

“ 2023 ” INTERIM REPORT



(A joint stock company incorporated in
the People's Republic of China with limited liability)
Stock Code: 06881

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DEFINITIONS

“A Shares”	domestic share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the SSE and subscribed for and traded in Renminbi
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“Board” or “Board of Directors”	the board of Directors of the Company
“BSE”	the Beijing Stock Exchange
“CG Code”	Corporate Governance Code set out in Appendix 14 to the Stock Exchange Listing Rules
“China Galaxy Convertible Bonds” or “A Share Convertible Bonds”	the A share convertible corporate bonds of RMB7.8 billion issued by the Company on 24 March 2022
“CIC”	China Investment Corporation, which holds 100% of the equity interest in Huijin
“Company”	China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司), a joint stock limited company incorporated in the PRC on 26 January 2007, the H Shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 06881), and the A Shares of which are listed on the SSE (Stock Code: 601881)
“Company Law”	the Company Law of the People’s Republic of China
“CSDC”	China Securities Depository and Clearing Corporation Limited
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“CSRC Beijing Bureau”	China Securities Regulatory Commission Beijing Bureau
“Director(s)”	director(s) of the Company
“End of the Reporting Period”	30 June 2023
“ETF”	Exchange-traded fund
“FICC”	fixed income, foreign currencies and commodities
“FOF”	fund of funds, a fund that invests in other funds
“Galaxy Capital”	Galaxy Capital Management Company Limited (銀河創新資本管理有限公司), owned as to 100% by the Company
“Galaxy Derivatives”	Galaxy Derivatives Financial Services Co., Ltd. (銀河德睿資本管理有限公司), owned as to 100% by Galaxy Futures
“Galaxy Financial Holdings”	China Galaxy Financial Holdings Company Limited (中國銀河金融控股有限責任公司), the controlling shareholder of the Company, holding 50.13% of the issued share capital of the Company as at the End of the Reporting Period

DEFINITIONS

“Galaxy Futures”	Galaxy Futures Company Limited (銀河期貨有限公司), owned as to 100% by the Company
“Galaxy International Holdings”	China Galaxy International Holdings Company Limited (中國銀河國際控股有限公司), owned as to 100% by the Company
“Galaxy Jinhui”	Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司), owned as to 100% by the Company
“Galaxy Yuanhui”	Galaxy Yuanhui Investment Co., Ltd. (銀河源匯投資有限公司), owned as to 100% by the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huijin”	Central Huijin Investment Ltd. (中央匯金投資有限責任公司), holding 69.07% equity interest of Galaxy Financial Holdings as at the End of the Reporting Period
“IPO”	initial public offering
“margin and securities refinancing”	a business in which securities firms can act as intermediaries to borrow funds or securities from China Securities Finance Corporation Limited and on-lend such funds and securities to their clients
“market share”	the portion of a market under control
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Stock Exchange Listing Rules
“NEEQ Corporation”	National Equities Exchange and Quotations Corporation Limited
“New OTC Board”	the National Equities Exchange and Quotations for small and medium-sized enterprises
“Reporting Period”	the period from 1 January 2023 to 30 June 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)

DEFINITIONS

“Securities Law”	the Securities Law of the People’s Republic of China
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
“S\$” or “Singapore dollar”	Singapore dollars, the lawful currency of Singapore
“SHCI”	the Shanghai Composite Index
“SSE”	the Shanghai Stock Exchange (上海證券交易所)
“SSE Listing Rules”	the Rules Governing the Listing of Securities on the Shanghai Stock Exchange (as amended from time to time)
“Stock Exchange Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZCI”	the Shenzhen Component Index
“SZSE”	the Shenzhen Stock Exchange (深圳證券交易所)
“US\$” or “U.S. dollars” or “USD”	United States dollars, the lawful currency of the United States
“VaR”	Value at Risk (VAR), means the maximum possible loss of a financial asset or portfolio of securities in a given future period at a certain confidence level

Note:

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

COMPANY INFORMATION

NAME OF THE COMPANY

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

CHAIRMAN, BOARD SECRETARY

Mr. Chen Liang

COMPANY SECRETARY

Ms. Ng Ka Man

AUTHORIZED REPRESENTATIVES

Mr. Wang Sheng, Ms. Ng Ka Man

HEADQUARTERS IN THE PRC

Registered address: No. 101, 7/F-18/F, Building No. 1, No. 8 Xiying Street, Fengtai District, Beijing, the PRC
Office address: No. 101, 7/F-18/F, Building No. 1, No. 8 Xiying Street, Fengtai District, Beijing, the PRC
Website of the Company: www.chinastock.com.cn
Email address: zgyh@chinastock.com.cn

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITORS

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

HONG KONG LEGAL ADVISOR

Latham & Watkins LLP

STOCK CODE

Hong Kong Stock Exchange
H Share Stock Code: 06881

SSE
A Share Stock Code: 601881

SHARE REGISTRARS

Share Registrar for A Shares:	China Securities Depository and Clearing Corporation Limited
Share Registrar for H Shares:	Computershare Hong Kong Investor Services Limited

FINANCIAL HIGHLIGHTS

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

MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

Item	January-June 2023	January-June 2022	Increase/decrease from the same period of last year
Operating results (RMB'000)			
Revenue and other income	23,006,833	23,148,616	-0.61%
Profit before income tax	5,156,233	4,998,454	3.16%
Profit for the period – attributable to owners of the Company	4,939,222	4,327,003	14.15%
Cash flows from (used in) operating activities	11,770,303	48,674,843	-75.82%
Earnings per share (RMB per share)			
Basic earnings per share	0.45	0.39	15.38%
Diluted earnings per share	0.43	0.38	13.16%
Profitability ratio			
Weighted average return on net assets	5.10%	4.20%	increased by 0.90 percentage point

Item	As at 30 June 2023	As at 31 December 2022	Increase/decrease from the end of last year
Scale indicators (RMB'000)			
Total assets	690,490,545	625,222,928	10.44%
Total liabilities	572,899,193	522,601,017	9.62%
Accounts payable to brokerage clients	122,431,475	129,645,925	-5.56%
Equity attributable to owners of the Company	117,567,959	102,598,726	14.59%
Total share capital (in thousand shares)	10,347,117	10,137,280	2.07%
Net assets value per share attributable to owners of the Company (RMB per share) ^{Note 1}	11.36	10.12	12.25%
Gearing ratio (%) ^{Note 2}	79.30%	79.29%	increased by 0.01 percentage point

Notes:

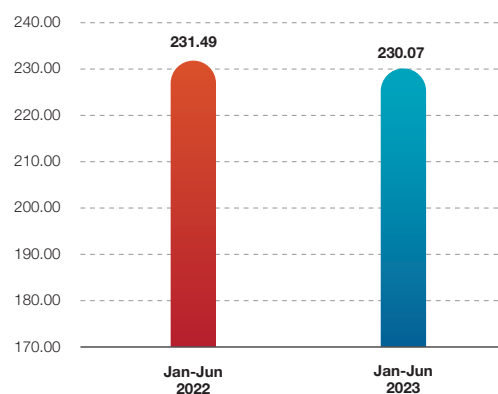
- Net assets value per share attributable to owners of the Company as at 30 June 2023 and 31 December 2022 presented in the table above include perpetual bonds issued by the Company. After deducting such effect, net assets value per share attributable to owners of the Company as at the End of the Reporting Period and the end of last year amounted to RMB8.96 and RMB8.65, respectively.
- Gearing ratio = (total liabilities – accounts payable to brokerage clients – funds payable to securities issuers)/(total assets – accounts payable to brokerage clients – funds payable to securities issuers).
- In May 2021, the International Accounting Standards Board issued the amendments to the International Accounting Standard (“IAS”) 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments narrowed the scope of the initial recognition exemption of IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases. Therefore, the Group is required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments would take effect for the annual reporting periods commencing on or after 1 January 2023. The Group has adjusted the relevant accounting data on the interim condensed consolidated statement of financial position as at 31 December 2022, and the comparative figures for the prior year on the interim condensed consolidated statement of profit or loss to reflect the cumulative impact of the aforementioned amendments.

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

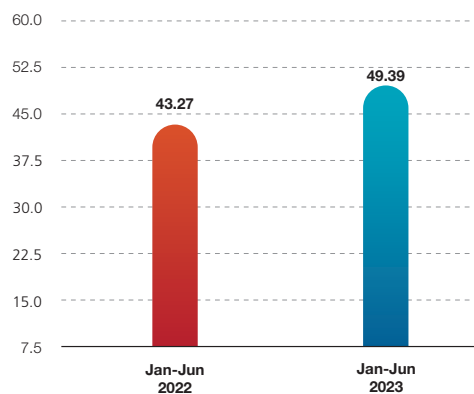
There was no difference between the Company’s net profits and net assets shown in the consolidated financial statements prepared under the International Financial Reporting Standards and those shown in the consolidated financial statements prepared under the China Accounting Standards for Business Enterprises.

FINANCIAL HIGHLIGHTS

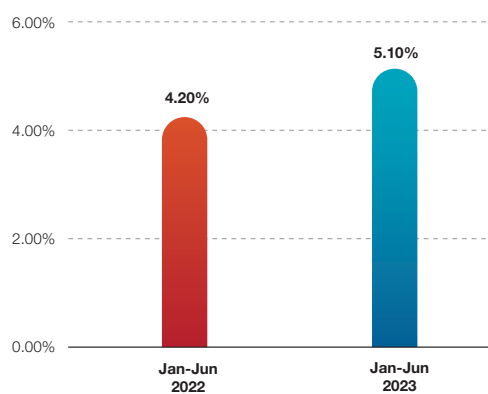
**Revenue and other income
(RMB100 million)**



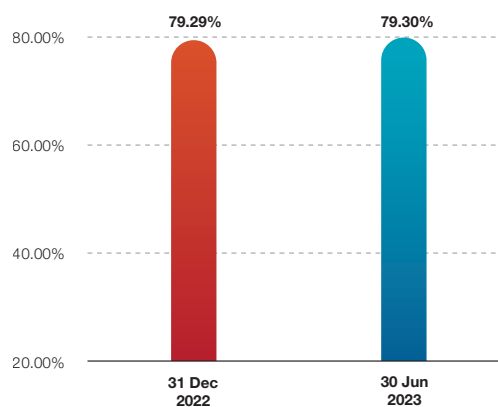
**Profit for the period – attributable to owners
of the Company
(RMB100 million)**



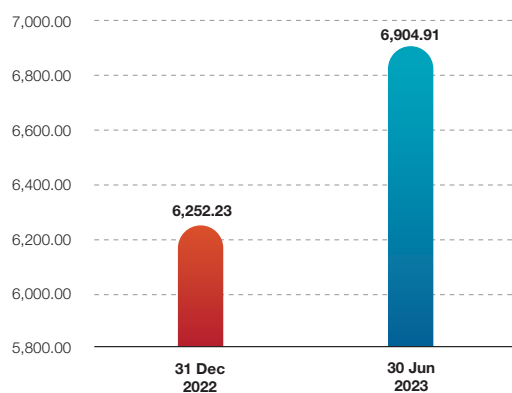
Weighted average return on net assets (%)



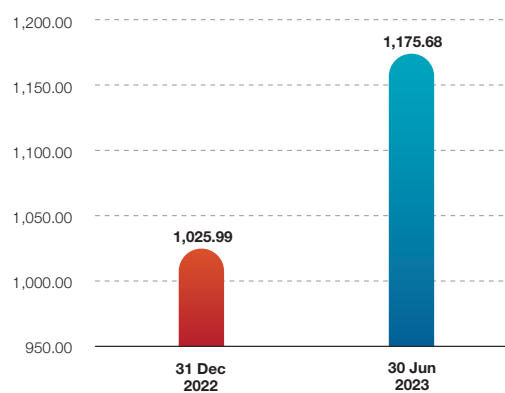
Debt-to-asset ratio (%)



**Total assets
(RMB100 million)**



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



COMPANY BUSINESS OVERVIEW

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

(I) Types of Principal Businesses in Which the Group Operates

The Group that aims for development in a market-oriented, internationalised manner is committed to becoming an integrated and universal investment bank and growing into a leading Chinese brokerage firm and a world-class investment bank. The Company's 2018-2022 Strategic Plan expired at the end of 2022. After making comprehensive review and summary, the Company considered and approved the Strategic Development Plan (2023-2025) of China Galaxy Securities at the 17th meeting of the fourth session of the Board of Directors of the Company on 27 April 2023. According to the needs of business development, the Company's strategic development philosophy was upgraded from "Dual-wheel Drive and Coordinated Development" to "five in one and three plus one". The Company has the following principal businesses:

Wealth Management. This segment mainly provides clients with services, including agency trading of stocks, funds, bonds, derivative financial instruments, etc., with financial services including investment advisory, portfolio advice, financial product sales and asset allocation, and offers them margin trading, stock-pledged repurchases, agreed repurchase transactions and so forth.

Investment Banking. It provides one-stop investment banking services for a variety of corporate and government clients, including equity financing, bond financing, structured financing, financial advisory, asset securitisation and diversified financing solutions.

Institutional Business. It is principally engaged in the provision of financial services like prime brokers, seat leasing, custody outsourcing, investment research, sales and trading for institutional clients.

International Business. It primarily provides brokerage and sales, investment banking, research and asset management services to global institutional clients, corporate clients and retail clients through Galaxy International Holdings, CGS-CIMB and other business platforms.

Investment Trading. It is engaged in investment trading of equity securities, fixed-income securities, commodities and derivative financial instruments with its own funds, and provides integrated financial solutions for clients' investment, financing and risk management.

Parent-subsidiary Integration Business. Focusing on "client demand", "professional development" and "collaborative income generation", it actively integrates the business platforms of subsidiaries, such as futures, private equity investment management, alternative investment and asset management, with the above-mentioned five business lines, in a bid to strengthen business synergy and resources connection, and continuously offer integrated financial services for clients.

(II) Operational Model of the Group

During the Reporting Period, the Company established and improved the "five-in-one" business model and the "three plus one" system. Vertically, it developed the "five-in-one" business model. The "five" in the "five-in-one" business model means a financial advisor around the people, an investment banking specialist trusted by entrepreneurs, a full-service provider relied on by institutional clients, an integrated service provider in the international market, and a professional investment dealer in the capital market. The "one" in the "five-in-one" business model means the joint provision of integrated financial services by parent and its subsidiaries. The "three plus one" system was established horizontally, i.e. marketisation, platformisation, digitisation and comprehensive synergy.

COMPANY BUSINESS OVERVIEW

(iii) Development Characteristics of the Industry in Which the Group Operates

1. Economic Environment

During the Reporting Period, with the US Consumer Price Index on the decline, the Federal Reserve slowed the pace of interest rate hikes. The global economy is still contracting amid volatility. China's economy faced increasingly growing pressure at home and abroad, and both real estate investments and imports and exports fell year on year to a certain degree. The national macro policy mix is being unveiled, including those for further cutting costs, restoring and expanding consumption, promoting the development of the private economy, stabilising foreign trade and foreign investment, etc.

2. Market Trends

Against the backdrop of a modest recovery of the domestic economy and tightening of overseas liquidity, the A-share market was volatile and generally underwent fluctuations during the Reporting Period. The SZSE Composite Index, SSE Composite Index, ChiNext Index and CSI 300 Index changed by 0.1%, 3.7%, -5.6% and -0.8%, respectively. The average daily turnover in the A-share market amounted to RMB942.6 billion, with a turnover rate of 1.1%, representing a slight decrease of 3.4% compared with same period of 2022. As at the End of the Reporting Period, the margin trading and securities lending balance of the SSE and SZSE markets amounted to RMB1,588.498 billion, representing a slight increase of 3.1% from the end of 2022. The total size of equity financing, including IPOs, share placements, rights issues and preferred shares, amounted to RMB568.85 billion, representing an increase of 3.1% compared with the same period of 2022.

3. Industry Landscape

The comprehensive registration system was implemented, marking a new stage of the comprehensive deepening of capital market reforms in China. With reasonably abundant liquidity, it is expected that the capital market will continue to expand significantly, and the optimisation of the competition landscape, the enhancement of capital efficiency, and the strengthening of cost control promoted the continuous improvement of securities industry profitability. According to the unaudited data in the financial statements of the parent companies of securities firms published by the Securities Association of China, as at the End of the Reporting Period, the total assets and net assets of 141 securities companies stood at RMB11.6 trillion and RMB2.9 trillion, respectively. Their operating revenue amounted to RMB224.5 billion and net profit amounted to RMB85.1 billion during the Reporting Period, representing the year-on-year increase of 9.0% and 4.7%, respectively.

(iv) Position of the Group in the Industry

Since its establishment, the Group has continued to maintain a strong comprehensive competitiveness. The Company has always been at the forefront of the industry in terms of capital scale, profitability, business strength and risk management capabilities. According to the unaudited data in the financial statements of the parent companies of securities firms published by the Securities Association of China, the Company ranked 7th and 6th in the industry in terms of operating revenue and net profit, respectively, and ranked 4th and 6th in the industry in terms of total assets and net assets, respectively, in the first half of 2023.

COMPANY BUSINESS OVERVIEW

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

As at the End of the Reporting Period, the Group had total assets of RMB690.491 billion, an increase of 10.44% from the end of last year. The items with greater changes: monetary funds amounted to RMB108.505 billion, a decrease of 6.46% from the end of last year, which was mainly due to the decline in clients' funds; clearing settlement fund amounted to RMB42.928 billion, an increase of 7.83% from the end of last year, which was mainly due to the increase in proprietary clearing settlement funds; advances to customers amounted to RMB85.970 billion, an increase of 1.95% from the end of last year, of which the scale remained flat; derivative financial assets amounted to RMB5.257 billion, an increase of 99.84% from the end of last year, which was mainly due to the fluctuation in the value of derivative instruments; refundable deposit amounted to RMB14.737 billion, a decrease of 8.30% from the end of last year, which was mainly due to the decrease in trading and credit margins; financial assets held under resale agreements amounted to RMB19.385 billion, a decrease of 4.48% from the end of last year, which was primarily due to the decrease in stock pledge repurchase and bond pledge repurchase; financial assets held for trading amounted to RMB223.442 billion, an increase of 29.97% from the end of last year, which was mainly attributable to the increase in investments in bonds and funds; other debt investments amounted to RMB122.658 billion, an increase of 12.20% from the end of last year, which was mainly due to the increase in investments in bonds; investment in other equity instruments amounted to RMB38.309 billion, a decrease of 0.22% from the end of last year, which was mainly due to the decline in investments in perpetual bonds; long-term equity investment amounted to RMB195 million, an increase of 215.42% from the end of last year, which was mainly due to the rise in long-term equity investments; deferred tax assets amounted to RMB199 million, a decrease of 49.52% from the end of last year, which was mainly due to the changes in fair value of financial instruments, accrued unpaid compensation for employees and accrued unpaid interest expenses.

Among them: overseas assets amounted to RMB35.927 billion, accounting for 5.20% of the total assets.

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

As an important securities finance platform under Huijin and one member of the 'national team' in the securities sector and capital market, the Company can grasp the national development policies in a timely manner and enjoy the synergy of resources. After years of development, the Company has established significant competitive advantages as follows:

- (i) The Company has continuous sound business management. The Company has always adhered to the principle of basing on risk control and prioritising compliance, insisted on the prudent and robust risk appetite, and upheld the compliance concept of "three don'ts and one must do" – never touch the red line, never step on the grey area, never take advantage of the loopholes of polices and pursue liabilities for violation of disciplines and regulations. With the optimisation of the comprehensive risk management capability as the guide and the effective synergy of internal controls as the supporting role, the Company continuously improved the professional tools of internal controls and enhanced the proactivity, professionalism and foresight of internal controls, so as to firmly hold the bottom line of avoiding any major financial risk and provide a solid foundation and guarantee for the Company's steady development on an ongoing basis.
- (ii) The Company has a complete and distinctive business system. It is a securities company providing comprehensive and integrated financial services to its clients. The Company has established a client-centric wealth management service system covering branch offices and securities branches. It is a leading provider of services in stockbroking, agency sale of financial products, credit business and futures business. The Company leverages its offline network and client scale to get a head start in wealth management transformation, allowing it to maintain a leading position in retail services. As for its international business, the Company puts focus in Southeast Asia and has built a sound international service chain. It broke into the top three players in terms of market share in key regions, such as Singapore and Malaysia. The international business has been increasingly mature, which will become an important growth point in the future.

COMPANY BUSINESS OVERVIEW

- (iii) The Company has a good brand image. The Company was a wholly state-owned securities company with the largest registered capital in China at the time of establishment. The Company listed shares on both the H-share and A-share markets in 2013 and 2017, respectively. It has been awarded numerous honours and titles by governmental departments and professional organisations. The Company's core businesses have long stayed top of the industry rankings. It actively serves the real economy, helps the capital market establish an endogenous stability mechanism, and actively integrates into the "dual circulation" pattern. It enjoys a high visibility and reputation in China's capital market, especially in the field of wealth management.
- (iv) The Company has the most extensive channel network. The Company has constantly stepped up its presence in the domestic market. After years of development, the Company had 37 branch offices and 479 securities branches in 31 provinces, autonomous regions, and municipalities as at the End of the Reporting Period, allowing it to conveniently satisfy the needs of all kinds of clients for integrated financial services. With the deepening of the Belt and Road Initiative, the Company, through the merger and acquisition with CIMB, expanded its international business network from Hong Kong to Singapore, Malaysia, Indonesia, Thailand, etc., marking its all-round entry in Southeast Asia and making it a Chinese brokerage with the most extensive network in Asia.
- (v) The Company has rich client resources. As at the End of the Reporting Period, the Company had more than 15 million clients, with RMB3.81 trillion of securities under custody, representing a market share of 5.32% and ranking 4th in the industry. The Company ranked 6th in the industry in terms of the balance of clients' deposit margin accounts, which amounted to RMB80.8 billion and represented a market share of 4.19%. Benefitting from its sound client base, the Company has significant potential for synergistic marketing growth among its business lines.

MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERALL BUSINESS SITUATION

In the first half of 2023, the Company, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, resolutely implemented the major decisions and arrangements made by the CPC Central Committee and the State Council, profoundly understood the importance of financial sector in politics and people's livelihood, insisted on "serving the country with finance" as its strategic mission, and continuously improved the closed-loop management mechanism of "learning – publicity – implementation – supervision – evaluation – accountability", so as to form a working pattern of the organic consistency between serving the national strategies and high-quality development. With Party building leading its business, the Company carried out solid educational activities on the theme of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, conscientiously implemented the requirement of "looking back" on the rectification of problems found during central inspections, comprehensively implemented the new strategic plan about "five-in-one, three plus one", built up a strong client base by consolidating its business edge in wealth management, continuously pushed forward with the reform of professionalising the investment banking business, and set up a new line of institutional business. It successfully held the China – ASEAN Business Leaders Summit, achieved higher revenue in the investment business, and saw continued steady development. The Company had its strategic planning proceeded smoothly and facilitated its business' development growing prosperously. As at the End of the Reporting Period, the Group's total assets amounted to RMB690.491 billion, and equity attributable to owners of the Company amounted to RMB117.568 billion. During the Reporting Period, the Group achieved revenue and other income of RMB23.007 billion, representing a year-on-year decrease of 0.61%, net profit attributable to owners of the Company amounted to RMB4.939 billion, representing a year-on-year increase of 14.15%, and the weighted average return on net assets was 5.10%, representing a year-on-year increase of 0.90 percentage point.

II. ANALYSIS OF PRINCIPAL BUSINESSES

1. Wealth Management

(1) Retail Brokerage and Wealth Management

During the Reporting Period, regarding the wealth management business, the Company upheld the client-centric service philosophy and fulfilled the mission of financial inclusion, striving to enhance the sense of gain of investors and continuously improve the brand influence of its wealth management services. As for the retail business, the Company created service scenarios closer to clients through "professional + accompanying + agile" services, so as to continuously strengthen the client base and enhance the user experience. Multi-dimensional data analysis was conducted to improve the dual-cycle service system framework that emphasises both account lifecycle and wealth management lifecycle, so as to enhance client stickiness and asset efficiency. Taking into account the innovative businesses of the BSE, options exchanges and other exchanges, the Company improved its business landscape and provided high-net-worth wealth management clients with multi-level, multi-variety and multi-strategy professional services, which helped maintain its industry-leading position. As at the End of the Reporting Period, the total number of the Company's clients exceeded 15 million.

(2) Financial Product Sales and Investment Advisory

During the Reporting Period, in respect of the financial product business, the Company closely centred on the strategic goal of "becoming a financial advisor around the people" to provide clients with a full spectrum of multi-level wealth management products and services, satisfy customers' diversified financial product allocation needs and promote the high-quality development of wealth management business. As of the End of the Reporting Period, the Company's financial products holdings amounted to RMB200.7 billion, including RMB61.8 billion of equity and hybrid public funds, ranking 6th in the industry. In respect of the investment advisory business, the Company seized the market opportunities to further consolidate its leading position in the market, continued to expand the scale of account service business, striving to provide clients with more comprehensive product allocation solutions. As of the End of the Reporting Period, the Company had 3,702 investment advisors and served 310,300 clients. The service system for high-net-worth clients continued to be improved, service initiatives were optimised, with improvement of service capabilities and innovation of service models, resulting in rapid growth in the number of contracted clients of "Galaxy Jinyi" (one of the brands providing services for high-net-worth clients), with contracted net assets reaching RMB103.6 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Credit Business

During the Reporting Period, in terms of the credit business, the Company focused on serving national strategies and fully utilised credit instruments to serve the real economy. In light of the “new situation, new pattern and new requirements”, the Company insisted on becoming client-centric, strengthened the application of fintech, and constantly enriched the business service model, and provided differentiated and precise services and products for various clients, including individuals, enterprises and institutions. Active efforts were made to increase the channels of sources of securities with a focus on seeking professional investors and institutional clients to continuously optimise client structure. A sound risk prevention and control system was established to improve risk management and prevention capabilities. The Company continuously tracked market dynamics, expanded business outreach and innovated the business model to actively boost the growth of new businesses, such as exercise of share options. It built a competitive “credit + X” business cluster to provide diverse integrated financial services to listed companies and their shareholders and various professional investment institutions. As at the End of the Reporting Period, the balance of the Company’s margin trading business amounted to RMB79.8 billion. The average maintenance margin stood at 268%. The outstanding balance of its stock-pledged repurchases was RMB17.8 billion, with an average performance security of 278%. Risks were generally under control.

2. Investment Banking

During the Reporting Period, the investment banking business segment implemented the Company’s new three-year strategic plan, carried out the key business strategy of “being an investment banking specialist trusted by entrepreneurs”, pushed forward the reform of professionalising the investment banking business, optimised and adjusted the team setting and staffing, improved the management system, cooperated on the expansion of client resources, and solidly enhanced its professional capabilities. Specifically, (1) it strengthened the project reserve of equity financing business, improved the standards of undertaking projects and enhanced the comprehensive service capability. Its two IPO projects were approved by the Listing Review Committee of the stock exchange, two refinancing projects were registered and became effective, and one refinancing project was reviewed and approved by a stock exchange. In terms of financial advisory services, the Company completed one project of asset purchase through issuance of shares and one advisory project on business acquisition. It completed one project of a company recommended for listing on the New OTC Board and two projects of non-public offering on the New OTC Board. As at the End of the Reporting Period, the Company had one project of a company recommended for listing on the New OTC Board with the consent letter from NEEQ Corporation and eight projects of companies recommended for listing were under review. (2) By strengthening business synergies, the bond financing business segment further explored business opportunities in local government bonds, financial bonds, short-term financing bonds, targeted instruments and medium-term notes. The growth in bond underwriting was higher than the average industry growth rate. During the Reporting Period, the Company underwrote bonds worth RMB176.258 billion, representing a year-on-year increase of 25.25%, ranking 10th in the market. The underwriting amount of local government bonds was RMB88.277 billion, ranking 7th in the market, while the underwriting amount of financial bonds was RMB60.446 billion, ranking 7th in the market.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Institutional Business

During the Reporting Period, the Company focused on becoming a full chain service provider that institutional clients rely on, and established an institutional business management committee, in active response to the development trend of institutionalisation and specialisation of market transactions. The Company established three institutional business eco-chains regarding “peers, private equity and enterprises” from the aspects of strategy services, trading services, and professional services. Relying on the two business platforms of “investment research trading service platform for institutions” and “integrated financial service platform for enterprises”, the Company closely focused on investment research and trading, share repurchase, equity incentive, employee stock ownership plan and share increase and decrease, etc. to enhance the integrated financial service capability for institutional clients. It organised a professional trading strategy open competition and the “Starlight” charity programme, and established the star club, providing professional services to private equity fund managers in five dimensions: capital, trading, operation and management services, investment research support, and brand building and consulting. Continuous efforts were made to press ahead the three-in-one ecosystem covering “services, channels and clients”. Through algorithm, it rendered technological empowerment to institutional and high-net-worth individual clients. The client aggregation effect continued to grow. As at the End of the Reporting Period, the Company had 29,700 institutional clients, an increase of 4.32% from the end of 2022. The size of PB (prime broker) business was RMB273.3 billion, with 5,166 clients. The turnover of equity funds amounted to RMB1,287.6 billion.

In terms of the research business, the Company actively integrated research efforts to interpret national strategic policies and trends, and improved the quality of research reports. The portfolio of outstanding stocks were top-ranked in terms of returns. In the meantime, it actively expanded services to external institutional investors and increased the service frequency by organising the strategy conference on the special topic regarding the new technology of CGS photovoltaic cell and a number of CGS research salons on special topics. In addition to efficiently exporting research results and accumulating new service methods and service channels, it also provided valuable intellectual support to promote the high-quality development of the capital market. In promoting the productisation of research results, the Company conducted high-frequency data tracking, research trends of various industries, macro analysis and strategic guidance, etc., improved the stock pool system, enriched the variety of research products and enhanced the overall competitiveness of research.

The Company actively sought out clients for its custody outsourcing business, resulting in an increase in its business size. As at the End of the Reporting Period, the Company had RMB281.262 billion worth of custody outsourcing business, representing a year-on-year increase of 10.23%, with 3,909 products, representing a year-on-year increase of 16.72%.

MANAGEMENT DISCUSSION AND ANALYSIS

4. International Business

During the Reporting Period, Galaxy International Holdings actively acted as a comprehensive business provider in the international market to serve the national strategies and the real economy, and focused on its responsibilities and principal business. It also proactively pushed forward the development of the domestic and foreign business integration and strengthened the foundation for the development of cross-border business. Thanks to its diversified revenue distribution and extensive geographical distribution, Galaxy International Holdings was able to effectively respond to market fluctuations and achieved year-on-year growth in operating revenue and net profit. Efforts were made by Galaxy International Holdings to optimise the product layout of the wealth management business and asset management business. Its dominant position in the core markets of Southeast Asia continued to be solidified, and the stockbroking business remained one of the top three market players in Singapore and Malaysia, moved up to the fourth place in Indonesia, and remained one of the top ten market players in Thailand. During the Reporting Period, Galaxy International Holdings adhered to the original mission of finance, fully utilised the markets and resources at home and abroad to “bring in” and “go out”, and achieved positive results in serving the high-quality development of the real economy. It completed a total of 4 GDR underwriting projects (the connectivity of depository receipt between domestic and overseas stock exchanges) and 39 bond underwriting projects (including 16 underwriting projects of offshore Renminbi bonds).

5. Investment Trading

During the Reporting Period, in terms of the investment business segment, the Company was deeply involved in practising the philosophy of being a professional investment trader in the capital market and optimised asset allocation and debt financing, expanded and strengthened FICC market-making business, OTC fixed income business and cross-border business. Remarkable progress has been made in innovating business qualifications, optimising business structure and strengthening business synergies. In particular:

In terms of equity investment, during the Reporting Period, the Company further integrated its equity investment segment, adhered to the philosophy of value investment, enhanced its investment management capabilities, enriched its equity investment tools, expanded its investment models and investment areas. The equity investment business of the Company realised steady growth.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of fixed income investments, during the Reporting Period, the Company, aiming to serve the real economy, actively participated in fixed-income investment business in line with the national strategies, built up its core competitiveness in the FICC field, and accelerated the empowerment of off-balance-sheet business required by clients. The Company continuously enriched the targets to which its products are linked, issued its first income certificates linked to the CSI 10-Year Treasury Note Index, the SSE Market-Making Treasury Bond Index and the SSE Market-Making Corporate Bond Index, and focused on the creation of inclusive financial products, namely the “Shanghai Gold”-linked income certificates. The Company’s first interbank ABS+CRMWC (credit risk mitigation certificate for asset securitisation products) was established and successfully issued. The Company released “China Galaxy Securities Stock and Bond Aggressive Index” in Wind Financial Terminal to further satisfy the diversified investment needs of clients and enrich the investment product system. The Company actively participated in investment transactions in overseas bonds, such as China USD bonds, free trade zone bonds, dim sum bonds (RMB-dominated bonds issued in Hong Kong), US Treasury bonds and US Treasury futures, to seize asset allocation opportunities in due course and rapidly expand cross-border investment transactions. The Company actively fulfilled its market-making obligations, steadily increased the number of market-making targets and enhanced the quality of market making. In addition, the Company was qualified as a market maker for bonds on the SSE and SZSE, and to provide market-making business for commodity futures and options. The Company actively developed institutional investment advisory business, helping the development of investment business of small and medium-sized financial enterprises, and cooperating with small and medium-sized banks in investment advisory business. The Company assisted Postal Savings Bank of China in the innovative issuance of the first demonstration green bond, promoted the construction of a green, low-carbon and recycling economic system with financial strength. The Company provided optional liquidity services for real economy, added market making on “rural revitalisation”-themed local bonds, and actively participated in market-making trading of special local government bonds, commercial banks’ financial bonds for small and micro enterprises and other special types of bonds. The Company was awarded the title of “Star of the X-bond Curve” by China Foreign Exchange Trade System (CFETS).

In terms of derivative business, during the Reporting Period, with new trading structures further developed for the OTC business, the Company provided clients with more extensive product matrix, and enhanced its ability to cover end-users. The OTC options and income swaps business grew at a relatively rapid pace. Efforts were made to optimise the IT system of the OTC business and implement the long/short portfolio return swap trading and intelligent inquiry and quotation functions to support the continuous development of the business. It launched the Company’s first interest rate-linked OTC derivative product, with an outstanding value of RMB150 million, which has become an effective tool for clients to enrich their asset allocation and risk management.

MANAGEMENT DISCUSSION AND ANALYSIS

6. Other Parent-subsidiary Integration Businesses

(1) Futures Business

Galaxy Futures was determined to implement various decisions and deployments, endeavoured to cope with the uncertainties in the external environment with the certainties in its own development and strengthened its strategic execution. In respect of the futures brokerage business, Galaxy Futures profoundly met the requirement of serving the national strategies, conducted in-depth analysis of the development of the futures market, organised discussions on increasing the holdings of the futures clients based on changes in the relevant policies, unveiled corresponding incentives and policies, optimised accounting rules, cut costs and increased revenues based on the premise of meeting certain standards for holdings of core varieties, increased the futures business's overall turnover, expanded the online sales channels to improve the ability of acquiring clients online, and further scaled up network to attract clients, so as to promote the orderly development of the futures brokerage business.

Galaxy Derivatives has maintained good development momentum in its three major businesses: OTC derivatives, futures and spot, and market making. With regard to the OTC derivatives business, the system of the electronic return swap business of Galaxy Derivatives was initially launched in March 2023 after a number of tests and adjustments. The system of the electronic return swap business can not only enhance the efficiency of clients' trade execution and fund utilisation and optimise user experience, but also help further reduce the settlement operational risk. As at the End of the Reporting Period, the notional amount of derivatives in electronic return swap business of Galaxy Derivatives amounted to RMB3.08 billion. In terms of futures and spot business, Galaxy Derivatives has expanded the industrial silicon and non-ferrous metals business since 2023, resulting in a richer and more diversified business portfolio. Moreover, financial market players have been actively "going out" to develop international business, and the import and export business has become a new driving force, under which Galaxy Derivatives obtained the successful clearance of US dollar imports of plastics and rubber. As far as market-making business is concerned, Galaxy Derivatives has applied to register as a market maker for 12 varieties since 2023, including ChinaAMC SSE STAR 50 ETF, E Fund SSE STAR 50 ETF, and E Fund SZSE100 ETF.

(2) Asset Management Business

During the Reporting Period, Galaxy Jinhui has been actively serving the real economy and national development strategies and successfully established the first ESG product. Targeting at the financing needs of small and medium-sized enterprises (SMEs), Galaxy Jinhui issued leasing and intellectual property ABS products to boost the high-quality development of enterprises. It continued to increase support for infrastructure construction to help expand effective investments. On the basis of consolidating its unique characteristics and strengths, it further set up a service support system that centres on client needs and is empowered by professional capabilities and driven by product innovation. On the one hand, Galaxy Jinhui strengthened its professional investment research capabilities and continued to support the steady development of its product size with stable and excellent performance. On the other hand, it optimised its product system and worked meticulously on key products, such as equity and hybrid FOFs, to further enhance the supply of diversified products. Galaxy Jinhui focused on promoting the establishment of the marketing management service system and product operation service system to improve channel services and operational efficiency and to provide support for building up its core competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the size of assets under management by Galaxy Jinhui amounted to RMB110.845 billion, of which the size of collective asset management products amounted to RMB45.065 billion, the size of single asset management products amounted to RMB63.229 billion, and the size of special asset management products amounted to RMB2.551 billion. As at the End of the Reporting Period, Galaxy Jinhui had 260 products under management (including 103 collective products, 152 single products and 5 special products).

(3) Alternative Investment Business

During the Reporting Period, adhering to the philosophy of “prioritising risk control and complying with regulations”, Galaxy Yuanhui actively integrated into and served the national development strategies to continuously expand its investment portfolio. It strengthened the strategy of self-improvement in science and technology, insisted on the use of its own funds to assist the growth of micro, small and medium-sized enterprises with high innovation attributes, and opted for innovative projects that focus on self-improvement in science and technology, such as those solving “stranglehold” problems, realising replacement with domestic products, and being self-developed and controllable. Thanks to its appropriately forward-looking investments, proactive and prudent asset allocation and risk control compliance that holds the bottom line, Galaxy Yuanhui has shown a better development momentum in business. It had completed IPOs for two new equity projects, and IPO applications for three new projects were accepted by stock exchanges.

(4) Private Equity Investment Management

During the Reporting Period, concentrating on the theme of high-quality development, Galaxy Capital considered promoting the growth of assets under management as the main approach and enhancing the investment capability as the focus to push forward with the establishment of private equity funds, vigorously boost the sub-funds, project reserves and investments, firmly hold the bottom line of risk compliance, and continuously enhance the core competitiveness according to the principle of “consolidating the foundation, advancing to a higher level, seeking long-term development, and opening up a new chapter”. It concentrated on the investment and operation of the Hainan Free Trade Port Construction Investment Fund, aiming to help build a high-level free trade port. It completed the establishment of seven sub-funds, accelerating the formation of a parent fund and sub-fund ecosystem. Multiple measures were taken to promote the exit from projects to create a virtuous circle of investment and exit. As at the End of the Reporting Period, Galaxy Capital had 17 private equity funds under management, with a total subscription amount of RMB25.004 billion and a total paid-in amount of RMB2.967 billion, of which 3 new funds were registered during the Reporting Period, with a total size of RMB731 million. There were 12 new investment projects/sub-funds, with a total new investment amount of RMB512 million.

MANAGEMENT DISCUSSION AND ANALYSIS

III. CHALLENGES AND PROSPECTS FOR THE SECOND HALF OF 2023

Looking ahead to the second half of 2023, under optimised policies for stabilising growth and reasonably abundant liquidity, the market risk appetite and performance of risky assets are expected to continuously improve, which will support the growth of the performance of the securities industry. The Company, which adheres to the mission of “serving the country with finance and putting clients first”, will detail the work initiatives around its strategic plan, and scientifically plan, allocate and manage strategic resource inputs to better promote the implementation of the strategic plan. In particular:

Firstly, it will consolidate its client base and provide service contact points for the wealth management business. Intelligent marketing tools will be used to promote publicity and promotion. It will focus on high-net-worth clients, push forward with the creation of innovative products in an orderly manner, and increase the utilisation rate of intelligent trading tools. Efforts will be made to deepen the supply-side reform in financial products and strengthen the foundation of the high-quality product system. The Company will improve the variety of services in its investment advisory services and deepen the scope and content of buy-side investment advisory services. In respect of the credit business, the Company will stick to the business positioning of serving national strategies and promoting comprehensive synergy, increase the channels of sources of securities and expand trading clients in margin financing, and deepen the comprehensive business synergy among financial institutions.

Secondly, actions will be taken in the investment banking business to promote professional reform, solidly enhance professional capabilities, deepen team building and increase the reserve of talents. It will strengthen the business integration at home and abroad, and accelerate the development of intelligent investment banking, so as to empower the business development and management of investment banking. In terms of the equity financing business, the Company will improve the level of integrated financial services in industry research, resource integration, value exploration and so forth while continuously strengthening the team’s ability in solution design and implementation, with a view to expanding the market share of IPO business in key industries and key regions, steadily increasing the reserve of refinancing business, consolidating the business advantages and features of the BSE, and restoring and enhancing the competitiveness of the M&A and restructuring business. As for the debt financing business, the Company will capitalise on the opportunities in corporate bonds and enterprise bonds brought about by the adjustment of the national industrial policies, develop innovative bond products, and strengthen resource inputs in asset securitisation and REITs business.

Thirdly, in line with the Company’s strategic plan, the institutional business deeply implemented the business requirement of “specialising in one facet with skills in multiple facets”, continued to enhance its professional capabilities and strengthened comprehensive synergy, striving to create high-quality service experience for institutional clients in a longer service chain. Special activities will be held to lure institutional clients, increase client stickiness, create the best opportunities to display the service image externally, expand the Company’s influence among institutional clients and enhance the industry recognition. In the research business, the Company will broaden the coverage of research services, create an ecosystem of fund research, continue to build the research and sales team, and strengthen the influence of seller research.

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Fourthly, it will step up efforts on the integration of the international business, consolidate and enhance its competitiveness in Southeast Asia, and build an integrated financial service ecosystem for Chinese industries “going overseas” to ASEAN, striving to achieve breakthroughs in leading GDR and overseas IPO projects. The cooperation with asset management institutions will be deepened and a wide range of interconnected products will be developed to facilitate the two-way opening-up of the capital market. The Company will consolidate the foundation for cross-border business development, enhance fintech empowerment, accelerate the establishment of an overseas prime broker service platform, and promote the interconnectivity and development of cross-border wealth management business. It will consolidate its advantageous position in Southeast Asia and continue to strengthen and improve the management of its Southeast Asian subsidiaries.

Fifthly, the investment trading business will make positive response to the Company’s strategic plan and uphold the general principle of seeking progress while maintaining stability, with the goal of pursuing stable returns. It will continuously explore client needs to expand the scope of business required by clients, actively scale up the institutional investment advisory business, and strengthen cooperation between its head office and branches. The Company will improve the efficiency and size of cross-border investments and actively participate into Southbound Trading to enhance the market influence of its international business. It will increase staff and resources for market-making trading to effectively move up its ranking and business revenue in market-making business, and provide more liquidity support to the market. It will guard against credit risk and control portfolio volatility. Further actions will be taken to enhance the fintech empowerment and promote the development and utilisation of systematisation and platformisation.

Sixthly, the Company will give full support to the development of subsidiaries to push forward the integration of the Group. Galaxy Futures will strengthen the improvement of its business lines and continue to maintain its leading position in both traditional and innovative businesses. Galaxy Capital will accelerate the high-quality development of private equity business, promote the full-process iteration of investment capability, and achieve sustainable and stable investment performance in an accelerated manner. Adhering to the client-centric philosophy, Galaxy Jinhui will strengthen intra-group synergy, further enrich its product portfolio and broaden its marketing channels. Galaxy Yuanhui will increase investments in such innovative fields as new energy and new materials, advanced manufacturing, digital economy, life sciences and medical technology, in order to expand its presence and implement national strategies.

IV. ANALYSIS OF FINANCIAL STATEMENTS

(I) Liquidity, Financial Resources and Share Capital Structure

During the Reporting Period, the Group continuously maintained its profitability and realised capital preservation and appreciation. As at 30 June 2023, equity attributable to owners of the Company amounted to RMB117.568 billion, representing an increase of RMB14.969 billion or 14.59% as compared with that at the end of 2022, which was mainly attributable to the increase in equity of RMB0.210 billion by conversion of convertible bonds in the first half of 2023, the increase in capital reserve of RMB1.904 billion, the increase in other equity instruments of RMB9.962 billion by the issuance of perpetual bonds, and the impact of retained earnings.

The asset structure was constantly improved and asset quality and liquidity remained satisfactory. As at 30 June 2023, the total assets of the Group, excluding clients’ funds, amounted to RMB568.059 billion, an increase of RMB72.482 billion or 14.63% as compared with the total assets of RMB495.577 billion as at the end of 2022 on a comparable basis. In particular, cash and bank balances accounted for 7.70% of the total assets. Investment assets, which mainly consisted of investments in highly liquid financial assets, accounted for 69.08% of the total assets. Advances to customers accounted for 15.13% of the total assets. Financial assets held under resale agreements accounted for 3.41% of the total assets.

The gearing ratio remained basically flat. As at 30 June 2023, the gearing ratio of self-owned assets of the Company was 79.30%, an increase of 0.01 percentage point as compared with 79.29% as at the end of 2022. The operating leverage (self-owned assets/net assets) of the Company was 4.83 times, unchanged from the end of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Currently, the Company is raising short-term capital by means of interbank lending, repurchase, short-term commercial papers, short-term income certificates, margin and securities refinancing, etc. Meanwhile, the Company borrowed long-term funds through issuance of long-term corporate bonds, long-term subordinated debts, perpetual subordinated bonds, convertible bonds and other ways approved by the competent authorities based on the market conditions and its own needs. At present, the Company has secured a line of credit from several commercial banks. It may employ the foregoing debt financing instruments to borrow funds according to its own business needs.

The net increase in cash and cash equivalents of the Company during the Reporting Period was RMB6.495 billion, representing an increase of RMB1.403 billion as compared with RMB5.092 billion for the same period of 2022, which was mainly due to the decrease in the net cash flow from the operating activities, and the increase in the net cash flow from the investing activities and financing activities.

The net cash flow from the operating activities of the Company during the Reporting Period was RMB11.770 billion, representing a decrease of RMB36.905 billion as compared with RMB48.675 billion for the same period of 2022, which was mainly due to the decrease in the net cash flow generated from advances to financing clients, financial instruments measured at fair value through profit or loss for the current period and derivative financial instruments.

The net cash flow from the investing activities of the Company during the Reporting Period was RMB-7.377 billion, representing an increase of RMB36.212 billion as compared with RMB-43.589 billion for the same period of 2022, which was mainly due to the increase in the net cash flow generated from the disposal of debt instruments measured at fair value through other comprehensive income.

The net cash flow from the financing activities of the Company during the Reporting Period was RMB2.102 billion, representing an increase of RMB2.096 billion as compared with RMB6 million for the same period of 2022, which was mainly due to the increase in the net cash flow from the issue and repayment of debts.

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

During the Reporting Period, the Group realised revenue and other income of RMB23.007 billion, representing a year-on-year decrease of 0.61%, of which wealth management business realised revenue and other income of RMB6.568 billion, representing a year-on-year decrease of 5.38%; investment banking business realised revenue and other income of RMB171 million, representing a year-on-year decrease of 12.97%; institutional business realised revenue and other income of RMB461 million, representing a year-on-year decrease of 17.71%; international business realised revenue and other income of RMB1.897 billion, representing a year-on-year increase of 28.45%; investment trading business realised revenue and other income of RMB5.569 billion, representing a year-on-year increase of 41.85%; other integrated parent-subsidiary business realised revenue and other income of RMB8.511 billion, representing a year-on-year decrease of 16.77%. During the Reporting Period, expenses paid by the Group amounted to RMB17.843 billion, representing a year-on-year decrease of 1.69%.

During the Reporting Period, the Group realised net profit attributable to owners of the Company of RMB4.939 billion, representing a year-on-year increase of 14.15%. The basic earnings per share was RMB0.45, an increase of 15.38% year-on-year. Weighted average return on net assets was 5.10%, an increase of 0.90 percentage point year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Structure of Assets and Liabilities

As at the End of the Reporting Period, the total assets of the Group amounted to RMB690.491 billion, an increase of 10.44% as compared to the end of 2022, of which monetary funds amounted to RMB108.505 billion, accounting for 15.71% of the total assets; clearing settlement fund amounted to RMB42.928 billion, accounting for 6.22% of the total assets; advances to customers amounted to RMB85.970 billion, accounting for 12.45% of the total assets; financial assets held for trading amounted to RMB223.442 billion, accounting for 32.36% of the total assets; other debt investments amounted to RMB122.658 billion, accounting for 17.76% of the total assets; and investment in other equity instruments amounted to RMB38.309 billion, accounting for 5.55% of the total assets. The Group's assets were highly liquid with reasonable structure. In addition, according to its accounting policy, the Group made provision for corresponding impairment of financial instruments and recognised loss reserves based on expected credit losses, and the asset quality was favourable.

As at the End of the Reporting Period, the total liabilities of the Group amounted to RMB572.899 billion, and the Group's own liabilities, excluding payables to securities brokerage clients and payables to securities issuers amounted to RMB450.468 billion, of which the Group's own current liabilities and non-current liabilities amounted to RMB364.226 billion and RMB86.242 billion, representing a share of 80.86% and 19.14%, respectively. The Group's own liabilities were mainly comprised of short-term financing payables of RMB16.524 billion, representing a share of 3.67%; loans from banks and other financial institutions of RMB14.125 billion, representing a share of 3.14%; financial liabilities held for trading of RMB51.917 billion, representing a share of 11.53%; financial assets sold under repurchase agreements of RMB192.103 billion, representing a share of 42.65%; bond payables, including long-term subordinated bonds, long-term corporate bonds, convertible bonds and long-term income certificates, of RMB101.370 billion, representing a share of 22.50%; and other liabilities of RMB41.487 billion, representing a share of 9.21%. The gearing ratio of the Group was 79.30%, which indicated a reasonable liability structure. The Group did not have any unpaid due debts, and its business was in sound conditions with strong profitability and good long-term and short-term solvency as well as favourable liquidity.

MANAGEMENT DISCUSSION AND ANALYSIS

V. ESTABLISHMENT AND DISPOSAL OF SECURITIES BRANCHES AND BRANCH OFFICES

As at the End of the Reporting Period, the Company established 37 branch offices and 479 securities branches.

(1) Cancellation of Securities Branches

During the Reporting Period, the Company completed the cancellation of 8 securities branches, namely Panjin Shifu Street Securities Branch, Qingdao Harbin Road Securities Branch, Qixian North Xinjian Road Securities Branch, Dongguan Dongjun Road Securities Branch, Shanghai Xiangchuan Road Securities Branch, Foshan Nanzhuang North Dijing Road Securities Branch, Yicheng Jiefang Street Securities Branch and Dezhou West Daxue Road Securities Branch.

(2) Relocation of Branch Offices and Securities Branches

The Company has constantly adjusted and optimised its branch distribution. During the Reporting Period, the Company relocated 25 branches within the same cities, including 3 branch offices and 22 securities branches.

① Relocation of branch offices

No.	Province/ autonomous region/ municipality	Branch office	Current address
1	Chongqing	Chongqing Branch	Unit 2, 24/F, No. 188 Minzu Road, Yuzhong District, Chongqing
2	Hunan Province	Hunan Branch	2/F, No. 279, Section 2, Middle Furong Road, Yuhua District, Changsha, Hunan Province
3	Guangdong Province	Zhongshan Branch	Units 1-4 and Unit 7, 3/F, Block 2, The Summit Financial Business Center, No. 88 Zhongshan 4th Road, Dongqu, Zhongshan

② Relocation of securities branches

No.	Province/ autonomous region/ municipality	Original name of securities branch	Current name of securities branch	Current address
1	Hunan Province	Changsha Middle Furong Road Securities Branch	Changsha Middle Furong Road Securities Branch	2/F, No. 279, Section 2, Middle Furong Road, Yuhua District, Changsha, Hunan Province
2	Hebei Province	Langfang North Yinhe Road Securities Branch	Langfang Yongxing Road Securities Branch	No. 101 on 1/F, No. 601, No. 609, No. 610, No. 611 and No.612 on 6/F, Unit 1, No. 4 Commercial Building, Xiangdi Zone, Yongxing Road, Guangyang District, Langfang
3	Fujian Province	Quanzhou Nanjun Road Securities Branch	Quanzhou Chongfu Road Securities Branch	A1 on 1/F and A1 on 2/F, Building K, East Asia Window Cultural Creativity Industrial Park, No. 247 Chongfu Road, Licheng District, Quanzhou, Fujian Province

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Province/ autonomous region/ municipality	Original name of securities branch	Current name of securities branch	Current address
4	Shandong Province	Qingdao Jimo City Yanqing Road Securities Branch	Qingdao Jimo District Mocheng Road Securities Branch	No. 520 and No. 522, Mocheng Road, Jimo District, Qingdao, Shandong Province
5	Guangdong Province	Guangzhou North Tianhe Road Securities Branch	Guangzhou North Tianhe Road Securities Branch	Rooms 2803, 2804 and 2805, No. 235 North Tianhe Road, Tianhe District, Guangzhou
6	Shanghai	Shanghai South Pudong Road Securities Branch	Shanghai Pudong New Area Yincheng Road Securities Branch	Units 2307 and 2308, 23/F, No. 16 Yincheng Road, China (Shanghai) Pilot Free Trade Zone
7	Shanghai	Shanghai Lintong Road Securities Branch	Shanghai Jinian Road Securities Branch	1-2/F, No. 486-10, and 2/F, No. 486-6 Jinian Road, Hongkou District, Shanghai
8	Beijing	Beijing Yizhuang Securities Branch	Beijing Yizhuang Securities Branch	105 on 1/F and 710-711 on 7F, Building 1, No. 10 North Hongda Road, Beijing Economic-Technological Development Area, Beijing
9	Shanxi Province	Jincheng Jingxi Road Securities Branch	Jincheng Huanghua Street Securities Branch	No. 2 on 1-2/F, Commercial Building 2, Commercial Complex, C District, Huanghua Street, Nanjie Street, downtown of Jincheng City, Shanxi Province
10	Liaoning Province	Fuxin Xinhua Road Securities Branch	Fuxin Xishan Road Securities Branch	Gate 10-2-5, Xishan Road, Haizhou District, Fuxin
11	Zhejiang Province	Fenghua Yuelin Road Securities Branch	Ningbo Fenghua Changting Road Securities Branch	No. 10, No. 12 and No. 14 Changting Road, Jinping Street, Fenghua District, Ningbo, Zhejiang Province
12	Guangdong Province	Guangzhou Middle Yuejiang Road Securities Branch	Guangzhou Middle Yuejiang Road Securities Branch	Rooms 301, 302 and 303, No. 686 Middle Yuejiang Road, Haizhu District, Guangzhou
13	Guangdong Province	Foshan Shunde Longjiang Donghua Road Securities Branch	Foshan Shunde Longjiang Donghua Road Securities Branch	Unit 104-2, Unit 203 and Unit 204, Wangding Commercial Building, No. 96 West Longzhou Road, Wenhua Community Neighborhood Committee, Longjiang Town, Shunde District, Foshan

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Province/ autonomous region/ municipality	Original name of securities branch	Current name of securities branch	Current address
14	Tianjin	Tianjin Kaihua Road Securities Branch	Tianjin Water Park North Road Securities Branch	Unit 06, 17/F, Luneng International Center, Intersection of Water Park North Road and Water Park East Road, Nankai District, Tianjin
15	Guangdong Province	Shenzhen Qianhai Securities Branch	Shenzhen Qianhai Securities Branch	1207, Building 8, Qianhai Excellence Financial Center (Phase I), No. 5033, Menghai Avenue, Nanshan Street, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen
16	Shanxi Province	Taigu Kangyuan Road Securities Branch	Jinzhong Dingyang Road Securities Branch	Store 1-082, Huitong Style Square, No. 580 Dingyang Road, Yuci District, Jinzhong, Shanxi Province
17	Zhejiang Province	Hangzhou Tiyuchang Road Securities Branch	Hangzhou North Jianguo Road Securities Branch	Rooms 102-1, 201-1, 202-1, Jialianhua Ming Zuo, No. 586 North Jianguo Road, Hangzhou, Zhejiang Province
18	Zhejiang Province	Hangzhou West Genshan Road Securities Branch	Hangzhou Dongning Road Securities Branch	Rooms 101 and 102 on 1/F, Rooms 1002 and 1003 on 10/F, Building 2, Yuejuncheng, No. 586 Dongning Road, Shangcheng District, Hangzhou, Zhejiang Province
19	Jiangsu Province	Suzhou Sanxiang Road Securities Branch	Suzhou Sanxiang Road Securities Branch	No. 718, Sanxiang Road, Gusu District, Suzhou
20	Guangdong Province	Guangzhou Huacheng Avenue Securities Branch	Guangzhou Haiming Road Securities Branch	Rooms 1A-4 and 1B, No. 13 Huafu Street, Haiming Road, Zhujiang New Town, Tianhe District, Guangzhou
21	Zhejiang Province	Anji West Shengli Road Securities Branch	Anji Middle Dipu Road Securities Branch	No. 278 Middle Dipu Road, Changshuo Street, Anji County, Huzhou, Zhejiang Province
22	Guangdong Province	Guangzhou East Dasha Road Securities Branch	Guangzhou Huangpu Avenue Securities Branch	Rooms 3618, 3619, 3620 and 3621, No. 660-1, Huangpu Avenue Central, Tianhe District, Guangzhou

MANAGEMENT DISCUSSION AND ANALYSIS

VI. RELEVANT INFORMATION OF BONDS

(i) Status of Convertible Corporate Bonds

1. Issuance of A Share Convertible Bonds

In March 2022, the Company completed the issuance of A Share Convertible Bonds. The type of bonds under the issuance were convertible corporate bonds that could be converted into A Shares. A total of 78 million A Share Convertible Bonds were issued at par value of RMB100 each with an aggregate amount of RMB7.8 billion. A Shares Convertible Bonds were listed on the SSE for trading since 10 May 2022. The code and abbreviation of the bond are “113057” and “China Galaxy Convertible Bonds”, respectively. The China Galaxy Convertible Bonds were issued to natural persons, legal persons, securities investment funds and other investors permitted by the laws who hold securities accounts with the Shanghai branch of China Securities Depository and Clearing Corporation Limited. The China Galaxy Convertible Bonds were issued for a term of six years from the date of issuance, which is from 24 March 2022 to 23 March 2028, with the coupon rates of 0.2% for the first year, 0.4% for the second year, 0.6% for the third year, 1.0% for the fourth year, 1.8% for the fifth year and 2.0% for the sixth year, respectively. The conversion period of the China Galaxy Convertible Bonds will start from the first trading day after the expiry of the six-month period from the date of closure of the issuance and end on the maturity date, which is from 30 September 2022 to 23 March 2028 (postponed to the next business day if it falls on a statutory holiday or rest day and no interest payment will be accrued separately during the extension period). Within five trading days upon the expiry of the China Galaxy Convertible Bonds, the Company will redeem all unconverted China Galaxy Convertible Bonds at a redemption price of 106% of the par value of the China Galaxy Convertible Bonds (including payment of the final interest).

The initial conversion price of the China Galaxy Convertible Bonds under the issuance is RMB10.24 per share. Such initial conversion price is not lower than the highest of the average trading price of the Company’s A Shares during the 30 trading days immediately preceding the date of publication of the offering documents (i.e. 22 March 2022), the average trading price of the Company’s A Shares during the 20 trading days immediately preceding the date of publication of the offering documents, and the average trading price of the Company’s A Shares on the trading day immediately preceding the date of publication of the offering documents, and is also not lower than the latest audited net assets per share and the nominal value per share. As at 22 March 2022, the closing price of the Company’s A Shares was RMB10.10. The conversion price was adjusted to RMB9.93 per share as a result of the Company’s payment of 2021 dividends of RMB0.31 per share to its shareholders. The conversion price was further adjusted from RMB9.93 per share to RMB9.70 per share as a result of the Company’s payment of 2022 dividends of RMB0.23 per share to its shareholders.

The issuance of the China Galaxy Convertible Bonds can strengthen the Company’s capital base, promote the comprehensive development of its wealth management, investment and financing, and international businesses, and further optimise its business model, thereby enhancing its competitiveness to achieve high-quality development.

The net proceeds from the issuance of the China Galaxy Convertible Bonds after deducting the issuance expenses amounted to approximately RMB7.735 billion, which were utilised for the development of investment trading business, capital intermediary business, capital increase in investment banking business and replenishment of other working capital of the Company. All the proceeds raised from the issuance of China Galaxy Convertible Bonds had been fully utilised according to the expected timetable previously disclosed by the Company. Please refer to the Company’s 2022 Annual Report for the detailed utilisation.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Holders and Guarantors of A Shares Convertible Bonds during the Reporting Period

Name of A Share Convertible Bonds	China Galaxy Convertible Bonds
Number of A Share Convertible Bond holders as at the End of the Reporting Period	93,901
Guarantors of A Share Convertible Bonds	N/A
Significant changes in the guarantor's profitability, assets and creditworthiness	N/A

The information of Top 10 A Share Convertible Bond Holders is set out below:

Name of A Share Convertible Bond Holder	Amount of bonds held as at the end of the period (RMB)	Percentage of bonds held (%)
Special accounts for bonds repurchase and pledge under the registration and settlement system (Industrial and Commercial Bank of China)	541,973,000	9.48
Special accounts for bonds repurchase and pledge under the registration and settlement system (Agricultural Bank of China)	387,290,000	6.78
Special accounts for bonds repurchase and pledge under the registration and settlement system (Bank of China)	231,551,000	4.05
Special accounts for bonds repurchase and pledge under the registration and settlement system (Bank of Communications)	202,328,000	3.54
Special accounts for bonds repurchase and pledge under the registration and settlement system (China Merchants Bank Co., Ltd.)	156,970,000	2.75
Special accounts for bonds repurchase and pledge under the registration and settlement system (China CITIC Bank)	122,995,000	2.15
China Construction Bank Corporation – China Merchant Credit Enhancement Bond Securities Investment Fund	116,729,000	2.04
Special accounts for bonds repurchase and pledge under the registration and settlement system (China Construction Bank)	114,748,000	2.01
Huaxia Fund Extended Life No. 9 Fixed Income Pension Product – China Merchants Bank Co., Ltd.	114,001,000	1.99
Everbright Yongming Asset Management – Industrial Bank Co., Ltd. – Everbright Yongming Asset Jucai No. 121 Directional Asset Management Product	106,023,000	1.85

3. Changes in Convertible Bonds during the Reporting Period

Unit: Yuan Currency: RMB

Name of A Share Convertible Bonds	Before this change	Increase or decrease of this change			After this change
		Conversion	Redemption	Resale	
China Galaxy Convertible Bonds	7,799,791,000	2,083,703,000	–	–	5,716,088,000

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4. Cumulative Conversion of Convertible Bonds during the Reporting Period

Name of A Share Convertible Bonds	China Galaxy Convertible Bonds
Amount of convertible bonds converted into shares during the Reporting Period (RMB)	2,083,703,000
Number of shares converted during the Reporting Period (share)	209,837,449
Cumulative number of shares converted as at the End of the Reporting Period (share)	209,858,368
Proportion of cumulative shares converted to total shares of the Company in issue before conversion as at the End of the Reporting Period (%)	2.07
Amount of unconverted convertible bonds as at the End of the Reporting Period (RMB)	5,716,088,000
Percentage of unconverted A Share Convertible Bonds to total A Share Convertible Bonds issued as at the End of the Reporting Period (%)	73.28
Number of issuable new shares as at the End of the Reporting Period	575,638,267

Note: Number of issuable new shares as at the End of the Reporting Period = Amount of unconverted convertible bonds as at the End of the Reporting Period (RMB) / Price of convertible bonds converted into shares as at the End of the Reporting Period (RMB/share)

5. Liabilities, Changes in Credit Rating and Cash Arrangement for Debt Repayment of the Company in the Next Year

As at the End of the Reporting Period, the Group had total assets of RMB690.491 billion with a gearing ratio of 79.30%. On 27 May 2023, China Lianhe Credit Rating Co., Ltd. unveiled the Tracking Rating Report 2023 in respect of the China Galaxy Convertible Bonds issued by the Company, maintaining the AAA credit rating for the Company and the AAA credit rating for the China Galaxy Convertible Bonds under the issuance with a stable outlook.

The future repayment of the principal and interest of the China Galaxy Convertible Bonds will mainly be financed by the cash flow generated from the Company's operating activities and funds raised by using debt financing instruments. In the past three years, with its principal businesses staying stable, the Company enjoyed a good financial position, sufficient cash flow from operating activities, rich and accessible debt financing tools and a strong debt repayment ability.

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Status of Corporate Bonds

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

Name of bond	Short name	Bond code	Date of issuance	Value date	Maturity date	Bond balance (RMB100 million)	Interest rate (%)	Ways of principal and interest repayment	Trading venue	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Is there any risk of termination of listing and trading
2020 Corporate Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	20 Galaxy G2	175272.SH	2020/10/21	2020/10/23	2023/10/23	30	3.70	The interest shall be calculated annually at a simple rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2020 Publicly Issued Perpetual Subordinated Bonds (Tranche 1) of China Galaxy Securities Co., Ltd.	20 Galaxy Y1	175196.SH	2020/11/23	2020/11/24	N/A (Note 1)	50	4.80	The interest shall be paid annually if the issuer does not exercise the right for deferred interest payment	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2021 Corporate Bonds (Tranche 1) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	21 Galaxy G2	176653.SH	2021/1/19	2021/1/21	2024/1/21	32	3.58	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2021 Corporate Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	21 Galaxy G4	175731.SH	2021/2/2	2021/2/4	2024/2/4	25	3.67	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2021 Publicly Issued Perpetual Subordinated Bonds (Tranche 1) of China Galaxy Securities Co., Ltd.	21 Galaxy Y1	175879.SH	2021/3/26	2021/3/29	N/A (Note 2)	50	4.57	The interest shall be paid annually if the issuer does not exercise the right for deferred interest payment	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2021 Publicly Issued Perpetual Subordinated Bonds (Tranche 2) of China Galaxy Securities Co., Ltd.	21 Galaxy Y2	188024.SH	2021/4/20	2021/4/21	N/A (Note 3)	50	4.30	The interest shall be paid annually if the issuer does not exercise the right for deferred interest payment	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2021 Corporate Bonds (Tranche 3) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	21 Galaxy G6	188399.SH	2021/7/16	2021/7/20	2024/7/20	32	3.13	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Matching, click-to-trade, quote request, auction and negotiation	No

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Name of bond	Short name	Bond code	Date of issuance	Value date	Maturity date	Bond balance (RMB100 million)	Interest rate (%)	Ways of principal and interest repayment	Trading venue	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Is there any risk of termination of listing and trading
2021 Corporate Bonds (Tranche 3) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	21 Galaxy G6	188400.SH	2021/7/16	2021/7/20	2026/7/20	18	3.45	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2021 Non-publicly Issued Corporate Bonds (Tranche 1) (Type 2) of China Galaxy Securities Co., Ltd.	21 Galaxy F2	178270.SH	2021/8/6	2021/8/9	2024/8/9	40	3.15	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Click-to-trade, quote request, auction and negotiation	No
2021 Non-publicly Issued Corporate Bonds (Tranche 2) (Type 1) of China Galaxy Securities Co., Ltd.	21 Galaxy F3	197137.SH	2021/9/14	2021/9/15	2023/9/15	32	3.15	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Click-to-trade, quote request, auction and negotiation	No
2021 Non-publicly Issued Corporate Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd.	21 Galaxy F4	197138.SH	2021/9/14	2021/9/15	2024/9/15	13.05	3.30	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Click-to-trade, quote request, auction and negotiation	No
2021 Non-publicly Issued Corporate Bonds (Tranche 3) (Type 1) of China Galaxy Securities Co., Ltd.	21 Galaxy F5	197242.SH	2021/9/27	2021/9/28	2023/9/28	25	3.30	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Click-to-trade, quote request, auction and negotiation	No
2021 Non-publicly Issued Corporate Bonds (Tranche 3) (Type 2) of China Galaxy Securities Co., Ltd.	21 Galaxy F6	197243.SH	2021/9/27	2021/9/28	2024/9/28	10	3.40	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Click-to-trade, quote request, auction and negotiation	No
2021 Non-publicly Issued Corporate Bonds (Tranche 4) (Type 1) of China Galaxy Securities Co., Ltd.	21 Galaxy F7	197384.SH	2021/10/19	2021/10/20	2023/10/20	42	3.40	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Click-to-trade, quote request, auction and negotiation	No

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Name of bond	Short name	Bond code	Date of issuance	Value date	Maturity date	Bond balance (RMB100 million)	Interest rate (%)	Ways of principal and interest repayment	Trading venue	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Is there any risk of termination of listing and trading
2021 Non-publicly Issued Corporate Bonds (Tranche 4) (Type 2) of China Galaxy Securities Co., Ltd.	21 Galaxy F8	197386.SH	2021/10/19	2021/10/20	2024/10/20	18	3.55	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Click-to-trade, quote request, auction and negotiation	No
2021 Non-publicly Issued Corporate Bonds (Tranche 5) (Type 1) of China Galaxy Securities Co., Ltd.	21 Galaxy F9	197663.SH	2021/11/19	2021/11/22	2023/11/22	24	3.10	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Click-to-trade, quote request, auction and negotiation	No
2021 Non-publicly Issued Corporate Bonds (Tranche 5) (Type 2) of China Galaxy Securities Co., Ltd.	21 Galaxy 10	197664.SH	2021/11/19	2021/11/22	2024/11/22	36	3.35	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Click-to-trade, quote request, auction and negotiation	No
2021 Non-publicly Issued Corporate Bonds (Tranche 6) of China Galaxy Securities Co., Ltd.	21 Galaxy 11	197962.SH	2021/12/17	2021/12/20	2024/12/20	39.95	3.20	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Click-to-trade, quote request, auction and negotiation	No
2022 Subordinated Bonds (Tranche 1) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	22 Galaxy C1	185291.SH	2022/1/17	2022/1/18	2024/1/18	10	2.97	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2022 Subordinated Bonds (Tranche 1) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	22 Galaxy C2	185287.SH	2022/1/17	2022/1/18	2025/1/18	30	3.15	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No

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Name of bond	Short name	Bond code	Date of issuance	Value date	Maturity date	Bond balance (RMB100 million)	Interest rate (%)	Ways of principal and interest repayment	Trading venue	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Is there any risk of termination of listing and trading
2022 Subordinated Bonds (Tranche 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	22 Galaxy C3	185587.SH	2022/3/18	2022/3/21	2025/3/21	10.55	3.38	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2022 Corporate Bonds (Tranche 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	22 Galaxy G1	185727.SH	2022/4/22	2022/4/26	2025/4/26	15	2.95	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2022 Corporate Bonds (Tranche 1) of China Galaxy Securities Co., Ltd. Non-publicly Issued to Professional Investors	22 Galaxy F1	194665.SH	2022/6/8	2022/6/9	2025/6/9	50	3.06	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Click-to-trade, quote request, auction and negotiation	No
2022 Corporate Bonds (Tranche 2) (Type 1) of China Galaxy Securities Co., Ltd. Non-publicly Issued to Professional Investors	22 Galaxy F2	182306.SH	2022/7/25	2022/7/26	2024/7/26	20	2.60	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Click-to-trade, quote request, auction and negotiation	No
2022 Corporate Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd. Non-publicly Issued to Professional Investors	22 Galaxy F3	182307.SH	2022/7/25	2022/7/26	2025/7/26	20	2.83	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Click-to-trade, quote request, auction and negotiation	No
2022 Subordinated Bonds (Tranche 3) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	22 Galaxy C4	137624.SH	2022/8/5	2022/8/8	2024/8/8	17	2.46	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No

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Name of bond	Short name	Bond code	Date of issuance	Value date	Maturity date	Bond balance (RMB100 million)	Interest rate (%)	Ways of principal and interest repayment	Trading venue	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Is there any risk of termination of listing and trading
2022 Subordinated Bonds (Tranche 3) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	22 Galaxy G5	137625.SH	2022/8/5	2022/8/8	2025/8/8	33	2.72	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2022 Corporate Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	22 Galaxy G3	137650.SH	2022/8/10	2022/8/11	2027/8/11	50	3.08	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2022 Corporate Bonds (Tranche 3) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	22 Galaxy G4	137768.SH	2022/9/2	2022/9/5	2025/9/5	10	2.54	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2022 Corporate Bonds (Tranche 3) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	22 Galaxy G5	137769.SH	2022/9/2	2022/9/5	2027/9/5	40	2.95	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2023 Subordinated Bonds (Tranche 1) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	23 Galaxy C1	138821.SH	2023/1/12	2023/1/13	2025/1/13	25	3.58	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2023 Corporate Bonds (Tranche 1) (Type 1) of China Galaxy Securities Co., Ltd. Non-publicly Issued to Professional Investors	23 Galaxy F1	114951.SH	2023/2/16	2023/2/17	2025/2/17	10	3.09	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Click-to-trade, quote request, auction and negotiation	No

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Name of bond	Short name	Bond code	Date of issuance	Value date	Maturity date	Bond balance (RMB100 million)	Interest rate (%)	Ways of principal and interest repayment	Trading venue	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Is there any risk of termination of listing and trading
2023 Corporate Bonds (Tranche 1) (Type 2) of China Galaxy Securities Co., Ltd. Non-publicly Issued to Professional Investors	23 Galaxy F2	114952.SH	2023/2/16	2023/2/17	2026/2/17	30	3.28	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Click-to-trade, quote request, auction and negotiation	No
2023 Corporate Bonds (Tranche 2) (Type 1) of China Galaxy Securities Co., Ltd. Non-publicly Issued to Professional Investors	23 Galaxy F3	250214.SH	2023/3/8	2023/3/9	2025/3/9	10	3.25	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Click-to-trade, quote request, auction and negotiation	No
2023 Corporate Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd. Non-publicly Issued to Professional Investors	23 Galaxy F4	250215.SH	2023/3/8	2023/3/9	2026/3/9	32	3.35	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional investors	Click-to-trade, quote request, auction and negotiation	No
2023 Subordinated Bonds (Tranche 2) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	23 Galaxy C3	115240.SH	2023/4/14	2023/4/17	2025/4/17	10	3.09	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2023 Subordinated Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	23 Galaxy C4	115241.SH	2023/4/14	2023/4/17	2026/4/17	40	3.34	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2023 Perpetual Subordinated Bonds (Tranche 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	23 Galaxy Y1	115343.SH	2023/5/17	2023/5/18	N/A (Note 4)	50	3.63	The interest shall be paid annually if the issuer does not exercise the right for deferred interest payment	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No

MANAGEMENT DISCUSSION AND ANALYSIS

Name of bond	Short name	Bond code	Date of issuance	Value date	Maturity date	Bond balance (RMB100 million)	Interest rate (%)	Ways of principal and interest repayment	Trading venue	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Is there any risk of termination of listing and trading
2023 Perpetual Subordinated Bonds (Tranche 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	23 Galaxy Y2	115641.SH	2023/6/8	2023/6/9	N/A (Note 5)	50	3.58	The interest shall be paid annually if the issuer does not exercise the right for deferred interest payment	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2023 Corporate Bond (Tranche 1) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	23 Galaxy G1	115642.SH	2023/7/14	2023/7/17	2026/7/17	30	2.74	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2023 Corporate Bond (Tranche 1) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	23 Galaxy G2	115643.SH	2023/7/14	2023/7/17	2028/7/17	20	3.08	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2023 Corporate Bond (Tranche 2) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	23 Galaxy G3	115817.SH	2023/8/17	2023/8/18	2026/8/18	20	2.66	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
2023 Corporate Bond (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	23 Galaxy G4	115818.SH	2023/8/17	2023/8/18	2028/8/18	30	2.98	The interest shall be calculated annually at a simple rate other than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	Bonds issued and traded for professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No

MANAGEMENT DISCUSSION AND ANALYSIS

Note 1: On 24 November 2020, the Company publicly issued 2020 perpetual subordinated bonds (Tranche 1) of RMB5.0 billion, with an interest rate of 4.80%, which will remain unchanged for the first five interest-bearing years of the duration of the bonds. If the Company does not exercise its call option, the coupon rate shall be reset every five years commencing from the sixth interest-bearing year.

Note 2: On 29 March 2021, the Company publicly issued 2021 perpetual subordinated bonds (Tranche 1) of RMB5.0 billion, with an interest rate of 4.57%, which will remain unchanged for the first five interest-bearing years of the duration of the bonds. If the Company does not exercise its call option, the coupon rate shall be reset every five years commencing from the sixth interest-bearing year.

Note 3: On 21 April 2021, the Company publicly issued 2021 perpetual subordinated bonds (Tranche 2) of RMB5.0 billion, with an interest rate of 4.30%, which will remain unchanged for the first five interest-bearing years of the duration of the bonds. If the Company does not exercise its call option, the coupon rate shall be reset every five years commencing from the sixth interest-bearing year.

Note 4: On 18 May 2023, the Company publicly issued 2023 perpetual subordinated bonds (Tranche 1) of RMB5.0 billion to professional investors, with an interest rate of 3.63%, which will remain unchanged for the first five interest-bearing years of the duration of the bonds. If the Company does not exercise its call option, the coupon rate shall be reset every five years commencing from the sixth interest-bearing year.

Note 5: On 9 June 2023, the Company publicly issued 2023 perpetual subordinated bonds (Tranche 2) of RMB5.0 billion to professional investors, with an interest rate of 3.58%, which will remain unchanged for the first five interest-bearing years of the duration of the bonds. If the Company does not exercise its call option, the coupon rate shall be reset every five years commencing from the sixth interest-bearing year.

Description:

- (1) Guotai Junan Securities Co., Ltd. acts as the lead underwriter and bond trustee for the Company's bonds "20 Galaxy Y1", "21 Galaxy Y1" and "21 Galaxy Y2".
- (2) Guosen Securities Co., Ltd., China Securities Co., Ltd. and Everbright Securities Co., Ltd. act as the lead underwriters for the Company's bonds "20 Galaxy G2", "21 Galaxy G2", "21 Galaxy G4", "21 Galaxy G5", "21 Galaxy G6" and "22 Galaxy G1", and Guosen Securities Co., Ltd. serves as the bond trustee.
- (3) China Merchants Securities Co., Ltd., Shenwan Hongyuan Securities Co., Ltd. and China International Capital Corporation Limited act as the lead underwriters for the Company's bonds "21 Galaxy F2", "21 Galaxy F3", "21 Galaxy F4", "21 Galaxy F5", "21 Galaxy F6", "21 Galaxy F7", "21 Galaxy F8", "21 Galaxy F9", "21 Galaxy 10", "21 Galaxy 11", "22 Galaxy C1", "22 Galaxy C2", "22 Galaxy C3", "22 Galaxy C4", "22 Galaxy C5", "23 Galaxy C1", "23 Galaxy C3" and "23 Galaxy C4", and China Merchants Securities Co., Ltd. serves as the bond trustee.
- (4) China Securities Co., Ltd., Guosen Securities Co., Ltd., Orient Securities Investment Banking Co., Ltd. and Dongxing Securities Corporation Limited act as the lead underwriters for the Company's bonds "22 Galaxy F1", "22 Galaxy F2", "22 Galaxy F3", "23 Galaxy F1", "23 Galaxy F2", "23 Galaxy F3", "23 Galaxy F4", "22 Galaxy G3", "22 Galaxy G4", "22 Galaxy G5", "23 Galaxy G1", "23 Galaxy G2", "23 Galaxy G3" and "23 Galaxy G4", and China Securities Co., Ltd. serves as the bond trustee.
- (5) China Securities Co., Ltd., China International Capital Corporation Limited, Shenwan Hongyuan Securities Co., Ltd., GF Securities Co., Ltd., Everbright Securities Co., Ltd. and China Industrial Securities Co., Ltd. act as the lead underwriters of the Company's bonds "23 Galaxy Y1" and "23 Galaxy Y2", and China Securities Co., Ltd. serves as the bond trustee.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Use of Proceeds during the Reporting Period

Unit: RMB100 million Currency: RMB

Bond Name	Total amount of proceeds	Utilised amount	Unutilised amount	Operation of the special account of proceeds	Whether it is consistent with the purposes, planned use and other agreements committed in the offering prospectus
2023 Subordinated Bonds (Tranche 1) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	25	25	0	Normal	Yes
2023 Corporate Bonds (Tranche 1) (Type 1) of China Galaxy Securities Co., Ltd. Non-Publicly Issued to Professional Investors	10	10	0	Normal	Yes
2023 Corporate Bonds (Tranche 1) (Type 2) of China Galaxy Securities Co., Ltd. Non-Publicly Issued to Professional Investors	30	30	0	Normal	Yes
2023 Corporate Bonds (Tranche 2) (Type 1) of China Galaxy Securities Co., Ltd. Non-Publicly Issued to Professional Investors	10	10	0	Normal	Yes
2023 Corporate Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd. Non-Publicly Issued to Professional Investors	32	32	0	Normal	Yes
2023 Subordinated Bonds (Tranche 2) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	10	10	0	Normal	Yes
2023 Subordinated Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	40	40	0	Normal	Yes
2023 Perpetual Subordinated Bonds (Tranche 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	50	50	0	Normal	Yes
2023 Perpetual Subordinated Bonds (Tranche 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	50	50	0	Normal	Yes

MANAGEMENT DISCUSSION AND ANALYSIS

(iii) As of the Date of This Report, the Issued Short-term Commercial Papers of the Company in the Interbank Market Are Detailed as Follows:

The Company has not issued any non-financial corporate debt financing instruments. From the beginning of 2023 to the date of this report, the issued short-term commercial papers of the Company in the interbank market are detailed as follows:

Bond name	Short name	Issuance completion date	Maturity date	Issue amount (RMB100 million)	Interest rate (%)
2023 First Tranche of Short-term Commercial Paper	23 Galaxy Securities CP001	2023/4/10	2023/7/11	40.00	2.48
2023 Second Tranche of Short-term Commercial Paper	23 Galaxy Securities CP002	2023/7/7	2023/11/9	45.00	2.14

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

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

1. In August 2016 and August 2017, the Company successively provided net capital guarantee of RMB1.0 billion and RMB2.0 billion for Galaxy Jinhui, its subsidiary, to satisfy its business development needs.
2. On 22 June 2017, the Resolution on the Increase of Net Capital Guarantee to Galaxy Jinhui was considered and approved at the 2016 annual general meeting of the Company, pursuant to which it was agreed that the Company would provide additional net capital guarantee of RMB3.0 billion for Galaxy Jinhui to satisfy its business development needs. As at the End of the Reporting Period, the guarantee had not been fulfilled.
3. On 30 August 2021, the Resolution on the Increase of the Shareholdings in CGS-CIMB for Higher Amount of Guarantees and Quasi-Guarantees by Galaxy International Holdings was considered and approved at the second meeting (regular) of the fourth session of the Board of the Company. Based on the business development needs, it was agreed to increase the maximum amount of guarantees and quasi-guarantees authorised to be provided for CGS-CIMB Securities International Pte. Ltd. ("CGS-CIMB Securities") and CGS-CIMB Holdings Sdn. Bhd. ("CGS-CIMB Holdings") ("CGS-CIMB") from RMB3.5 billion to RMB7.0 billion in phases. In particular, upon completion of exercising the option for the first time, which is upon obtaining 75% shareholding in CGS-CIMB by Galaxy International Holdings, the maximum amount of guarantees and quasi-guarantees provided by Galaxy International Holdings for CGS-CIMB shall be RMB5.5 billion; and upon completion of exercising the option for the second time, which is upon obtaining 100% shareholding in CGS-CIMB by Galaxy International Holdings, the maximum amount of guarantees and quasi-guarantees provided by Galaxy International Holdings for CGS-CIMB shall be RMB7.0 billion. As at 30 June 2023, the maximum amount of guarantees and quasi-guarantees provided by Galaxy International Holdings for CGS-CIMB was RMB5.5 billion.

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

MANAGEMENT DISCUSSION AND ANALYSIS

VIII. ANALYSIS ON MAJOR CONTROLLED COMPANIES AND INVESTEEES

1. Galaxy Futures has a registered capital of RMB4.5 billion, in which the Company holds an equity interest of 100%. It mainly provides commodity futures brokerage, financial futures brokerage, futures investment advisory, asset management and sales of funds. According to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises, as at the End of this Reporting Period, the total assets and net assets of Galaxy Futures were RMB71.810 billion and RMB6.679 billion, respectively. In the first half of 2023, Galaxy Futures achieved a consolidated operating revenue and a net profit of RMB7.851 billion and RMB310 million, respectively.
2. Galaxy Capital has a registered capital of RMB1.5 billion, in which the Company holds an equity interest of 100%. It is primarily engaged in asset management, project investment and investment management. According to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises, as at the End of this Reporting Period, the total assets and net assets of Galaxy Capital were RMB1.444 billion and RMB1.173 billion, respectively. In the first half of 2023, Galaxy Capital achieved an operating revenue and a net profit of RMB-18 million and RMB-16 million, respectively.
3. Galaxy International Holdings has a registered capital of HK\$7.0 billion, in which the Company holds 100% equity interest. It is primarily engaged in the provision of securities and futures brokerage, research and analysis, investment banking, margin financing and securities lending, asset management, wealth management, foreign exchange trading and derivatives, proprietary trading, etc. in regions and countries such as Hong Kong, Singapore, Malaysia, Indonesia, Thailand, South Korea, the United Kingdom, the United States and Mauritius through a number of wholly-owned subsidiaries and joint ventures, CGS-CIMB Securities and CGS-CIMB Holdings. According to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises, as at the End of this Reporting Period, the total assets and net assets of Galaxy International Holdings were RMB35.855 billion and RMB6.644 billion, respectively. In the first half of 2023, Galaxy International Holdings achieved an operating revenue, a net profit and a net profit attributable to the parent company of RMB1.061 billion, RMB118 million and RMB118 million, respectively.
4. Galaxy Jinhui has a registered capital of RMB1.0 billion, in which the Company holds an equity interest of 100%. Its primary business is securities asset management. According to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises, as at the End of this Reporting Period, the total assets and net assets of Galaxy Jinhui were RMB1.625 billion and RMB1.374 billion, respectively. In the first half of 2023, Galaxy Jinhui achieved an operating revenue and a net profit of RMB218 million and RMB23 million, respectively.
5. Galaxy Yuanhui has a registered capital of RMB5.0 billion with the paid-in capital of RMB4.0 billion, in which the Company holds an equity interest of 100%. It primarily makes proprietary investment (including equity investment or debt investment) in enterprises, or invests in other investment funds related to equity investment and debt investment. According to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises, as at the End of this Reporting Period, the total assets and net assets of Galaxy Yuanhui were RMB4.720 billion and RMB4.441 billion, respectively. In the first half of 2023, Galaxy Yuanhui achieved an operating revenue and a net profit of RMB242 million and RMB153 million, respectively.

IX. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

As at the End of the Reporting Period, the Group consolidated 55 structured entities, including asset management schemes and partnerships. The factors considered when determining the inclusion of the above structured entities in the scope of consolidation include: the Group is the manager or de facto controller and has a certain amount of investment in each of these structured entities, enjoying a greater variable return in such structured entities. It identifies the right of control over certain asset management schemes and certain partnerships and incorporates them into the scope of the consolidation after taking into account factors such as its right of investment decision-making and the exposure to variable returns. At the End of the Reporting Period, the above-mentioned structured entities incorporated into the scope of the consolidation recorded equity attributable to the Company of RMB30.884 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Company maintains a long-term and prudent financial policy, focuses on management of asset liquidity and guarantees smooth financing channels. During the Reporting Period, the Company raised short-term funding primarily by means of interbank lending, repurchases, short-term commercial papers, short-term income certificates and margin and securities refinancing. Meanwhile, the Company may also borrow long-term capital through issuance of corporate bonds, subordinated bonds, perpetual subordinated bonds, convertible bonds and other ways approved by the competent authorities according to market environment and its own needs. At present, the Company has obtained consolidated credit line from several commercial banks and may employ the foregoing debt financing instruments in a comprehensive manner for raising funds according to its own business needs. As at the End of the Reporting Period, the line of credit granted to the Company amounted to approximately RMB458.9 billion.

XI. NUMBER OF EMPLOYEES, REMUNERATION AND TRAINING PLAN

As at the End of the Reporting Period, the Group had 13,411 employees (including sales account managers), of which 9,975 were employees of the Company (including sales account managers).

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

In terms of trainings for employees, the Company has adhered to the management model that combines centralised planning and hierarchical management. The Company has reasonably distributed training resources and enhanced training efficiency, based on which it puts more efforts on training, especially those for frontline business personnel, in order to achieve the goal of promoting business development and the full appreciation of human capital through training. During the Reporting Period, the Company organised 33 online and offline training sessions, with a total of 28,000 attendances. The content of the training involves management training, business training, professional skills training, and training for new employees, Party school training, etc., which has improved the comprehensive quality, professional competence, executive capability and innovation capability of professionals of all lines.

XII. RISK MANAGEMENT

During the Reporting Period, by focusing on the two major objectives of constant enhancement of risk management ability and effective prevention and control of significant risks, the Company continued to optimise and improve risk prevention and control mechanisms such as the business risk management of over-the-counter derivatives, negative list management and asset risk level classification management. Closely monitoring the market to strengthen risk monitoring and analysis, it strengthened forward-looking research and judgment, and evaluated and reviewed the risk appetite by combining different means like stress tests. It optimised and adjusted risk limits at different levels in a dynamic manner to reduce marginal incremental risks while safeguarding its business development; continued to increase investment in talents and resources in areas such as data governance, system construction and risk measurement to further enrich its professional risk management tools and further enhance its standards for automation and intelligence. The Company also continued to deepen the comprehensive "penetrating, full coverage" group risk management. It strengthened risk assessment, screening and control of key areas and key businesses to effectively address external contingencies such as Silicon Valley Bank, Credit Suisse, etc.. During the Reporting Period, the risks of the Company were generally under control and no significant risks arose.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Major Risks Affecting the Operations of the Company

The risks facing the Company in business activities mainly include, among others, market risk, credit risk, liquidity risk, operational risk and cybersecurity risk. During the Reporting Period, the Company adopted effective measures to actively address various risks and guarantee the conduct of operating activities in a safe manner.

(1) Market Risk

Market risk refers to the risk of the potential or actual loss incurred by the Company due to the fluctuation of the fair value or future cash flows in respect of financial instruments held or to be held by the Company resulting from the adverse changes in securities price, interest rate and currency rate, including securities price risk, interest rate risk and currency rate risk, etc. Market risk is mainly measured by professional indicators such as sensitivity and VaR, and managed through measuring, monitoring, dynamically adjusting the limit indicators by setting risk limits such as risk exposure, scale, concentration level, limit of loss, sensitivity and VaR. As at the End of the Reporting Period, the VaR (1D, 95% confidence interval) of the Group amounted to RMB191 million.

① *Securities Price Risk*

Securities price risk refers to the risk of the loss incurred by the Company's positions caused by the fluctuation of the fair value or future cash flows in respect of financial instruments due to the changes in market price of securities (stocks, products, etc.) (other than changes resulting from interest rate risk or currency rate risk).

The securities price risk of the Company mainly arose from the positions held in businesses such as proprietary capital investment and market making business. In order to control such risks effectively, the Company mainly adopted the following measures: firstly, it made use of financial derivatives such as futures and options to carry out effective risk hedging; secondly, it implemented stringent risk limit management to effectively control indicators such as risk exposure, scale, concentration level, limit of loss, VaR and sensitivity, and implemented risk monitoring, measurement, analysis, assessment and reporting for indicators such as risk limits to identify and deal with risks in a timely manner as well as adjusted the risk limits on a regular basis or from time to time after taking into account changes in the market, business operation and risk characteristics, thereby coping with the potential changes in risks; thirdly, it adopted quantitative analysis to assess risks in a timely manner, and carried out dynamic and forward-looking assessment of risks of the securities portfolio by adopting scenario analysis, sensitivity analysis, risk performance attribution, stress tests and other methods.

② *Interest Rate Risk*

Interest rate risk refers to the risk of the loss on fixed income assets and derivatives arising from adverse changes in, among others, risk-free interest rates, credit spreads, yield curve patterns and changes in basis spreads. The assets of the Company exposed to interest rate risks mainly include bank deposits, provision of settlement fund, refundable deposits and bonds. The Company used sensitivity indicators such as DV01 (Dollar Value of a Basis Point) as the main instrument for monitoring interest rate risk, and controlled indicators such as DV01 of the investment portfolio by optimising the allocation of fixed income instruments in terms of duration and convexity, as well as adopted derivatives such as treasury bond futures and interest rate swaps to hedge interest rate risk, thereby keeping interest rate risk within a controlled and affordable range. During the Reporting Period, the overall interest rate risk of the Company was under control.

MANAGEMENT DISCUSSION AND ANALYSIS

③ **Exchange Rate Risk**

Exchange rate risk refers to the risk of the loss incurred by the Company's positions held due to the adverse fluctuation in exchange rates. At present, the Company settles most of its transactions in RMB. With the continuous expansion of its international business and cross-border business as well as the progress in the internationalisation of RMB, the exchange rate risk of the Company will increase gradually. Currently, the Company mainly adopts reasonable and effective measures such as hedging with foreign exchange derivatives and setting limits on exchange rate risk exposure to manage its exchange rate risk.

(2) **Credit Risk**

Credit risk refers to the risk of incurring losses resulting from the failure of the borrower or counterparty to timely fulfill its contractual obligations. The Company managed credit risk mainly by evaluating credit risk in advance and following up credit risk afterward. In the pre-evaluation phase, the Company constantly improved the internal credit rating system, strengthened credit management, optimised the system of credit risk limits and strictly implemented the negative list management mechanism, thereby effectively controlling the front-end risks and leveraging the management tool of the same client to effectively prevent client concentration risk. In the management phase of the duration, the Company regularly evaluated and monitored the credit risk, continuously traced significant events that would affect clients' credit, timely adjusted the credit limit based on clients' credit status; constantly enhanced the ability in credit risk measurement and closely monitored the exposure to credit risk; carried out regular risk screening, strengthened risk classification and management, and continuously enhanced the capability in making risk early warning and prediction, to identify, report and deal with default risks in a timely manner, and formulate risk response measures or plans in advance.

During the Reporting Period, the Company's credit risk preference for bond investment remained relatively stable. The investors of credit bonds were mainly central enterprises and state-owned enterprises, with AA+ level or above accounting for approximately 95.99%, and the credit rating was generally high and the default risk was low. As at the End of the Reporting Period, the Company maintained an average margin ratio of 268% for its margin financing and securities lending clients with outstanding liabilities, and an average performance security of 278% for its stock pledged repurchase clients with outstanding liabilities. The overall credit risk of the Company was within the acceptable range.

(3) **Liquidity Risk**

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

To cope with and manage liquidity risk effectively, the Company mainly adopted the following measures: firstly, it established and continued to optimise the liquidity risk indicator system to measure and monitor the liquidity risk of the Company on a daily basis and issue risk early warning and report in a timely manner; secondly, it constantly optimised the model for liquidity risk measurement to improve the accuracy and foresight of the indicators; thirdly, it conducted regular stress tests to analyse and assess the liquidity risk level of the Company under stress scenarios; fourthly, it carried out regular emergency drills to constantly strengthen the Company's ability in tackling emergency in relation to liquidity; fifthly, it constantly optimised the asset and liability structure by establishing a hierarchical liquidity reserve system and diversified the capital replenishment channels through the money market, capital market and bank credit; sixthly, it strengthened the real-time monitoring and management of usage of large amounts of funds in order to achieve centralised fund allocation and coordinated liquidity risk management.

During the Reporting Period, the overall liquidity risk of the Company was under control, the high-quality liquid assets and reserves were relatively sufficient, and various liquidity risk control indicators met regulatory requirements continuously.

MANAGEMENT DISCUSSION AND ANALYSIS

(4) Operational Risk

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

In order to manage and control operational risk effectively, the Company mainly adopted the following measures: continuously improving the operational risk management mechanism; establishing a sound operational risk management system; setting up an organisational structure for operational risk management with clear powers and responsibilities, and implementing operational risk management responsibilities to specific business processes and specific positions; cultivating the operational risk awareness of all employees, and building the operational risk management culture with participation of all employees; enhancing the application of the three management tools of operational risk and control self-assessment (RCSA), key risk indicator management (KRI) and loss data collection (LDC), and establishing the linkage mechanism among the three tools, achieving closed-loop management before, during and after events. In addition, the operational risk identification, measurement, monitoring and reporting mechanism was established. The operational risk was managed in a hierarchical manner, and for processes with medium and higher level of operational risk incidents, critical risk indicators which exceed the threshold or processes with medium and higher level of residual risks, all relevant units were required to formulate action plans and rectify them in a practical manner. The Company established a work coordination mechanism of internal control and monitoring departments to realise the sharing of risk information and monitoring outcomes via system platforms, thereby improving the internal control linkage and work quality and efficiency, and promoting the sound development of the Company's internal control system via operational risk management. During the Reporting Period, the overall operational risks of the Company was within tolerable range.

(5) Cybersecurity Risk

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

In order to effectively cope with and manage the cyber risks, the Company mainly adopted the following measures: establishing and improving the cybersecurity management system, implementing the cybersecurity responsibility system, making full use of various technologies, building a sound cybersecurity technology ensuring system; formulating a system for disaster recovery and offsite backup within the same city, and ensuring a safe physical network environment; using data backup technology and hardware redundancy backup technology to improve the security level of hardware, software and data; maintaining good information security management and control in key matters, including network planning and isolation, information system security baseline, access to network, and office terminal control; deploying anti-virus and data anti-leakage systems and installing firewalls, application firewalls, traffic safety detection systems and other cybersecurity devices at network boundaries; conducting security vulnerability scanning on important systems on a regular basis; engaging external security companies to carry out security assessments, penetration tests and level evaluations for the essential systems of the Company; and formulating a comprehensive contingency plan for information system emergencies and organising drills on a regular basis. During the Reporting Period, the overall cybersecurity risk of the Company was under control and the important information technology systems of the Company were operated in a safe and stable manner.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Countermeasures and Measures Taken or to be Taken by the Company

The Company always attaches great importance to risk management, constantly improves the risk management system, strengthens the application of risk management methods and tools, promotes establishment of risk management information systems, implements risk management throughout the entire process, and further promotes risk management in a practical manner based on consolidated management, in a bid to ensure the Company's sustainable and steady operation.

(1) Deepening Establishment of the Group's Comprehensive Risk Management System

The Company's Board of Directors and management at all levels attach great importance to risk management, firmly establish a bottom-line thinking, practice the important mission of preventing and resolving financial risks, require leaders to deepen the Group's comprehensive risk management, continuously improve the risk management environment, enhance risk management, and improve the level of risk management. The Company has established and implemented the Group's risk appetite, optimised the hierarchical risk limit system based on the needs for business development and risk management, improved the process of risk management mechanism, strengthened the T+1 risk measuring and monitoring, constantly optimised the risk reporting system, strengthened publicity and training on risk management culture, and practically implemented the vertical risk management of subsidiaries, in order to effectively deepen the establishment of a risk management system with "full coverage and penetration" across the Group.

(2) Strengthening the Application of Risk Management Methods and Tools

The Company increased resources in strengthening risk assessment and measurement, enhancing the application of risk management methods and tools, thoroughly identifying risks in a timely manner, prudently assessing various types of risks, constantly monitoring risks, actively taking effective measures to deal with risks, and reporting risks in a timely and all-round manner. During the Reporting Period, the Company effectively measured risk indicators for snowballs, Greek alphabet, VaR, stress test loss, etc., based on which it improved backtesting and verification of measurement models and strengthened the management of risk measurement models for complex over-the-counter derivatives and parameters; continuously optimised the models for asset realisation, dynamic cash flow, liquidity stress tests and so forth to enhance its ability to measure and evaluate its liquidity risk indicators; applied the model for macro scenario stress tests and the one for corresponding risk transmission, and organised group comprehensive stress tests to enhance forward-looking risk research and judgement; further optimised the establishment of the management system for the same client and the same business, continued to facilitate the establishment and promotion of the application of the internal credit rating system, optimised the risk early warning model and system, perfected the negative list management mechanism, and effectively implemented the asset risk level classification management system; and continuously improved the operational risk management mechanism, strengthened the assessment on front-end operational risks associated with new businesses and products, promoted the full coverage of RCSA in key business processes, increased the effectiveness of KRI, established a linkage mechanism between LDC and RCSA, and enhanced the quality and efficiency of operational risk management tools.

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Strengthening the Intelligence of Risk Management Information System

Leveraging the “data middle-ground”, the Company built the Group’s risk data mart and supported the centralised integration and standardised control of the Group’s risk data, so as to achieve a comprehensive, timely and accurate collection and management of the various risk data of its parent and subsidiaries. On this basis, the Company built a professional risk management system cluster to improve the information, automation, and intelligence of risk management, and provided comprehensive support for risk measurement, monitoring, early warning, reporting, and so on. It also built a comprehensive risk management platform, consolidated the results of various professional risk management systems, and realised the Group’s risk information aggregation and multi-dimensional displays and reports. As at the End of the Reporting Period, the Company has built a group risk data mart, a market risk measurement platform, an internal credit rating system, an operational risk management system, a financing business risk monitoring system, a liquidity risk management system, a consolidated financial statement management system, an economical capital measurement system, and comprehensive risk management platform, etc. The proportion of spending on independent research and development was enhanced, and the establishment and function enhancement of various risk management systems was steadily advancing, effectively supporting the risk management of the Group.

(4) Implementing Whole-process Risk Management

The Company applies risk management to the entire business process, and the measures include the performance of risk assessment before launching business, the design of risk control process, risk control indicator and threshold setting and risk management supporting system, and the improvement of corresponding risk monitoring information system. Apart from that, pre-assessment and audit in the course of business, in-process risk measurement, independent monitoring, risk screening and risk reporting are conducted in addition to the post-incident risk assessment and risk disposition to enable risk management to effectively cover the entire process of business.

(5) Deepening “Full-coverage, Penetrating” Vertical Risk Management

The Company set up a unified vertical risk management mechanism for its subsidiaries via the formulation and implementation of differentiated risk management plan on subsidiaries. Pre-assessment of the risks faced by subsidiaries in basic systems, important quotas, major investment decision-making, new business and new products has effectively controlled the key risks for subsidiaries. Subsidiaries at all levels were incorporated in the consolidated risk management system of the Group. System alignment and comprehensive data collection between parent and subsidiaries were promoted to integrate the subsidiaries’ risks into the unified risk measurement, monitoring and reporting of the T+1 Group. A daily communication mechanism between parent and subsidiaries was established for vertical management of key risk positions in subsidiaries, such as Chief Risk Officer. In addition, the Group assigned key personnel in overseas subsidiaries to ensure the effective operation of the vertical risk management system of subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Risk Control Indicators of the Company

The Company established a sound risk control indicator management mechanism and formulated the Management Measures for Risk Control Indicators of the Company to standardise the management of risk control indicators from a systematic perspective. The Company established and continuously optimised the dynamic monitoring system for risk control indicators to conduct dynamic monitoring and analysis of risk control indicators and give an early warning, through which it can report and deal with various abnormalities in a timely manner, so as to ensure that all risk control indicators always meet the regulatory requirements. During the Reporting Period, the Company's net capital remained robust and various risk control indicators met regulatory standards.

During the Reporting Period, the Company strengthened asset-liability matching management so as to ensure the safety of its liquidity, the reasonable pricing of assets and the optimisation of asset allocation, striving to improve its asset-liability management level. The Company established a dynamic top-up mechanism and made long-term top-up plans for net capital. The Company raised short-term capital to increase its liquidity coverage ratio by issuing income certificates and short-term commercial papers, etc. It replenished the long-term available stable fund to increase the net stable funding ratio through the issuance of long-term corporate bonds and perpetual subordinated bonds so as to ensure a dynamic balance between the business development and risk resistance capability of the Company. The Company made proper capital allocation and debt financing arrangements. When the capital adequacy target continued to fall or there were potentially significant adverse factors, the Company could initiate the financing plan at an appropriate time based on the market conditions to guarantee the level of capital adequacy. As at the End of the Reporting Period, the Company had 8 existing long-term subordinated bonds and 5 existing perpetual subordinated bonds to replenish net capital of subsidiaries with RMB30.238 billion. During the Reporting Period, the Company's net capital and other risk control indicators consistently met the relevant regulatory requirements.

As at the End of the Reporting Period, the major risk control indicators of the Company were as follows:

Items	End of the Reporting Period	End of Last Year
Net capital (RMB)	91,700,845,962.39	79,078,332,752.04
Net assets (RMB)	113,551,679,470.58	99,247,339,423.44
Sum of risk capital requirements (RMB)	35,324,968,359.92	30,133,369,003.13
Risk coverage ratio (%) ^{Note 1}	259.59	262.43
Capital leverage ratio (%) ^{Note 2}	10.82	12.42
Liquidity coverage ratio (%) ^{Note 3}	265.26	354.93
Net stable funding ratio (%) ^{Note 4}	130.25	129.89
Net capital/net assets (%)	80.76	79.68
Net capital/liabilities (%)	22.33	22.14
Net assets/liabilities (%)	27.65	27.79
Proprietary equity securities and securities derivatives/net capital (%)	44.70	36.69
Proprietary fixed-income securities/net capital (%)	338.42	347.37

Notes:

1. Risk coverage ratio = net capital/sum of risk capital requirements x 100%
2. Capital leverage ratio = core net capital/total assets on and off the balance sheet x 100%, where core net capital does not exclude risk adjustments for contingent liabilities such as guarantees.
3. Liquidity coverage ratio = high-quality liquid assets/net cash outflows within next 30 days x 100%
4. Net stable funding ratio = available stable funding/required stable funding x 100%

MANAGEMENT DISCUSSION AND ANALYSIS

XIII. CONNECTED TRANSACTIONS

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

On 28 December 2021, the Company entered into the Securities and Financial Services Framework Agreement with Galaxy Financial Holdings, pursuant to which the Group shall, during the period from 1 January 2022 to 31 December 2024, provide securities and financial services based on normal commercial terms to Galaxy Financial Holdings and its subsidiaries (“Galaxy Financial Holdings Group”), including (1) securities brokerage services, (2) sales agency services, (3) leasing of trading seats and (4) other related securities and financial services. The Group shall receive service charges and commissions from Galaxy Financial Holdings Group for the provision of such services and shall pay interest to Galaxy Financial Holdings Group in respect of its funds entrusted to the Group in connection with such services. The service charges and commissions receivable and interest payable by the Group shall be based on negotiation between the parties with reference to the prevailing market rates and shall be in compliance with the applicable laws and regulations. Galaxy Financial Holdings is the controlling shareholder of the Company and therefore a connected person of the Company. As such, the transaction constitutes a continuing connected transaction of the Company under the Stock Exchange Listing Rules.

For the three years ending 31 December 2024, the annual caps of the service charges and commissions payable by Galaxy Financial Holdings Group to the Group for the provision of securities and financial services under the Securities and Financial Services Framework Agreement will be RMB458 million, RMB499 million and RMB541 million, respectively, and the annual caps of the interest payable by the Group to Galaxy Financial Holdings Group for the entrusted funds will be RMB25 million, RMB30 million and RMB35 million, respectively. As the annual caps in respect of the applicable percentage ratios under the Stock Exchange Listing Rules are more than 0.1% but less than 5%, the transactions are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders’ approval requirement under the Stock Exchange Listing Rules.

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

Unit: RMB million

	Actual transaction amount from 1 January to 30 June 2023	Annual cap for 2023
Revenue		
Securities brokerage services	1.41	
Sales agency services	2.14	
Leasing of trading seats	3.76	
Other related securities and financial services	0.88	
Sub-total	8.19	499
Expenses		
Interest expenses	0.48	30

Note: Other related securities and financial services income represents income from fees and charges receivable from Galaxy Financial Holdings Group’s custodian business and asset management business.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Framework Agreement on Subscription and Redemption of Income Certificates entered into between the Company and Galaxy Financial Holdings

On 4 November 2022, the Company entered into the Framework Agreement on Subscription and Redemption of Income Certificates with Galaxy Financial Holdings, pursuant to which Galaxy Financial Holdings Group, during the period ending 31 December 2024, will subscribe for or redeem the income certificates issued by the Group, including principal-protected fixed income certificates (the “Fixed Income Certificates”) and principal-protected floating income certificates (the “Floating Income Certificates”). For the Fixed Income Certificates, the interest rates shall be determined with reference to the prices of short-term commercial papers and corporate bonds issued by securities companies and the trend of the prevailing market prices, taking into account the Group’s capital and market demand; for the Floating Income Certificates, the interest rates shall be determined in accordance with the derivative pricing model or by reference to the expected changes in the prices of the underlying targets. The interest rates and other terms of the income certificates will apply equally to all investors who subscribe for the same income certificates. Galaxy Financial Holdings is the controlling shareholder of the Company and therefore a connected person of the Company. As such, the transaction constitutes a continuing connected transaction of the Company under the Stock Exchange Listing Rules.

For each of the three years ending 31 December 2024, the annual cap for the subscription by Galaxy Financial Holdings Group of the income certificates issued by the Group under the Framework Agreement on Subscription and Redemption of Income Certificates will be RMB3,500 million, and the annual cap for the redemption by Galaxy Financial Holdings Group of the income certificates issued by the Group under the Framework Agreement on Subscription and Redemption of Income Certificates will be RMB3,500 million. As the annual caps in respect of the applicable percentage ratios under the Stock Exchange Listing Rules are more than 0.1% but less than 5%, the transactions are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders’ approval requirement under the Stock Exchange Listing Rules.

Unit: RMB million

	Actual transaction amount from 1 January to 30 June 2023	Annual cap for 2023
Amount of subscription by Galaxy Financial Holdings Group of income certificates issued by the Group	940.00	3,500
Amount of redemption by Galaxy Financial Holdings Group of income certificates issued by the Group	372.23	3,500

(3) Framework Agreement on Securities and Financial Products Transactions entered into between the Company and Galaxy Financial Holdings

On 30 June 2023, the Company and Galaxy Financial Holdings entered into the Framework Agreement on Securities and Financial Products Transactions, pursuant to which, during the period from 30 June 2023 to 31 December 2025, the Group, in the ordinary course of its business and on normal commercial terms, will engage in securities and financial products transactions with Galaxy Financial Holdings Group, including ① fixed-income securities products, ② derivatives relating to fixed-income products, ③ equity products, ④ financing transactions, and ⑤ other related securities and financial products transactions permitted by the regulatory authorities. The securities and financial products transactions, whether conducted in the PRC interbank bond market, the PRC exchange market, the open-ended fund market or other over-the-counter market, shall be conducted on normal commercial terms at the prevailing market prices or market rates of similar transactions with independent third parties. The pricing of these transactions is subject to strict regulation in the PRC and shall be in compliance with applicable PRC laws and regulations. Galaxy Financial Holdings is the controlling shareholder of the Company and therefore a connected person of the Company. As such, the transaction constitutes a continuing connected transaction of the Company under the Stock Exchange Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

The Framework Agreement on Securities and Financial Products Transactions was approved by the independent shareholders of the Company on 29 June 2023 with effect from the date of signing (i.e. 30 June 2023). Upon the Framework Agreement on Securities and Financial Products Transactions taking effect, the Framework Agreement on Subscription and Redemption of Income Certificates dated 4 November 2022 between the Company and Galaxy Financial Holdings was terminated and the transactions and annual caps thereunder were regulated under the Framework Agreement on Securities and Financial Products Transactions.

For the three years ending 31 December 2025, the maximum aggregate net inflows from securities and financial products transactions (excluding financing transactions) of the Group under the Framework Agreement on Securities and Financial Products Transactions will be RMB25,500 million, RMB30,900 million and RMB39,100 million, respectively, and the maximum aggregate net outflows will be RMB26,000 million, RMB31,400 million and RMB39,700 million, respectively. The maximum daily balance (including accrued interest) of each of the facilities provided by the Galaxy Financial Holdings Group to the Group by way of pledge repurchase transactions under the Framework Agreement on Securities and Financial Products Transactions is RMB5,300 million. As the annual caps in respect of the applicable percentage ratios under the Stock Exchange Listing Rules are more than 5%, the transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Stock Exchange Listing Rules.

During the Reporting Period, the Group was not engaged in transactions regarding securities and financial products with Galaxy Financial Holdings Group which are disclosable under the Stock Exchange Listing Rules.

XIV. ADMINISTRATIVE SUPERVISORY MEASURES AND RELATED MATTERS FACED BY THE COMPANY AND ITS BRANCHES DURING AND SUBSEQUENT TO THE REPORTING PERIOD

1. During the Reporting Period, the Company was not subject to any administrative penalties or administrative supervisory measures by the financial regulatory authorities.
2. The administrative penalties and administrative regulatory measures imposed by financial regulatory authorities on the Company during the period from the End of the Reporting Period to the disclosure date of this report:

On 19 July 2023, Rizhao Weihai Road Securities Branch of the Company received the Decision on Adoption of Administrative Regulatory Measures to Issue Warning Letters from the CSRC Shandong Bureau for Rizhao Weihai Road Securities Branch of China Galaxy Securities Co., Ltd., which stated that the branch of the Company had following issues: 1. the branch offered gifts to customers during marketing activities. 2. no timely management measures were taken after the branch was aware of the operation of customers' accounts by third parties. 3. the branch failed to promptly discover and correct any issues identified during customers' revisits. 4. the branch did not effectively separate its functions of marketing, compliance and risk control, and account management. The Company has urged the branch to make active rectification, take effective measures, improve internal control, enhance the management of marketing activities, and follow the requirements regarding the real-name system for accounts and customers' revisits, so as to ensure the effective separation of functions of compliance and account management with the marketing function and improve compliance management level.

XV. CAPITAL INCREASE OF A SUBSIDIARY

1. In January 2023, Galaxy Yuanhui completed the change of business registration and increased its registered capital from RMB3.0 billion to RMB5.0 billion. In January 2023, the Company completed the first tranche of capital contribution of RMB1.0 billion with the paid-up capital increased to RMB4.0 billion.
2. In July 2023, the Company made a capital contribution of RMB500 million to Galaxy Capital, and Galaxy Capital completed the change of business registration, and both the registered capital and the paid-in capital increased from RMB1.0 billion to RMB1.5 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Upon verification, the Company and its subsidiaries do not fall into the category of key pollutant discharging units announced by the environmental protection authorities.

The Company strictly complies with laws and regulations on environmental protection such as the Environmental Protection Law of the People's Republic of China, the Law on Prevention and Control of Water Pollution of the People's Republic of China, the Law on Prevention and Control of Atmospheric Pollution of the People's Republic of China and the Law on Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China. During the Reporting Period, the Company was not subject to any punishment for violating relevant laws and regulations on environmental protection. The Company's impact on the environment is mainly the consumption of energy and related emissions in its daily operation, and the impact is relatively small. The specific office emissions data and related management information will be disclosed in the Company's 2023 Social Responsibility Report.

Protecting the Ecology, Preventing and Controlling Pollution, and Fulfilling Environmental Responsibilities

During the Reporting Period, the Company underwrote a total of 9 green bonds of approximately RMB127.0 billion, contributing to the goal of "carbon peaking and carbon neutrality". In particular, the Company assisted Xinjiang Bank in issuing green financial bonds to further serve the dual-carbon strategy in the regions along the Belt and Road Initiative. It supported Jingzhou City Jingzhou Development Group Co., Ltd. (荆州市荆州開發集團有限公司) in issuing the first carbon neutrality-related green corporate bond in Hubei Province, promoting the green and low-carbon development of the local economy and showing a strong demonstration effect. It assisted the Shanxi Provincial Government in issuing special bonds for ecological protection and high-quality development of the Yellow River Basin to support the ecological and environmental governance of the Yellow River Basin and to promote the conservation and intensive use of water resources. Meanwhile, the Company has been the director body and academic supporter of the Green Finance Cooperation Committee of the Asian Financial Cooperation Association (AFCA), and has taken the lead in writing the ACFA Green Finance Practice Report for four consecutive years.

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

As the Company is a financial enterprise focusing on business office affairs and with low energy consumption and mild pollution, it does not cause significant impact on the natural environment and natural resources. The routine resource consumption mainly includes electricity in offices, gasoline for company cars, tap water and office paper. Major emissions are carbon emissions from energy consumption, domestic sewage, office and domestic garbage from routine office operation and other harmless wastes. Based on its actual operation, the Company is committed to controlling greenhouse gas emissions per unit area, electricity consumption per unit area and water consumption per unit area at a low level, and further improving the identification and statistics of the sources of waste to endeavour to reduce the generation of non-hazardous waste and hazardous waste.

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

As far as waste management is concerned, the Company selected a qualified professional recycler to recycle toner cartridges, ink cartridges and other office equipment consumables, achieving 100% recycling and reducing environmental pollution.

MANAGEMENT DISCUSSION AND ANALYSIS

Details of Work on Consolidation and Expansion of Achievements in Poverty Alleviation and Rural Revitalisation

During the Reporting Period, the Company studied and carried out the important remarks of General Secretary Xi Jinping on the revitalisation of rural areas, seriously implemented the decision and deployment of CIC on the assistance work on targeted areas, as well as the calls and requests of CSRC and the Securities Association of China on the assistance work. The Company, which has always regarded the assistance work on rural revitalisation as a political task and an honourable mission, focused on “holding onto the bottom line, facilitating development, promoting revitalisation and strengthening guarantees”, and deeply promoted the effective connection between the consolidation and expansion of the achievements in poverty alleviation in the assisted areas and the rural revitalisation.

During the Reporting Period, the Company deliberated over and arranged assistance work, held special meetings on assistance work, and went to Jingning County in Gansu Province to carry out research.

The Company systematically disbursed a total of RMB8.26 million in assistance funds during the Reporting Period. The Company invested RMB6.80 million of support funds in Jingning County and introduced RMB26.06 million of gratuitous assistance funds and RMB13.05 million of paid assistance funds for consolidating the achievements in poverty alleviation and assistance projects associated with revitalisation in industry, culture, talents, ecology and organisation. The Company donated RMB300,000 to Xinghe County in Inner Mongolia for medical assistance projects. Galaxy Futures, its subsidiary, donated RMB1.16 million for assistance projects in Yanchang County in Shaanxi, Wangdu County in Hebei, Ningling County in Henan, Shibing County in Guizhou, etc.

During the Reporting Period, the Company spent RMB5.425 million on consumption assistance, assisted sales of agricultural products of RMB3.911 million, and donated a suit of cotton-padded clothes to each of the 454 impoverished students in Jingning County.

During the Reporting Period, the Company systematically carried out co-building activities with relevant bureaus, villages and enterprises in Jingning County.

During the Reporting Period, the Company had five temporary cadres in Jingning County, namely the Deputy County Governor, the Deputy Director of the Rural Revitalisation Bureau, the Deputy Director of the Bureau of Agriculture and Rural Affairs, the Deputy Director of the Bureau of Human Resources and Social Security, and the First Party Secretary of a village. The Company had a temporary cadre in Heze City, Shandong Province, who is the first Party secretary of a village.

During the Reporting Period, the Company’s experience of industrial assistance in Jingning County was published in the Report on Rural Revitalisation of the National Rural Revitalization Administration and the Work Dynamics of CIC, and the achievements in assistance were widely reported by a number of media outlets, such as Xinhuanet.com, Cnr.cn and Futures Daily.

CHANGES IN ORDINARY SHARES AND OTHER SITUATION

I. CHANGE IN SHARE CAPITAL

(I) Changes in Shares

Unit: Share(s)

	Before change		New shares issuance	Increase or decrease after change (+,-)				After change	
	Number of shares	Percentage (%)		Bonus shares	Reserve capitalisation	Others	Sub-total	Number of shares	Percentage (%)
i. Shares subject to selling restriction	-	-	-	-	-	-	-	-	-
ii. Shares not subject to selling restriction	10,137,279,676	100	-	-	-	209,837,449	209,837,449	10,347,117,125	100
1. Renminbi-denominated ordinary shares	6,446,295,043	63.59	-	-	-	209,837,449	209,837,449	6,656,132,492	64.33
2. Domestic listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	3,690,984,633	36.41	-	-	-	-	-	3,690,984,633	35.67
4. Others	-	-	-	-	-	-	-	-	-
iii. Total number of shares	10,137,279,676	100	-	-	-	209,837,449	209,837,449	10,347,117,125	100

(II) Description of Changes in Shares

In accordance with the provisions of the Prospectus in relation to the Public Offering of A-share Convertible Bonds by the Company and relevant laws and regulations, the China Galaxy Convertible Bonds are convertible into shares of the Company with effect from 30 September 2022 and the conversion period is valid until 23 March 2028.

Conversion during the Reporting Period: During the Reporting Period, the China Galaxy Convertible Bonds in a total amount of RMB2,083,703,000 were converted into the Company's ordinary A Shares, and the number of shares resulting from the conversion was 209,837,449 shares.

Cumulative conversion: During the period from 30 September 2022 to the End of the Reporting Period, the China Galaxy Convertible Bonds in a total amount of RMB2,083,912,000 were converted into the Company's ordinary A Shares, and the number of shares resulting from the conversion was 209,858,368 shares.

In summary, the total share capital of the Company changed from 10,137,279,676 shares to 10,347,117,125 shares at the End of the Reporting Period.

(III) Impact on Financial Indicators such as Earnings per Share and Net Assets per Share as a result of Share Changes between the End of the Reporting Period and the Date of Disclosure of the Interim Report

Holders of China Galaxy Convertible Bonds continued to make conversion during the period from the End of the Reporting Period to the disclosure date of this report. For details of conversion, please refer to the information on conversion of China Galaxy Convertible Bonds via daily announcements on the website of SSE and relevant announcements of the Company. As at the End of the Reporting Period, the outstanding amount of China Galaxy Convertible Bonds was RMB5.716 billion. After estimation, assuming that China Galaxy Convertible Bonds will be fully converted into ordinary A Shares of the Company subsequent to the Reporting Period, dilution to the Company's earnings per share for the Reporting Period will not exceed RMB0.03/share, and dilution to net assets per share at the end of the Reporting Period will not exceed RMB0.48/share. This indicates that impact on financial indicators of the Company, such as earnings per share and net assets per share, will be relatively small.

CHANGES IN ORDINARY SHARES AND OTHER SITUATION

II. INFORMATION OF SHAREHOLDERS

(I) Total Number of Shareholders

Total number of holders of ordinary shares as at the End of the Reporting Period (account)	121,427
Total number of preference shareholders with voting rights restored as at the End of the Reporting Period (account)	0

Note: The total number of shareholders includes the number of holders of ordinary A Shares and registered holders of H Shares. As at the End of the Reporting Period, 120,769 accounts were holders of A Shares and 658 accounts were registered holders of H Shares.

(II) Shareholdings of the Top 10 Shareholders and Top 10 Holders of Circulating Shares (or Holder of Shares not Subject to Selling Restrictions) as at the End of the Reporting Period

Unit: Share(s)

Name of shareholders	Increase or decrease during Reporting Period	Shareholdings of the top 10 shareholders			Pledged, marked or frozen		
		Number of shares held as at the End of the Reporting Period	Percentage (%)	Number of shares held subject to selling restrictions	Status of shares	Number of shares	Nature of shareholders
Galaxy Financial Holdings	0	5,186,538,364	50.13	0	Nil	0	State-owned legal person
HKSCC Nominees Limited (Note 1)	35,000	3,688,353,546	35.65	0	Nil	0	Overseas legal person
China Securities Finance Corporation Limited	0	84,078,210	0.81	0	Nil	0	State-owned legal person
Hong Kong Securities Clearing Company Limited (Note 2)	-33,135,496	52,599,955	0.51	0	Nil	0	Overseas legal person
Bank of Lanzhou Co., Ltd.	0	41,941,882	0.41	0	Nil	0	Domestic non-state-owned legal person
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	-1,383,074	25,613,550	0.25	0	Nil	0	Others
China Construction Bank Corporation – Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	-261,254	19,510,328	0.19	0	Nil	0	Others
Zhongshan Financial Investment Holdings Co., Ltd.	-3,124,500	15,728,813	0.15	0	Nil	0	State-owned legal person
The National Social Security Fund 602 Composition	14,988,855	14,988,855	0.14	0	Nil	0	Others
Jiaxing Highway Investment Co., Ltd.	0	11,497,828	0.11	0	Nil	0	State-owned legal person

CHANGES IN ORDINARY SHARES AND OTHER SITUATION

Shareholdings of the top 10 holders of shares not subject to selling restrictions

Name of shareholders	Number of circulating shares held not subject to selling restrictions	Type and number of shares held	
		Type	Number
Galaxy Financial Holdings	5,186,538,364	A Shares H Shares	5,160,610,864 25,927,500
HKSCC Nominees Limited (Note 1)	3,688,353,546	H Shares	3,688,353,546
China Securities Finance Corporation Limited	84,078,210	A Shares	84,078,210
Hong Kong Securities Clearing Company Limited (Note 2)	52,599,955	A Shares	52,599,955
Bank of Lanzhou Co., Ltd.	41,941,882	A Shares	41,941,882
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	25,613,550	A Shares	25,613,550
China Construction Bank Corporation – Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	19,510,328	A Shares	19,510,328
Zhongshan Financial Investment Holdings Co., Ltd.	15,728,813	A Shares	15,728,813
The National Social Security Fund 602 Composition	14,988,855	A Shares	14,988,855
Jiaying Highway Investment Co., Ltd.	11,497,828	A Shares	11,497,828
Description of special repurchase accounts among the top ten shareholders	Nil		
Description of the voting rights exercised by proxy of the above shareholders, the voting rights exercised by the above shareholders as authorized by and on behalf of other shareholders, the voting rights the above shareholders abstained from	Nil		
Description of the associated relationship of or action in concert among the aforesaid shareholders	The Company is not aware of any associated/connected relationship of or any parties acting in concert among the aforesaid shareholders. In particular, the shares held by HKSCC Nominees Limited are H shares entrusted by overseas investors; the shares held by Hong Kong Securities Clearing Company Limited are A shares held by overseas investors through Shanghai Stock Connect.		
Preference shareholders with voting rights restored and number of shares held	Nil		

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

Note 2: Hong Kong Securities Clearing Company Limited is the nominee holder of the A Shares held by the investors through Shanghai Stock Connect.

I. INTERIM DIVIDEND

The Board does not recommend to declare the payment of interim dividend to the shareholders of the Company for the six months ended 30 June 2023.

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

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

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

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

OTHER INFORMATION

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

As at the End of the Reporting Period, to the knowledge of the Directors after making reasonable inquiries, the following persons (other than Directors, Supervisors or chief executive of the Company) had the following interests or short positions in shares or underlying shares of the Company required to be disclosed to the Company in accordance with Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under Section 336 of the SFO:

Name of substantial shareholders	Class of shares	Nature of interest	Number of shares held (share) (Note 1)	Percentage of the total number of issued shares of the Company (%)	Percentage of the total number of issued A Shares/H Shares of the Company (%)	Long position/short position/shares available for lending
Huijin (Note 2)	A Shares	Interests of controlled corporation	5,160,610,864	49.87	77.53	Long position
	H Shares	Interests of controlled corporation	25,927,500	0.25	0.70	Long position
Galaxy Financial Holdings (Note 2)	A Shares	Beneficial owner	5,160,610,864	49.87	77.53	Long position
	H Shares	Beneficial owner	25,927,500	0.25	0.70	Long position
Wenze International Investment Limited (Notes 3 & 4)	H Shares	Beneficial owner	219,524,000	2.12	5.95	Long position
Wang Yili (Note 3)	H Shares	Interests of controlled corporation	219,524,000	2.12	5.95	Long position
Yan Yuqing (Note 4)	H Shares	Interests of controlled corporation	219,524,000	2.12	5.95	Long position
Black Rock, Inc. (Note 5)	H Shares	Interests of controlled corporation	185,878,203	1.80	5.04	Long position
	H Shares	Interests of controlled corporation	12,261,500	0.12	0.33	Short position

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

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

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

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

Note 5: Black Rock, Inc. holds a long position of 185,878,203 H Shares and a short position of 12,261,500 H Shares through various entities under its control, among which a short position of 3,470,000 H Shares is related to derivatives classified as: unlisted derivatives – cash settled.

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

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

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

VI. COMPLIANCE WITH THE CG CODE

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

During the Reporting Period, the Company had been in strict compliance with all code provisions of the CG Code, and met the requirements of most of the recommended best practice provisions set out in the CG Code.

VII. COMPLIANCE WITH THE MODEL CODE

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

OTHER INFORMATION

VIII. OPERATION OF THE BOARD AND ITS SPECIAL COMMITTEES

As at the date of the report, the Board currently comprises 11 Directors, including 2 executive Directors, 5 non-executive Directors and 4 independent non-executive Directors.

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

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

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

During the Reporting Period, the Board convened 1 annual general meeting, submitted 8 proposals for shareholders' consideration, and review 1 proposal; and convened 1 extraordinary general meeting and submitted 5 proposals for shareholders' consideration. The Board actively organized, supervised and followed up with the implementation of the resolutions passed at general meetings. The Board convened 4 Board meetings to consider 26 proposals. The Strategy and Development Committee convened 3 meetings, the Compliance and Risk Management Committee convened 1 meeting, the Nomination and Remuneration Committee convened 2 meetings, and the Audit Committee convened 3 meetings. The special committees gave full play to their own professional strengths, provided strong support for the decision-making of the Board and further enhanced the efficiency and level of decision-making of the Board.

In particular, the Audit Committee and the management have reviewed the accounting policies adopted by the Company, discussed matters including the risk management, internal control and financial statements of the Company, and fully reviewed the consolidated interim financial information and interim report of the Company for the six months ended 30 June 2023. The external auditor of the Company has reviewed the interim financial information in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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

IX. OPERATION OF THE SUPERVISORY COMMITTEE

The Supervisory Committee currently comprises 5 Supervisors, including 2 employee Supervisors.

Supervisory Committee	Chairperson	Supervisors
Supervisor	Qu Yanping	Wei Guoqiang, Tao Libin, Chen Jijiang (employee Supervisor), Fan Minfei (employee Supervisor)

The Supervisors performed their duties diligently and supervised the operation of the Company in accordance with relevant laws and regulations, including the Company Law and the Securities Law of the PRC, and the relevant requirements of the Articles of Association, so as to protect the legitimate interests of the Company and its shareholders. During the Reporting Period, the Supervisory Committee convened 2 meetings. The Performance Monitoring Committee convened 3 meetings while the Financial Monitoring Committee convened 2 meetings.

X. MATERIAL LITIGATIONS

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

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

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

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

XII. RELEVANT SUBSEQUENT EVENTS

1. Material equity investment

For details, please refer to “Capital Increase of a Subsidiary” as set out in the section headed “Management Discussion and Analysis” contained in this report.

2. Issuance of bonds

For details, please refer to “Relevant Information of Bonds” as set out in the section headed “Management Discussion and Analysis” contained in this report.

OTHER INFORMATION

XIII. CHANGE IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Changes
Li Hui	Director	Election
Du Pengfei	Business Director, Member of the Executive Committee and Secretary of the Board	Resignation
Liu Bing	Business Director, Member of the Executive Committee	Appointment

1. On 10 March 2023, the Company held the 2023 first extraordinary general meeting and elected Ms. Li Hui as a non-executive Director of the fourth session of the Board of the Company.
2. On 27 April 2023, at the seventeenth meeting (regular) of the fourth session of the Board of the Company, the Resolution on Reviewing the Cessation of Mr. Du Pengfei to Serve as the Company's Business Director, Secretary of the Board and Member of the Executive Committee was considered and passed. It was agreed that Mr. Du Pengfei ceased to serve as the Company's Business Director, secretary of the Board, member of the Executive Committee and other related positions, and that Mr. Xue Jun, a Vice President, the person in charge of finance, and a member of the Executive Committee of the Company, performed duties as the secretary of the Board. On 27 July 2023, Mr. Xue Jun had performed duties as the secretary of the Board for three months. According to the relevant provisions of the SSE Listing Rules, Mr. Chen Liang, the chairman of the Board of the Company, has performed duties as the secretary of the Board from the same date with immediate effect.
3. On 10 August 2023, at the eighteenth meeting (interim) of the fourth session of the Board of the Company, the Resolution on the Proposed Appointment of Mr. Liu Bing as the Company's Business Director and a Member of the Executive Committee was considered and passed. It was agreed that Mr. Liu Bing was appointed as the Company's Business Director and a Member of the Executive Committee, with effect from the date of consideration and approval of this resolution.

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

In May 2021, the International Accounting Standards Board issued the amendments to the International Accounting Standard ("IAS") 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments narrowed the scope of the initial recognition exemption of IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases. Therefore, the Group is required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments would take effect for the annual reporting periods commencing on or after 1 January 2023. The Group has adjusted the relevant accounting data on the consolidated statement of financial position as at 31 December 2022, and the comparative figures for the prior year on the consolidated statement of profit or loss to reflect the cumulative impact of the aforementioned amendments. For details, please refer to the section 2.2 in the Notes to the Interim Condensed Consolidated Financial Statements.

XV. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

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

Full Name of Partners of the Contracts	Date of the Contracts	Period and Expiration date of the Contracts	Summary of the Contracts	Amount of the Contracts (RMB ten thousand)	Notes
SSE Technology Co., Ltd.	18 December 2017, 11 September 2020 (renewal), 15 October 2021 (renewal)	The contract is valid from 1 January 2019 to 31 December 2019. The contract may be extended for one year each time if there is no objection from both parties to the contract.	SSE Technology Co., Ltd. shall provide the Company with services of the "Securities Technology Building" Data Center, No. 1 Huajing Road, Waigaoqiao Free Trade Zone, Pudong, Shanghai, including basic services, operation support services and customized services.	Annual billing in accordance with the fee schedule	-
SSE Technology Co., Ltd.	25 January 2021, 12 October 2021 (renewal)	The contract is valid from 1 June 2021 to 31 May 2025. The contract may be extended as agreed.	SSE Technology Co., Ltd. shall provide the Company with services of the "Golden Bridge" Data Center, No. 399 Longhu Road, Pudong New Area, Shanghai, including data center technology services, data center operation support services and data center customized services.	Annual billing in accordance with the fee schedule	-
Shanghai Kafang Information Technology Co., Ltd.	12 June 2023	The service term of the contract is valid until 31 December 2023.	Shanghai Kafang Information Technology Co., Ltd. shall provide Kafang's active intelligent credit note algorithm services to the Company and be responsible for the installation, user training, technical support and maintenance of Kafang's active intelligent credit note algorithm related systems.	1,920.00	-
Conteni Trading Solutions Sdn Bhd	23 November 2022	The service term of the contract is valid until 22 November 2027.	Back-office system procurement and development.	2,531.90	Procurement of information systems for overseas subsidiaries

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

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

INTRODUCTION

We have reviewed the accompanying interim financial information of China Galaxy Securities Co., Ltd. (the “Company”) and its subsidiaries (the “Group”), which comprise the interim condensed consolidated statement of financial position as at 30 June 2023 and the related interim condensed consolidated statement of profit or loss and comprehensive income, changes in equity and cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board.

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

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

30 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023
(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited) (Restated)
Revenue			
Commission and fee income	5	3,781,277	4,279,933
Interest income	6	7,299,315	7,096,372
Investment income and gains or losses	7	4,664,943	3,402,197
		15,745,535	14,778,502
Income from bulk commodity trading		7,000,573	8,194,686
Other income, gains or losses	8	260,725	175,428
Total revenue, gains and other income		23,006,833	23,148,616
Impairment losses, net of reversal	14	(27,641)	(50,894)
Credit loss expense	14	79,178	(32,261)
Depreciation and amortization	9	(531,431)	(453,123)
Staff costs	10	(3,573,414)	(3,365,646)
Commission and fee expenses	11	(491,007)	(503,860)
Interest expenses	12	(5,094,547)	(4,422,448)
Cost from bulk commodity trading		(6,952,653)	(8,189,100)
Other operating expenses	13	(1,251,839)	(1,132,652)
Total expenses		(17,843,354)	(18,149,984)
Share of result of joint ventures		(7,246)	(178)
Profit before income tax		5,156,233	4,998,454
Income tax expense	15	(216,803)	(670,779)
Profit for the period		4,939,430	4,327,675
Profit for the period attributable to:			
Owners of the Company		4,939,222	4,327,003
Non-controlling interests		208	672
Earnings per share (Expressed in RMB per share)			
– Basic	16	0.45	0.39
– Diluted	16	0.43	0.38

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited) (Restated)
Profit for the period	4,939,430	4,327,675
Other comprehensive income/(expense):		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value gains on investments in equity instruments measured at fair value through other comprehensive income	1,058,609	237,063
Income tax effect on changes in fair value	(264,674)	(46,027)
Subtotal	793,935	191,036
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	71,249	4,392
Debt instruments measured at fair value through other comprehensive income:		
Fair value changes arising during the period	801,638	(382,454)
Reclassification adjustments included in profit or loss	449,333	449,319
Income tax that may be reclassified subsequently	(312,743)	(16,830)
Fair value losses on hedging instruments designated in cash flow hedges	(801)	(4,747)
Subtotal	1,008,676	49,680
Other comprehensive income for the period (net of tax)	1,802,611	240,716
Total comprehensive income for the period (net of tax)	6,742,041	4,568,391
Total comprehensive income for the period attributable to:		
Owners of the Company	6,741,833	4,567,719
Non-controlling interests	208	672
	6,742,041	4,568,391

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023
(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Unaudited) (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	18	681,319	688,037
Investment properties		7,346	7,444
Right-of-use assets	19	1,582,793	1,687,952
Goodwill	20	1,039,969	1,046,185
Other intangible assets	21	752,445	750,259
Interest in joint ventures	22	194,830	61,769
Financial assets measured at fair value through profit or loss	23	29,573,457	33,758,289
Debt instruments measured at fair value through other comprehensive income	25	90,779	83,795
Equity instruments measured at fair value through other comprehensive income	26	38,309,157	38,395,017
Debt instruments measured at amortized cost	27	1,843,725	2,293,041
Financial assets held under resale agreements	24	9,140,745	11,179,306
Deposits with exchanges and non-bank financial institutions	29	1,004,006	1,043,429
Other receivables and prepayments	28	1,173,174	1,180,211
Advances to customers	31	21,314	20,731
Deferred tax assets	30	199,313	394,848
Total non-current assets		85,614,372	92,590,313
Current assets			
Advances to customers	31	85,948,791	84,308,585
Accounts receivable	32	12,670,823	10,481,417
Tax recoverable		1,462,608	785,099
Other receivables and prepayments	28	6,781,725	6,659,643
Financial assets measured at fair value through profit or loss	23	193,868,785	138,164,490
Debt instruments measured at fair value through other comprehensive income	25	122,567,338	109,241,168
Debt instruments measured at amortized cost	27	909,850	414,878
Financial assets held under resale agreements	24	10,244,172	9,114,091
Derivative financial assets	33	5,256,958	2,630,533
Deposits with exchanges and non-bank financial institutions	29	13,732,605	15,026,267
Clearing settlement funds	34	42,927,930	39,811,103
Bank balances	35	108,504,588	115,995,341
Total current assets		604,876,173	532,632,615
Total assets		690,490,545	625,222,928
EQUITY AND LIABILITIES			
Equity			
Share capital	36	10,347,117	10,137,280
Other equity instruments	37	25,425,054	15,935,691
Reserves		52,212,401	48,551,376
Retained profits		29,583,387	27,974,379
Equity attributable to owners of the Company		117,567,959	102,598,726
Non-controlling interests		23,393	23,185
Total equity		117,591,352	102,621,911

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Unaudited) (Restated)
Liabilities			
Non-current liabilities			
Bonds payable	38	72,158,591	64,539,717
Debt instruments	39	56,634	294,781
Financial liabilities measured at fair value through profit or loss	40	11,195,690	7,487,227
Other payables and accruals	41	227,866	209,790
Lease liabilities	19	1,045,937	1,203,991
Deferred tax liabilities	30	1,557,173	190,426
Total non-current liabilities		86,241,891	73,925,932
Current liabilities			
Bonds payable	38	27,610,124	30,886,076
Due to banks and other financial institutions	42	23,085,859	27,423,638
Debt instruments	39	18,068,786	29,305,088
Accounts payable to brokerage clients	43	122,431,475	129,645,925
Accrued staff costs	44	5,823,325	5,677,301
Other payables and accruals	41	49,963,866	37,820,022
Lease liabilities	19	567,683	520,012
Current tax liabilities		169,685	153,199
Financial liabilities measured at fair value through profit or loss	40	40,720,841	26,150,568
Derivative financial liabilities	33	6,112,283	2,597,860
Financial assets sold under repurchase agreements	45	192,103,375	158,495,396
Total current liabilities		486,657,302	448,675,085
Total liabilities		572,899,193	522,601,017
Total equity and liabilities		690,490,545	625,222,928

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

Approved and authorized for issue by the Board of Directors on 30 August 2023 and signed on its behalf by:

CHEN LIANG

DIRECTOR

WANG SHENG

DIRECTOR

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023
(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to owners of the Company											
	Reserves										Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserves	Investment revaluation reserve	Cash flow hedging reserve	Translation reserves	General reserves	Other reserves	Retained profits	Subtotal		
At 31 December 2022 (audited)	10,137,280	15,935,691	25,051,651	(20,725)	(859)	(26,514)	23,616,558	(68,735)	27,965,366	102,589,713	23,185	102,612,898
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	9,013	9,013	-	9,013
At 1 January 2023 (restated)	10,137,280	15,935,691	25,051,651	(20,725)	(859)	(26,514)	23,616,558	(68,735)	27,974,379	102,598,726	23,185	102,621,911
Profit for the period	-	-	-	-	-	-	-	-	4,939,222	4,939,222	208	4,939,430
Other comprehensive income for the period	-	-	-	1,732,163	(801)	71,249	-	-	-	1,802,611	-	1,802,611
Total comprehensive income for the period	-	-	-	1,732,163	(801)	71,249	-	-	4,939,222	6,741,833	208	6,742,041
Appropriation to general reserves	-	-	-	-	-	-	18,096	-	(18,096)	-	-	-
Capital increase by other equity instrument holders	209,837	9,489,363	1,903,774	-	-	-	-	-	-	11,602,974	-	11,602,974
Dividend declared (Note 17)	-	-	-	-	-	-	-	-	(2,331,574)	(2,331,574)	-	(2,331,574)
Distribution of interests to shareholders of perpetual bonds (Note 17)	-	-	-	-	-	-	-	-	(1,044,000)	(1,044,000)	-	(1,044,000)
Other comprehensive income that has been reclassified to retained profits	-	-	-	(63,456)	-	-	-	-	63,456	-	-	-
At 30 June 2023 (unaudited)	10,347,117	25,425,054	26,955,425	1,647,982	(1,660)	44,735	23,634,654	(68,735)	29,583,387	117,567,959	23,393	117,591,352

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to owners of the Company											
	Reserves										Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserves	Investment revaluation reserve	Cash flow hedging reserve	Translation reserves	General reserves	Other reserves	Retained profits	Subtotal		
At 31 December 2021 (audited)	10,137,259	14,885,851	25,051,470	1,124,070	(814)	(270,263)	21,333,879	(55,755)	26,750,101	98,955,798	22,253	98,978,051
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	2,006	2,006	-	2,006
At 1 January 2022 (restated)	10,137,259	14,885,851	25,051,470	1,124,070	(814)	(270,263)	21,333,879	(55,755)	26,752,107	98,957,804	22,253	98,980,057
Profit for the period	-	-	-	-	-	-	-	-	4,327,003	4,327,003	672	4,327,675
Other comprehensive income for the period	-	-	-	241,071	(4,747)	4,392	-	-	-	240,716	-	240,716
Total comprehensive income for the period	-	-	-	241,071	(4,747)	4,392	-	-	4,327,003	4,567,719	672	4,568,391
Appropriation to general reserves	-	-	-	-	-	-	13,053	-	(13,053)	-	-	-
Issue of convertible bonds	-	1,049,868	-	-	-	-	-	-	-	1,049,868	-	1,049,868
Dividend declared (Note 17)	-	-	-	-	-	-	-	-	(3,142,550)	(3,142,550)	-	(3,142,550)
Distribution of interests to shareholders of perpetual bonds (Note 17)	-	-	-	-	-	-	-	-	(683,500)	(683,500)	-	(683,500)
Other comprehensive income that has been reclassified to retained profits	-	-	-	(54,430)	-	-	-	-	54,430	-	-	-
At 30 June 2022 (unaudited) (restated)	10,137,259	15,935,719	25,051,470	1,310,711	(5,561)	(265,871)	21,346,932	(55,755)	27,294,437	100,749,341	22,925	100,772,266

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023
(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
OPERATING ACTIVITIES			
Operating cash flows before movements in working capital		5,037,260	5,659,930
(Increase)/decrease in advances to customers		(1,617,777)	9,279,456
Increase in accounts receivable and other receivables and prepayments		(2,481,506)	(1,411,010)
Decrease in financial assets held under resale agreements		926,120	2,265,831
Increase in financial assets at fair value through profit or loss and derivative financial assets		(48,970,902)	(5,151,175)
Decrease/(increase) in deposits with exchanges and non-bank financial institutions		1,310,763	(2,918,253)
Decrease/(increase) in clearing settlement funds – clients		557,859	(856,940)
Decrease/(increase) in cash held on behalf of customers		9,452,664	(6,320,662)
Increase in accounts payable to brokerage clients, accrued staff costs and other payables and accruals		2,351,570	11,930,822
Increase in financial liabilities measured at fair value through profit or loss and derivative financial liabilities		18,947,718	11,703,931
Increase in financial assets sold under repurchase agreements		33,680,779	35,889,498
Decrease in amounts due to banks and other financial institutions		(4,902,000)	(7,534,000)
Decrease/(increase) in restricted bank deposits		533,793	(898,052)
Cash from operations		14,826,341	51,639,376
Income taxes paid		(83,949)	(638,242)
Interests paid		(2,972,089)	(2,326,291)
NET CASH FLOWS FROM OPERATING ACTIVITIES		11,770,303	48,674,843
INVESTING ACTIVITIES			
Dividends and interest received from investments		4,543,468	2,181,143
Purchases of property and equipment and other intangible assets		(307,361)	(242,231)
Proceeds from disposals of property and equipment and other intangible assets		14,077	357
Capital injection to associates and joint ventures		140,306	9,180
Purchases of debt instruments at fair value through other comprehensive income		(107,160,948)	(69,057,733)
Proceeds from disposals of debt instruments at fair value through other comprehensive income		94,188,908	25,846,693
Purchases of equity instruments at fair value through other comprehensive income		(12,453,455)	(9,108,767)
Proceeds from disposals of equity instruments at fair value through other comprehensive income		13,513,318	4,141,993
Purchases of debt instruments measured at amortized cost		(442,959)	(259,809)
Proceeds from disposals of debt instruments measured at amortized cost		411,967	2,469,790
Placement of bank deposits with original maturity of more than three months		(554,841)	(366,966)
Maturity of bank deposits with original maturity of more than three months		730,135	797,367
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(7,377,385)	(43,588,983)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
FINANCING ACTIVITIES			
Transaction costs paid on issuance of bonds		(59,245)	(99,380)
Proceeds from bonds issued		15,700,000	11,555,000
Repayment of bonds issued		(10,100,000)	(19,000,000)
Proceeds from debt instrument payables issued		13,274,780	35,815,570
Repayment of debt instrument issued		(24,992,209)	(34,002,536)
Proceeds from amounts due to banks and other financial institutions		569,513	462,631
Cash repayment of third-party interests in consolidated structured entities		(39,146)	(35,781)
Interests paid in respect of bonds, borrowing and financial instrument payables		(1,411,954)	(1,765,529)
Dividends paid		(499,118)	(442,695)
Payment of lease liabilities		(302,837)	(225,039)
Proceeds from issuance of a convertible bond		–	7,744,224
Proceeds from issuance of perpetual bonds		9,962,189	–
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,101,973	6,465
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,494,891	5,092,325
CASH AND CASH EQUIVALENTS AT 1 JANUARY		26,779,084	19,641,442
Effect of foreign exchange rate changes		159,025	61,309
CASH AND CASH EQUIVALENTS AT 30 JUNE	46	33,433,000	24,795,076
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		7,340,304	6,578,830

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

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

The domicile of the Company is Beijing. The registered office (principal place of business) of the Company is located at 101, floors 7-18, building 1, yard 8, Xiying street, Fengtai District, Beijing, the PRC.

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

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

The unaudited interim condensed consolidated financial information was approved by the Board of Directors (the “Board”) on 30 August 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principal accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform Pillar Two Model Rule

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

The Group has summarized the impact of the implementation of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction on main financial indicators of the comparative periods as follows:

	Before accounting policy change 31 December 2022	Impact of IAS 12 Amendments	After accounting policy change 31 December 2022
Deferred tax assets	387,644,156.10	7,204,001.79	394,848,157.89
Deferred tax liabilities	192,234,518.41	(1,808,775.01)	190,425,743.40
Retained profits	27,965,366,126.36	9,012,776.80	27,974,378,903.16

The adoption of other amendments does not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2022.

4. SEGMENT REPORTING

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

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

- (a) **Wealth Management:** This segment mainly provides clients with services, including agency trading of stocks, funds, bonds, derivative financial instruments, etc., with financial services including investment advisory, portfolio advice, financial product sales and asset allocation, and offers them margin trading, stock-pledged repurchases, agreed repurchase transactions and so forth.
- (b) **Investment Banking:** It provides one-stop investment banking services for a variety of corporate and government clients, including equity financing, bond financing, structured financing, financial advisory, asset securitisation and diversified financing solutions.
- (c) **Institutional Business:** It is principally engaged in the provision of financial services like prime brokers, seat leasing, custody outsourcing, investment research, sales and trading for institutional clients.
- (d) **International Business:** It primarily provides brokerage and sales, investment banking, research and asset management services to global institutional clients, corporate clients and retail clients through Galaxy International Holdings, CGS-CIMB and other business platforms.
- (e) **Investment Trading:** It is engaged in investment trading of equity securities, fixed-income securities, commodities and derivative financial instruments with its own funds, and provides integrated financial solutions for clients' investment, financing and risk management.
- (f) **Other Parent-subsidary Integration Business:** Focusing on "client demand", "professional development" and "collaborative income generation", the Group actively integrates the business platforms of subsidiaries, such as futures, private equity investment management, alternative investment and asset management, with the above-mentioned five business lines, in a bid to strengthen business collaboration and resources connection, and continuously offer integrated financial services for clients.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

4. SEGMENT REPORTING (CONTINUED)

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

The Group operates in Mainland China, Hong Kong and other overseas areas, representing the locations of both income from external customers and assets of the Group. Segment revenue and all assets of the Group in respect of the international business segment are attributable to operations in Hong Kong and other overseas areas, while other segment revenue and assets of the Group are attributable to operations in Mainland China. No revenue from a single customer amounted to more than 10% to the Group's revenue for the six months 30 June 2023 and 2022.

The operating and reportable segment information provided to the CODM for the six months ended 30 June 2023 and 2022 is as follows:

	Wealth Management	Investment Banking	Institutional Business	International Business	Investment Trading	Other Parent-subsidiary Integration Business	Reportable segment total	Others	Eliminations	Consolidated total
For the six months ended 30 June 2023										
Segment revenue and results										
Revenue and net investment gains										
– External	6,383,567	171,299	461,028	1,813,985	5,567,459	1,361,063	15,758,401	111,925	(124,791)	15,745,535
– Inter-segment	134,145	–	–	–	46	–	134,191	–	(134,191)	–
Other income	50,775	–	–	83,458	1,049	7,150,213	7,285,495	(24,197)	–	7,261,298
Segment revenue and other income	6,568,487	171,299	461,028	1,897,443	5,568,554	8,511,276	23,178,087	87,728	(258,982)	23,006,833
Segment expenses	4,002,070	129,484	90,505	1,729,855	3,244,698	7,867,933	17,064,545	1,025,027	(246,218)	17,843,354
Segment result	2,566,417	41,815	370,523	167,588	2,323,856	643,343	6,113,542	(937,299)	(12,764)	5,163,479
Share of result of associates and joint ventures	–	–	–	–	–	(7,246)	(7,246)	–	–	(7,246)
Profit/(loss) before income tax	2,566,417	41,815	370,523	167,588	2,323,856	636,097	6,106,296	(937,299)	(12,764)	5,156,233
As at 30 June 2023 (Unaudited)										
Segment assets and liabilities										
Segment assets	181,813,251	184,641	38,399,183	35,840,684	381,877,048	79,425,750	717,540,557	219,060,891	(246,310,216)	690,291,232
Deferred tax assets	–	–	–	–	–	–	–	–	–	199,313
Group's total assets	–	–	–	–	–	–	–	–	–	690,490,545
Segment liabilities	176,036,734	31,961	37,842,109	29,213,891	346,721,016	65,697,981	655,543,692	131,719,619	(215,921,291)	571,342,020
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	1,557,173
Group's total liabilities	–	–	–	–	–	–	–	–	–	572,899,193
Other segment information										
Depreciation and amortization	249,437	9,883	9,794	76,402	8,895	38,311	392,722	138,709	–	531,431
Impairment losses	(63,684)	207	(8,805)	(1,507)	(6,182)	28,304	(51,667)	130	–	(51,537)
Additions to non-current assets	33,796	–	–	18,897	–	29,727	82,420	182,004	–	264,424
Interest income from operations	3,695,621	36	(80,686)	982,840	75,171	427,356	5,100,338	110,213	–	5,210,551
Interest income from investments	–	–	–	11,817	1,990,150	154	2,002,121	–	–	2,002,121
Interest expenses	312,704	–	10,248	452,038	2,185,820	209,907	3,170,717	1,922,703	766	5,094,186

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Amounts in thousands of Renminbi, unless otherwise stated)

4. SEGMENT REPORTING (CONTINUED)

The operating and reportable segment information provided to the CODM for the six months ended 30 June 2023 and 2022 is as follows: (continued)

	Wealth Management	Investment Banking	Institutional Business	International Business	Investment Trading	Other Parent-subsidiary Integration Business	Reportable segment total	Others	Eliminations	Consolidated total
For the six months ended 30 June 2022										
Segment revenue and results										
Revenue and net investment gains										
- External	6,736,688	196,818	560,237	1,399,155	3,926,102	1,991,806	14,810,806	94,403	(126,707)	14,778,502
- Inter-segment	169,471	-	-	-	-	-	169,471	-	(169,471)	-
Other income	36,055	-	-	77,978	(327)	8,234,420	8,348,126	21,988	-	8,370,114
Segment revenue and other income	6,942,214	196,818	560,237	1,477,133	3,925,775	10,226,226	23,328,403	116,391	(296,178)	23,148,616
Segment expenses	4,061,914	144,338	105,021	1,394,075	2,664,187	9,429,450	17,798,985	679,172	(328,173)	18,149,984
Segment result	2,880,300	52,480	455,216	83,058	1,261,588	796,776	5,529,418	(562,781)	31,995	4,998,632
Share of result of associates and joint ventures	-	-	-	-	-	(178)	(178)	-	-	(178)
Profit/(loss) before income tax	2,880,300	52,480	455,216	83,058	1,261,588	796,598	5,529,240	(562,781)	31,995	4,998,454
As at 31 December 2022 (Unaudited)										
Segment assets and liabilities										
Segment assets	185,400,092	43,226	40,605,379	32,854,963	317,651,869	72,892,803	649,448,332	215,335,732	(239,955,984)	624,828,080
Deferred tax assets										394,848
Group's total assets										625,222,928
Segment liabilities	184,574,911	172,377	34,696,331	26,420,750	288,834,672	66,502,920	601,201,961	131,541,318	(210,332,688)	522,410,591
Deferred tax liabilities										190,426
Group's total liabilities										522,601,017
Other segment information										
Depreciation and amortization	195,930	9,190	6,208	62,955	6,319	38,366	318,968	134,155	-	453,123
Impairment losses	(38,909)	(13,818)	(22,070)	53,996	31,630	70,824	81,653	1,502	-	83,155
Additions to non-current assets	26,715	-	-	29,857	-	8,875	65,447	137,949	-	203,396
Interest income from operations	4,027,811	43	(71,804)	534,740	33,530	550,078	5,074,398	97,842	(25,737)	5,146,503
Interest income from investments	-	-	-	-	1,806,261	-	1,806,261	-	-	1,806,261
Interest expenses	256,106	-	11,049	192,033	1,835,523	268,348	2,563,059	1,855,917	3,472	4,422,448

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

5. COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Commission on securities dealing and broking and handling fee income	3,131,096	3,461,935
Underwriting and sponsors' fees	166,250	206,138
Commission on futures and option contracts dealing and broking and handling fee income	179,896	285,856
Consultancy and financial advisory fee income	78,933	82,627
Asset management fee income	223,469	241,071
Others	1,633	2,306
	3,781,277	4,279,933

6. INTEREST INCOME

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Deposits with exchanges and non-bank financial institutions and bank balances	1,897,393	1,706,432
Advances to customers and securities lending	2,858,156	3,022,283
Financial assets held under resale agreements	506,070	542,553
Debt instruments measured at fair value through other comprehensive income	1,956,013	1,744,905
Debt instruments measured at amortized cost	46,715	62,248
Interest income from other financial assets	34,968	17,951
	7,299,315	7,096,372

7. INVESTMENT INCOME AND GAINS OR LOSSES

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Realized and unrealized gains/(losses) from		
– debt instruments measured at FVTOCI	460,000	440,623
– debt instruments measured at amortized cost	25,307	38,991
– financial assets measured at FVTPL	5,467,109	(904,132)
– financial liabilities designated at FVTPL	(1,068,242)	1,197,198
– derivatives	(204,578)	2,054,539
– financial liabilities held for trading	(859,107)	100,202
Dividend income from		
– equity instruments measured at FVTOCI	844,454	474,776
	4,664,943	3,402,197

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Amounts in thousands of Renminbi, unless otherwise stated)

8. OTHER INCOME, GAINS OR LOSSES

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Government grants	48,338	21,470
Gains or loss on disposals of property and equipment and other intangible assets	13,280	337
Foreign exchange gains or losses	(981)	16,311
Gross rental income	3,393	1,681
Others	196,695	135,629
	260,725	175,428

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

9. DEPRECIATION AND AMORTIZATION

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Depreciation for right-of-use assets	270,709	260,375
Depreciation for property and equipment	157,922	121,766
Depreciation for investment properties	99	98
Amortization of other intangible assets	102,701	70,884
	531,431	453,123

10. STAFF COSTS

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Salaries, bonus and allowances	2,808,865	2,690,186
Social welfare	442,825	388,402
Contributions to annuity schemes	135,840	80,642
Supplementary retirement benefits	2,480	4,145
Others	183,404	202,271
	3,573,414	3,365,646

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

11. COMMISSION AND FEE EXPENSES

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Securities and futures dealing and broking expenses	449,700	453,897
Underwriting and sponsors' fee expenses	7,965	443
Other service expenses	33,342	49,520
	491,007	503,860

12. INTEREST EXPENSES

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Presented below are interest expenses on the following liabilities:		
– Bonds payable	1,608,875	1,412,904
– Financial assets sold under repurchase agreements	1,879,509	1,612,631
– Debt instruments	306,417	443,013
– Accounts payable to brokerage clients	525,137	530,291
– Due to banks and other financial institutions	551,361	302,194
– Third-party interests in consolidated structured entities and others	223,248	121,415
	5,094,547	4,422,448

13. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
General and administrative expenses	597,478	474,819
Value-added tax and surcharges	74,013	67,776
Minimum operating lease rentals in respect of rented premises	51,045	54,960
Data transmission expenses	148,509	143,047
Securities investor protection funds	42,338	39,523
Business travel expenses	47,787	13,855
Utilities expenses	16,953	16,177
Auditors' remuneration	3,086	4,714
Lease expenses related to lease liabilities	31,068	27,444
Sundry expenses	239,562	290,337
	1,251,839	1,132,652

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Amounts in thousands of Renminbi, unless otherwise stated)

14. CREDIT LOSS EXPENSE AND IMPAIRMENT LOSSES, NET OF REVERSAL

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Credit loss expense:		
– Financial assets held under resale agreements (Note 24)	(42,037)	(110,495)
– Advances to customers (Note 31)	(24,381)	78,780
– Accounts receivable (Note 32)	(205)	36,536
– Other receivables (Note 28)	(6,962)	36,965
– Debt instruments measured at FVTOCI (Note 25)	(2,966)	8,696
– Debt instruments measured at amortized cost (Note 27)	(1,646)	700
– Bank balances	(981)	(288)
Impairment losses:		
– Inventories	28,537	31,733
– Intangible asset (Note 21)	(896)	528
	(51,537)	83,155

15. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Restated)
Current income tax:		
– PRC Enterprise Income Tax	(646,131)	351,902
– Overseas Profits Tax	55,022	67,742
Underprovision in prior periods:		
– PRC Enterprise Income Tax	14,067	(2,893)
– Overseas Profits Tax	(33)	(1,728)
Subtotal	(577,075)	415,023
Deferred income tax (Note 30)	793,878	255,756
	216,803	670,779

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

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

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16. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to equity holders of the Company	4,939,222	4,327,003
Less: Profit attributable to other equity holders of the Company ⁽¹⁾	371,610	337,068
Profit attributable to ordinary equity holders of the Company	4,567,612	3,989,935
Weighted average number of shares in issue (thousand)	10,172,254	10,137,259
Basic earnings per share (in RMB)	0.45	0.39

(1) For the purpose of calculating basic earnings per ordinary share in respect for the six months period ended 30 June 2023, RMB372 million (six months period ended 30 June 2022: RMB337 million) attributable to perpetual subordinated bonds was deducted from profits attributable to equity holders of the Company.

Diluted earnings per share was computed by dividing the net profit attributable to the owners of the Company based on assuming conversion of all dilutive potential shares for the period by the adjusted weighted average number of ordinary shares in issue. The Company had convertible bonds as dilutive potential ordinary shares.

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to ordinary equity holders of the Company	4,567,612	3,991,941
Add: interest expense on convertible bonds, net of tax for the six months ended 30 June	95,099	50,705
Net profit used to determine diluted earnings per share	4,662,711	4,042,646
Weighted average number of shares in issue (thousand)	10,172,254	10,137,259
Add: weighted average number of ordinary shares assuming conversion of all dilutive shares (thousand)	750,501	416,631
Weighted average number of ordinary shares for diluted earnings per share (thousand)	10,922,755	10,553,890
Diluted earnings per share (in RMB)	0.43	0.38

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17. DIVIDENDS

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

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Dividends declared	2,331,574	3,142,550
Distribution to other equity instrument holders	1,044,000	683,500

A dividend in respect of 2022 of RMB2.3 per 10 shares (inclusive of tax), or a total of RMB2,331.57 million, based on a total of 10,137,279,676 shares in issue, was approved at the Annual General Meeting on 29 June 2023.

A dividend in respect of 2021 of RMB3.1 per 10 shares (inclusive of tax), or a total of RMB3,142.55 million, based on a total of 10,137,258,757 shares in issue, was approved at the Annual General Meeting on 29 June 2022.

The dividend distributions by the Company triggered the mandatory interest payment event for perpetual subordinated bonds. As at 30 June 2023, the Company has recognized the dividend payable to other equity instrument holders of RMB1,044 million (31 December 2022: RMB683.5 million).

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18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Electronic and communication equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
COST						
As at 1 January 2022 (Audited)	280,046	1,045,519	78,642	145,410	395,279	1,944,896
Additions	113	334,743	2,134	13,544	62,392	412,926
Transfer or reclassification	–	9,518	–	(2,658)	(5,922)	938
Exchange gains or losses	(84)	11,549	(29)	(3,328)	(100)	8,008
Disposals/write-off	–	(172,219)	(4,551)	(17,563)	(98,476)	(292,809)
As at 31 December 2022 (Audited)	280,075	1,229,110	76,196	135,405	353,173	2,073,959
ACCUMULATED DEPRECIATION						
As at 1 January 2022 (Audited)	185,618	747,420	67,586	106,540	290,620	1,397,784
Charge for the year	12,047	176,849	2,625	12,422	56,433	260,376
Transfer or reclassification	–	7,107	553	–	–	7,660
Exchange gains or losses	(94)	10,079	(81)	4,323	(7,343)	6,884
Disposals/write-off	–	(171,450)	(3,521)	(16,056)	(95,755)	(286,782)
As at 31 December 2022 (Audited)	197,571	770,005	67,162	107,229	243,955	1,385,922
CARRYING VALUE						
As at 31 December 2022 (Audited)	82,504	459,105	9,034	28,176	109,218	688,037
COST						
As at 1 January 2023 (Audited)	280,075	1,229,110	76,196	135,405	353,173	2,073,959
Additions	–	101,261	200	10,060	45,177	156,698
Transfer or reclassification	–	223	–	(390)	–	(167)
Exchange gains or losses	(86)	934	(124)	(171)	2,653	3,206
Disposals/write-off	(10,663)	(53,668)	(1,978)	(6,129)	(11,766)	(84,204)
As at 30 June 2023 (Unaudited)	269,326	1,277,860	74,294	138,775	389,237	2,149,492
ACCUMULATED DEPRECIATION						
As at 1 January 2023 (Audited)	197,571	770,005	67,162	107,229	243,955	1,385,922
Charge for the period	5,699	115,941	1,154	5,779	29,349	157,922
Exchange gains or losses	(86)	387	(136)	35	2,048	2,248
Disposals/write-off	(8,197)	(51,968)	(1,689)	(5,656)	(10,409)	(77,919)
As at 30 June 2023 (Unaudited)	194,987	834,365	66,491	107,387	264,943	1,468,173
CARRYING VALUE						
As at 30 June 2023 (Unaudited)	74,339	443,495	7,803	31,388	124,294	681,319

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19. LEASES

(a) Right-of-use Assets

	Buildings
Cost	
As at 1 January 2022 (Audited)	2,466,215
Additions	681,023
Deductions	(356,069)
Exchange gains or losses	26,418
As at 31 December 2022 (Audited)	2,817,587
Accumulated depreciation	
As at 1 January 2022 (Audited)	895,436
Charge for the year	545,607
Deductions	(313,683)
Exchange gains or losses	2,275
As at 31 December 2022 (Audited)	1,129,635
Net book value	
As at 1 January 2022 (Audited)	1,570,779
As at 31 December 2022 (Audited)	1,687,952
Cost	
As at 1 January 2023 (Audited)	2,817,587
Additions	184,951
Deductions	(116,249)
Exchange gains or losses	8,372
As at 30 June 2023 (Unaudited)	2,894,661
Accumulated depreciation	
As at 1 January 2023 (Audited)	1,129,635
Charge for the period	270,709
Deductions	(92,683)
Exchange gains or losses	4,207
As at 30 June 2023 (Unaudited)	1,311,868
Net book value	
As at 1 January 2023 (Audited)	1,687,952
As at 30 June 2023 (Unaudited)	1,582,793

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19. LEASES (CONTINUED)

(b) Lease Liabilities

The Group's lease liabilities are analysed by the maturity date – undiscounted analysis

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Less than 1 year	639,194	599,453
Over 1 years	1,114,768	1,277,149
Undiscounted lease liabilities	1,753,962	1,876,602
Lease liabilities	1,613,620	1,724,003

20. GOODWILL

	Goodwill
Gross carrying amount	
As at 1 January 2023 (Audited)	1,046,185
Exchange loss	(6,216)
As at 30 June 2023 (Unaudited)	1,039,969
Accumulated impairment losses	
As at 1 January 2023 (Audited)	–
Impairment losses recognized during the reporting period	–
As at 30 June 2023 (Unaudited)	–
Net book value	
As at 1 January 2023 (Audited)	1,046,185
As at 30 June 2023 (Unaudited)	1,039,969

The Group acquired the securities brokerage business, investment banking business together with the relevant assets and liabilities, and the interest in Galaxy Futures Company Limited from China Galaxy Securities LLC. (the “former Galaxy”) in January 2007. The Group recognized the excess of acquisition cost over the fair value of the net identifiable assets acquired as the goodwill. As at 30 June 2023 and 31 December 2022, the gross carrying amount and net book value of goodwill were both RMB223 million.

The Group acquired the CGS-CIMB Securities International Pte. Ltd. (“CGS-CIMB Securities”) in April 2019. The Group recognized the excess of acquisition cost over the fair value of the net identifiable assets acquired as the goodwill. As at 30 June 2023, the gross carrying amount and net book value of goodwill were RMB223 million (31 December 2022: RMB216 million).

The Group acquired the CGS-CIMB Holdings Sdn. Bhd. (“CGS-CIMB Holdings”) in December 2021. The Group recognized the goodwill of 100% equity held by the original controller of the asset group after confirming the identifiable assets and liabilities of the acquired business. As at 30 June 2023, the gross carrying amount and net book value of goodwill were RMB594 million (31 December 2022: RMB607 million).

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21. OTHER INTANGIBLE ASSETS

	Trading rights	Trademark	Computer software and others	Total
COST				
As at 1 January 2022 (Audited)	304,908	4,890	814,023	1,123,821
Additions	–	–	211,133	211,133
Exchange gains or losses	103	453	19,403	19,959
Disposals/write-off	–	–	(2,695)	(2,695)
As at 31 December 2022 (Audited)	305,011	5,343	1,041,864	1,352,218
ACCUMULATED AMORTIZATION				
As at 1 January 2022 (Audited)	–	4,890	414,117	419,007
Charge for the year	–	–	164,242	164,242
Disposals/write-off	–	453	17,680	18,133
Exchange gains or losses	–	–	(347)	(347)
As at 31 December 2022 (Audited)	–	5,343	595,692	601,035
IMPAIRMENT				
As at 1 January 2022 (Audited)	–	–	–	–
Charge for the year	–	–	902	902
Exchange gains or losses	–	–	22	22
As at 31 December 2022 (Audited)	–	–	924	924
CARRYING VALUE				
As at 31 December 2022 (Audited)	305,011	–	445,248	750,259
COST				
As at 1 January 2023 (Audited)	305,011	5,343	1,041,864	1,352,218
Additions	–	–	107,977	107,977
Exchange gains or losses	27	172	(36)	163
Disposals/write-off	(1,400)	–	(12)	(1,412)
As at 30 June 2023 (Unaudited)	303,638	5,515	1,149,793	1,458,946
ACCUMULATED AMORTIZATION				
As at 1 January 2023 (Audited)	–	5,343	595,692	601,035
Charge for the period	–	–	102,701	102,701
Exchange gains or losses	–	172	2,574	2,746
Disposals/write-off	–	–	(13)	(13)
As at 30 June 2023 (Unaudited)	–	5,515	700,954	706,469
IMPAIRMENT				
As at 1 January 2023 (Audited)	–	–	924	924
Charge for the year	–	–	–	–
Exchange gains or losses	–	–	(892)	(892)
As at 30 June 2023 (Unaudited)	–	–	32	32
CARRYING VALUE				
As at 30 June 2023 (Unaudited)	303,638	–	448,807	752,445

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21. OTHER INTANGIBLE ASSETS (CONTINUED)

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

Impairment testing on intangible assets with indefinite useful lives

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

The respective recoverable amounts of these trading rights or CGUs where the trading rights are allocated to, using a value in use calculation, exceed their carrying amounts. Accordingly, there was no impairment of the trading rights as at 30 June 2023 and 31 December 2022.

22. INTEREST IN JOINT VENTURES

(1) Details of the Group's investment in associates and joint ventures are as follows:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Investment in joint ventures		
As at 1 January	61,769	30,250
Cost of investment in a joint venture	140,306	30,648
Share of post-acquisition profits and other comprehensive income	(7,245)	871
Total	194,830	61,769

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22. INTEREST IN JOINT VENTURES (CONTINUED)

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

Name of entity	Country of registration	Principal place of business	Proportion of ownership interest held by the Group 30/6/2023	Proportion of voting rights held by the Group 30/6/2023	Principal activities
Joint ventures:					
China Securities Lize Real Estate (Beijing) Co., Ltd.*	PRC	China	34.16%	34.16%	Real estate development and property management
Gansu Jingning Galaxy Development Fund Co., Ltd.*	PRC	China	1.00%	33.33%	Equity investment and project investment
Zhongshan Xingzhong Galaxy green industry investment fund LLP*	PRC	China	1.00%	33.33%	Equity investment and project investment
Yinhe core kinetic energy No. 1 equity investment fund (Yantai) partnership LLP*	PRC	China	20.00%	60.00%	Equity investment and project investment
Haiyan Yinhe fashion smart manufacturing equity investment fund partnership LLP*	PRC	China	1.85%	40.00%	Equity investment and project investment
Hainan Galaxy Shipeng New Kinetic Energy Industry Investment Fund Partnership LLP*	PRC	China	19.90%	50.00%	Equity investment and project investment
Gongqingcheng Galaxy Innovation No. 9 Equity Investment Partnership LLP*	PRC	China	20.00%	50.00%	Equity investment and project investment
Zhaoyuan Galaxy Hongxu Equity Investment Fund Partnership LLP*	PRC	China	5.00%	33.33%	Equity investment and project investment
Zhenjiang Yunfan Innovation Investment Fund Partnership LLP *	PRC	China	19.90%	40.00%	Equity investment and project investment
Huzhou Galaxy Furui Equity Investment Partnership*	PRC	China	20.00%	28.57%	Equity investment and project investment
Zhaoyuan Galaxy Hongbo Industrial Investment Partnership*	PRC	China	20.00%	40.00%	Equity investment and project investment
Gansu Jingning Galaxy Revitalization Fund Co., Ltd.*	PRC	China	19.90%	40.00%	Equity investment and project investment
Jilin Galaxy Zhengyuan Digital Economy Private Equity Partnership LLP*	PRC	China	20.00%	60.00%	Equity investment and project investment
Qingdao Dongzheng Digital Source Yunlan Equity Investment Center LLP*	PRC	China	19.35%	60.00%	Equity investment and project investment
Changxing Galaxy Kunxin Equity Investment Fund Partnership LLP*	PRC	China	20.00%	40.00%	Equity investment and project investment

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

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Non-current		
Debt securities	16,416,187	21,655,196
Funds	453,549	848,756
Trust schemes	240,385	–
Other investments ^(a)	12,463,336	11,254,337
	29,573,457	33,758,289
Current		
Debt securities	107,688,727	69,310,373
Equity securities	16,860,093	14,756,292
Funds	35,598,042	30,075,607
Structured deposits and wealth management products	3,520,759	3,199,507
Trust schemes	1,029,154	538,271
Other investments ^(a)	27,486,028	19,034,090
Add: Accrued interest	1,685,982	1,250,350
	193,868,785	138,164,490

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

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24. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Non-current		
Analyzed by collateral type:		
Equity securities	9,263,966	11,355,696
Less: Impairment	(123,221)	(176,390)
	9,140,745	11,179,306
Analyzed by market of collateral:		
Stock exchanges	9,140,745	11,179,306
Current		
Analyzed by collateral type:		
Equity securities	8,809,539	7,273,121
Debt securities	1,404,594	1,790,829
Add: Accrued interest	49,820	65,246
Less: Impairment	(19,781)	(15,105)
	10,244,172	9,114,091
Analyzed by market of collateral:		
Stock exchanges	10,229,976	8,595,521
Interbank bond market	–	498,783
Over the counter	14,196	19,787

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

	Six months ended 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
At the beginning of the period/year	191,495	423,277
Impairment losses recognized, net of reversal (Note 14)	(42,037)	(232,069)
Others	(6,456)	287
At the end of the period/year	143,002	191,495

As at 30 June 2023, the fair values of collateral received by the Group were approximately RMB51,882 million (31 December 2022: RMB52,889 million).

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Non-current		
Debt securities	90,779	83,795
Current		
Debt securities	121,056,942	107,849,229
Add: Accrued interest	1,510,396	1,391,939
	122,567,338	109,241,168

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

	Six months ended 30 June 2023 (Unaudited)	Year ended 31 December 2022 (Audited)
At the beginning of the period/year	198,646	180,087
Impairment losses recognized, net of reversal (Note 14)	(2,966)	18,559
At the end of the period/year	195,680	198,646

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Non-current		
Equity securities	5,196,229	3,294,792
Perpetual bonds	33,111,392	35,100,091
Equity investments	1,536	134
	38,309,157	38,395,017

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

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27. DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Non-current		
Debt securities ⁽¹⁾	1,873,984	2,347,244
Less: Impairment	(30,259)	(54,203)
	1,843,725	2,293,041
Current		
Debt securities ⁽¹⁾	788,529	7,664
Others	96,780	373,310
Add: Accrued interest	47,101	34,082
Less: Impairment	(22,560)	(178)
	909,850	414,878

(1) As at 30 June 2023, the interest rates on these debt securities were between 0.99% and 5.80% per annum (31 December 2022: 0.99%-6.80% per annum).

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

	Six months ended 30 June 2023 (Unaudited)	Year ended 31 December 2022 (Audited)
At the beginning of the period/year	54,381	100,482
Impairment losses recognized, net of reversal (Note 14)	(1,646)	(46,290)
Exchange difference and others	84	189
At the end of the period/year	52,819	54,381

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28. OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Non-current		
Prepayments	1,154,127	1,154,127
Others	19,047	26,084
	1,173,174	1,180,211
Current		
Prepaid taxes	8,824	899
Accrued interest	348	20
Prepayments	389,448	439,686
Margin financing clients receivable	203,042	201,310
Inventories	2,183,900	911,126
Customer trading deposits	2,768,387	4,230,218
Others	1,953,514	1,599,980
Subtotal	7,507,463	7,383,239
Less: Impairment	(725,738)	(723,596)
Total	6,781,725	6,659,643

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

	Six months ended 30 June 2023 (Unaudited)	Year ended 31 December 2022 (Audited)
At the beginning of the period/year	723,596	452,528
Impairment losses recognized, net of reversal (Note 14)	(6,962)	271,558
Exchange difference and others	9,104	(490)
At the end of the period/year	725,738	723,596

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29. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Non-current		
Deposits with stock exchanges	214,283	230,346
Deposits with futures and commodity exchanges	25,788	7,531
Guarantee fund paid to the Shenzhen Stock Exchange	134,545	163,892
Others	629,390	641,660
	1,004,006	1,043,429
Current		
Deposits with futures and commodity exchanges	13,567,280	14,016,464
Others	165,325	1,009,803
	13,732,605	15,026,267

30. DEFERRED TAXATION

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Restated)
Deferred tax assets	199,313	394,848
Deferred tax liabilities	1,557,173	190,426
	(1,357,860)	204,422

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30. DEFERRED TAXATION (CONTINUED)

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

	Changes in fair value of financial assets through profit or loss	Changes in fair value of financial assets at FVTOC	Allowance for impairment losses	Accrued interest expenses	Accrued interest expenses	Accrued expenses	Changes in fair value of derivative instruments		Accrued interest income	Lease liabilities	Right-of-use assets	Equity of convertible bonds	Others	Total
							Accrued interest expenses	Accrued interest income						
As at 1 January 2022 (Restated)	(851,125)	(874,689)	315,704	501,340	31,759	407,552	(1,160,119)	394,701	(392,695)	-	12,735	(968,513)		
(Charge)/credit to profit or loss	706,761	-	19,565	127,423	49,607	(417,564)	(214,904)	36,300	(29,293)	-	42,024	791,757		
Credit to other comprehensive income	-	381,178	-	-	-	-	-	-	-	-	-	-	-	381,178
As at 31 December 2022 (Audited)	(144,364)	6,489	335,269	628,763	81,366	(10,012)	(1,375,023)	431,001	(421,989)	-	54,759	204,422		
(Charge)/credit to profit or loss	(440,805)	-	(11,623)	262,527	1,091	(21,912)	(146,576)	(27,596)	26,290	74,058	18,103	(793,877)		
Credit to other comprehensive income	-	(556,266)	-	-	-	-	-	-	-	-	-	(556,266)		
Other	-	-	-	-	-	-	-	-	-	(212,139)	-	(212,139)		
As at 30 June 2023 (Unaudited)	(585,169)	(549,777)	323,646	891,290	82,457	(221,924)	(1,521,599)	403,405	(395,698)	(138,081)	72,862	(1,357,860)		

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

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31. ADVANCES TO CUSTOMERS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Non-current		
Other loans and advances	21,314	20,731
	21,314	20,731
Current		
Loans to margin clients	82,661,150	81,128,984
Other loans and advances	374,455	418,091
Add: Interest receivable	3,152,586	3,023,921
Less: Impairment	(239,400)	(262,411)
	85,948,791	84,308,585

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

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

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

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

	Six months ended 30 June 2023 (Unaudited)	Year ended 31 December 2022 (Audited)
At the beginning of the period/year	262,411	201,145
Impairment losses recognized, net of reversal (Note 14)	(24,381)	52,078
Exchange difference and others	1,370	9,188
At the end of the period/year	239,400	262,411

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

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32. ACCOUNTS RECEIVABLE

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Accounts receivable of:		
Client securities settlement	3,975,441	3,798,963
Brokers and dealers	6,102,239	4,986,264
Clearing house	2,429,752	1,513,676
Underwriting and sponsors fee	47,697	45,950
Trading rights rental commission	103,085	75,510
Asset management and funds distribution handling fees	162,651	207,977
Others	42,532	37,946
Subtotal	12,863,397	10,666,286
Less: Impairment	(192,574)	(184,869)
Total	12,670,823	10,481,417

An aging analysis of accounts receivable is as follows:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Within 1 year	12,599,742	10,388,064
Between 1 and 2 years	33,825	56,534
Between 2 and 3 years	19,896	19,144
Over 3 years	17,360	17,675
	12,670,823	10,481,417

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

	Six months ended 30 June 2023 (Unaudited)	Year ended 31 December 2022 (Audited)
At the beginning of the period/year	184,869	90,478
Impairment losses recognized, net of reversal (Note 14)	(205)	89,104
Amounts written off	(2,350)	-
Exchange difference and others	10,260	5,287
At the end of the period/year	192,574	184,869

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33. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2023 (Unaudited)		
	Nominal amounts	Assets	Liabilities
Hedging instruments			
Currency forward	163,722	62	321
Non-hedging instruments			
Equity Derivatives	187,604,949	4,932,509	6,041,982
Interest Rate Derivatives	656,246,351	–	–
Other Derivatives	52,936,346	324,387	69,980
Total	896,951,368	5,256,958	6,112,283

	As at 31 December 2022 (Audited)		
	Nominal amounts	Assets	Liabilities
Hedging instruments			
Currency forward	175,327	1,241	–
Commodity futures	105,609	–	–
Non-hedging instruments			
Equity Derivatives	117,470,714	2,272,030	2,358,803
Interest Rate Derivatives	494,286,653	–	–
Other Derivatives	53,982,044	357,262	239,057
Total	666,020,347	2,630,533	2,597,860

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

34. CLEARING SETTLEMENT FUNDS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Clearing settlement funds held with clearing houses for:		
– House accounts	13,581,307	9,906,621
– Clients accounts	29,299,465	29,856,238
Add: Accrued interest	47,158	48,244
Total	42,927,930	39,811,103

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

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35. BANK BALANCES

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
House accounts	20,673,782	18,403,639
Cash held on behalf of customers	87,539,773	97,230,303
Add: Accrued interest	291,033	361,399
	108,504,588	115,995,341

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

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

As at 30 June 2023, the expected credit losses ("ECLs") allowance for bank balances amounted to RMB0.98 million (31 December 2022: RMB1.92 million).

36. SHARE CAPITAL

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Issued and fully paid ordinary shares of RMB1 each (in thousands)		
Domestic shares	6,656,132	6,446,295
H shares	3,690,985	3,690,985
	10,347,117	10,137,280
Share capital (in RMB thousands)		
Domestic shares	6,656,132	6,446,295
H shares	3,690,985	3,690,985
	10,347,117	10,137,280

On March 23, 2022, the Company issued 6-year A-Share convertible bonds with a par value of RMB7.8 billion, and the Convertible Bonds can be converted into A-share of the Company from September 30, 2022. As of June 30, 2023, RMB2,083,912,000.00 of bonds had been converted into A-share of the Company, and the number of shares formed as a result of the conversion was 209,858,368 shares. Specifically, RMB2,083,703,000.00 bonds had been converted into A-share of the Company from January to June 2023, and the number of shares formed as a result of the conversion was 209,837,449 shares. (As of December 31, 2022, a total of RMB209,000.00 of bonds have been converted into A-share of the Company, and the number of shares formed as a result of the conversion was 20,919 shares)

37. OTHER EQUITY INSTRUMENTS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Perpetual subordinated bonds ⁽¹⁾	24,848,040	14,885,851
Equity of convertible bonds ⁽²⁾	577,014	1,049,840
	25,425,054	15,935,691

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37. OTHER EQUITY INSTRUMENTS (CONTINUED)

- (1) On 24 November 2020, the Company issued RMB5 billion perpetual subordinated bonds (“20 Yinhe Y1”) at par, with a coupon rate of 4.80%. The bonds are redeemable or repayable at the Company’s option at the end of each repricing period, which is every 5 years.

On 29 March 2021, the Company issued RMB5 billion perpetual subordinated bonds (“21 Yinhe Y1”) at par, with a coupon rate of 4.57%. The bonds are redeemable or repayable at the Company’s option at the end of each repricing period, which is every 5 years.

On 21 April 2021, the Company issued RMB5 billion perpetual subordinated bonds (“21 Yinhe Y2”) at par, with a coupon rate of 4.30%. The bonds are redeemable or repayable at the Company’s option at the end of each repricing period, which is every 5 years.

On 18 May 2023, the Company issued RMB5 billion perpetual subordinated bonds (“23 Yinhe Y1”) at par, with a coupon rate of 3.63%. The bonds are redeemable or repayable at the Company’s option at the end of each repricing period, which is every 5 years.

On 9 June 2023, the Company issued RMB5 billion perpetual subordinated bonds (“23 Yinhe Y2”) at par, with a coupon rate of 3.58%. The bonds are redeemable or repayable at the Company’s option at the end of each repricing period, which is every 5 years.

The above five issues of bonds are set with the issuer’s renewal option and no investor’s resale option. At the end of each repricing cycle of the current bonds, the issuer has the right to choose to extend the current bonds for one repricing cycle, which is for five years, or pay the current bonds in full, while the investor has no right to require the issuer to redeem the current bonds.

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

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

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

- (2) In March 2022, as approved by the CSRC, the Company issued 6-year A-Share convertible bonds with a par value of RMB7.8 billion. The convertible bonds bear a fixed annual interest rate of 0.20% for the first year, 0.40% for the second year, 0.60% for the third year, 1.00% for the fourth year, 1.80% for the fifth year and 2.00% for the sixth year, with the expiration date on 23rd March 2028. The initial conversion price is RMB10.24 per share, and it was adjusted to RMB9.93 per share on 15th July 2022. The convertible bond holders may exercise their rights to convert the convertible bonds into the Company’s A Shares at the stipulated conversion price during the period (“Conversion Period”) beginning six months after the date of issuance until the maturity date. Within 5 trading days after maturity, the Company shall redeem the outstanding convertible bonds at 106% of the par value, inclusive of interest for the sixth year.

During the Conversion Period, if the closing price of the Company’s A Shares is not less than or equal to 130% of the prevailing conversion price for at least 15 trading days out of any 30 consecutive trading days, or if the total outstanding amount is less than RMB30 million, the Company has the right to redeem all or part of the outstanding convertible bonds at par value plus accrued interest.

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37. OTHER EQUITY INSTRUMENTS (CONTINUED)

(2) (Continued)

The convertible corporate bonds issued have been split into the liability and equity components. After considering direct transaction costs, the Company recognized the equity part of the convertible corporate bonds as other equity instruments amounting to RMB1,050 million.

As of 30th June 2023, convertible bonds with a cumulative face value of RMB2,083,912,000 have been converted into 209,858,368 A-Share common stock.

38. BONDS PAYABLE

As at 30 June 2023 and 31 December 2022, bonds payable comprised subordinated bonds and corporate bonds.

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

Non-current

Issue date	Maturity date	Coupon rate	As at 30 June 2023 (Unaudited) Carrying amount	As at 31 December 2022 (Audited) Carrying amount
18 January 2022	18 January 2025	3.15%	3,036,541	3,082,293
21 March 2022	21 March 2025	3.38%	1,062,656	1,079,968
8 August 2022	8 August 2024	2.46%	1,733,877	1,711,535
8 August 2022	8 August 2025	2.72%	3,371,521	3,324,935
13 January 2023	13 January 2025	3.58%	2,534,119	–
17 April 2023	17 April 2025	3.09%	1,002,963	–
17 April 2023	17 April 2026	3.34%	4,013,250	–
20 July 2021	20 July 2024	3.13%	3,292,659	3,241,985
20 July 2021	20 July 2026	3.45%	1,856,660	1,825,525
9 August 2021	9 August 2024	3.15%	4,109,466	4,045,726
15 September 2021	15 September 2024	3.30%	1,338,023	1,316,257
28 September 2021	28 September 2024	3.40%	1,024,883	1,007,708
20 October 2021	20 October 2024	3.55%	1,842,877	1,810,624
22 November 2021	22 November 2024	3.35%	3,668,162	3,606,660
20 December 2021	20 December 2024	3.20%	4,058,688	3,994,037
26 April 2022	26 April 2025	2.95%	1,504,578	1,525,942
9 June 2022	9 June 2025	3.06%	4,996,748	5,070,732
26 July 2022	26 July 2024	2.60%	2,044,522	2,016,849
26 July 2022	26 July 2025	2.83%	2,047,537	2,018,212
11 August 2022	11 August 2027	3.08%	5,120,871	5,042,617
5 September 2022	5 September 2025	2.54%	1,018,012	1,004,787
5 September 2022	5 September 2027	2.95%	4,083,761	4,023,736
17 February 2023	17 February 2025	3.09%	1,008,272	–
17 February 2023	17 February 2026	3.28%	3,026,107	–
9 March 2023	9 March 2025	3.25%	1,006,917	–
9 March 2023	9 March 2026	3.35%	3,222,454	–
24 March 2022	23 March 2028	0.40%	5,132,467	6,876,035
18 January 2022	18 January 2024	2.97%	–	1,026,349
21 January 2021	21 January 2024	3.58%	–	3,305,956
4 February 2021	4 February 2024	3.67%	–	2,581,249
			72,158,591	64,539,717

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38. BONDS PAYABLE (CONTINUED)

Current

Issue date	Maturity date	Coupon rate	As at	As at
			30 June 2023 (Unaudited) Carrying amount	31 December 2022 (Audited) Carrying amount
18 January 2022	18 January 2024	2.97%	1,012,320	–
29 July 2020	29 July 2023	3.72%	3,102,733	3,045,505
23 October 2020	23 October 2023	3.70%	3,075,556	3,019,568
21 January 2021	21 January 2024	3.58%	3,249,212	–
4 February 2021	4 February 2024	3.67%	2,535,783	–
9 August 2021	9 August 2023	2.93%	2,052,021	2,022,018
15 September 2021	15 September 2023	3.15%	3,279,032	–
28 September 2021	28 September 2023	3.30%	2,561,764	2,519,674
20 October 2021	20 October 2023	3.40%	4,297,991	–
22 November 2021	22 November 2023	3.10%	2,443,712	–
14 January 2020	14 January 2023	3.75%	–	4,144,247
17 February 2020	17 February 2023	3.25%	–	1,850,618
11 March 2020	11 March 2023	3.03%	–	1,024,279
17 February 2020	17 February 2023	3.25%	–	1,854,965
11 March 2020	11 March 2023	3.03%	–	1,547,348
21 January 2021	21 January 2023	3.24%	–	3,227,537
4 February 2021	4 February 2023	3.50%	–	4,225,197
22 November 2021	22 November 2023	3.10%	–	2,405,120
			27,610,124	30,886,076

All of these bonds are denominated in RMB.

39. DEBT INSTRUMENTS

	As at 30 June 2023 (Unaudited) Carrying amount	As at 31 December 2022 (Audited) Carrying amount
Non-current		
Structured notes ⁽²⁾	56,634	294,781
	56,634	294,781
Current		
Short-term financing bills ⁽¹⁾	12,166,595	22,664,788
Structured notes ⁽²⁾	5,902,191	6,640,300
Total	18,068,786	29,305,088

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39. DEBT INSTRUMENTS (CONTINUED)

(1) Short-term financing bills

The details of short-term financing bills as at 30 June 2023 are as follows:

Name	Issue amount RMB'000	Value date	Maturity date	Coupon rate
22 CGS CP009	4,000,000	19 July 2022	19 July 2023	2.25%
22 CGS CP011	4,000,000	13 October 2022	13 October 2023	2.08%
23 CGS CP001	4,000,000	10 April 2023	11 July 2023	2.48%

(2) Structured notes

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

As at 30 June 2023, for structured notes issued by the Company, their coupon rates were from 2.00% to 6.00% (31 December 2022: 1.85% to 6.66%).

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

(1) Financial liabilities held for trading:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Current		
Equity Securities	254,785	245,896
Debt Securities	28,579,772	12,520,806
	28,834,557	12,766,702

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

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Non-current		
Equity-linked Financing payables ⁽¹⁾	9,939,881	5,956,032
Gold-linked Financing payables	–	314,477
Contractual liabilities arising from the forward acquisitions of non-controlling interests ⁽²⁾	1,255,809	1,216,718
	11,195,690	7,487,227
Current		
Equity-linked Financing payables ⁽¹⁾	9,492,060	11,067,862
Gold-linked Financing payables	1,463,870	1,676,472
Structured products embedded with equity swaps ⁽³⁾	930,354	639,532
	11,886,284	13,383,866

- (1) Equity-linked Financing payables are financing instruments issued by the Group and their returns to holders are linked to the performance of stock index.
- (2) The amount represents contractual liabilities arising from the forward acquisitions of non-controlling interests of CGS-CIMB Securities and CGS-CIMB Holdings by the Group during 2021.
- (3) Structured products embedded with equity swaps are payable to the clients at maturity of the corresponding derivatives and their balance is linked to the performance of the corresponding equity swaps.

41. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Non-current		
Third-party interests in consolidated structured entities	227,866	209,790
	227,866	209,790
Current		
Third-party interests in consolidated structured entities	244,041	301,263
Customer trading deposits	33,532,954	26,111,354
Other payables to trading clients	1,324,769	458,865
Settlement payable	8,309,775	7,685,605
Value-added tax and other taxes	299,066	167,252
Accrued expenses	1,141,683	905,463
Sundry payables	99,486	55,768
Payable for the securities investor protection fund	70,421	64,469
Dividends payable	3,375,435	498,979
Provision	5,876	–
Others	1,560,360	1,571,004
	49,963,866	37,820,022

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42. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Unsecured short-term bank loans ⁽¹⁾	16,742,403	16,374,890
Margin funds loans	6,300,000	11,000,000
Add: Interest payable	43,456	48,748
	23,085,859	27,423,638

(1) As at 30 June 2023, the unsecured short-term bank loans bore interest at variable interest rates at 1.58% to 9.75% (As at 31 December 2022, the unsecured short-term bank loans bore interest at 0.89% to 6.85% per annum) and were repayable within 1 year (31 December 2022: within 6 months).

43. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

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

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

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

As at 30 June 2023, included in the Group's accounts payable to brokerage clients were approximately RMB9,331 million (31 December 2022: RMB11,704 million) received from clients for margin financing and securities lending arrangements.

44. ACCRUED STAFF COSTS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Salaries, bonus and allowances	5,203,747	5,012,014
Social welfare	21,106	22,558
Annuity schemes	25,660	57,147
Supplementary retirement benefits	417,247	421,257
Early retirement benefits	426	460
Others	155,139	163,865
	5,823,325	5,677,301

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45. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Current		
Analyzed by collateral type:		
Debt securities	148,362,959	131,383,227
Funds	10,525,758	12,225,835
Shares	73,180	351,762
Golds	18,084,362	14,093,699
Short-term commercial papers	14,689,043	–
Add: Interests payable	368,073	440,873
	192,103,375	158,495,396
Analyzed by market of collateral:		
Stock exchanges	86,240,626	86,471,202
Interbank bond market	72,156,245	57,001,856
Over the counter	33,338,431	14,581,465
Add: Interests payable	368,073	440,873
	192,103,375	158,495,396

Financial assets sold under repurchase agreements bear effective interest at 0.40% to 8.18% (31 December 2022: 0.83% to 6.66% per annum).

46. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Bank balances – house accounts	19,851,693	16,872,463
Clearing settlement funds – house accounts	13,581,307	9,906,621
	33,433,000	26,779,084

Cash and cash equivalents do not include bank deposits held by the Group with original maturity of more than three months. As at 30 June 2023, bank deposits held by the Group with original maturity of more than three months were RMB25,037 million (31 December 2022: RMB19,910 million) and there were bank deposits restricted for use of RMB267 million (31 December 2022: RMB801 million).

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47. INTERESTS IN STRUCTURED ENTITIES

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

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

As at 30 June 2023, the total assets of the consolidated structured entities were RMB32,256 million (31 December 2022: RMB31,741 million) and the total net assets of the consolidated structured entities were RMB31,356 million (31 December 2022: RMB30,607 million). The carrying amount of third party interests in the consolidated structured entities were RMB472 million (31 December 2022: RMB511 million), and these interests are presented in Note 41.

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

The amount of unconsolidated structured entities managed by the Group was RMB104,178 million as at 30 June 2023 (31 December 2022: RMB116,100 million). The Group's interests in these unconsolidated structured entities are equal to the maximum exposure to loss of interests held by the Group, which amounted to RMB442 million as at 30 June 2023 (31 December 2022: RMB544 million).

During the period, management fee income and investment gains from the unconsolidated asset management schemes managed by the Group amounted to RMB220 million (Six months ended 30 June 2022: RMB165 million).

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47. INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

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

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

The carrying amount of the related accounts in the consolidated statement of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities as at 30 June 2023 and 31 December 2022, which are listed below:

	As at 30 June 2023 (Unaudited) Financial assets measured at fair value through profit or loss	As at 31 December 2022 (Audited) Financial assets measured at fair value through profit or loss
Carrying amount of interests held by the Group		
– Funds	36,051,591	30,959,027
– Trust schemes and wealth management products	1,269,539	2,995,138
– Asset management schemes	441,986	543,574
– Others	16,516,136	16,322,514
Total	54,279,252	50,820,253

48. CAPITAL COMMITMENTS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Contracted but not provided for		
Leasehold improvements	32,682	19,927
Property and equipment	164,075	239,214
Total	196,757	259,141

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49. RELATED PARTY TRANSACTIONS

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

(1) Immediate holding company and its fellow subsidiaries

Galaxy Financial Holdings is a financial holding company approved by the State Council of the PRC and was established in Beijing on 8 August 2005. Galaxy Financial Holdings owned 5,370,469,232 shares (31 December 2022: 5,186,568,364 shares), representing 50.13% of the entire equity interest of the Company as at 30 June 2023 (31 December 2022: 51.16%). The shareholders of Galaxy Financial Holdings are Central Huijin Investment Ltd. (“Central Huijin”) with 69.07% equity interest, the Ministry of Finance (the “MOF”) with 29.32% equity interest and the National Council for Social Security Fund (the “SSF”) with 1.61% equity interest.

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

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

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

During the six months ended 30 June 2023 and 30 June 2022, the Group provided securities brokerage and asset management services to Galaxy Financial Holdings and its subsidiaries and details of the significant transactions and balances as at 30 June 2023 and 31 December 2022 are set out below.

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Accounts receivable	1,941	2,706
Accounts payable to brokerage clients	70,280	182,951
Other assets	663	663
Other liabilities	9	11

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Commission and fee income	8,191	8,130
Interest expenses	476	217
Rental expenses paid or payable	2,254	7,306

As at 30 June 2023, accounts payable to brokerage clients from Galaxy Financial Holdings amounted to RMB3 million (31 December 2022: RMB0.31 million).

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49. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(2) Central Huijin Group

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

The Group’s material transactions with the Central Huijin Group

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Commission and fee income	22,884	2,622
Interest income from banks and other financial institutions within the Central Huijin Group	480,536	444,055
Investment gains of equity and debt securities issued by banks and other financial institutions within the Central Huijin Group	29,850	186,394
Interest expenses to brokerage clients within the Central Huijin Group	225,810	33,906
Other operating expenses	45,445	34,516

The Group’s material balances with the Central Huijin Group

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
	Equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group classified as	
– financial assets measured at FVTOCI-Bond	7,352,566	1,046,462
– financial assets measured at FVTPL	9,734,866	8,109,433
– financial assets measured at FVTOCI-Equity	3,324,151	2,529,097
– financial assets measured at AC	397,506	383,422
Bank balances deposited with banks within the Central Huijin Group	55,327,885	62,006,771
Derivative financial assets	104,348	98,158
Right-of-use assets	17,521	5,077
Derivative financial liabilities	82,317	28,064
Accounts receivable	19,869	21,735
Due to banks and other financial institutions	1,199,508	1,617,430
Accounts payable to brokerage clients within the Central Huijin Group	424,615	701,131
Other payables and accruals	234,558	1,325,999
Financial assets sold under repurchase agreements	60,221,715	40,422,536
Lease liabilities	17,528	4,703
Other Comprehensive Income	(3,965)	–
Other receivables and prepayments	2,159	261,043

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49. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

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

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

(b) Related transactions with joint ventures

The Group and the Company's joint ventures are detailed in notes "22.INTEREST IN JOINT VENTURES".

Related transactions of the Group and the Company with joint ventures.

Other receivables and prepayments

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
China Securities Lize Real Estate	1,154,126	1,154,126

Accounts receivable

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Galaxy Core Kinetic Energy One Equity Investment Fund (Yantai) Partnership (Limited partnership)	70,754.71	–
Hainan Yinhe Shipeng New Energy Industry Investment Fund Partnership (Limited partnership)	103,737.40	–
Huzhou Yinhe Furui Equity Investment Partnership (Limited partnership)	679,245.29	–
Zhenjiang Yunfan Innovation Investment Fund Partnership (Limited partnership)	64,916.01	–
Changxing Yinhe Kunxin Equity Investment Fund Partnership (Limited partnership)	14,796.01	–

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49. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related transactions with joint ventures (Continued)

Other Income

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Zhongshan Xingzhong Yinhe Green Industry Investment Fund (Limited Partnership)	246,005.59	827,345.57
Galaxy Core Kinetic Energy One Equity Investment Fund (Yantai) Partnership (Limited partnership)	70,754.71	70,754.72
Hainan Yinhe Shipeng New Energy Industry Investment Fund Partnership (Limited partnership)	103,737.40	156,629.62
Komsomolskaya Galaxy Innovation No.9 Equity Investment Partnership (limited partnership)	(22,075.47)	–
Zhaoyuan Yinhe Hongxu Equity Investment Fund Partnership (Limited partnership)	1,434,996.13	–
Huzhou Yinhe Furui Equity Investment Partnership (Limited partnership)	679,245.29	–
Zhenjiang Yunfan Innovation Investment Fund Partnership (Limited partnership)	64,916.01	–
Zhaoyuan Yinhe Hongbo Industrial Investment Partnership (limited partnership)	12,283.80	–
Jilin Yinhe Zhengyuan Digital Economy Private Equity Fund Partnership (Limited partnership)	3,127,423.11	–
Changxing Yinhe Kunxin Equity Investment Fund Partnership (Limited partnership)	14,796.01	–
Qingdao Dongzheng Digital Source Yunlan Equity Investment Center (Limited partnership)	70,302.40	–

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49. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel compensations

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

The key management compensation for the six months ended 30 June 2023 and 2022 comprises:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Salaries, allowances, bonuses, social welfare and annuity scheme contribution	13,813	17,531

The key management personnel's final compensation packages for the six months ended 30 June 2023 have not yet been finalized in accordance with regulations of the PRC relevant authorities. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the interim condensed consolidated financial statements of the Group.

50. FINANCIAL RISK MANAGEMENT

Overview

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

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

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

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50. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management organizational structure

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

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

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

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

50.1 Credit risk

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

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

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

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

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50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.1 Credit risk (Continued)

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

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

As at 30 June 2023, other than those financial assets whose carrying amounts represent maximum exposure to credit risks, the Group is also exposed to credit risks arising from security lending and borrowing activities as clients may default on returning securities borrowed. Securities lent to clients may include securities collateral received from other clients under similar lending and borrowing arrangements. Therefore, these securities may not be recognized in the consolidated statement of financial position of the Group. As at 30 June 2023, the total amount of the securities (both the Group's own securities and securities borrowed by the Group) lent to clients was RMB2,554 million (31 December 2022: RMB3,681 million).

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

Impairment under the ECLs model

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

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

Significant increase in credit risk

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

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

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50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.1 Credit risk (Continued)

Impairment under the ECLs model (Continued)

Significant increase in credit risk (Continued)

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

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

Internal credit risk ratings

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

Incorporation of forward-looking information

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

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50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.1 Credit risk (Continued)

Impairment under the ECLs model (Continued)

Measurement of ECLs

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

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

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

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

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

Groupings based on shared risk characteristics

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

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50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.2 Market risk

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

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

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

Price risk

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

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

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50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.2 Market risk (Continued)

Price risk (continued)

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

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

The Group	2023/6/30	Six months ended 30 June 2023		
		Average	Lowest	Highest
VaR of equity price	146,307	166,423	133,817	193,180
VaR of interest rate	70,121	77,629	45,865	168,786
VaR of commodity price	15,995	20,488	14,130	27,505
Total portfolio VaR	191,315	223,092	175,713	280,853

The Group	2022/12/31	Year ended 31 December 2022		
		Average	Lowest	Highest
VaR of equity price	78,142	86,014	35,980	229,590
VaR of interest rate	164,501	106,626	50,265	234,123
VaR of commodity price	30,702	29,243	20,143	39,365
Total portfolio VaR	215,364	179,200	117,520	299,531

Interest rate risk

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

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50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.2 Market risk (Continued)

Interest rate risk (continued)

Sensitivity analysis

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

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit before income tax for the period		
Increase by 100 basis points	(2,492,013)	(1,781,477)
Decrease by 100 basis points	2,492,013	1,781,477

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Other comprehensive income before income tax		
Increase by 100 basis points	(5,885,416)	(5,812,669)
Decrease by 100 basis points	5,885,416	5,812,669

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

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

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

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

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

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50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.2 Market risk (Continued)

Currency risk

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

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

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

50.3 Liquidity risk

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

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

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

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

- (2) Establishing a stable liquidity risk management report system

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

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

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

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS

51.1 Fair value of the Group's financial assets and financial liabilities that are not measured at fair value

The carrying amounts of the Group's financial assets and financial liabilities not measured at fair value approximated to their fair values as at 30 June 2023 and 31 December 2022 except for the following financial assets and financial liabilities, for which their carrying amounts including accrued interest and fair value are disclosed below:

	As at 30 June 2023	
	(Unaudited)	
	Carrying amounts	Fair value
Non-current		
Bonds payable	72,158,591	77,623,895
Debt instruments	56,634	56,671
Financial assets held under resale agreements	9,140,745	9,257,206
Debt instruments measured at amortized cost	1,843,725	1,903,573
	As at 31 December 2022	
	(Audited)	
	Carrying amounts	Fair value
Non-current		
Bonds payable	64,539,717	66,702,918
Debt instruments	294,781	294,792
Financial assets held under resale agreements	11,179,306	11,330,934
Debt instruments measured at amortized cost	2,293,041	2,355,556

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

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

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

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

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

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

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

As at 30 June 2023 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets:				
Debt instruments measured at FVTOCI:	33,000,618	89,657,499	–	122,658,117
– Debt securities	33,000,618	74,431,832	–	107,432,450
– Others	–	15,225,667	–	15,225,667
Equity instruments measured at FVTOCI:	5,196,229	33,111,392	1,536	38,309,157
– Perpetual bonds	–	33,111,392	–	33,111,392
– Equity investments	5,196,229	–	–	5,196,229
– Other investments	–	–	1,536	1,536
Financial assets measured at FVTPL:	54,658,862	163,095,547	5,687,833	223,442,242
– Debt securities	25,195,140	97,645,747	2,950,009	125,790,896
– Equity securities	16,234,232	–	625,861	16,860,093
– Funds	12,996,006	23,055,585	–	36,051,591
– Asset management plan	–	441,986	–	441,986
– Structured deposits and wealth management products	–	3,520,759	–	3,520,759
– Trust schemes	–	1,269,539	–	1,269,539
– Other investments	233,484	37,161,931	2,111,963	39,507,378
Derivative financial assets	389,285	729,692	4,137,981	5,256,958
Total	93,244,994	286,594,130	9,827,350	389,666,474
Financial liabilities:				
Financial liabilities held for trading:	296,351	28,538,206	–	28,834,557
– Debt securities	–	28,538,206	–	28,538,206
– Equity securities	296,351	–	–	296,351
Financial liabilities designated as at fair value through profit or loss:	1,297,662	20,528,503	1,255,809	23,081,974
– Structured products embedded with equity swaps	930,354	–	–	930,354
– Equity-linked Financing payables	367,308	19,064,633	–	19,431,941
– Gold-linked Financing payables	–	1,463,870	–	1,463,870
– Others	–	–	1,255,809	1,255,809
Derivative financial liabilities	2,681,475	610,690	2,820,118	6,112,283
Total	4,275,488	49,677,399	4,075,927	58,028,814

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

As at 31 December 2022 (Audited)	Level 1	Level 2	Level 3	Total
Financial assets:				
Debt instruments measured at FVTOCI:	31,857,485	77,467,478	–	109,324,963
– Debt securities	31,857,485	77,466,510	–	109,323,995
– Others	–	968	–	968
Equity instruments measured at FVTOCI:	22,781,576	15,613,307	134	38,395,017
– Perpetual bonds	19,486,784	15,613,307	–	35,100,091
– Other investments	–	–	134	134
– Equity investments	3,294,792	–	–	3,294,792
Financial assets measured at FVTPL:	48,718,404	115,417,739	7,786,636	171,922,779
– Debt securities	18,696,067	71,030,464	2,489,388	92,215,919
– Equity securities	11,783,531	44,562	2,928,199	14,756,292
– Funds	14,205,448	16,718,915	–	30,924,363
– Asset management plan	–	3,199,507	–	3,199,507
– Structured deposits and wealth management products	–	543,574	–	543,574
– Trust schemes	–	538,271	–	538,271
– Other investments	4,033,358	23,342,446	2,369,049	29,744,853
Derivative financial assets	231,160	772,805	1,626,568	2,630,533
Total	103,588,625	209,271,329	9,413,338	322,273,292
Financial liabilities:				
Financial liabilities held for trading:	245,896	12,520,806	–	12,766,702
– Debt securities	–	12,520,806	–	12,520,806
– Equity securities	245,896	–	–	245,896
Financial liabilities designated as at fair value through profit or loss:	998,066	18,656,308	1,216,719	20,871,093
– Structured products embedded with equity swaps	639,531	–	–	639,531
– Equity-linked Financing payables	358,535	16,665,359	–	17,023,894
– Gold-linked Financing payables	–	1,990,949	–	1,990,949
– Others	–	–	1,216,719	1,216,719
Derivative financial liabilities	988,954	518,059	1,090,847	2,597,860
Total	2,232,916	31,695,173	2,307,566	36,235,655

There were no significant transfers between Level 1 and 2 during the six months ended 30 June 2023 and 2022.

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

51.2.1 Basis for recurring fair value measurement categorised within Level 1

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

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

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

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

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

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

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

During the six months ended 30 June 2023, there were no significant changes of valuation techniques for Level 2.

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial assets				
Financial assets measured at FVTPL:				
– Bonds	2,950,009	2,489,388	Discounted cash flows with future cash flows that are estimated based on contract terms, discounted at a rate that reflects the credit risk of underlying investments.	Discount rate (Note 2)
– Equity securities traded on National Equities Exchange and Quotations	129,786	26,292	Valuation using multiples, with an adjustment of discount for lack of marketability.	Marketability discount (Note 3)
– Equity securities traded on stock exchanges with lock-up periods	496,075	2,901,907	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by the option pricing model. The key input is the implied volatility of the share prices of the securities.	Implied volatility (Note 1)
– Other investments	157,393	116,287	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Implied volatility (Note 1)
– Other investments	1,935,792	377,123	Valuation using multiples, with an adjustment of discount for lack of marketability.	Marketability discount (Note 3)
– Other investments	18,778	1,875,639	Discounted cash flows with future cash flows that are estimated based on contract terms, discounted at a rate that reflects the credit risk of underlying investments.	Discount rate (Note 2)
Equity instruments measured at FVTOCI:				
– Equity investments	1,536	134	Valuation using multiples, with an adjustment of discount for lack of marketability.	Marketability discount (Note 3)
Derivative financial instruments:				
– Over-the-counter options – assets	3,725,445	1,478,645	Calculated based on the Black-Scholes option pricing model.	Implied volatility (Note 1)
– Other forward contract – assets	412,536	147,923	Discounted cash flows with future cash flows that are estimated based on contractual amounts, discounted at a rate that reflects the credit risk of the counterparty.	Discount rate (Note 2)
Total	9,827,350	9,413,338		

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial liabilities				
Derivative financial instruments:				
– Over-the-counter options – liabilities	2,769,382	1,079,636	Calculated based on the Black-Scholes option pricing model.	Implied volatility (Note 1)
– forward contract-liabilities	50,736	11,211	Discounted cash flows with future cash flows that are estimated based on contractual amounts, discounted at a rate that reflects the credit risk of the counterparty.	Discount rate (Note 2)
Financial liabilities measured at FVTPL:				
– Others	1,255,809	1,216,719	Discounted cash flows with future cash flows that are estimated based on contractual amounts, discounted at a rate that reflects the credit risk of the counterparty.	Discount rate (Note 2)
Total	4,075,927	2,307,566		

Notes:

- (1) The significant unobservable input to fair value measurement is the implied volatility of the underlying securities, which ranges from 5% to 75% (31 December 2022: 5% to 81.77%).
- (2) The unobservable input to fair value is the discount rate, determined by reference to the credit risk of underlying investments, ranging from 0.7% to 100% (31 December 2022: 0.7% to 99.99%). The higher is the discount rate, the lower is the fair value.
- (3) The unobservable input to fair value is the discount rate for lack of marketability, which ranges from 25.7% to 73.53% (31 December 2022: 20% to 80.89%). The higher is the discount rate for lack of marketability, the lower is the fair value.
- (4) As disclosed in Note 33, except for stock index futures and interest rate swap not under a daily mark-to-market and settlement arrangement are presented gross at the end of the reporting period, the other derivatives are under daily mark-to-market and settlement arrangements. Accordingly, the net position of the treasury bond futures, and commodity futures, stock index futures and interest rate swap was nil at the end of each reporting period. The above analysis only presents the fair value of derivative financial instruments.

There were no transfers between Level 1 and Level 2 fair value measurements during the six months ended 30 June 2023 and 2022.

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

51.3 Reconciliation of Level 3 fair value measurements

	Financial assets measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income
As at 1 January 2023 (Audited)	7,786,636	135
Total losses:		
– in profit or loss	220,929	–
– in other comprehensive income	–	1
Augment	2,675,733	1,400
Transfers out (Note)	(492,485)	–
Sell out	(4,502,980)	–
As at 30 June 2023 (Unaudited)	5,687,833	1,536
Total gains for assets held at 30 June 2023		
– unrealized gains recognized in profit or loss	946,692	–

	Financial assets measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income
As at 1 January 2022 (Audited)	12,890,349	128
Total losses:		
– in profit or loss	(3,318,599)	–
– in other comprehensive income	–	6
Augmen	5,244,066	–
Transfers out (Note)	(7,029,180)	–
As at 31 December 2022 (Audited)	7,786,636	134
Total losses for assets held at 31 December 2022		
– unrealized losses recognized in profit or loss	86,270	–

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

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52. EVENTS AFTER THE END OF THE REPORTING PERIOD

Capital increase to Galaxy Capital

On 26 February 2019, the Forty-Eighth Meeting of the Third Session of the Board of Directors of the Company deliberated and approved the Proposal to Call for Deliberation of Matters Regarding the Capital Increase to Galaxy Capital Management Company Limited. On 5 July 2023, the Company increased the capital of its subsidiary Galaxy Capital by RMB\$0.5 billion, and upon completion of this capital increase, the paid-up capital of Galaxy Capital was changed to RMB\$1.5 billion.

Issuance of corporate bonds

The Company received the Approval for Public Issuance of Corporate Bonds to Professional Investors by China Galaxy Securities Co., Ltd. from China Securities Regulatory Commission (Zheng Jian Xu Ke [2022] No. 1487), approving the Company to publicly issue the corporate bonds to professional investors with a total face value of no more than RMB30 billion. The Company completed the public issuance of 2023 corporate bonds (Tranche 1), which comprises two types of bond: the first one (RMB3 billion) bear interest at the coupon rate of 2.74% per annum with the term of 3 years while the other one(RMB2 billion) bear interest at the coupon rate of 3.08% per annum with the term of 5 years. The Company completed the public issuance of 2023 corporate bonds (Tranche 2), which also comprises two types of bond: the first one (RMB2 billion) bear interest at the coupon rate of 2.66% per annum with the term of 3 years while the other one(RMB3 billion) bear interest at the coupon rate of 2.98% per annum with the term of 5 years. The funds raised from issuing corporate bonds are all used to supplement the company's operating capital.

Issuance of short-term commercial paper

The Company has completed the issuance of 2023 second tranche of short-term commercial paper on 7 July 2023. The issue size of the Commercial Paper is RMB4.5 billion with the nominal value and the issue price of RMB100 per unit. The Commercial Paper has a term of 125 days and a final coupon rate of 2.14%.

For more information, please refer to :

