2,493,238)	(3,469,292)	(5,229,235)	(376,782)	(1,913,241)	(13,481,788)
Including: Interest expenses	-	(1,063,929)	(3,021,044)	(19,377)	(28,269)	(4,132,619)
Credit impairment reversals/(losses)	2,976	39,709	(22,252)	-	(2,681)	17,752
Impairment losses on other assets	-	-	-	-	(3,507)	(3,507)
Operating profit	220,484	1,333,142	3,002,692	364,990	248,452	5,169,760
Share of profits and losses of associates	-	-	-	-	108	108
Profit before income tax	<u>220,484</u>	<u>1,333,142</u>	<u>3,002,692</u>	<u>364,990</u>	<u>248,560</u>	<u>5,169,868</u>
Income tax expense						<u>(854,828)</u>
Net profit for the period						<u><u>4,315,040</u></u>
Other segment information:						
Depreciation and amortization	130,981	134,976	223,042	29,816	26,494	545,309
Capital expenditure	30,288	33,437	52,351	10,407	8,645	135,128

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

## 5 OPERATING SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 June 2022					
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	Total
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>(1,101,316)</u>
Net profit for the period						<u><u>4,387,344</u></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 2023  
(In RMB thousands, unless otherwise stated)

## 6 FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2023	2022
Brokerage services income	3,654,883	3,739,672
Investment banking income	2,710,322	2,937,991
Asset and fund management income	611,541	637,335
Others	299,493	315,580
Total	<b>7,276,239</b>	7,630,578

## 7 INTEREST INCOME

	Six months ended 30 June	
	2023	2022
Margin financing and securities lending	1,936,714	1,855,200
Financial institution deposits	1,654,565	1,492,963
Financial assets at fair value through other comprehensive income	1,224,848	838,692
Financial assets held under resale agreements	307,607	231,879
Others	85,011	99,731
Total	<b>5,208,745</b>	4,518,465

## 8 NET INVESTMENT GAINS

	Six months ended 30 June	
	2023	2022
Net gains/(losses) from financial assets at fair value through profit or loss	5,238,480	(371,849)
Dividend income from financial assets at fair value through other comprehensive income	5,182	5,886
Net gains from disposal of financial assets at fair value through other comprehensive income	115,641	111,779
Net (losses)/gains from financial liabilities at fair value through profit or loss	(951,426)	467,112
Net (losses)/gains from derivatives	(111,235)	2,597,352
Net (losses)/gains attributable to other interest holders of consolidated structured entities	(8,870)	122,110
Total	<b>4,287,772</b>	2,932,390

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

## 9 OTHER INCOME

	Six months ended 30 June	
	2023	2022
Income from bulk commodity trading	1,668,638	3,568,944
Net gains on foreign exchange	77,676	121,491
Government grants	22,274	16,475
Rental income	9,593	7,458
Gains on disposal of property, plant and equipment	201	385
Others	100,410	52,758
Total	<b>1,878,792</b>	<b>3,767,511</b>

## 10 EXPENSES

	Six months ended 30 June	
	2023	2022
<b>Fee and commission expenses:</b>		
Brokerage expenses	867,956	681,475
Investment banking expenses	89,953	106,124
Others	93,645	98,380
Total	<b>1,051,554</b>	<b>885,979</b>
<b>Interest expenses:</b>		
Bonds in issue	1,491,852	1,696,745
Financial assets sold under repurchase agreements	1,348,957	928,512
Short-term financing instruments payable	407,153	214,855
Accounts payable to brokerage clients	369,611	255,619
Placements from banks and other financial institutions	332,313	337,076
Lease liabilities	30,357	30,597
Borrowings	22,361	2,508
Others	130,015	80,665
Total	<b>4,132,619</b>	<b>3,546,577</b>
<b>Staff costs (including directors' and supervisors' remuneration):</b>		
Staff salaries	3,304,084	3,345,018
Contributions to defined contribution schemes (i)	327,596	259,874
Other social benefits	337,741	257,973
Others	107,463	91,805
Total	<b>4,076,884</b>	<b>3,954,670</b>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(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. Contributions made to these schemes are accrued as expenses when they are incurred.

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

Other operating expenses and costs:

	Six months ended 30 June	
	2023	2022
Cost of bulk commodity trading	1,648,083	3,566,284
Non-operating expenses (1)	980,858	4,829
Depreciation of right-of-use assets	305,460	276,579
Business travel expenses	140,188	68,678
Membership fees of exchanges	137,145	85,642
Electronic equipment operating expenses	135,104	106,470
Office operating expenses	131,295	144,355
Depreciation expenses	120,939	115,485
Amortization of intangible assets	102,128	76,954
Auditors' remuneration	4,475	3,348
Others	454,300	366,416
Total	<b>4,159,975</b>	<b>4,815,040</b>

(1) Non-operating expenses are mainly provision accrued during the period (Note 40(1)).

## 11 CREDIT IMPAIRMENT (REVERSALS)/LOSSES

	Six months ended 30 June	
	2023	2022
Financial assets at fair value through other comprehensive income	21,146	54,202
Margin financing	5,234	8,193
Financial assets held under resale agreements	(47,105)	2,258
Others	2,973	451
Total	<b>(17,752)</b>	<b>65,104</b>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

## 12 INCOME TAX EXPENSE

### (1) Income tax

	Six months ended 30 June	
	2023	2022
Current income tax		
– Mainland China	920,348	1,327,094
– Outside Mainland China	10,158	62
Subtotal	930,506	1,327,156
Deferred income tax	(75,678)	(225,840)
Total	854,828	1,101,316

### (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:

	Six months ended 30 June	
	2023	2022
Profit before income tax	5,169,868	5,488,660
Income tax at the PRC statutory income tax rate	1,292,467	1,372,165
Effects of different applicable rates of tax prevailing in various jurisdictions	(66,176)	(29,697)
Non-deductible expenses	24,747	8,699
Non-taxable income	(203,148)	(139,052)
Others	(193,062)	(110,799)
Income tax expenses at the Group's effective income tax rate	854,828	1,101,316

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(In RMB thousands, unless otherwise stated)

## 13 DIVIDENDS

	Six months ended 30 June	
	2023	2022
Dividends distribution to ordinary shareholders	2,094,308	3,063,894
Distribution to other equity instrument holders (Note 14(1))	487,832	365,979

A cash dividend of RMB2.70 (tax inclusive) per 10 ordinary shares related to the year of 2022 amounting to RMB2,094 million (tax inclusive) in total and based on 7,756,694,797 shares was approved at the annual general meeting held on 29 June 2023. All dividends were distributed on 22 August 2023.

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.

## 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	
	2023	2022
<b>Earnings:</b>		
Profit attributable to equity holders of the Company	4,307,477	4,380,273
Less: Profit attributable to other equity instrument holders of the Company (1)	(487,832)	(365,979)
Profit attributable to ordinary equity holders of the Company	3,819,645	4,014,294
<b>Shares:</b>		
Weighted average number of ordinary shares in issue (thousand)	7,756,695	7,756,695
Basic and diluted earnings per share (in RMB yuan per share)	0.49	0.52

There were no dilutive shares during the six months ended 30 June 2023 and during the six months ended 30 June 2022. Therefore, diluted earnings per share is equal to basic earnings per share.

- (1) As of 30 June 2023, there were six 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 2023

(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 2023	437,983	1,082,707	35,328	4,651	57,724	10,252	37,154	1,665,799
Increases	-	32,406	755	28	1,187	570	352	35,298
Decreases	(14,400)	(7,438)	(1,550)	(438)	(2,260)	(167)	(2,715)	(28,968)
30 June 2023	423,583	1,107,675	34,533	4,241	56,651	10,655	34,791	1,672,129
<b>Accumulated depreciation</b>								
1 January 2023	(173,557)	(692,972)	(30,923)	(3,706)	(51,679)	(6,345)	(36,566)	(995,748)
Increases	(5,911)	(111,942)	(558)	(159)	(1,618)	(481)	(270)	(120,939)
Decreases	6,762	7,567	1,505	425	2,262	162	2,715	21,398
30 June 2023	(172,706)	(797,347)	(29,976)	(3,440)	(51,035)	(6,664)	(34,121)	(1,095,289)
<b>Net carrying amount</b>								
30 June 2023	250,877	310,328	4,557	801	5,616	3,991	670	576,840
<b>Cost</b>								
1 January 2022	421,191	951,128	35,030	4,813	77,232	8,230	37,149	1,534,773
Increases	16,792	187,400	1,421	184	1,701	2,677	5	210,180
Decreases	-	(55,821)	(1,123)	(346)	(21,209)	(655)	-	(79,154)
31 December 2022	437,983	1,082,707	35,328	4,651	57,724	10,252	37,154	1,665,799
<b>Accumulated depreciation</b>								
1 January 2022	(154,151)	(534,360)	(31,031)	(3,632)	(69,564)	(6,263)	(34,764)	(833,765)
Increases	(19,406)	(214,667)	(981)	(342)	(3,308)	(687)	(1,802)	(241,193)
Decreases	-	56,055	1,089	268	21,193	605	-	79,210
31 December 2022	(173,557)	(692,972)	(30,923)	(3,706)	(51,679)	(6,345)	(36,566)	(995,748)
<b>Net carrying amount</b>								
31 December 2022	264,426	389,735	4,405	945	6,045	3,907	588	670,051



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

FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(In RMB thousands, unless otherwise stated)

## 16 RIGHT-OF-USE ASSETS

	Properties and buildings	Others	Total
<b>Cost</b>			
1 January 2023	2,703,049	283,004	2,986,053
Increases	83,524	691	84,215
Decreases	(39,495)	(120)	(39,615)
Foreign currency translation differences	6,455	-	6,455
30 June 2023	<u>2,753,533</u>	<u>283,575</u>	<u>3,037,108</u>
<b>Accumulated depreciation</b>			
1 January 2023	(978,410)	(152,255)	(1,130,665)
Increases	(283,829)	(21,631)	(305,460)
Decreases	35,751	104	35,855
Foreign currency translation differences	(4,716)	-	(4,716)
30 June 2023	<u>(1,231,204)</u>	<u>(173,782)</u>	<u>(1,404,986)</u>
<b>Carrying amount</b>			
30 June 2023	<u>1,522,329</u>	<u>109,793</u>	<u>1,632,122</u>
<b>Cost</b>			
1 January 2022	2,342,235	259,637	2,601,872
Increases	617,194	24,493	641,687
Decreases	(276,676)	(1,126)	(277,802)
Foreign currency translation differences	20,296	-	20,296
31 December 2022	<u>2,703,049</u>	<u>283,004</u>	<u>2,986,053</u>
<b>Accumulated depreciation</b>			
1 January 2022	(668,905)	(110,206)	(779,111)
Increases	(532,083)	(42,679)	(574,762)
Decreases	231,932	630	232,562
Foreign currency translation differences	(9,354)	-	(9,354)
31 December 2022	<u>(978,410)</u>	<u>(152,255)</u>	<u>(1,130,665)</u>
<b>Carrying amount</b>			
31 December 2022	<u>1,724,639</u>	<u>130,749</u>	<u>1,855,388</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

## 17 INTANGIBLE ASSETS

	Software	Trading seat rights and others	Total
<b>Cost</b>			
1 January 2023	1,293,447	74,694	1,368,141
Increases	78,440	–	78,440
Decreases	(2,436)	(1,400)	(3,836)
Foreign currency translation differences	1,062	28	1,090
30 June 2023	<u>1,370,513</u>	<u>73,322</u>	<u>1,443,835</u>
<b>Accumulated amortization</b>			
1 January 2023	(628,160)	(69,600)	(697,760)
Increases	(102,128)	–	(102,128)
Decreases	2,436	–	2,436
Foreign currency translation differences	(706)	–	(706)
30 June 2023	<u>(728,558)</u>	<u>(69,600)</u>	<u>(798,158)</u>
<b>Net carrying amount</b>			
30 June 2023	<u>641,955</u>	<u>3,722</u>	<u>645,677</u>
<b>Cost</b>			
1 January 2022	984,043	74,618	1,058,661
Increases	317,605	–	317,605
Decreases	(10,518)	–	(10,518)
Foreign currency translation differences	2,317	76	2,393
31 December 2022	<u>1,293,447</u>	<u>74,694</u>	<u>1,368,141</u>
<b>Accumulated amortization</b>			
1 January 2022	(469,928)	(69,600)	(539,528)
Increases	(165,533)	–	(165,533)
Decreases	8,782	–	8,782
Foreign currency translation differences	(1,481)	–	(1,481)
31 December 2022	<u>(628,160)</u>	<u>(69,600)</u>	<u>(697,760)</u>
<b>Net carrying amount</b>			
31 December 2022	<u>665,287</u>	<u>5,094</u>	<u>670,381</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(In RMB thousands, unless otherwise stated)

## 18 INVESTMENTS IN SUBSIDIARIES

	30 June 2023	31 December 2022
Investments in subsidiaries	<b>11,550,844</b>	11,550,844

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 2023	31 December 2022		
China Futures Co., Ltd.	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. //	Hong Kong	Hong Kong	Not applicable	100%	100%	Directly	Shareholding and investment
China Fund Management Co., Ltd.	Beijing	Beijing	RMB300 million	100%	100%	Directly	Funds business, asset management
China Securities Investment Co., Ltd.	Beijing	Beijing	RMB6,100 million	100%	100%	Directly	Investment management, equity investment management, investment consultancy and project management

- (i) 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.

## 19 INVESTMENTS IN ASSOCIATES

	30 June 2023	31 December 2022
Investments in associates	<b>107,666</b>	107,524

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

## 19 INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates details of investments in associates:

Name	1 January 2023	Increase	Decrease	Movements using the equity method	Cash dividends or profits declared	Impairment allowance for the current period	30 June 2023
CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd.	52,945	-	-	-	-	-	52,945
Beijing Shunlong Zhiyuan Enterprise Management Consulting Co., Ltd.	27,102	-	-	217	-	-	27,319
Beijing Equity Trading Center Co., Ltd.	27,477	-	-	(75)	-	-	27,402
<b>Total</b>	<b>107,524</b>	<b>-</b>	<b>-</b>	<b>142</b>	<b>-</b>	<b>-</b>	<b>107,666</b>

Name	1 January 2022	Increase	Decrease	Movements using the equity method	Cash dividends or profits declared	Impairment allowance for the current period	31 December 2022
CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd.	52,777	-	-	8,868	(8,700)	-	52,945
Beijing Shunlong Zhiyuan Enterprise Management Consulting Co., Ltd.	24,012	-	-	3,090	-	-	27,102
Shenzhen MALONG TECHNOLOGIES Co., Ltd.	8,307	-	(8,244)	(63)	-	-	-
Beijing Equity Trading Center Co., Ltd.	25,906	-	-	1,571	-	-	27,477
<b>Total</b>	<b>111,002</b>	<b>-</b>	<b>(8,244)</b>	<b>13,466</b>	<b>(8,700)</b>	<b>-</b>	<b>107,524</b>

(1) As at 30 June 2023 and 31 December 2022, given there was no sign of impairment on the Group's investments in associates, no further impairment allowance was made.

(2) Zhongguancun Equity Trading Service Group Co., Ltd. was renamed as Beijing Shunlong Zhiyuan Enterprise Management Consulting Co., Ltd. on 22 February 2023.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(In RMB thousands, unless otherwise stated)*

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

	<b>30 June 2023</b>	31 December 2022
<b>Non-current</b>		
Financial assets at fair value through profit or loss		
Debt instruments	74,699	40,683
Equity investments	8,756,921	8,149,588
Fund investments	162,548	–
Others	1,981,314	971,083
Subtotal	<b>10,975,482</b>	9,161,354
Analyzed into:		
Listed in Hong Kong	137,389	70,306
Listed outside Hong Kong	2,969,797	2,561,213
Unlisted	7,868,296	6,529,835
Subtotal	<b>10,975,482</b>	9,161,354
<b>Current</b>		
Financial assets at fair value through profit or loss		
Debt instruments	101,851,079	91,226,131
Equity investments	35,267,367	26,109,919
Fund investments	17,537,462	24,538,156
Others	37,865,808	36,275,580
Subtotal	<b>192,521,716</b>	178,149,786
Analyzed into:		
Listed in Hong Kong	9,305,058	8,185,835
Listed outside Hong Kong	153,181,870	133,503,163
Unlisted	30,034,788	36,460,788
Subtotal	<b>192,521,716</b>	178,149,786
Total	<b>203,497,198</b>	187,311,140

As at 30 June 2023, the fair value of financial assets pledged as collateral for repurchase agreements (Note 35), futures business and securities borrowing business, and etc, by the Group totaled RMB88,205.85 million (31 December 2022: RMB80,787.46 million).

As at 30 June 2023, financial assets held by the Group included securities lent amounted to RMB783.81 million (31 December 2022: RMB2,884.40 million).

As at 30 June 2023, the fair value of financial assets at fair value through profit or loss in restricted period held by the Group was RMB4,919.72 million (31 December 2022: RMB3,895.28 million).

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

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

	30 June 2023	31 December 2022
<b>Current</b>		
Debt instruments	77,893,740	70,629,668
Equity instruments	<u>79,799</u>	<u>90,311</u>
Total	<u><b>77,973,539</b></u>	<u><b>70,719,979</b></u>
Analyzed into:		
Listed in Hong Kong	8,501,725	6,328,925
Listed outside Hong Kong	<u>69,471,814</u>	<u>64,391,054</u>
Total	<u><b>77,973,539</b></u>	<u><b>70,719,979</b></u>

- (i) As at 30 June 2023, 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 RMB56,549.93 million.

As at 31 December 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 RMB60,428.15 million.



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

*FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(In RMB thousands, unless otherwise stated)*

## 22 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	<b>30 June 2023</b>	31 December 2022
<b>Non-current</b>		
Analyzed by collateral:		
Stock	5,009	5,009
Allowance for credit impairment losses	(96)	(141)
Subtotal	<b>4,913</b>	4,868
<b>Current</b>		
Analyzed by collateral:		
Debts	26,409,326	20,659,777
Stock	5,239,304	5,294,441
Others	1,064,592	121,744
	<b>32,713,222</b>	26,075,962
Allowance for impairment losses	(482,470)	(529,530)
Subtotal	<b>32,230,752</b>	25,546,432
Total	<b>32,235,665</b>	25,551,300

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 2023</b>	31 December 2022
Collateral received	41,650,226	31,549,810
Including: Collateral allowed to be re-pledged	-	-
Including: Collateral re-pledged	-	-
	<b>41,650,226</b>	31,549,810

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

## 23 REFUNDABLE DEPOSITS

	30 June 2023	31 December 2022
Performance bonds	11,613,576	9,241,697
Trading deposits	836,934	1,582,565
Credit deposits	57,230	56,898
Total	<u>12,507,740</u>	<u>10,881,160</u>

## 24 DEFERRED TAX ASSETS/LIABILITIES

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

Deferred tax assets	Salaries, bonuses, and allowances payable	Fair value changes of financial instruments	Allowance for credit impairment losses	Lease liabilities	Others	Total
1 January 2023	1,114,296	75,560	616,653	461,640	86,428	2,354,577
Credited/(debited) to the consolidated income statement	255,119	582	2,431	(49,474)	236,636	445,294
Credited/(debited) to other comprehensive income	-	(39,637)	(196)	332	2,034	(37,467)
30 June 2023	<u>1,369,415</u>	<u>36,505</u>	<u>618,888</u>	<u>412,498</u>	<u>325,098</u>	<u>2,762,404</u>
Deferred tax assets	Salaries, bonuses, and allowances payable	Fair value changes of financial instruments	Allowance for credit impairment losses	Lease liabilities	Others	Total
1 January 2022	1,163,789	170,755	547,966	-	85,334	1,967,844
Credited/(debited) to the consolidated income statement	(49,493)	(156,724)	68,543	461,640	(4,311)	319,655
Credited to other comprehensive income	-	61,529	144	-	5,405	67,078
31 December 2022	<u>1,114,296</u>	<u>75,560</u>	<u>616,653</u>	<u>461,640</u>	<u>86,428</u>	<u>2,354,577</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(In RMB thousands, unless otherwise stated)

## 24 DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

Deferred tax liabilities	Fair value changes of financial instruments	Right-of-use assets	Others	Total
1 January 2023	1,066,553	454,779	1,657	1,522,989
Debited/(credited) to the consolidated income statement	424,429	(54,924)	111	369,616
Debited to other comprehensive income	112,942	303	55	113,300
30 June 2023	<u>1,603,924</u>	<u>400,158</u>	<u>1,823</u>	<u>2,005,905</u>
	Fair value changes of financial instruments	Right-of-use assets	Others	Total
1 January 2022	1,523,839	–	1,477	1,525,316
Debited/(credited) to the consolidated income statement	(411,447)	454,779	42	43,374
Debited/(credited) to other comprehensive income	(45,839)	–	138	(45,701)
31 December 2022	<u>1,066,553</u>	<u>454,779</u>	<u>1,657</u>	<u>1,522,989</u>

Net balances of deferred tax assets or liabilities after offset

Item	30 June 2023		31 December 2022	
	Deferred tax assets and liabilities offset amount	Deferred tax assets or liabilities net balances after offset	Deferred tax assets and liabilities offset amount	Deferred tax assets or liabilities net balances after offset
Deferred tax assets	<u>(1,729,332)</u>	<u>1,033,072</u>	(1,211,128)	1,143,449
Deferred tax liabilities	<u>(1,729,332)</u>	<u>276,573</u>	(1,211,128)	311,861

## 25 OTHER NON-CURRENT ASSETS

As at 30 June 2023 and 31 December 2022, 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 2023

(In RMB thousands, unless otherwise stated)

## 26 MARGIN ACCOUNTS

	30 June 2023	31 December 2022
Margin accounts		
– Individuals	44,687,264	41,865,270
– Institutions	12,317,504	12,281,153
	<b>57,004,768</b>	54,146,423
Allowance for impairment losses	<b>(1,285,780)</b>	(1,275,828)
Total	<b>55,718,988</b>	52,870,595

Margin accounts are funds that the Group provided to clients in margin financing business. As at 30 June 2023 and 31 December 2022, no margin accounts were pledged for repurchase agreements (Note 35).

As at 30 June 2023, the fair value of securities lent in margin financing business was RMB5,732.62 million (31 December 2022: RMB8,080.08 million).

As at 30 June 2023, the Group received collateral with fair value amounted to RMB197,684.97 million (31 December 2022: RMB183,895.24 million), in connection with its margin financing business.

## 27 ACCOUNTS RECEIVABLE

	30 June 2023	31 December 2022
Derivative business receivables	9,501,280	9,724,087
Clearing funds receivable	435,065	580,036
Assets management fee receivable	144,360	158,069
Others	1,609,051	372,678
	<b>11,689,756</b>	10,834,870
Allowance for impairment losses (i)	<b>(9,741)</b>	(9,289)
Total	<b>11,680,015</b>	10,825,581

(i) Expected credit loss ("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 2023, accounts receivable measured using general approach was classified under Stage 1 (31 December 2022: Stage 1).

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

## 27 ACCOUNTS RECEIVABLE (CONTINUED)

(ii) Analyzed by aging

Item	As at 30 June 2023			
	Carrying amount		Allowance for impairment losses	
	Value	Percentage	Value	Percentage
Allowance for impairment losses by portfolio				
Less than 1 year	11,666,990	99.81%	(638)	6.55%
1 to 2 years	8,303	0.07%	(588)	6.04%
2 to 3 years	3,372	0.03%	(694)	7.12%
More than 3 years	11,091	0.09%	(7,821)	80.29%
<b>Total</b>	<b>11,689,756</b>	<b>100.00%</b>	<b>(9,741)</b>	<b>100.00%</b>
	As at 31 December 2022			
Item	Carrying amount		Allowance for impairment losses	
	Value	Percentage	Value	Percentage
Allowance for impairment losses by portfolio				
Less than 1 year	10,802,954	99.71%	(671)	7.23%
1 to 2 years	17,697	0.16%	(559)	6.02%
2 to 3 years	3,309	0.03%	(449)	4.84%
More than 3 years	10,910	0.10%	(7,610)	81.91%
<b>Total</b>	<b>10,834,870</b>	<b>100.00%</b>	<b>(9,289)</b>	<b>100.00%</b>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

## 28 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2023		
	Nominal value	Fair value	
		Assets	Liabilities
Interest rate derivatives	315,118,767	1,875	-
Equity derivatives	232,633,595	3,023,301	3,869,703
Currency derivatives	87,359,310	43,633	246,107
Credit derivatives	569,000	6,511	22,086
Others	88,496,437	773,251	229,756
Total	<u>724,177,109</u>	<u>3,848,571</u>	<u>4,367,652</u>
	As at 31 December 2022		
	Nominal value	Fair value	
		Assets	Liabilities
Interest rate derivatives	325,658,910	39,117	1,356
Equity derivatives	153,354,962	2,506,474	3,057,008
Currency derivatives	67,956,103	6,416	50,081
Credit derivatives	450,000	1,014	1,157
Others	45,838,046	310,395	148,942
Total	<u>593,258,021</u>	<u>2,863,416</u>	<u>3,258,544</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 2023, the fair value of the Group’s unexpired futures contracts was negative RMB101.53 million (31 December 2022: negative RMB87.70 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 2023  
(In RMB thousands, unless otherwise stated)

## 30 CASH AND BANK BALANCES

	30 June 2023	31 December 2022
Deposits in banks	<u>38,550,430</u>	<u>38,944,880</u>

As at 30 June 2023, the Group had restricted deposits of RMB1,444.59 million (31 December 2022: RMB376.43 million).

## 31 OTHER CURRENT ASSETS

	30 June 2023	31 December 2022
Interest receivable (i)	118,558	110,521
Commodity inventories	98,224	51,442
Prepaid expenses	14,843	14,273
Deferred expenses	4,464	37,523
Others	<u>840,925</u>	<u>590,282</u>
	<b>1,077,014</b>	804,041
Allowance for impairment losses	<u>(52,178)</u>	<u>(48,530)</u>
Total	<u><b>1,024,836</b></u>	<u>755,511</u>

(i) As at 30 June 2023 and 31 December 2022, 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).

## 33 LEASE LIABILITIES

	30 June 2023	31 December 2022
<b>Current</b>		
Lease liabilities	<u>498,832</u>	<u>512,432</u>
<b>Non-current</b>		
Lease liabilities	<u>1,183,589</u>	<u>1,371,584</u>
Total	<u><b>1,682,421</b></u>	<u>1,884,016</u>

As at 30 June 2023, the Group's leases contracted but not yet commenced were RMB17.59 million (31 December 2022: RMB15.36 million) (Note 49.2).

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

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

	30 June 2023	31 December 2022
<b>Current</b>		
Financial liabilities at fair value through profit or loss (Held for trading)		
– Debt instruments	3,875,419	1,309,424
– Others	1,125,803	123,201
Financial liabilities designated as at fair value through profit or loss		
– Structured notes (i)	4,797,713	5,008,755
– Others	–	50,000
Subtotal	<u>9,798,935</u>	<u>6,491,380</u>
<b>Non-current</b>		
Financial liabilities designated as at fair value through profit or loss		
– Structured notes (i)	7,560,662	5,815,574
– Others	–	–
Subtotal	<u>7,560,662</u>	<u>5,815,574</u>
Total	<u>17,359,597</u>	<u>12,306,954</u>

(i) As at 30 June 2023 and 31 December 2022, the structured notes held by the Group were mainly linked to equity indexes.

## 35 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2023	31 December 2022
<b>Current</b>		
Analyzed by collateral:		
Debt securities (Notes 20 and 21)	113,593,370	106,308,102
Gold	6,185,481	6,100,473
Others (Note 20)	9,299,322	9,745,376
Total	<u>129,078,173</u>	<u>122,153,951</u>

As at 30 June 2023 and 31 December 2022, other collaterals mainly included the standard bonds for pledge-style quotation-driven repurchase.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(In RMB thousands, unless otherwise stated)

## 36 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2023	31 December 2022
<b>Current</b>		
Placements from CSF (Notes 20 and 21)	9,784,310	7,524,085
Placements from banks	-	1,200,484
Total	<u>9,784,310</u>	<u>8,724,569</u>

## 37 TAXES PAYABLE

	30 June 2023	31 December 2022
<b>Current</b>		
Income tax	196,775	710,638
Value added tax	98,880	121,048
Others	58,651	109,626
Total	<u>354,306</u>	<u>941,312</u>

## 38 SHORT-TERM BORROWINGS

	30 June 2023	31 December 2022
<b>Current</b>		
Analyzed by nature:		
Credit borrowings	<u>368,946</u>	<u>1,243,577</u>

As at 30 June 2023 and 31 December 2022, the Group had fixed-rate short-term borrowings. As at 30 June 2023, the interest rate was 5.09%, and as at 31 December 2022, the interest rate range was 3.20% to 6.40%.

As at 30 June 2023 and 31 December 2022, the Group held no collateral for its short-term borrowings.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

## 39 SHORT-TERM FINANCING INSTRUMENTS PAYABLE

Name	Notional value	Issuance amount	Interest		Coupon rate	1 January 2023	Increase	Decrease	30 June 2023
			commencement date	Maturity date					
Short-term commercial paper									
22 CSC CP003	3,000,000	3,000,000	25/07/2022	23/05/2023	2.14%	3,028,142	24,976	3,053,118	-
22 CSC CP004	3,000,000	3,000,000	27/07/2022	18/01/2023	1.92%	3,024,934	2,683	3,027,617	-
22 CSC CP005	3,000,000	3,000,000	26/09/2022	09/06/2023	1.96%	3,015,626	25,614	3,041,240	-
22 CSC CP006	3,000,000	3,000,000	28/09/2022	20/06/2023	2.04%	3,015,929	28,504	3,044,433	-
22 CSC CP007	2,000,000	2,000,000	12/12/2022	08/09/2023	2.74%	2,003,003	27,175	-	2,030,178
22 CSC CP008	2,000,000	2,000,000	15/12/2022	15/09/2023	3.00%	2,002,795	29,753	-	2,032,548
23 CSC CP001	2,500,000	2,500,000	09/01/2023	13/10/2023	2.55%	-	2,530,216	-	2,530,216
23 CSC CP002	2,000,000	2,000,000	17/01/2023	12/01/2024	2.78%	-	2,025,134	-	2,025,134
23 CSC CP003	3,000,000	3,000,000	14/02/2023	07/02/2024	2.72%	-	3,030,628	-	3,030,628
23 CSC CP004	3,000,000	3,000,000	20/02/2023	22/08/2023	2.57%	-	3,027,672	-	3,027,672
23 CSC CP005	1,000,000	1,000,000	28/02/2023	29/08/2023	2.65%	-	1,008,930	-	1,008,930
23 CSC CP006	2,000,000	2,000,000	09/03/2023	29/08/2023	2.62%	-	2,016,366	-	2,016,366
23 CSC CP007	3,000,000	3,000,000	16/03/2023	12/03/2024	2.78%	-	3,024,449	-	3,024,449
23 CSC CP008	3,000,000	3,000,000	24/03/2023	22/09/2023	2.57%	-	3,020,912	-	3,020,912
23 CSC CP009	2,000,000	2,000,000	29/03/2023	22/03/2024	2.72%	-	2,014,010	-	2,014,010
23 CSC CP010	3,500,000	3,500,000	11/04/2023	08/11/2023	2.58%	-	3,520,039	-	3,520,039
23 CSC CP011	3,000,000	3,000,000	25/05/2023	23/02/2024	2.39%	-	3,007,268	-	3,007,268
23 CSC CP012	3,000,000	3,000,000	21/06/2023	23/04/2024	2.42%	-	3,001,989	-	3,001,989
23 CSC CP013	2,500,000	2,500,000	28/06/2023	27/06/2024	2.45%	-	2,500,503	-	2,500,503
Structured notes <sup>(f)</sup>						3,450,819	2,553,273	1,947,138	4,056,954
Total						19,541,248	36,420,094	14,113,546	41,847,796

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

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

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Coupon rate	1 January 2022	Increase	Decrease	31 December 2022
Short-term commercial paper									
21 CSC CP014	3,000,000	3,000,000	17/09/2021	16/09/2022	2.75%	3,023,959	58,315	3,082,274	-
21 CSC CP015	3,000,000	3,000,000	24/09/2021	24/06/2022	2.75%	3,022,377	39,328	3,061,705	-
21 CSC CP016	2,000,000	2,000,000	11/11/2021	11/11/2022	2.79%	2,007,797	48,003	2,055,800	-
21 CSC CP017	3,000,000	3,000,000	13/12/2021	09/09/2022	2.68%	3,004,185	55,289	3,059,474	-
22 CSC CP001	2,500,000	2,500,000	27/06/2022	16/12/2022	1.99%	-	2,523,444	2,523,444	-
22 CSC CP002	4,000,000	4,000,000	13/07/2022	09/12/2022	1.93%	-	4,031,515	4,031,515	-
22 CSC CP003	3,000,000	3,000,000	25/07/2022	23/05/2023	2.14%	-	3,028,142	-	3,028,142
22 CSC CP004	3,000,000	3,000,000	27/07/2022	18/01/2023	1.92%	-	3,024,934	-	3,024,934
22 CSC CP005	3,000,000	3,000,000	26/09/2022	09/06/2023	1.96%	-	3,015,626	-	3,015,626
22 CSC CP006	3,000,000	3,000,000	28/09/2022	20/06/2023	2.04%	-	3,015,929	-	3,015,929
22 CSC CP007	2,000,000	2,000,000	12/12/2022	08/09/2023	2.74%	-	2,003,003	-	2,003,003
22 CSC CP008	2,000,000	2,000,000	15/12/2022	15/09/2023	3.00%	-	2,002,795	-	2,002,795
Short-term corporate bond									
22 Xintou S1	1,000,000	1,000,000	22/07/2022	21/10/2022	1.78%	-	1,004,438	1,004,438	-
22 Xintou S2	1,000,000	1,000,000	06/09/2022	06/12/2022	1.70%	-	1,006,125	1,006,125	-
Structured notes (i)						7,231,861	24,252,554	28,033,596	3,450,819
Total						18,290,179	49,109,440	47,858,371	19,541,248

As at 30 June 2023 and 31 December 2022, there were no defaults related to any short-term financing instruments payable by the Group.

As at 30 June 2023 and 31 December 2022, 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 RMB342.48 million and RMB119.03 million, respectively.

- (i) As at 30 June 2023 and 31 December 2022, 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 were 1.55%-5.80% and 1.70%-5.10%, respectively.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

## 40 OTHER CURRENT LIABILITIES

	30 June 2023	31 December 2022
Bonds in issue with maturity within one year (Note 41)	<b>33,259,918</b>	39,571,541
Derivative business payables	<b>25,128,373</b>	21,818,585
Salaries, bonuses and allowances payable	<b>5,406,403</b>	4,349,541
Dividends payable (Notes 13 and 43)	<b>2,467,731</b>	582,841
Amounts due to other holders of consolidated structured entities at fair value	<b>1,317,168</b>	1,100,279
Settlement deposits payable	<b>1,007,179</b>	1,584,605
Provision (1)	<b>1,002,717</b>	51,199
Futures settlement risk funds payable	<b>201,930</b>	181,735
Accounts payable to underwriting clients	<b>176,203</b>	606,803
Securities investor protection fund payable	<b>48,178</b>	41,266
Funds payable to securities holders	<b>5,966</b>	5,980
Others	<b>6,237,530</b>	4,143,108
Total	<b>76,259,296</b>	74,037,483

- (1) On 21 April 2023, Amethystum Storage Technology Co., Ltd. (hereinafter referred to as “Amethystum Storage”) received administrative penalties by the CSRC for fraudulent issuance and violation of laws and regulations in respect of information disclosure based on the Administrative Penalty Decision ([2023] No. 30) from the CSRC. As the sponsor and lead underwriter of Amethystum Storage, the Company jointly established a special fund for compensation in advance on the event in relation to Amethystum Storage (hereinafter referred to as the “Special Fund”) together with other intermediary institutions, which was used to compensate in advance eligible investors for their investment losses. The Special Fund has expired on 26 July 2023 and entered into liquidation and audit stage.

Regarding the establishment of the Special Fund, the Company recognized relevant provision in accordance with the International Accounting Standards and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, taking into account factors such as the time range, entity scope, amount sharing proportion and possibility, with no compensation recognized that may be received in relation to the provision.

As at the approval date of the financial statements, the CSRC has investigated the Company’s sponsoring of Amethyst Storage project. The Company has submitted to the CSRC the application, according to the Rules for the Undertakings Made by the Parties to Securities and Futures Administrative Law Enforcement. The application was officially accepted by the CSRC on 30 June 2023.



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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

## 41 BONDS IN ISSUE

	30 June 2023	31 December 2022
Corporate bonds in issue	<b>37,620,477</b>	33,032,622
Subordinated bonds in issue	<b>17,254,343</b>	24,480,593
Structured notes in issue	<b>2,762,172</b>	4,697,223
<b>Total</b>	<b>57,636,992</b>	62,210,438

(1) As at 30 June 2023 and 31 December 2022, there were no defaults related to any bonds in issue.

(2) The details of bonds in issue

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Interest payment method	Coupon rate	1 January 2023	Increase	Decrease	30 June 2023
Corporate bond										
20 Xintou G1 <i>(iii)</i>	5,000,000	5,000,000	11/03/2020	11/03/2023	Pay annually	2.94%	5,117,734	29,266	5,147,000	-
20 Xintou G2	1,000,000	1,000,000	11/03/2020	11/03/2025	Pay annually	3.13%	1,022,822	16,100	31,300	1,007,622
20 Xintou G3 <i>(iii)</i>	3,000,000	3,000,000	15/04/2020	15/04/2023	Pay annually	2.56%	3,053,437	23,363	3,076,800	-
20 Xintou G4	3,000,000	3,000,000	14/07/2020	14/07/2023	Pay annually	3.55%	3,047,628	55,034	-	3,102,662
20 Xintou G5	4,500,000	4,500,000	28/07/2020	28/07/2023	Pay annually	3.46%	4,564,084	79,928	-	4,644,012
22 Xintou F1	1,000,000	1,000,000	26/09/2022	26/09/2027	Pay annually	2.65%	1,006,147	13,229	-	1,019,376
22 Xintou F2	5,000,000	5,000,000	26/09/2022	26/09/2029	Pay annually	3.02%	5,021,688	76,117	-	5,097,805
22 Xintou F3	1,000,000	1,000,000	19/10/2022	19/10/2027	Pay annually	2.68%	1,002,712	13,556	-	1,016,268
22 Xintou F4	3,000,000	3,000,000	19/10/2022	19/10/2029	Pay annually	2.99%	3,009,920	45,031	-	3,054,951
22 Xintou G1	2,000,000	2,000,000	10/11/2022	10/11/2025	Pay annually	2.55%	2,001,867	26,200	-	2,028,067
22 Xintou G2	2,000,000	2,000,000	10/11/2022	10/11/2027	Pay annually	2.89%	2,002,726	29,192	-	2,031,918
22 Xintou G3	2,500,000	2,500,000	10/11/2022	10/11/2032	Pay annually	3.29%	2,502,399	41,189	-	2,543,588
22 Xintou G4	2,000,000	2,000,000	06/12/2022	06/12/2025	Pay annually	3.08%	1,998,858	31,452	-	2,030,310
22 Xintou G5	1,000,000	1,000,000	06/12/2022	06/12/2027	Pay annually	3.29%	999,551	16,577	-	1,016,128
22 Xintou G6	1,500,000	1,500,000	06/12/2022	06/12/2032	Pay annually	3.55%	1,499,574	26,584	-	1,526,158
22 Xintou G7	4,000,000	4,000,000	20/12/2022	20/12/2025	Pay annually	3.49%	3,993,389	71,030	-	4,064,419
23 Xintou F1	500,000	500,000	17/01/2023	17/01/2026	Pay annually	3.20%	-	507,506	1,887	505,619
23 Xintou F2	2,500,000	2,500,000	17/01/2023	17/01/2028	Pay annually	3.35%	-	2,538,652	9,434	2,529,218
23 Xintou F3	1,500,000	1,500,000	27/02/2023	27/02/2025	Pay annually	3.10%	-	1,516,731	5,660	1,511,071
CSCIF A N2508	500,000	499,690	04/08/2020	04/08/2025	Pay semi- annually	1.75%	3,497,654	164,625	31,613	3,630,666
	thousand dollars	thousand dollars								
CSCIF A N2406	500,000	498,105	10/06/2021	10/06/2024	Pay semi- annually	1.125%	3,473,315	154,568	20,323	3,607,560
	thousand dollars	thousand dollars								
CSCIF A N2504	1,500,000	1,500,000	27/04/2023	27/04/2025	Pay semi- annually	3.15%	-	1,508,705	5,115	1,503,590
CSCIF A N2604	1,500,000	1,500,000	27/04/2023	27/04/2026	Pay semi- annually	3.25%	-	1,508,817	5,115	1,503,702

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

## 41 BONDS IN ISSUE (CONTINUED)

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

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Interest payment method	Coupon rate	1 January 2023	Increase	Decrease	30 June 2023
Subordinated bonds										
20 Xintou C2	1,000,000	1,000,000	24/11/2020	24/11/2023	Pay annually	4.20%	1,003,248	21,482	-	1,024,730
20 Xintou C4	1,000,000	1,000,000	10/12/2020	10/12/2023	Pay annually	4.18%	1,001,338	21,381	-	1,022,719
21 Xintou C2	1,000,000	1,000,000	20/01/2021	20/01/2024	Pay annually	3.87%	1,035,523	19,757	38,700	1,016,580
21 Xintou C4	1,000,000	1,000,000	19/03/2021	19/03/2024	Pay annually	3.88%	1,029,271	19,803	38,800	1,010,274
21 Xintou C6	2,000,000	2,000,000	15/04/2021	15/04/2024	Pay annually	3.70%	2,050,062	37,816	74,000	2,013,878
21 Xintou C8	2,500,000	2,500,000	21/06/2021	21/06/2024	Pay annually	3.75%	2,545,628	47,921	93,750	2,499,799
21 Xintou 10	1,500,000	1,500,000	12/07/2021	12/07/2024	Pay annually	3.50%	1,522,702	26,747	-	1,549,449
21 Xintou 11	4,000,000	4,000,000	18/10/2021	18/10/2023	Pay annually	3.43%	4,025,204	69,950	-	4,095,154
21 Xintou 12	2,000,000	2,000,000	18/10/2021	18/10/2024	Pay annually	3.75%	2,012,558	37,977	-	2,050,535
21 Xintou 13	4,000,000	4,000,000	28/10/2021	28/10/2024	Pay annually	3.68%	4,019,264	74,876	-	4,094,140
21 Xintou 14	2,000,000	2,000,000	25/11/2021	25/11/2023	Pay annually	3.13%	2,003,804	32,470	-	2,036,274
21 Xintou 16	3,000,000	3,000,000	17/12/2021	17/12/2023	Pay annually	3.07%	2,999,712	47,807	-	3,047,519
22 Xintou C1	4,000,000	4,000,000	21/01/2022	21/01/2024	Pay annually	2.90%	4,103,663	60,359	116,000	4,048,022
22 Xintou C2	2,000,000	2,000,000	21/01/2022	21/01/2027	Pay annually	3.45%	2,060,572	34,756	69,000	2,026,328
22 Xintou C3	1,000,000	1,000,000	22/02/2022	22/02/2025	Pay annually	3.08%	1,024,375	15,738	30,800	1,009,313
22 Xintou C4	2,000,000	2,000,000	22/02/2022	22/02/2027	Pay annually	3.49%	2,055,112	35,151	69,800	2,020,463
22 Xintou C6	1,000,000	1,000,000	19/04/2022	19/04/2027	Pay annually	3.57%	1,021,863	18,059	35,700	1,004,222
23 Xintou C1	1,500,000	1,500,000	30/05/2023	30/05/2025	Pay annually	2.99%	-	1,504,115	4,245	1,499,870
23 Xintou C2	2,000,000	2,000,000	30/05/2023	30/05/2026	Pay annually	3.15%	-	2,005,683	5,660	2,000,023
Structured notes <i>(iv)</i>	16,950,139	16,950,139			see note <i>(iv)</i>		17,452,575	329,159	14,928,826	2,852,908
Total							101,781,979	12,954,459	23,839,528	90,896,910

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

## 41 BONDS IN ISSUE (CONTINUED)

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

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Interest payment method	Coupon rate	1 January 2022	Increase	Decrease	31 December 2022
Corporate bond										
20 Xintou G1	5,000,000	5,000,000	11/03/2020	11/03/2023	Pay annually	2.94%	5,107,844	156,890	147,000	5,117,734
20 Xintou G2	1,000,000	1,000,000	11/03/2020	11/03/2025	Pay annually	3.13%	1,021,672	32,450	31,300	1,022,822
20 Xintou G3	3,000,000	3,000,000	15/04/2020	15/04/2023	Pay annually	2.56%	3,047,560	82,677	76,800	3,053,437
20 Xintou G4	3,000,000	3,000,000	14/07/2020	14/07/2023	Pay annually	3.55%	3,043,052	111,076	106,500	3,047,628
20 Xintou G5	4,500,000	4,500,000	28/07/2020	28/07/2023	Pay annually	3.46%	4,558,698	161,086	155,700	4,564,084
22 Xintou F1	1,000,000	1,000,000	26/09/2022	26/09/2027	Pay annually	2.65%	-	1,007,090	943	1,006,147
22 Xintou F2	5,000,000	5,000,000	26/09/2022	26/09/2029	Pay annually	3.02%	-	5,040,792	19,104	5,021,688
22 Xintou F3	1,000,000	1,000,000	19/10/2022	19/10/2027	Pay annually	2.68%	-	1,005,542	2,830	1,002,712
22 Xintou F4	3,000,000	3,000,000	19/10/2022	19/10/2029	Pay annually	2.99%	-	3,018,411	8,491	3,009,920
22 Xintou G1	2,000,000	2,000,000	10/11/2022	10/11/2025	Pay annually	2.55%	-	2,007,527	5,660	2,001,867
22 Xintou G2	2,000,000	2,000,000	10/11/2022	10/11/2027	Pay annually	2.89%	-	2,008,386	5,660	2,002,726
22 Xintou G3	2,500,000	2,500,000	10/11/2022	10/11/2032	Pay annually	3.29%	-	2,511,833	9,434	2,502,399
22 Xintou G4	2,000,000	2,000,000	06/12/2022	06/12/2025	Pay annually	3.08%	-	2,004,518	5,660	1,998,858
22 Xintou G5	1,000,000	1,000,000	06/12/2022	06/12/2027	Pay annually	3.29%	-	1,002,381	2,830	999,551
22 Xintou G6	1,500,000	1,500,000	06/12/2022	06/12/2032	Pay annually	3.55%	-	1,503,819	4,245	1,499,574
22 Xintou G7	4,000,000	4,000,000	20/12/2022	20/12/2025	Pay annually	3.49%	-	4,004,710	11,321	3,993,389
CSCIF A N2508	500,000 thousand dollars	499,690 thousand dollars	04/08/2020	04/08/2025	Pay semi- annually	1.75%	3,198,713	388,095	89,154	3,497,654
CSCIF A N2406	500,000 thousand dollars	498,105 thousand dollars	10/06/2021	10/06/2024	Pay semi- annually	1.125%	3,172,670	367,980	67,335	3,473,315

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

## 41 BONDS IN ISSUE (CONTINUED)

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

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Interest payment method	Coupon rate	1 January 2022	Increase	Decrease	31 December 2022
Subordinated bonds										
19 Xintou C1 (iii)	5,500,000	5,500,000	21/01/2019	21/01/2022	Pay annually	4.00%	5,707,566	12,434	5,720,000	-
19 Xintou C2 (iii)	5,000,000	5,000,000	17/04/2019	17/04/2022	Pay annually	4.20%	5,147,340	62,660	5,210,000	-
19 Xintou C3 (iii)	4,000,000	4,000,000	15/05/2019	15/05/2022	Pay annually	4.12%	4,102,516	62,284	4,164,800	-
20 Xintou C1 (iii)	4,000,000	4,000,000	24/11/2020	24/02/2022	Repay at maturity	3.90%	4,170,064	25,256	4,195,320	-
20 Xintou C2	1,000,000	1,000,000	24/11/2020	24/11/2023	Pay annually	4.20%	1,001,959	43,289	42,000	1,003,248
20 Xintou C3 (iii)	5,000,000	5,000,000	10/12/2020	10/03/2022	Repay at maturity	3.84%	5,200,351	38,989	5,239,340	-
20 Xintou C4	1,000,000	1,000,000	10/12/2020	10/12/2023	Pay annually	4.18%	1,000,051	43,087	41,800	1,001,338
21 Xintou C1 (iii)	2,000,000	2,000,000	20/01/2021	20/07/2022	Pay annually	3.50%	2,063,833	40,879	2,104,712	-
21 Xintou C2	1,000,000	1,000,000	20/01/2021	20/01/2024	Pay annually	3.87%	1,034,404	39,819	38,700	1,035,523
21 Xintou C3 (iii)	3,000,000	3,000,000	19/03/2021	17/06/2022	Repay at maturity	3.40%	3,076,022	51,130	3,127,152	-
21 Xintou C4	1,000,000	1,000,000	19/03/2021	19/03/2024	Pay annually	3.88%	1,028,159	39,912	38,800	1,029,271
21 Xintou C5 (iii)	3,500,000	3,500,000	15/04/2021	15/07/2022	Repay at maturity	3.27%	3,575,881	67,105	3,642,986	-
21 Xintou C6	2,000,000	2,000,000	15/04/2021	15/04/2024	Pay annually	3.70%	2,047,845	76,217	74,000	2,050,062
21 Xintou C7 (iii)	1,000,000	1,000,000	21/06/2021	21/09/2022	Repay at maturity	3.30%	1,015,295	26,023	1,041,318	-
21 Xintou C8	2,500,000	2,500,000	21/06/2021	21/06/2024	Pay annually	3.75%	2,542,798	96,580	93,750	2,545,628
21 Xintou C9 (iii)	4,500,000	4,500,000	12/07/2021	12/10/2022	Repay at maturity	3.05%	4,556,883	114,963	4,671,846	-
21 Xintou 10	1,500,000	1,500,000	12/07/2021	12/07/2024	Pay annually	3.50%	1,521,290	53,912	52,500	1,522,702
21 Xintou 11	4,000,000	4,000,000	18/10/2021	18/10/2023	Pay annually	3.43%	4,021,408	140,996	137,200	4,025,204
21 Xintou 12	2,000,000	2,000,000	18/10/2021	18/10/2024	Pay annually	3.75%	2,011,006	76,553	75,001	2,012,558
21 Xintou 13	4,000,000	4,000,000	28/10/2021	28/10/2024	Pay annually	3.68%	4,015,541	150,923	147,200	4,019,264
21 Xintou 14	2,000,000	2,000,000	25/11/2021	25/11/2023	Pay annually	3.13%	2,000,968	65,436	62,600	2,003,804
21 Xintou 16	3,000,000	3,000,000	17/12/2021	17/12/2023	Pay annually	3.07%	2,998,104	93,708	92,100	2,999,712

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(In RMB thousands, unless otherwise stated)

## 41 BONDS IN ISSUE (CONTINUED)

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

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Interest payment method	Coupon rate	1 January 2022	Increase	Decrease	31 December 2022
22 Xintou C1	4,000,000	4,000,000	21/01/2022	21/01/2024	Pay annually	2.90%	-	4,114,984	11,321	4,103,663
22 Xintou C2	2,000,000	2,000,000	21/01/2022	21/01/2027	Pay annually	3.45%	-	2,066,232	5,660	2,060,572
22 Xintou C3	1,000,000	1,000,000	22/02/2022	22/02/2025	Pay annually	3.08%	-	1,027,205	2,830	1,024,375
22 Xintou C4	2,000,000	2,000,000	22/02/2022	22/02/2027	Pay annually	3.49%	-	2,060,772	5,660	2,055,112
22 Xintou C6	1,000,000	1,000,000	19/04/2022	19/04/2027	Pay annually	3.57%	-	1,025,636	3,773	1,021,863
Financial bonds										
19 CSC Financial Bond 01 <i>(iii)</i>	4,000,000	4,000,000	05/08/2019	05/08/2022	Pay annually	3.52%	4,056,979	83,821	4,140,800	-
Structured notes <i>(iv)</i>	18,350,100	18,350,100			see note <i>(iv)</i>	0.00%	13,267,512	5,858,228	1,673,165	17,452,575
Total							104,313,984	44,074,296	46,606,301	101,781,979

As at 30 June 2023, the interest payable on bonds included in the book value accrued by the Group based on the effective interest rate method is RMB1,525.41 million (As at 31 December 2022: RMB1,727.00 million).

- (i) These bonds include those maturing within one year and those maturing over one year.
- (ii) As at 30 June 2023, the bonds issued by the Group are not guaranteed except for CSCIF A N2508, CSCIF A N2406, CSCIF A N2504 and CSCIF A N2604. As at 31 December 2022, the bonds issued by the Group are not guaranteed except for CSCIF A N2508 and CSCIF A N2406.
- (iii) These bonds were fully redeemed at maturity.
- (iv) As at 30 June 2023, the Group had structured notes named “Gushouxin series”, “Zhiyingbao series” and “Kanzhangbao series”. These structured notes are not guaranteed and accrue interests at fixed annual rate or floating rate linked to one or more stock indexes, of which the fixed annual rate were 2.55% to 3.40%. The interest of the structured notes is paid in installments, and the principal is paid at maturity, or both the principal and interest are payable at maturity.

As at 31 December 2022, the Group had structured notes named “Gushouxin series”, “Zhiyingbao series” and “Kanzhangbao series”. These structured notes are not guaranteed and accrue interests at fixed annual rate or floating rate linked to one or more stock indexes, of which the fixed annual rate were 2.60% to 4.40%. The interest of the structured notes is paid in installments, and the principal is paid at maturity, or both the principal and interest are payable at maturity.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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:

	30 June 2023	31 December 2022
Registered, issued and fully paid ordinary shares (in thousands)		
– A shares	6,495,671	6,495,671
– H shares	1,261,024	1,261,024
Total	<u>7,756,695</u>	<u>7,756,695</u>

## 43 OTHER EQUITY INSTRUMENTS

	30 June 2023	31 December 2022
Perpetual subordinated bonds	<u>24,906,528</u>	<u>24,906,528</u>

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 issued the first tranche of perpetual subordinated bonds of 2021 amounted to RMB5 billion.
- In March 2022, the Company issued the first tranche of perpetual subordinated bonds of 2022 amounted to RMB4.5 billion.
- In June 2022, the Company issued the second tranche of perpetual subordinated bonds of 2022 amounted to RMB3.5 billion.
- In August 2022, the Company issued the third tranche of perpetual subordinated bonds of 2022 amounted to RMB2 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 2023  
(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 above 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 2023, the interest payable of perpetual subordinated bonds was RMB373.42 million. As at 31 December 2022, the interest payable of perpetual subordinated bonds was RMB582.84 million. The interest amounted to RMB697.25 million was paid in the first half of 2023. 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 2023

(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 2023	31 December 2022
Cash and bank balances	<b>38,550,430</b>	38,944,880
Less: Restricted deposits ( <i>Note 30</i> )	<b>(1,444,592)</b>	(376,428)
Interest receivable	<b>(3,462)</b>	(7,498)
	<b>37,102,376</b>	38,560,954

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(In RMB thousands, unless otherwise stated)

## 46 COMMITMENTS AND CONTINGENT LIABILITIES

### (1) Capital commitments

	30 June 2023	31 December 2022
Contracted, but not provided for	<u>225,386</u>	<u>179,285</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 Group is subject to claims and are parties to legal and regulatory proceedings in their ordinary course of businesses. As at 30 June 2023 and 31 December 2022, 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.

### (3) Others

The Amethyst Storage event is described in Note 40(1).

Except for the foregoing, the Group has no other material contingencies that need to be disclosed.

## 47 RELATED PARTY DISCLOSURES

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

As at 30 June 2023 and 31 December 2022, Beijing Financial Holdings Group Co., Ltd. ("Beijing Financial Holdings Group") owned 35.34% and 34.61% of the equity interest of the Company, respectively.

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	
	2023	2022
Fee and commission income	–	1,097
Interest income	27	174
Fee and commission expenses	(31)	(24)
Interest expenses	(45)	(105)
Other operating expenses and costs	<u>(49)</u>	<u>(44)</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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 2023	31 December 2022
<b>Assets</b>		
Cash and bank balances	<u>4,706</u>	<u>21,460</u>
<b>Liabilities</b>		
Accounts payable to brokerage clients	<u>2</u>	<u>1</u>
Other current liabilities	<u>52</u>	<u>56</u>

- (2) Central Huijin and companies under Central Huijin

As at 30 June 2023 and 31 December 2022, 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	
	2023	2022
Fee and commission income	<u>35,491</u>	21,246
Interest income	<u>337,119</u>	269,544
Fee and commission expenses	<u>(65,985)</u>	(64,739)
Interest expenses	<u>(144,859)</u>	(73,477)
Other operating expenses and costs	<u>(766)</u>	(445)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(In RMB thousands, unless otherwise stated)

## 47 RELATED PARTY DISCLOSURES (CONTINUED)

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

	<b>30 June 2023</b>	31 December 2022
<b>Assets</b>		
Right-of-use assets	4,023	97,964
Accounts receivable	478,337	532,705
Financial assets at fair value through other comprehensive income	4,566,210	1,065,422
Financial assets at fair value through profit or loss	4,884,104	6,224,409
Derivative financial assets	70,734	78,355
Financial assets held under resale agreements	827,237	421,050
Cash held on behalf of clients	19,809,232	14,674,007
Cash and bank balances	7,188,205	5,975,580
Other current assets	15,059	6,484
<b>Liabilities</b>		
Accounts payable to brokerage clients	115,609	106,109
Lease liabilities	3,811	98,302
Derivative financial liabilities	48,348	71,980
Financial liabilities at fair value through profit or loss	-	1,643
Financial assets sold under repurchase agreements	18,887,543	9,159,203
Placements from banks and other financial institutions	-	300,144
Short-term borrowings	-	640,301
Other current liabilities	484,936	757,715

(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. Such transactions are conducted on general business terms and conditions.

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 2023

(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	
	2023	2022
Fee and commission income	8,482	7,496
Interest income	137,353	99,662
Other income	427	467
Fee and commission expense	(6,763)	(10,331)
Interest expenses	(17,984)	(20,248)
Other operating expenses and costs	(7,699)	(3,320)
	<b>30 June 2023</b>	<b>31 December 2022</b>
<b>Assets</b>		
Right-of-use assets	489,697	561,432
Accounts receivable	229,416	309,484
Financial assets at fair value through other comprehensive income	494,479	149,976
Financial assets at fair value through profit or loss	2,701,809	1,931,181
Derivative financial assets	20,128	24,562
Financial assets held under resale agreements	-	65,282
Cash held on behalf of clients	21,197,229	9,137,826
Cash and bank balances	3,392,141	2,023,722
Other current assets	157	298
<b>Liabilities</b>		
Accounts payable to brokerage clients	553,629	547,461
Lease liabilities	565,549	612,471
Derivative financial liabilities	85,367	5,967
Financial liabilities at fair value through profit or loss	-	570
Short-term borrowings	-	89,601
Other current liabilities	4,239	64,758

### (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 2023  
(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. In the first half of 2023, the Group's remuneration paid for key management personnel were RMB52.84 million (In the first half of 2022: RMB84.45 million).

## 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.

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 2023 and 31 December 2022, 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.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

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

For ongoing fair value measured assets and liabilities, the Group determines at the end of each reporting period whether there is a transition between the hierarchies by reassessing the classification (based on the lowest hierarchy input that has a material impact on the overall fair value measurement).

(1) Financial instruments recorded at fair value

	30 June 2023			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss				
– Debt instruments	10,212,712	91,672,150	40,916	101,925,778
– Equity investments	34,102,619	479,385	9,442,284	44,024,288
– Fund investments	9,070,154	8,629,856	–	17,700,010
– Others	30,420	33,611,502	6,205,200	39,847,122
Subtotal	53,415,905	134,392,893	15,688,400	203,497,198
Financial assets at fair value through other comprehensive income				
– Debt instruments	46,006	77,847,333	401	77,893,740
– Equity instruments	79,799	–	1,400	81,199
Subtotal	125,805	77,847,333	1,801	77,974,939
Derivative financial assets	898,685	1,151,190	1,798,696	3,848,571
Total assets	54,440,395	213,391,416	17,488,897	285,320,708
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	937	3,875,418	1,124,867	5,001,222
– Financial liabilities designated as at fair value through profit or loss	–	80,539	12,277,836	12,358,375
Subtotal	937	3,955,957	13,402,703	17,359,597
Derivative financial liabilities	383,241	1,239,342	2,745,069	4,367,652
Total liabilities	384,178	5,195,299	16,147,772	21,727,249

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

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

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

	31 December 2022			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss				
– Debt instruments	11,443,882	79,780,596	42,336	91,266,814
– Equity investments	25,720,624	–	8,538,883	34,259,507
– Fund investments	10,441,602	14,096,554	–	24,538,156
– Others	50,887	32,204,560	4,991,216	37,246,663
Subtotal	<u>47,656,995</u>	<u>126,081,710</u>	<u>13,572,435</u>	<u>187,311,140</u>
Financial assets at fair value through other comprehensive income				
– Debt instruments	97,344	70,531,923	401	70,629,668
– Equity instruments	90,311	–	–	90,311
Subtotal	<u>187,655</u>	<u>70,531,923</u>	<u>401</u>	<u>70,719,979</u>
Derivative financial assets	<u>345,991</u>	<u>1,262,494</u>	<u>1,254,931</u>	<u>2,863,416</u>
Total assets	<u><u>48,190,641</u></u>	<u><u>197,876,127</u></u>	<u><u>14,827,767</u></u>	<u><u>260,894,535</u></u>
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	–	1,309,424	123,201	1,432,625
– Financial liabilities designated as at fair value through profit or loss	–	51,636	10,822,693	10,874,329
Subtotal	<u>–</u>	<u>1,361,060</u>	<u>10,945,894</u>	<u>12,306,954</u>
Derivative financial liabilities	<u>292,238</u>	<u>1,447,385</u>	<u>1,518,921</u>	<u>3,258,544</u>
Total liabilities	<u><u>292,238</u></u>	<u><u>2,808,445</u></u>	<u><u>12,464,815</u></u>	<u><u>15,565,498</u></u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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 2023				
	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 2023	13,572,435	401	1,254,931	10,945,894	1,518,921
Total gains or losses for the period	679,904	-	771,004	816,437	748,853
Total gains recorded in other comprehensive income	-	-	-	-	-
Increases	6,038,769	1,400	37,896	5,945,211	3,259,449
Transfers to Level 3 from Level 1	33	-	-	-	-
Decreases	(4,211,321)	-	(265,135)	(4,304,839)	(2,782,154)
Transfers to Level 1 from Level 3	(391,420)	-	-	-	-
30 June 2023	<u>15,688,400</u>	<u>1,801</u>	<u>1,798,696</u>	<u>13,402,703</u>	<u>2,745,069</u>
Gains or losses for the period included in profit or loss for assets/liabilities held at the end of the period	<u>679,904</u>	<u>-</u>	<u>771,004</u>	<u>(816,437)</u>	<u>(748,853)</u>

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(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 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 year	612,281	-	796,686	(1,041,758)	(2,766,893)
Total gains recorded in other comprehensive income	-	-	-	-	-
Increases	8,391,835	-	59,447	9,796,490	3,398,550
Decreases	(5,255,764)	-	(167,638)	(4,579,105)	(1,346,306)
Transfers to Level 1 from Level 3	(665,605)	-	-	-	-
31 December 2022	<u>13,572,435</u>	<u>401</u>	<u>1,254,931</u>	<u>10,945,894</u>	<u>1,518,921</u>
Gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	<u>612,281</u>	<u>-</u>	<u>796,686</u>	<u>1,041,758</u>	<u>2,766,893</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 2023

(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 2023, the amount of financial assets at fair value through profit and loss from Level 2 to Level 1 were RMB3.62 million, while the amount of financial assets at fair value through profit and loss from Level 1 to Level 2 were RMB1,032.21 million.

During the year ended 31 December 2022, the amount of financial assets at fair value through profit and loss from Level 2 to Level 1 were RMB165.66 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 2023 and 31 December 2022, the carrying amounts and fair value of bonds in issue (including bonds in issue with maturity within one year) are summarized below:

	30 June 2023	31 December 2022
Bonds in issue (including bonds in issue with maturity within one year)		
– Carrying amount (Notes 40 and 41)	90,896,910	101,781,979
– Fair value	<u>90,901,982</u>	<u>100,955,243</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(In RMB thousands, unless otherwise stated)

## 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, liquidity risk, market risk and operational risk, etc.

The Group's risk management and control system is not significantly changed compared to 31 December 2022.

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.



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

---

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Structure of risk management (Continued)

### **The Operation Management (Continued)**

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.

### **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.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

### 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.

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.

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

---

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk management activities (Continued)

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.

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.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.1 Credit risk (Continued)

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. During the first half of 2023, the Group maintains good 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, enhancing the review of derivatives contract terms, 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.

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 bond-pledged 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.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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***

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.

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.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(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)***

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.
- 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).



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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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)*

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 2023 and 31 December 2022, 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 2023 and 31 December 2022, 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 2023  
(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)***

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)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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)***

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 2023 and 31 December 2022, 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.

During the first half of 2023, the Group adopted the macroeconomic prosperity index leading index and the average guarantee ratio in the margin trading market as proxy variables for macroeconomic forward-looking forecasting, distinguished optimistic, benchmark, and pessimistic scenarios using the historical distribution of relative changes with different confidence levels.

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 2023, by taking current economy situation and international circumstances 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 2023  
(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.

A sensitivity analysis is performed on key economic indicators, economic scenarios and weightings assigned used in forward-looking measurement. When the assigned weightings of optimistic scenario and pessimistic scenario change by 10%, the impact on ECL recognised is not significant.

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 2023 and 31 December 2022, 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 not significant.

Collateral and other credit enhancements

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

Impairment provision of securities financing business

As at 30 June 2023, the percentage of impairment provision applied by the Group on securities financing business under Stage 1, Stage 2 and Stage 3 were 0.38%, 5.29% and 88.41%, respectively (31 December 2022: 0.40%, 0.79% and 91.02%).

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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)*

Credit risk exposure analysis

As at 30 June 2023 and 31 December 2022, 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 not 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 2023	31 December 2022
Financial assets at fair value through profit or loss	<b>152,073,474</b>	146,841,837
Cash held on behalf of clients	<b>112,243,780</b>	103,904,955
Financial assets at fair value through other comprehensive income	<b>77,893,740</b>	70,629,668
Margin accounts	<b>55,718,988</b>	52,870,595
Deposits in banks	<b>38,550,430</b>	38,944,880
Financial assets held under resale agreements	<b>32,235,665</b>	25,551,300
Refundable deposits	<b>12,507,740</b>	10,881,160
Derivative financial assets	<b>3,848,571</b>	2,863,416
Others	<b>12,588,724</b>	11,478,314
	<b>497,661,112</b>	463,966,125
Total maximum credit risk exposure	<b>497,661,112</b>	463,966,125

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(In RMB thousands, unless otherwise stated)

## 49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

### 49.1 Credit risk (Continued)

ECL	30 June 2023			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	55,840,917	88,679	1,075,172	57,004,768
Loss allowance	(208,416)	(2,192)	(1,075,172)	(1,285,780)
Book value	<u>55,632,501</u>	<u>86,487</u>	<u>-</u>	<u>55,718,988</u>
<b>Financial assets held under resale agreements</b>				
Carrying amount	32,041,502	20,035	656,694	32,718,231
Loss allowance	(23,032)	(3,560)	(455,974)	(482,566)
Book value	<u>32,018,470</u>	<u>16,475</u>	<u>200,720</u>	<u>32,235,665</u>
Including: Stock-pledged repurchase business				
Carrying amount	4,567,584	20,035	656,694	5,244,313
Loss allowance	(23,032)	(3,560)	(455,974)	(482,566)
Collateral	<u>13,847,408</u>	<u>90,591</u>	<u>719,962</u>	<u>14,657,961</u>
<b>Financial assets at fair value through other comprehensive income (debt instruments)</b>				
Book value	<u>77,893,339</u>	<u>-</u>	<u>401</u>	<u>77,893,740</u>
Loss allowance	<u>(750,524)</u>	<u>-</u>	<u>(13,372)</u>	<u>(763,896)</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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 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	53,010,268	64,838	1,071,317	54,146,423
Loss allowance	(203,600)	(911)	(1,071,317)	(1,275,828)
Book value	<u>52,806,668</u>	<u>63,927</u>	<u>–</u>	<u>52,870,595</u>
<b>Financial assets held under resale agreements</b>				
Carrying amount	25,212,735	211,284	656,952	26,080,971
Loss allowance	(26,565)	(1,277)	(501,829)	(529,671)
Book value	<u>25,186,170</u>	<u>210,007</u>	<u>155,123</u>	<u>25,551,300</u>
Including: Stock-pledged repurchase business				
Carrying amount	4,431,214	211,284	656,952	5,299,450
Loss allowance	(26,565)	(1,277)	(501,829)	(529,671)
Collateral	<u>13,357,931</u>	<u>650,260</u>	<u>660,253</u>	<u>14,668,444</u>
<b>Financial assets at fair value through other comprehensive income (debt instruments)</b>				
Book value	<u>70,629,267</u>	<u>–</u>	<u>401</u>	<u>70,629,668</u>
Loss allowance	<u>(729,656)</u>	<u>–</u>	<u>(13,372)</u>	<u>(743,028)</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(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.
- 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 2023	203,600	911	1,071,317	1,275,828
Increases	105,851	648	–	106,499
Reversals	(101,259)	(6)	–	(101,265)
Write-offs	–	–	–	–
Transfer:				
Stage 1 to stage 2	(721)	721	–	–
Stage 2 to stage 1	82	(82)	–	–
Foreign exchange and other movements	863	–	3,855	4,718
30 June 2023	<u>208,416</u>	<u>2,192</u>	<u>1,075,172</u>	<u>1,285,780</u>



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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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 2022	117,063	56	1,062,781	1,179,900
Increases	146,130	71	–	146,201
Reversals	(58,868)	(178)	(820)	(59,866)
Write-offs	–	–	(804)	(804)
Transfer:				
Stage 1 to stage 2	(1,018)	1,018	–	–
Stage 2 to stage 1	56	(56)	–	–
Foreign exchange and other movements	237	–	10,160	10,397
31 December 2022	<u>203,600</u>	<u>911</u>	<u>1,071,317</u>	<u>1,275,828</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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 2023	26,565	1,277	501,829	529,671
Increases	14,266	3,559	7,361	25,186
Reversals	(18,707)	(368)	(53,216)	(72,291)
Write-offs	-	-	-	-
Transfer:				
Stage 1 to stage 2	-	-	-	-
Stage 2 to stage 1	908	(908)	-	-
30 June 2023	<u>23,032</u>	<u>3,560</u>	<u>455,974</u>	<u>482,566</u>

	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	22,685	908	61,973	85,566
Reversals	(15,325)	(964)	(181,436)	(197,725)
Write-offs	-	-	-	-
Transfer:				
Stage 1 to stage 2	(1,333)	1,333	-	-
Stage 3 to stage 1	7,835	-	(7,835)	-
31 December 2022	<u>26,565</u>	<u>1,277</u>	<u>501,829</u>	<u>529,671</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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 2023	729,656	–	13,372	743,028
Increases	332,195	–	–	332,195
Reversals	(311,049)	–	–	(311,049)
Write-offs	–	–	–	–
Foreign exchange and other movements	(278)	–	–	(278)
30 June 2023	750,524	–	13,372	763,896

	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	492,351	–	–	492,351
Reversals	(172,713)	–	–	(172,713)
Write-offs	(7,956)	–	–	(7,956)
Foreign exchange and other movements	260	–	–	260
31 December 2022	729,656	–	13,372	743,028

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023  
(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 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 period ended 30 June 2023, 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 2023

(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 2023					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	118,797,098	-	-	-	-	118,797,098
Derivative financial liabilities	4,121,783	96,707	145,237	3,925	-	4,367,652
Financial liabilities at fair value through profit or loss	3,876,355	814,071	5,108,509	7,279,553	281,109	17,359,597
Financial assets sold under repurchase agreements	3,693,005	121,406,982	4,056,336	-	-	129,156,323
Placements from banks and other financial institutions	-	2,127,638	7,735,328	-	-	9,862,966
Short-term borrowings	-	369,512	-	-	-	369,512
Short-term financing instruments payable	-	15,711,152	26,606,966	-	-	42,318,118
Bonds in issue	-	301,563	1,472,313	49,239,745	13,158,900	64,172,521
Lease liabilities	-	164,073	383,358	1,228,635	12,587	1,788,653
Others <sup>(i)</sup>	33,891,186	10,344,364	26,779,317	2,137	597	71,017,601
<b>Total</b>	<b>164,379,427</b>	<b>151,336,062</b>	<b>72,287,364</b>	<b>57,753,995</b>	<b>13,453,193</b>	<b>459,210,041</b>
Cash flows from derivative financial liabilities settled on a net basis	4,121,783	93,818	130,893	-	-	4,346,494
Gross-settled derivative financial liabilities	-	2,889	14,344	3,925	-	21,158
Contractual amounts receivable	-	-	-	-	-	-
Contractual amounts payable	-	2,889	14,344	3,925	-	21,158

(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 2023  
(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 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	109,294,147	-	-	-	-	109,294,147
Derivative financial liabilities	3,161,208	71,711	24,269	1,356	-	3,258,544
Financial liabilities at fair value through profit or loss	119,424	3,534,616	2,837,340	5,711,388	104,186	12,306,954
Financial assets sold under repurchase agreements	-	118,867,014	3,394,012	-	-	122,261,026
Placements from banks and other financial institutions	-	2,213,123	6,569,008	-	-	8,782,131
Short-term borrowings	-	1,243,577	-	-	-	1,243,577
Short-term financing instruments payable	-	4,136,817	15,598,210	-	-	19,735,027
Bonds in issue	-	394,400	1,290,500	54,113,632	13,158,900	68,957,432
Lease liabilities	-	191,105	376,915	1,408,799	37,881	2,014,700
Others <sup>(i)</sup>	29,302,351	16,766,712	24,276,895	1,765	603	70,348,326
<b>Total</b>	<b>141,877,130</b>	<b>147,419,075</b>	<b>54,367,149</b>	<b>61,236,940</b>	<b>13,301,570</b>	<b>418,201,864</b>
Cash flows from derivative financial liabilities settled on a net basis	3,161,208	68,280	23,533	1,356	-	3,254,377
Gross-settled derivative financial liabilities	-	3,431	736	-	-	4,167
Contractual amounts receivable	-	-	-	-	-	-
Contractual amounts payable	-	3,431	736	-	-	4,167

(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 2023

(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 2023 and 31 December 2022 but not commenced into the relevant maturity groupings based on their contractual maturities:

	30 June 2023				Total
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Lease liabilities	2,837	3,611	11,144	-	17,592

	31 December 2022				Total
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Lease liabilities	4,115	3,773	6,583	889	15,360

### 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 period ended 30 June 2023, 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 2023  
(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 2023	31 December 2022
Equity price-sensitive financial instruments	82,580	123,439
Interest rate-sensitive financial instruments	128,837	148,913

#### (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 2023

(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 2023	31 December 2022
Change in basis points		
+ 25 basis points	(630,786)	(596,311)
– 25 basis points	633,950	597,584

Sensitivity to equity	30 June 2023	31 December 2022
Change in basis points		
+ 25 basis points	(351,888)	(336,732)
– 25 basis points	354,143	339,545

#### (3) Foreign currency rate risk

As at 30 June 2023, the foreign exchange exposure is approximately RMB4,548 million (31 December 2022: RMB2,637 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 2023  
(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 the 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)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(In RMB thousands, unless otherwise stated)

## 50 EVENTS AFTER THE REPORTING PERIOD

### (1) Issuance of subordinated bond

In July 2023, the Company publicly issued the subordinated bond “23 Xintou C3” with a face value of RMB3 billion to professional investors, with a maturity of 2 years and a fixed interest rate of 2.86% in coupon rate. It is an unsecured bond with simple interest bearing on an annual basis and is paid in installments, and the principal is paid at maturity.

In July 2023, the Company publicly issued the subordinated bond “23 Xintou C4” with a face value of RMB1.5 billion to professional investors, with a maturity of 3 years and a fixed interest rate of 3.04% in coupon rate. It is an unsecured bond with simple interest bearing on an annual basis and is paid in installments, and the principal is paid at maturity.

In July 2023, the Company publicly issued the subordinated bond “23 Xintou C5” with a face value of RMB1 billion to professional investors, with a maturity of 2 years and a fixed interest rate of 2.74% in coupon rate. It is an unsecured bond with simple interest bearing on an annual basis and is paid in installments, and the principal is paid at maturity.

In July 2023, the Company publicly issued the subordinated bond “23 Xintou C6” with a face value of RMB2.5 billion to professional investors, with a maturity of 3 years and a fixed interest rate of 2.95% in coupon rate. It is an unsecured bond with simple interest bearing on an annual basis and is paid in installments, and the principal is paid at maturity.

In August 2023, the Company publicly issued the subordinated bond “23 Xintou C7” with a face value of RMB1 billion to professional investors, with a maturity of 2 years and a fixed interest rate of 2.75% in coupon rate. It is an unsecured bond with simple interest bearing on an annual basis and is paid in installments, and the principal is paid at maturity.

In August 2023, the Company publicly issued the subordinated bond “23 Xintou C8” with a face value of RMB2.5 billion to professional investors, with a maturity of 3 years and a fixed interest rate of 3.00% in coupon rate. It is an unsecured bond with simple interest bearing on an annual basis and is paid in installments, and the principal is paid at maturity.

### (2) Issuance of corporate bond

In August 2023, the Company publicly issued the corporate bond “23 Xintou G2” with a face value of RMB1.5 billion to professional investors, with a maturity of 5 years and a fixed interest rate of 2.97% in coupon rate. It is an unsecured bond with simple interest bearing on an annual basis and is paid in installments, and the principal is paid at maturity.

In August 2023, the Company publicly issued the corporate bond “23 Xintou G3” with a face value of RMB2.5 billion to professional investors, with a maturity of 10 years and a fixed interest rate of 3.15% in coupon rate. It is an unsecured bond with simple interest bearing on an annual basis and is paid in installments, and the principal is paid at maturity.

## 51 COMPARATIVE FIGURES

As detailed in Note 3, the Group has adopted certain accounting policy changes and therefore made retrospective adjustments (including adjustments to comparable period financial information) as required.



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