



中信建投証券股份有限公司 CSC FINANCIAL CO., LTD.

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

Stock Code: 6066



2024

INTERIM REPORT

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DEFINITIONS

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

Definition of frequently used terms

“A Share(s)”	listed domestic shares in the share capital of our Company with a nominal value of RMB1.00 each, listed on the SSE and traded in RMB
“Articles of Association” or “Articles”	the articles of association of the Company
“Beijing CSRC”	Beijing Office of the China Securities Regulatory Commission
“Beijing Financial Holdings Group”	Beijing Financial Holdings Group Limited (北京金融控股集團有限公司)
“Board” or “Board of Directors”	the Board of Directors of our Company
“BSE”	Beijing Stock Exchange
“Central Huijin”	Central Huijin Investment Ltd. (中央匯金投資有限責任公司)
“China Capital”	China Capital Management Co., Ltd (中信建投資本管理有限公司)
“China Fund”	China Fund Management Co., Ltd. (中信建投基金管理有限公司)
“China Futures”	China Futures Co., Ltd. (中信建投期貨有限公司)
“China Securities International”	China Securities (International) Finance Holding Company Limited (中信建投(國際)金融控股有限公司)
“China Securities Investment”	China Securities Investment Co., Ltd (中信建投投資有限公司)
“CITIC Group”	CITIC Group Corporation (中國中信集團有限公司)
“CITIC Limited”	CITIC Limited (中國中信股份有限公司)
“CITIC Securities”	CITIC Securities Co., Ltd. (中信証券股份有限公司)
“Company Law”	Company Law of the People’s Republic of China
“connected transaction”	has the same meaning ascribed to it under the Hong Kong Listing Rules
“CSC”, “CSC Financial”, “Company” or “parent company”	CSC Financial Co., Ltd. (中信建投証券股份有限公司)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Date of Disclosure of the Report”	August 29, 2024
“Director(s)”	the director(s) of our Company

DEFINITIONS

“ESG”	a collective term of Environment, Society and Governance
“FICC”	Fixed-income securities, currencies, and commodities
“Glasslake Holdings”	Glasslake Holdings Limited (鏡湖控股有限公司)
“Group”	CSC Financial Co., Ltd., and its subsidiaries
“Guangdong CSRC”	Guangdong Office of China Securities Regulatory Commission
“H Share(s)”	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, listed on the Hong Kong Stock Exchange and traded in HKD
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“HKEX”	Hong Kong Exchanges and Clearing Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“IPO”	Initial Public Offering
“Jiangsu CSRC”	Jiangsu Office of the China Securities Regulatory Commission
“NEEQ Co. Ltd.”	National Equities Exchange and Quotations Corporation Limited (全國中小企業股份轉讓系統有限責任公司)
“NEEQ”	the National Equities Exchange and Quotations
“QFI”	Qualified Foreign Investor
“related party transaction(s)”	has the same meaning ascribed to it under the SSE Listing Rules
“Reporting Period”	the period from January 1, 2024 to June 30, 2024
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities Law”	Securities Law of the People’s Republic of China 《中華人民共和國證券法》
“Shandong CSRC”	Shandong Office of the China Securities Regulatory Commission
“Shanghai and Shenzhen Stock Exchanges”	Shanghai Stock Exchange and Shenzhen Stock Exchange

DEFINITIONS

“Share(s)”	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“SSE”	Shanghai Stock Exchange
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (as amended from time to time)
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZSE”	Shenzhen Stock Exchange
“Tengyun Investment”	Xizang Tengyun Investment Management Limited (西藏騰雲投資管理有限公司)
“the end of 2023”	December 31, 2023
“the end of the Reporting Period”	June 30, 2024
“the same period last year”	the period from January 1, 2023 to June 30, 2023
“US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“WFOE”	Wholly Foreign Owned Enterprise(s)
“Wind Info”	Wind Information Co., Ltd. (萬得信息技術股份有限公司)

IMPORTANT NOTICE

- I. The Board of Directors, the Supervisory Committee of the Company, the Directors, the Supervisors and the senior management warrant the truthfulness, accuracy and completeness of this interim report and that there is no misrepresentation on, misleading statement in, or material omission from this interim report, and will assume joint and several liabilities.**
- II. This report was considered and approved at the 5th meeting of the third session of the Board of Directors of the Company. All the Directors of the Company attended the board meeting, and no Director raised any objection to this report.**
- III. This interim report has not been audited. The Company has complied with the Chinese Accounting Standards for Business Enterprises and the International Financial Reporting Standards for preparing the 2024 interim financial statements, which have been reviewed by KPMG Huazhen LLP and KPMG respectively.**
- IV. WANG Changqing (Chairman and the Chief Financial Officer (Acting) of the Company) and ZHAO Ming (head of the accounting department (chief accountant)) warrant that the financial statements set out in this interim report are true, accurate and complete.**
- V. The plan for profit distribution or capital reserve capitalization for the Reporting Period has been resolved and approved by the Board of Directors**

On June 28 2024, the Proposal of 2024 Interim Profit Distribution Plan of the Company was considered and approved at the 2023 annual general meeting. The specific plan will be based on the financial report for the first half of 2024. The Company will perform the corresponding corporate governance procedures when conditions are mature and will implement the plan upon being considered and approved at the Company's general meeting.

VI. Risk statement for forward-looking statements

Forward-looking statements, including future plans and development strategies, contained in this report do not constitute a substantive commitment of the Company to its investors. Investors should be aware of investment risks.

VII. Whether there was any appropriation of funds by controlling shareholder(s) and other related parties for non-operating purposes

No

VIII. Whether there was any guarantee provided to the external parties which violated the stipulated decision-making procedures

No

IX. Whether there was any instance where more than half of the directors were unable to guarantee the truthfulness, accuracy and completeness of the interim report disclosed by the Company

No

IMPORTANT NOTICE

X. Material risk warning

The major risks to which the Company may be exposed include market risk, credit risk, liquidity risk and compliance risk. Specifically, there are market risks brought by fluctuations in Chinese and international stock markets, bond, commodity and foreign exchange markets to the investment portfolio of the Company; credit risks brought by insufficient repayment capability of financiers in the financing business and counterparties in the OTC derivatives business or abnormal decline in the price of securities used as security (pledge or margin) to the Company, and credit risks brought by default or declined credibility of the bond issuer to the bond and investment portfolio of the Company; liquidity risks brought by improper asset-liability allocation, tight liquidity or soaring funding prices at a specific time point, or erroneous financing operation in the general context of the expected balanced capital supply; and compliance risks brought by deficiencies in internal control, improper understanding of policies and regulations or violations of regulatory requirement, etc. to the Company. In addition, the Company may be exposed to other risks, such as strategic risk, operational risk, legal risk, technical risk and reputational risk. The combined effect of the abovementioned risks will pose certain challenge to the operation of the Company.

The Company has described the relevant potential risks in this report in detail. Please refer to the contents of “Risk Management” in Section 3 - “Management Discussion and Analysis” of this report for more information.

XI. Others

This interim report of the Company has been prepared in both English and Chinese. In the event of any discrepancies in interpretation between the English version and Chinese version of this interim report, the Chinese version shall prevail.

In this interim report, the amounts are denominated mainly in RMB or Hong Kong dollars. Unless it is specifically indicated, the amounts are denominated in RMB; any discrepancies between totals and sums of amounts are due to rounding.

SECTION 1 COMPANY INFORMATION

I. PROFILE

Name in Chinese	中信建投证券股份有限公司
Abbreviation in Chinese	中信建投证券
Name in English	China Securities Co., Ltd. CSC Financial Co., Ltd. (carrying on business in Hong Kong with such registered English name)
Abbreviation in English	CSC
Chairman of the Board and Legal Representative	Wang Changqing
General Manager	Wang Changqing (acting)
Authorized Representatives of the Company	Wang Changqing, Zou Yingguang
Joint Company Secretaries	Liu Naisheng, Wong Wai Ling

Registered Capital and Net Capital

Unit: Yuan Currency: RMB

	As at the end of the Reporting Period (30 June, 2024)	As at the end of the previous year (31 December, 2023)
Registered Capital	7,756,694,797.00	7,756,694,797.00
Net Capital	68,512,271,218.69	66,859,253,199.55

II. BASIC INFORMATION

Registered Address	Unit 4, No. 66 Anli Road, Chaoyang District, Beijing
Postal Code of Registered Address	100101
Principal Office Address	No. 10 Guanghua Road, Chaoyang District, Beijing
Postal Code of Principal Office Address	100020
Place of Business in Hong Kong	18/F, Two Exchange Square, Central, Hong Kong
Website	www.csc108.com
Email	601066@csc.com.cn
National Customer Service Hotline	+86 95587/400 8888 108
Investor Contact Hotline	+8610-56052830
Facsimile Telephone	+8610-56118200
United Social Credibility Code	91110000781703453H
Websites for Information Disclosure	HKExnews website of HKEX (www.hkexnews.hk) Website of SSE (www.sse.com.cn) Website of the Company (www.csc108.com)
Stock Code (H Shares)	6066. HK
Stock Code (A Shares)	601066. SH

SECTION 1 COMPANY INFORMATION

III. CONTACT PERSONS AND METHODS

Contact Person	Liu Naisheng	Du Ningning
Contact Address	No. 10 Guanghua Road, Chaoyang District, Beijing	No. 10 Guanghua Road, Chaoyang District, Beijing
Telephone	+8610-56052830	+8610-56052830
Facsimile	+8610-56118200	+8610-56118200
Email	601066@csc.com.cn	601066@csc.com.cn

IV. PLACES WHERE INTERIM REPORTS OF THE COMPANY ARE AVAILABLE

No. 10 Guanghua Road, Chaoyang District, Beijing
Unit 4, No. 66 Anli Road, Chaoyang District, Beijing
18/F, Two Exchange Square, Central, Hong Kong

V. OTHER RELEVANT INFORMATION

Accounting firm engaged by the Company (domestic)	Name Office address	KPMG Huazhen LLP 8th Floor, Tower E2, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing
Accounting firm engaged by the Company (overseas)	Name Office address	KPMG 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
Share Registrar	A Share Registrar H Share Registrar	China Securities Depository and Clearing Corporation Limited Computershare Hong Kong Investor Services Limited

SECTION 2 FINANCIAL SUMMARY

KEY ACCOUNTING DATA

Unit: RMB million

Items	January to June 2024	January to June 2023	Increase/ decrease as compared to the same period last year (%)
Total revenue and other income	14,830	18,652	-20.49
Operating profit	3,185	5,170	-38.39
Profit before income tax	3,191	5,170	-38.28
Net profit attributable to equity holders of the Company	2,858	4,307	-33.66
Net cash flow from operating activities	2,625	-3,370	NA

Unit: RMB million

Items	30 June 2024	31 December 2023	Increase/ decrease as compared to the end of last year (%)
Total assets	525,115	522,752	0.45
Total liabilities	422,453	425,226	-0.65
Equity attributable to equity holders of the Company	102,615	97,478	5.27
Total share capital	7,757	7,757	—

SECTION 2 FINANCIAL SUMMARY

KEY FINANCIAL INDICATORS

Items	January to June 2024	January to June 2023	Increase/ decrease as compared to the same period last year (%)
Basic earnings per share (RMB Yuan/Share)	0.30	0.49	-38.78
Diluted earnings per share (RMB Yuan/Share)	0.30	0.49	-38.78
Return on weighted average equity (%)	3.14	5.44	Decreased by 2.30 percentage points

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

Items	30 June 2024	31 December 2023	Increase/ decrease as compared to the end of last year (%)
Net assets per share attributable to equity holders of the Company (RMB Yuan/Share)	13.23	12.57	5.25
Gearing ratio (%)	76.02	76.88	Decreased by 0.86 percentage point

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

The net assets per share attributable to equity holders of the Company shown in the table above included the perpetual subordinated bonds issued by the Company. After excluding such impact, the net assets per share attributable to ordinary equity holders of the Company as at the end of Reporting Period was RMB9.44 (31 December 2023: RMB9.36).

SECTION 2 FINANCIAL SUMMARY

NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS OF THE COMPANY

Items	30 June 2024	31 December 2023
Net capital (RMB Million)	68,512	66,859
Net assets (RMB Million)	96,774	91,856
Total risk capital reserves (RMB Million)	40,233	41,217
Risk coverage ratio (%)	170.29	162.21
Capital leverage ratio (%)	14.60	14.02
Liquidity coverage ratio (%)	234.24	208.63
Net stable funding ratio (%)	183.00	151.21
Net capital/net assets (%)	70.80	72.79
Net capital/liabilities (%)	22.90	22.21
Net assets/liabilities (%)	32.34	30.51
Proprietary equity securities and securities derivatives/net capital (%)	8.60	13.98
Proprietary non-equity securities and securities derivatives/net capital (%)	353.93	350.13

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

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

I. ANALYSIS ON CORE COMPETITIVENESS

1. Innovative and Leading Business System

The Company possesses a balanced and comprehensive investment banking business, and a wealth management business with wide selection of established products that continue to evolve in tandem with continuously advancing investment advisory capabilities. It also has a professional and integrated trading and service for financial institution clients, as well as a rapidly growing and highly potential in comprehensive asset management field. By using an integrated approach to the management of its subsidiaries, the Company is able to maximize resource efficiency, provide comprehensive client services, and drive business development on a larger scale. The innovative, leading, healthy and balanced business system ensures that the Company can quickly seize market opportunities and effectively withstand business fluctuations, which acts as a stabilizer for the Company's sustainable development.

2. Well-structured client base

The Company has an industry-leading, well-structured and rational client base. Our client base is mainly composed of leading enterprises, high-quality companies, and a significant number of small and medium-sized enterprises that “use special and sophisticated technologies to produce novel and unique products” in various industries. In addition, the Company works closely with key financial and investment institutions around the area of expertise. The Company provides services to help government clients understand and act well in the capital market, as well as wealth management services for millions of individual clients. In the process of serving corporate, institutional, government, and individual clients, the Company practices the concept of “people's finance”, enhancing client loyalty and solidifying its client base with comprehensive, professional, sincere, and continuously optimized financial services. The well-structured and constantly growing client base is the cornerstone of the Company's healthy development.

3. Comprehensive channel network

The Company's comprehensive channel network includes more than 300 physical branches nationwide spread across major cities and potential regions. It has a wholly owned subsidiary in Hong Kong, offering unique professional advantages in providing comprehensive financial solutions and global capital services. The Company has also independently developed an industry-leading intelligent online investment consulting platform, boasting more than 6,000 licensed professional advisors, ensuring a rapid response to online inquiries from clients. The Company is also cultivating a young and professional content team nationwide, aspiring to create a more layered, professional, and attractive content service that integrates online and offline services, ultimately serving as a new growth pole for the Company's channel network.

4. Continuously strengthened technology research and development

For many years, the Company has been advancing digital construction with the standard of “recording everything, analyzing everything, measuring everything, and improving everything”, committed to achieving the identity of the same customer from different business segments around the Company as a whole, and applying the same management for the same business, as well as integrated operational management. It continuously strengthens the deep integration of emerging technologies such as artificial intelligence, big data, cloud computing, and blockchain with business scenarios. The Company is making orderly progress and gradually realizing the intelligentization of customer service, business processing, and operational processes. Continuously strengthened R&D capabilities are the technological foundation for empowering employees, fostering improved management, and enabling businesses to thrive.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

5. Industry-leading risk control and compliance

The Company has established a scientifically sound, clearly defined rights and responsibilities, strategically forward-looking and comprehensive risk management system and compliance management system that spans the entire process from pre-event to during-event and post-event. The Company is one of the first six pilots to consolidate supervisory undertakings and one of the first companies on the regulatory whitelist in the domestic securities industry. The Company's risk control and compliance management systems are characterized by prudence and industry-leading practices. These safeguards ensure the Company's long-term healthy development.

6. Corporate culture of excellence

Adhering to the core value of “achievements leading to status”, the Company has formed a development experience of “walking the right path, working diligently, seeking simplicity, avoiding fuss.” It adheres to the business philosophy of “Enable Win-win Situations, Facilitate Mutual Benefits”, building a corporate culture rooted in employees, growing together with customers, and developing in tandem with the market. The Company is committed to become a first-class investment bank in China that clients trust, employees respect, and shareholders are satisfied with. It attaches great importance to the training and development of its management and staff, with an excellent, stable and highly professional talent team, including an enterprising management team and a loyal and hardworking workforce.

7. Strong shareholder background

The Company's main contributors, Beijing Financial Holdings Group Limited, Central Huijin Investment Ltd., and CITIC Group Corporation, are all large state-owned enterprises with strong capital, mature capital operation experience, rich resources, and high social visibility. They all play a crucial role in supporting national strategies and exploring financial reform.

II. BUSINESS OVERVIEW

(I) Overview

As of 30 June 2024, the total assets of the Group were RMB525,115 million, representing an increase of 0.45% as compared to 31 December 2023. Equity attributable to equity holders of the Company was RMB102,615 million, representing an increase of 5.27% as compared to 31 December 2023. Total revenue and other income of the Group during the Reporting Period amounted to RMB14,830 million in aggregate, representing a year-on-year (“YoY”) decrease of 20.49%. Total expenses amounted to RMB11,645 million, representing a YoY decrease of 13.63%. Net profit attributable to equity holders of the Company amounted to RMB2,858 million, representing a YoY decrease of 33.66%.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Analysis of Principal Businesses

The principal businesses of the Group comprise four segments: investment banking business segment, wealth management business segment, trading and institutional client services business segment and asset management business segment. During the Reporting Period, total revenue and other income of the investment banking business segment amounted to RMB1,058 million in aggregate, representing a YoY decrease of 61.02%. Total revenue and other income of the wealth management business segment amounted to RMB4,488 million in aggregate, representing a YoY decrease of 6.54%. Total revenue and other income of the trading and institutional client services business segment amounted to RMB7,111 million in aggregate, representing a YoY decrease of 13.62%. Total revenue and other income of the asset management business segment amounted to RMB642 million in aggregate, representing a YoY decrease of 13.48%.

1. Investment Banking Business Segment

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

(1) Equity Financing Business

In the first half of 2024, a total of 95 equity financing projects were issued in the whole market, representing a YoY decrease of 70.40%, and the funds raised amounted to RMB87.917 billion, representing a YoY decrease of 81.10%. Among them, IPO projects amounted to 43, representing a YoY decrease of 76.63%, and the funds raised amounted to RMB30.272 billion, representing a YoY decrease of 86.16%; equity refinancing projects amounted to 52, representing a YoY decrease of 62.04%, and the funds raised amounted to RMB57.644 billion, representing a YoY decrease of 76.62%. (Source: Wind Info, based on the statistics on the issuance date. IPO projects included listing projects on the BSE, and refinancing excluded asset-oriented private placement and convertible bonds)

In the first half of 2024, the Company completed 12 equity financing projects with the lead underwriting amount of RMB4.329 billion, ranking No. 2 and No. 7 in the industry, respectively. Among them, there were 5 IPOs in which the Company served as the lead underwriter, with the lead underwriting amount of RMB1.767 billion, ranking No. 1 and No. 7 in the industry, respectively. In the first half of 2024, the Company actively implemented the national strategy to serve the high-quality development of the real economy, and assisted CITIC Heavy Industries, a backbone enterprise in heavy equipment, in completing the equity refinancing project, and offered initial listing services to enterprises including Wanda Bearing, the largest manufacturer of special bearings for forklifts in China, and Aidite, a leading provider of dental prosthetic materials and dental digital equipment in China. In addition, the Company completed three convertible bond projects, with the lead underwriting amount of RMB3.665 billion. As of the end of the Reporting Period, the Company had 32 IPO projects under review, ranking No. 2 in the industry, including nine and two projects on the Main Board and STAR Market of the SSE respectively, four and nine projects on the Main Board and ChiNext market of the SZSE respectively, as well as eight projects on the BSE. The Company had 18 equity refinancing projects (including convertible bonds) under review, ranking No. 2 in the industry. (Sources: Shanghai and Shenzhen Stock Exchanges, BSE, Wind Info and statistics of the Company)

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2024, details of the equity financing business sponsored and underwritten by the Company in Shanghai and Shenzhen Stock Exchanges and BSE are set out below:

Items	First half of 2024		First half of 2023	
	Amount of lead underwriting (RMB'00 million)	Number of offerings	Amount of lead underwriting (RMB'00 million)	Number of offerings
IPO	17.67	5	292.84	18
Refinancing issuance	25.63	7	382.07	22
Total	43.29	12	674.91	40

Source: Statistics of the Company

Note: Items under IPO include BSE projects; the issue scope of refinancing includes allotment of shares, public placement, financing-oriented private placement (inclusive of non-public issuance, reorganization ancillary financing), preference shares, but excludes asset-oriented private placement. In the above table, if the total number is inconsistent with the sum of the sub-item value, it is due to rounding.

In the first half of 2024, the Company completed the private placement for 5 enterprises listed on the NEEQ with a fund raised of RMB582 million. As of the end of the Reporting Period, the Company had continuously supervised 59 innovative enterprises listed on the NEEQ. (Sources: NEEQ Company and Choice Financial Terminal)

For overseas business, in the first half of 2024, China Securities International participated and completed one IPO sponsorship project for H Shares in Hong Kong market, and acted as a sole sponsor to assist Laopu Gold, a leading Chinese heritage gold jewelry brand, with HK\$1.042 billion raised from IPO listing in Hong Kong.

Outlook for the second half of 2024

In further comprehensively deepening the reform of the capital market, the Company will actively contribute to the broader national development, continuously enhance its professional capabilities in serving the real economy and the construction of a modern industrial system, support the achievement of high-level technological self-reliance through our own efforts, put more efforts in the accelerated development of new quality productivity, and solidly carry out the financial work in the five priorities of technology finance, green finance, inclusive finance, pension finance and digital finance, so as to devote itself in the high-quality development of the capital market and the building of a financial powerhouse. Meanwhile, adhering to customer-oriented principle, the Company will further deepen the matrix structure of “industry + region + product”, continue to promote the in-depth implementation of domestic and overseas integration, and cooperate with other business lines to provide customers with comprehensive investment banking services covering full products and full life cycle.

For overseas business, China Securities International will actively seize the development opportunities of the Hong Kong IPO market, continue to promote the integration of investment banking in mainland China and Hong Kong, continue to expand its business scope in the Hong Kong market, and further enhance the capability to provide comprehensive services to clients.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(2) Debt Financing Business

In the first half of 2024, after experiencing certain sharp downward fluctuations, the bond market turned into a low-level volatility. Under the background of recovery in economic fundamentals, flexibility of monetary policy and abundant liquidity, the overall yield continued to decline. The issuance scale of credit bonds in the whole market (excluding interbank certificates of deposit) was RMB9,729.807 billion, representing a YoY increase of 5.04%. (Sources: Wind Info)

In the first half of 2024, the Company continued to maintain a good development momentum for its debt financing business, and completed a total of 1,516 lead underwriting projects, with a lead underwriting amount of RMB700.483 billion, both ranking No. 2 in the industry. Among them, there were 470 corporate bond projects under the lead underwriting, with a lead underwriting amount of RMB195.191 billion, both ranking No. 2 in the industry. (Sources: the Securities Association of China and Wind Info)

In the first half of 2024, the Company actively implemented major national strategic policies, and led the underwriting of 37 green bonds, with an underwriting amount of RMB11.388 billion, among which there were 6 carbon neutral special bonds, with an underwriting amount of RMB1.092 billion. As the lead underwriter and the bookrunner, the Company managed to assist Shenergy Co., Ltd. in issuing renewable corporate bonds of carbon neutral and green technology innovation rural revitalization of RMB1 billion, with an aim to promote the reduction of traditional energy consumption and its efficiency enhancement, strengthen the research, development and application of new energy, and actively facilitate the construction of a new pattern of diversified development and utilization of new energy. The Company led the underwriting of 97 technology innovation corporate bonds (including asset-backed securities) and technology innovation instruments, with a lead underwriting amount of RMB33.428 billion, among which, as the lead underwriter and the bookrunner, the Company managed to assist Beijing Enterprises Holdings Limited in issuing technology innovation corporate bonds of RMB2 billion, which gave full play to the dominant position of customers and the leading role of the industry in the field of technology innovation, and actively leveraged on the capital market to innovate products as well as promoted the high-level all-round circulation of technology, capital and industry. The Company ranked No. 2 in the industry both in terms of the number and amount for the lead underwriting of technology innovation corporate bonds. (Source: the Securities Association of China).

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

The debt financing business of the Company in the first half of 2024 were shown in the table below:

Items	First half of 2024			First half of 2023		
	Amount of lead underwriting (RMB'00 million)	Total project scale (RMB'00 million)	Number of offerings	Amount of lead underwriting (RMB'00 million)	Total project scale (RMB'00 million)	Number of offerings
Corporate bonds	1,951.91	5,497.39	470	2,134.93	5,303.61	492
Enterprise bonds	37.48	104.56	13	157.19	323.10	27
Convertible bonds	36.65	36.68	3	97.55	127.55	4
Financial bonds	2,017.95	12,923.00	127	1,231.41	7,391.00	69
Others	2,960.84	27,667.83	903	3,643.01	28,354.60	969
Total	7,004.83	46,229.46	1,516	7,264.10	41,499.86	1,561

Sources: Wind Info and statistics of the Company

Note: "Others" mainly include medium-term notes, short-term commercial papers, private placement notes, asset-backed securitization, government-backed agency bonds, exchangeable bonds and others.

For overseas business, in the first half of 2024, China Securities International participated and completed 102 bond underwriting projects in overseas market, with an underwriting amount of HK\$193.768 billion, including 30 projects as global coordinator, with an underwriting amount of HK\$56.864 billion.

Outlook for the second half of 2024

In the second half of 2024, the Company will continue to thoroughly implement the requirements of the Company's "14th Five-Year Plan" and focus on high-quality development when carrying out the debt financing business. The Company will further promote the matrix layout of "industry + region + product", continuously improve the customer service system, continuously strengthen the prevention and control of business risks, maintain stable project reserves, continuously develop innovative businesses, while paving the way for comprehensive product offering and balanced development, and continuously enhancing the overall strength of the debt financing business.

For overseas business, China Securities International will continue to leverage the resource advantage of domestic and overseas integrated strategic cooperation, take active steps to explore diversified debt financing products, and tap into and serve the overseas debt financing projects of Chinese-invested enterprises, so as to enhance its international development.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(3) Financial Advisory Business

In the first half of 2024, A-share listed companies completed a total of 13 projects of acquisition of assets through issuance of shares and major asset restructuring. Among them, the Company completed 1 project of major asset restructuring, ranking No. 4 in the industry; the transaction amount was RMB0.213 billion, ranking No. 8 in the industry. As of the end of the Reporting Period, there were 4 listed companies which have publicly disclosed draft plans in respect of acquisition of assets through issuance of shares and major asset restructuring in which the Company acted as the independent financial advisor. (Sources: Wind Info and statistics of the Company)

For overseas business, as of the end of the Reporting Period, China Securities International participated in and completed 1 financial advisory project in the Hong Kong market.

Outlook for the second half of 2024

In the second half of 2024, the Company will delve into the merger and acquisition market to better align with customer's requirements, take active steps to serve leading customers from central government-owned and state-owned enterprises, and push ahead the development of cross-border business. It will consolidate the Company's advantages in the field of financial advisory for bankruptcy reorganization and debt restructuring of listed companies, deepen the development of professional ability of financial advisory, give full play to the functional role of securities companies in the development of new quality productivity, and serve the implementation of national industrial development strategies.

For overseas business, China Securities International will continue to explore businesses such as cross-border acquisitions, pre-IPO financing and privatization, with an aim to further increase our market share.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

2. Wealth Management Business Segment

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

(1) Brokerage and Wealth Management Business

In the first half of 2024, the average daily trading volume for stock funds in A-share market was approximately RMB796.503 billion, representing a YoY decrease of 8.89%. (Source: Shanghai and Shenzhen Stock Exchanges and Wind Info) In the first half of 2024, the Company actively integrated resources to offer a wide range of financial products and services (mainly including shares, funds, fixed income products, margin financing, investment advisory, futures, etc.), aiming to create a comprehensive customer service platform and business ecological chain with a full spectrum of offerings. It has continued to adhere to its customer-centered philosophy, improve service level and diversified methods of service, and promote the high-quality development of brokerage business, striving to meet the multi-layered and diversified wealth management and investment and financing needs of retail customers, high-net-worth clients, institutional customers and corporate customers.

For securities brokerage business, in the first half of 2024, the Company's securities brokerage business had newly developed 735.3 thousand customers, representing a YoY increase of 13.23%, with a cumulative of 14 million customers in the aggregate. The scale of financial product reached RMB210 billion, with revenue from customization business for buyers representing a YoY increase of 24.45%. A share direct trading volume ranked 9th and 10th in Shanghai and Shenzhen markets, respectively. The Company continuously optimized the customer experience in the mobile transaction client-side APP, "Qingting Dianjin", with average monthly active customers ranking No. 7 in the industry; continued to strengthen its leading advantage in the stock investment advisory service business, with its fund investment advisory business being progressed well; kept optimizing its financial product system and continuously uplifting the supply of various products. (Source: SSE and SZSE, Statistics of the Company)

For futures brokerage business, in the first half of 2024, the cumulative trading volume of the futures markets in China was approximately 3.460 billion lots, representing a YoY decrease of 12.43%; the cumulative trading volume was approximately RMB281.51 trillion, representing a YoY increase of 7.40%. As of the end of the Reporting Period, China Futures achieved an agency transaction amount of RMB11.52 trillion in total, representing a YoY increase of 31.23%. Among them, the agency transaction volume of commodity futures amounted to RMB7.59 trillion, representing a YoY increase of 27.91%; the agency transaction volume of financial futures amounted to RMB3.93 trillion, representing a YoY increase of 38.15%. During the Reporting Period, the market share of agency transaction amount of China Futures was 2.05%, representing a YoY increase of 22.22%; the number of new customers increased by 22,757, representing a YoY increase of 28.06%. (Source: Statistics of the Company)

For overseas business, in the first half of 2024, the aggregate stock agency transaction volume of China Securities International was HK\$15.094 billion, representing a YoY increase of 42.83%. As of the end of the Reporting Period, the total market value of the shares of customers under custody was HK\$18.987 billion, representing a YoY increase of 13.86%.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Outlook for the second of 2024

For securities brokerage businesses, in the second half of 2024, the Company will stay committed to broadening customer base, and establishing a standardized online customer acquisition and operation service system; continue to improve the full life-cycle service system for investment consulting and financial products, and enhance asset allocation and service level of buyer's business; enrich the content of service for institutional and listed company customers; enhance technology empowerment, and optimize internet platforms, such as "Qingting Dianjin" App, providing customers with customized and smart one-stop online wealth management service; build a high-quality wealth management team; constantly strengthen the core competitiveness of "good investment advisors, good products and good transactions", and take the road of high-quality development of wealth management with China Securities International features.

For futures brokerage services, China Futures will focus on the overall development goal of building a first-class futures company, keep up the strategy of concentrating on principal business, and continue to improve the customer service system. The Company will actively deploy the wealth management business with futures features, improve asset allocation level and steadily promote its wealth management business; deeply explored internal and external synergistic resources to continuously improve its ability of serving the real economy.

For overseas business, China Securities International will strive to achieve win-win results for customers' operation and investors' long-term income in the same direction, accelerate the construction of overseas product platforms, develop and introduce high-quality products, and make good use of the policy opportunities such as "Cross-Border Wealth Management Connect" to provide customers with a variety of overseas asset allocation methods to help customers realize the maintaining and increasing the value of domestic and overseas assets.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(2) Margin Financing and Securities Lending Businesses

In the first half of 2024, the scale of margin financing and securities lending businesses in the whole market decreased. As of the end of the Reporting Period, the balance of margin financing and securities lending in the whole market was RMB1,480.899 billion, representing a decrease of 10.30% as compared with the end of 2023. As of the end of the Reporting Period, the balance of margin financing and securities lending business of the Company was RMB52.640 billion, with a market share of 3.55% and an integral maintenance margin ratio of 276.45%; there were 186.5 thousand margin financing and securities lending accounts, representing an increase of 1.70% from the end of 2023. (Sources: Wind Info and statistics of the Company)

For overseas business, as of the end of the Reporting Period, the balance of margin financing business of China Securities International was HK\$237 million¹.

Outlook for the second half of 2024

In the second half of 2024, the Company will strive to improve the depth of service for high-net-worth clients, and further improve the professional service ability by expanding business channels, enhancing internal synergy, enriching business models and other measures; at the same time, promote the transformation of the achievement of financial technology, deepen the investors-oriented concept, build an ecosystem for customer online service, establish a sound product service system, and provide customers with diversified, intelligent and personalized product services.

For overseas business, China Securities International will constantly adhere to the principle of prioritizing risk control. The Company will concentrate on exploring the financing needs of existing transactional customers, serving more institutional clients, and offering comprehensive investment and financing services to customers.

(3) Repurchase Business

In the first half of 2024, stock pledge business achieved a steady and healthy development in the whole market. As of the end of the Reporting Period, the balance of principal of stock-pledged repurchase business of the Company was RMB8.533 billion. Among them, the balance of principal of investment (on-balance sheet) stock-pledged repurchase business amounted to RMB5.131 billion, with an average collateral coverage ratio of 232.89%; the balance of principal of management (off-balance sheet) stock-pledged repurchase business amounted to RMB3.402 billion. (Source: statistics of the Company)

Outlook for the second half of 2024

In the second half of 2024, under the prerequisite of ensuring that risks are measurable, controllable, and bearable, the Company will stably and prudently carry out stock-pledged repurchase business. The Company will accelerate resource integration, and provide comprehensive financial service to strategic customers; strengthen risk identification on listed companies leveraging on its own investment research capability, and continuously prevent business risks; continuously improve asset quality of stock-pledged repurchase business of the Company through internal refined management.

1 Excluding margin business of Hong Kong IPO stocks.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

3. Trading and Institutional Client Services Business Segment

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

(1) *Stock Sales and Trading Businesses*

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

In respect to the securities trading business, with the goal of absolute gains, the Company proactively tracked domestic and overseas macroeconomic changes and market trends to flexibly adjust its position structure, actively sought opportunities arising in the market, and strictly controlled risks relating to business. In terms of derivatives trading business, as one of the industry's first primary dealers of OTC options, the Company steadily promoted OTC derivatives business such as OTC options and income swaps, further enriching the types of underlying assets and income structure to meet the needs of clients in respect to individualised risk management and asset allocation. As contributed by continuously expanding its strategic index product system and iterating its original strategic index, strengthening the risk prevention and control mechanism, the Company launched the comprehensively upgraded "CSC Chinese Assets Risk Parity Index 2.0 (CARP2)" and the "CSC World Assets Risk Parity Index 2.0 (WARP2)" and the compound strategic index "CSC World Asset Risk Parity Macro Hedge Index 2.0 (WARPMACRO2)", which provided financial institutions with a richer product line and provided investors with diversified asset allocation solutions. Moreover, the Company continuously expanded the scope and scale of its market making business aiming to enhance its market competitiveness. The current market making products include ETF funds, options, futures, stocks and other trading products.

In terms of the stock sales business, in the first half of 2024, the Company completed 12 stock sale projects as a lead underwriter, with a cumulative sales amount of RMB4.329 billion, including 5 IPOs and 7 sales of non-public issuance of stock with the sales amounts of RMB1.767 billion and RMB2.563 billion, respectively. (Source: statistics by the Company)

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

For overseas business, the institutional sales and trading businesses of China Securities International mainly provide trading, advisory and research services, and sell stocks underwritten by the Company to institutional clients. China Securities International has formed a cross-industry, cross-market and cross-asset class research service matrix, constantly improving the service system for institutional clients, further enhancing its influence in the secondary stock market in Hong Kong and gradually establishing its brand awareness. As of the end of the Reporting Period, the cumulative number of clients for the institutional sales and trading businesses of China Securities International was 499, and the institutional clients' cumulative stock trading volume realized in the first half of 2024 was HK\$31.329 billion.

Outlook for the second half of 2024

In the second half of 2024, the Company will adhere to the business orientation of absolute gains, strengthen research on domestic and overseas macroeconomic situations and market strategies, closely track the changes in the industry, deeply explore individual stock opportunities, proactively grasp possible market trends to prevent and control risk exposure of securities held. As centered with meeting the customer's needs on asset allocation and risk management, the Company will continue to develop the OTC derivative business, enrich the strategic index product portfolio, expand the business model of cross-border investment, and enhance the market competitiveness of market-making business, as well as consummate the self-owned fund investment system.

For overseas business, China Securities International will fully promote the supporting efforts of overseas investment and research business for stock sales and trading businesses, continue to expand well-known institutional clients and further build the Company's overseas research brand.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(2) Fixed-Income Products Sales and Trading Businesses

The fixed-income business of the Company covers, among others, proprietary trading, market making, sales, investment advisory and related cross-border businesses in the FICC field, providing all-round, multi-level and one-stop comprehensive services for domestic and foreign customers, and the scope of service covers fields such as interest rates, credits, exchange rates, commodities, structured products and related derivatives, and we strive to become a reliable product supplier, strategy provider and transaction service provider for domestic and overseas customers.

In the first half of 2024, the Company's fixed income business actively implemented the national strategy, continued to promote the construction of the FICC business system, and comprehensively improved its professional capabilities to serve the high-quality development of the capital market. The Company steadily carried out proprietary investment, continuously enriched the types and strategies of transactions, and expanded the types and scale of overseas investment. Through launching the "H-share full circulation" foreign exchange settlement and sale business, the first batch of carbon assets repurchase transactions in Shanghai carbon market, carbon assets repurchase transactions in Hubei carbon market, and establishing return swap linked to green bonds, MSME-themed bond index, etc, we adhered to serving the development of the real economy and facilitating the construction of green finance and inclusive finance, and was honored as Outstanding Member Award (優秀會員獎) of the Shanghai carbon market and the 10th Anniversary of Hubei Carbon Market Pioneer Award (湖北碳市場開市10周年市場先鋒獎). We also gained a qualification upgrade to become the primary market maker of China government bond futures, with the ranking of government bond futures market making at the forefront of the industry. Our bond sales volume ranked 2nd in the industry, and on the basis of maintaining the traditional advantageous position, we actively explored new growth points, and the scale of bond distribution, redemption and resale businesses improved significantly. The scale of investment advisory business grew steadily, thereby further enhancing our comprehensive customer service capabilities. As of the Date of Disclosure of the Report, the Company was honored the "Northbound Top Market Maker" by Bond Connect Company Limited for three consecutive years.

During the Reporting Period, China Securities International achieved bond trading volume of HK\$92.866 billion, representing a YoY increase of 67.83%.

Outlook for the second half of 2024

In the second half of 2024, in respect to the FICC business, the Company will continue to adhere to the business philosophy of "professionalism, customer first, international vision and pursuit of excellence", and leverage on its professional advantages to serve the high-quality development of the real economy focusing on the deployment of various national strategies and the development direction of the securities industry, actively implement the development strategy of "specialization, internationalization and digitalization", strengthen the construction of investment capabilities, further explore new opportunities, new models, and new strategies, promote internal and external collaboration, facilitate domestic and overseas linkage, steadily make directional and non-directional investments in FICC, continuously enrich products and services for customers, and improve business automation and intelligence levels by relying on technology empowerment.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(3) Investment Research Business

The investment research business of the Company mainly provides institutional clients with research & consulting services covering macroeconomy, fixed income, economic and industrial policies, asset allocation, market strategies, financial engineering, industries and companies. The Company's major clients include mutual funds, insurance companies, National Social Security Fund, banks and bank wealth management subsidiaries, private funds, securities firms, trust companies and other domestic and foreign financial institutions, and the Company provides clients with research reports and various personalized research consultation services.

In 2023, the Company had the third largest commission revenue gained from mutual funds in the industry, taking up 4.86% of the market share. The first half of 2024 witnessed how the CSC reaped the benefits of its professional research advantage to offer services to more listed companies and firms, serving more strategic customers. The Company provided professional, in-depth and frontier research services for customers inside and outside of China, and strengthened its business collaboration among different business lines in all respects. Leveraging its think tank, the Company has enhanced its influence in the research market and the industry as well as its reputation. As of the end of the Reporting Period, the research and sales teams of the Research Department comprises 256 members, and the research analysts of the Department focus on 41 sectors under 10 categories. During the Reporting Period, the Company completed a total of 2,951 securities research reports, of which 386 research reports were released in the Hong Kong market (including those solely released in Hong Kong market or both in mainland market and Hong Kong market). Such reports fully covered hot topics such as new quality productive forces, "Five Major Articles in Financial Development", and policy interpretations of the new "Nine Guidelines of the State Council". In addition, the Company provided 28,587 online and offline roadshows and conducted 4,003 surveys for institutional clients. Moreover, the Company organized High-end Closed-Door Listed Company Seminar for 1Q24, High Dividend and Market Value Management: Stability and Progress Investment Strategy Meeting; and Technology Leads to Creating Future Together – Concentrated Roadshows for Listed Companies and other large-scale conferences and activities for other professional research service.

Outlook for the second half of 2024

In the second half of 2024, the Company's research business will devote more energy to frontier, industrial chain and international research as well as research pertaining to the new quality productive forces, "Five Major Articles in Financial Development", and ESG, so as to constantly enhance its width and depth in the research business in and outside of China. Meanwhile, the investment research business will strengthen research support for various business lines within the Company and provide high-quality think tank services.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(4) Prime Brokerage Business

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

As one of the securities companies that possesses and undertakes the widest range of businesses, and supports most types of prime brokerage systems, the Company has currently supported markets and types of transactions including margin financing and securities lending, stock index futures, commodity futures, stock options, BSE, Southbound Trading and over-the-counter mutual funds to offer its clients with convenience and favorable experience in carrying out various businesses at the same time; the self-developed algorithmic trading platform embedded in the prime brokerage system maintains an industry-leading algorithmic trading execution efficiency, which is widely recognized and trusted by clients such as banks, insurance companies, mutual funds, private funds, enterprises and high-net-worth individuals, including clients for QFI business. New services such as BSE stocks, Shanghai and Shenzhen REITs and commodity futures algorithm trading have also satisfied customers' diversified trading needs. The Company's self-developed special counter for institutional transactions provides financial institutions with independent and more functional trading channels, which is widely recognized by banks, mutual funds and insurance asset management institutional clients. In the first half of 2024, the turnover for the prime brokerage business continued to grow, the trading effect of algorithmic trading continued to optimize, and the types and scale of customers continued to expand. As of the end of the Reporting Period, the number of existing customers in the Prime Brokerage (PB) system of the Company was 17,123, representing a YoY increase of 17.04%; a total of 30 mutual funds and 10 insurance asset management institutions used the Company's algorithm trading services in the binding offer, and a total of 116 customers used the agency commissioning service of the Company, with a total of 159 targets traded.

As of the end of the Reporting Period, the Company also had 96 mutual funds under custody, ranking first in the industry in terms of number of mutual funds under custody. The total scale of custody and operating services of the Company amounted to RMB849.551 billion, including 5,915 custody products and 6,055 operating service products.

Outlook for the second half of 2024

In the second half of 2024, with the aim to constantly satisfy professional and institutional investors' trading needs, the Company will continue to improve its various types of prime brokerage systems and special counter services for institutions. The embedded algorithmic platform will provide more access for more trading software and more algorithm-based trading strategies for clients. The Company will keep abreast of the changes in the market environment and regulatory policy to further build a diversified and personalized professional trading service system, so as to further meet the trading needs of various clients. The Company will also take the initiative to adapt to the regulatory requirements under the new situation, and continue to expand the cooperation relationship with clients such as mutual funds and top private equity funds, take the advantage of ETF custody, develop digital custody, and build an internal control and compliance firewall, so as to build an efficient, comprehensive, professional and secure custody ecology.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(5) QFI and WFOE Businesses

As a domestic brokerage and securities firm of QFIs and WFOEs, the Company has accumulated many years of experience in serving foreign customers and has focused on providing full-product one-stop financial services for foreign institutions such as QFIs and WFOEs. In the first half of 2024, the Company continuously and deeply explored the QFI and WFOE business opportunities through cross-border integrated sales, strengthened customer stickiness with the help of first-class securities research service resources, continuously optimized the account opening and trading processes through continuous upgrade and improvement of the trading system and trading algorithm, and made efforts to improve the investment and trading experience of foreign customers. Currently, the Company has formed a specialized investment trading service system for foreign institutions, which features rich securities research services, advanced trading systems and intelligent trading algorithms.

Outlook for the second half of 2024

In the second half of 2024, the Company will further promote its cross-border integrated operation, continue to build a diversified network for foreign customers, increase the coverage of top foreign institutions, and will be committed to advancing the construction of trading infrastructure with an aim to provide its customers with advanced investment research and trading services. The Company will align its strengths and resources to provide foreign institutional customers with high-level, all-round, diversified and differentiated comprehensive financial services, and strive to vigorously improve the sales and the service capacity for all range of products covering investment banking, cross-border derivatives, margin financing and securities lending, block trade and other businesses by means of professional services based on research business, promote the maximization of the income of customers, continuously enhance the Company's international influence and facilitate the coordinated development of the domestic and foreign businesses of the Company.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(6) *Alternative Investment Business*

In the first half of 2024, in the face of the complex macroeconomic situation and changes in the capital market, China Securities Investment actively acted to serve the national strategy as the starting point, centering on the service of new-quality productive forces. It has continuously optimized the investment strategy, strengthened the construction of investment and research capacity, and increased investment in strategic emerging industries and future industries. In terms of investment targets, China Securities Investment promoted the implementation of the strategy of “investing in early-stage, new, cutting-edge, disruptive fields”, further explored the investment opportunities on the NEEQ and the Beijing Stock Exchange, and actively explored the broad investment opportunities of long-term asset allocation, so as to expand the profit drivers of the Company through various measures. During the Reporting Period, China Securities Investment completed 8 project investments with an investment amount of RMB168 million.

Outlook for the second half of 2024

In the second half of 2024, China Securities Investment will continue to optimize its investment layout and investment strategy, and improve its multi-dimensional investment strategy. While mainly engaged in strategic emerging industries, it will actively position itself in future industries, expand its long-term asset allocation strategy, and make every effort to serve new-quality productive forces.

4. Asset Management Business Segment

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

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

In the first half of 2024, the Company's asset management business focused on improving professional, systematic and refined investment and research capabilities. Focusing on customers' needs on the market, the Company concentrated on, among other products, fixed income, “Fixed Income-Plus”, equity, quantitative, derivative and FOF, deepened cross-border integration and enhanced internal and external synergism, providing comprehensive asset management services throughout the life cycle across a full range of products. Meanwhile, the Company established its asset management subsidiaries in an orderly manner.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

As of the end of the Reporting Period, the entrusted capital scale of Company's customer asset management reached RMB521.982 billion, including collective asset management business, targeted asset management business and specialized asset management business. The details are listed as follows:

Unit: RMB'00 million

	Scale	
	30 June 2024	30 June 2023
Collective asset management business	1,434.62	1,564.90
Targeted asset management business	2,072.81	1,384.00
Specialised asset management business	1,712.39	1,575.48
Total	5,219.82	4,524.38

Source: Securities Association of China

As of the end of the Reporting Period, the asset management business scale of China Securities International was approximately US\$93.00 million, of which investment management scale of Bond Fund was approximately US\$6.00 million, the management scale of Balanced Fund was approximately US\$19.00 million, and the management scale of Discretionary Accounts was approximately US\$68.00 million.

Outlook for the second half of 2024

In the second half of 2024, the asset management business of the Company will focus on "Five Major Articles in Financial Development", continue to enhance its active management capability, adhere to the customer-centric approach, improve the customer service system, enrich product line layout, create a product strategy library for diverse customers, and offer a package of product and service solutions. At the same time, the Company will focus on compliance and risk management, strengthen digital construction, steadily promote the establishment and operation of asset management subsidiaries, and create a competitive advantage in asset management with securities dealer features.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(2) Fund Management Business

In the first half of 2024, China Fund continued to make efforts to deploy public fund business, optimize product structure and improve product quality, and the performance of fixed-income products continued to improve. As of the end of the Reporting Period, the asset management scale of China Fund reached RMB113.731 billion, representing an increase of 21.30% as compared with that as at the end of 2023, of which the management scale of public funds was RMB81.511 billion, representing an increase of 19.60% as compared with that as at the end of 2023; the aggregate management scale of special account products of China Fund and its fund subsidiaries was RMB32.220 billion, representing an increase of 25.83% as compared with that as at the end of 2023. As of the end of the Reporting Period, China Fund managed a total of 57 public funds with a management scale of RMB81.511 billion. Among 53 funds participating in the market return ranking (the remaining four funds had no public ranking in the market), the return of 27 funds ranked in the top 50%, 16 funds ranked in the top 30%, 13 funds ranked in the top 20% and 8 funds ranked in the top 10%. The investment performance of public funds was stable. (Sources: Wind Info and statistics of the Company)

Outlook for the second half of 2024

In the second half of 2024, China Fund will continue to adhere to focusing on the interests of stakeholders, adhere to the long-term value investment philosophy, focus on building professional and refined investment and research capabilities, and drive the improvement of investment performance through effective collaboration between investment and research. At the same time, the Company will continue to promote the integration and coordination of internal resources, enrich product layout, further explore various sales channels, strengthen customer system construction, bring better investment experience to investors, and thoroughly fulfill the mission of “continuously creating value for customers”.

(3) Private Equity Investment Business

In the first half of 2024, China Capital adheres to the core purpose of serving national strategies, the Company continuously strengthened and enhanced its ability to serve the real economy, strived to promote the high-quality development of the local economy and society, and actively expanded its “patient capital”. During the Reporting Period, China Capital had new investment funds filed for registration increased by RMB2.9 billion with a fund management scale of nearly RMB67.0 billion and had an investment in projects of RMB900 million. As of the end of the Reporting Period, China Capital ranked 6th among private equity subsidiaries of securities firms in terms of the average monthly paid-in capital received. (Source: Asset Management Association of China)

Outlook for the second half of 2024

In the second half of 2024, China Capital will actively explore the layout of a diversified fund system, act as long-term capital and patient capital, continuously improve its industrial service capabilities, continuously increase the investment in key areas including technological innovation, small and medium-sized enterprises and green low-carbon industry, make deployment targeting the fields of national technology “bottleneck”, stimulate economic vitality, foster innovation momentum, empower new quality productive forces, solidly promoting high-quality development, and demonstrate the responsibility as a state-owned financial investment organization.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

III. FINANCIAL STATEMENT ANALYSIS

(I) Profitability Analysis

In the first half of 2024, the Group realised a total revenue and other income of RMB14,830 million, representing a YoY decrease of 20.49%, with the changes on key items as follows:

- fee and commission income amounted to RMB5,698 million, representing a YOY decrease of 21.69%, which was mainly due to the YoY decrease in fee and commission income from investment banking business in the first half of 2024;
- interest income amounted to RMB4,365 million, representing a YoY decrease of 16.20%, which was mainly due to the YoY decrease in interest income from margin financing and securities lending and financial institution deposits in the first half of 2024;
- net investment gains amounted to RMB3,503 million, representing a YoY decrease of 18.31%, which was mainly due to the impact of change of fair value from financial assets at fair value through profit or loss in the first half of 2024;
- other income amounted to RMB1,264 million, representing a YoY decrease of 32.73%, which was mainly due to the YoY decrease in income from bulk commodity trading in the first half of 2024.

In the first half of 2024, the total expenses of the Group amounted to RMB11,645 million, representing a YoY decrease of 13.63%, with the changes on key items as follows:

- fee and commission expenses amounted to RMB1,322 million, representing a YoY increase of 25.67%, which was mainly due to the YoY increase in fee and commission expenses from futures brokerage business in the first half of 2024;
- staff costs amounted to RMB3,575 million, representing a YoY decrease of 12.31%, which was mainly due to the YoY decrease in staff salaries in the first half of 2024;
- interest expenses amounted to RMB3,984 million, representing a YoY decrease of 3.61%, which was mainly due to the YoY decrease in interest expenses of short-term financing instruments payable in the first half of 2024;
- other operating expenses and costs amounted to RMB2,616 million, representing a YoY decrease of 37.12%, which was mainly due to the YoY decrease in the cost of bulk commodity trading in the first half of 2024;
- credit impairment losses provided amounted to RMB94 million in the first half of 2024, which reversed amounted to RMB18 million in the same period last year, which was mainly due to the impact of the credit impairment losses on financial assets held under resale agreements in the first half of 2024.

In the first half of 2024, the Group realised net profit attributable to equity holders of the Company of RMB2,858 million, representing a YoY decrease of 33.66%, and realised basic earnings per share of RMB0.30, representing a YoY decrease of 38.78%. The return on weighted average equity was 3.14%, representing a YoY decrease of 2.30 percentage points.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Asset Structure and Asset Quality

During the Reporting Period, the Company issued the first tranche of perpetual subordinated bonds to replenish operating capital and maintain sound liquidity. The Company maintained more prudent operation, stable structure of assets and liabilities, and sound asset quality and financial position.

As of June 30, 2024, the Group's total assets amounted to RMB525,115 million, representing an increase of RMB2,362 million, or 0.45%, as compared with that as at the end of previous year; after deducting accounts payable to brokerage clients, the Group's total assets amounted to RMB428,160 million, representing an increase of RMB6,331 million, or 1.50%, as compared with that as at the end of previous year. Among which, investment assets, mainly including investments in associates and investments in financial assets, accounted for 67.72%; margin accounts and financial assets held under resale agreements accounted for 17.64%; cash and bank balances accounted for 9.68%; and other assets accounted for 4.96% in aggregate.

As of June 30, 2024, the Group's total liabilities amounted to RMB422,453 million, representing a decrease of RMB2,773 million, or 0.65%, as compared with that as at the end of previous year; after deducting accounts payable to brokerage clients, the Group's total liabilities amounted to RMB325,498 million, representing an increase of RMB1,196 million, or 0.37%, as compared with that as at the end of previous year. Among which, financial assets sold under repurchase agreements accounted for 39.89%; short-term borrowings, placements from banks and other financial institutions, short-term financing instruments payable and bonds in issue with maturity within one year accounted for 15.88%; bonds in issue accounted for 27.95%; financial liabilities at fair value through profit or loss and derivative financial liabilities accounted for 4.06%; and other liabilities accounted for 12.22% in aggregate.

As of June 30, 2024, the Group's equity attributable to equity holders of the Company amounted to RMB102,615 million, representing an increase of RMB5,137 million, or 5.27%, as compared with that as at the end of previous year.

As of June 30, 2024, after deducting accounts payable to brokerage clients, the gearing ratio of the Group was 76.02%, representing a decrease of 0.86 percentage point as compared with that as at the end of previous year.

(III) Cash Flow Status

After deducting the impact of changes in accounts payable to brokerage clients, the Group's net increase in cash and cash equivalents was RMB4,801 million in the first half of 2024, while net decrease in cash and cash equivalents was RMB1,199 million for the corresponding period of 2023, which was mainly attributable to the YoY increase in net cash inflow from investing activities.

Net cash inflow from operating activities in the first half of 2024 was RMB2,625 million, while a net cash outflow was RMB3,370 million for the corresponding period of 2023, which was mainly attributable to the change in cash flow from operating activities arising from net changes of financial assets at fair value through profit or loss.

Net cash inflow from investing activities in the first half of 2024 was RMB2,715 million, while net cash outflow was RMB5,116 million for the corresponding period of 2023, which was mainly attributable to the change in net cash flow from purchase or disposal of financial assets at fair value through other comprehensive income.

Net cash outflow from financing activities in the first half of 2024 was RMB539 million, while net cash inflow was RMB7,287 million for the corresponding period of 2023, which was mainly attributable to the YoY decrease in cash inflows from issuing bonds and short-term financing instruments and the YoY increase in cash outflows from repayments of debts.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL SUBSIDIARIES

Name	Shareholding of the Company	Date of establishment	Registered capital	Office address	Registered address	Contact number
China Futures	100%	16 March 1993	RMB1,400 million	Hilton Business Center, No. 131, Zhongshan 3rd Road, Yuzhong District, Chongqing (重慶市渝中區中山三路 131 號希爾頓商務中心)	27/F and 30/F, Hilton Business Center, No. 131, Zhongshan 3rd Road, Yuzhong District, Chongqing (重慶市渝中區中山三路 131 號希爾頓商務中心 27 樓、30 樓)	023-86769605
China Capital	100%	31 July 2009	RMB3,500 million	Block B, Kaiheng Center Building, 2 Chaoyangmen Inner St, Dongcheng District, Beijing (北京市東城區朝陽門內大街 2 號凱恒中心大廈 B 座)	Room 2, East Side, 6/F, 188 Chaoyangmen Inner St, Dongcheng District, Beijing (北京市東城區朝陽門內大街 188 號 6 層東側 2 間)	010-85130648
China Securities International	100%	12 July 2012	Paid up capital of HK\$4,000 million	Two Exchange Square, 8 Connaught Place, Central, Hong Kong	18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong	+852-34655600
China Fund	100%	9 September 2013	RMB450 million	Block B, Kaiheng Center Building, 2 Chaoyangmen Inner St, Dongcheng District, Beijing (北京市東城區朝陽門內大街 2 號凱恒中心大廈 B 座)	Unit 1, Building No. 3, Balongqiao Yayuan, Qiaozi Town, Huairou District, Beijing (北京市懷柔區橋梓鎮八龍橋雅苑 3 號樓 1 室)	010-59100288
China Securities Investment	100%	27 November 2017	RMB6,100 million	Block B, Kaiheng Center Building, 2 Chaoyangmen Inner St, Dongcheng District, Beijing (北京市東城區朝陽門內大街 2 號凱恒中心大廈 B 座)	Unit 109, Block C, Beijing Fund Town Center, No. 1 Jinyuan Avenue, Changgou Town, Fangshan District, Beijing (北京市房山區長溝鎮金元大街 1 號北京基金小鎮大廈 C 座 109)	010-85130622

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

1. China Futures

As of 30 June 2024, total assets and net assets of China Futures amounted to RMB35,980 million and RMB4,111 million, respectively. In the first half of 2024, China Futures realized total revenue and other income amounting to RMB2,543 million, and net profit amounting to RMB277 million. (Unaudited)

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

2. China Capital

As of 30 June 2024, total assets and net assets of China Capital amounted to RMB4,328 million and RMB2,751 million, respectively. In the first half of 2024, China Capital realized total revenue and other income amounting to RMB115 million, and net profit amounting to RMB18 million. (Unaudited)

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

3. China Securities International

As of 30 June 2024, total assets and net assets of China Securities International amounted to RMB27,571 million and RMB3,958 million, respectively. In the first half of 2024, China Securities International realized total revenue and other income amounting to RMB705 million, and net profit amounting to RMB171 million. (Unaudited)

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

4. China Fund

As of 30 June 2024, total assets and net assets of China Fund amounted to RMB996 million and RMB856 million, respectively. In the first half of 2024, China Fund realized total revenue and other income amounting to RMB183 million, and net profit amounting to RMB44 million. (Unaudited)

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

5. China Securities Investment

As of 30 June 2024, total assets and net assets of China Securities Investment amounted to RMB6,077 million and RMB5,932 million, respectively. In the first half of 2024, China Securities Investment realized total revenue and other income amounting to RMB493 million, and net loss amounting to RMB374 million, which were mainly due to impact of the change of fair value of the financial assets at fair value through profit or loss. (Unaudited)

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

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

V. INFORMATION OF SECURITIES BRANCHES

As of the end of the Reporting Period, the Company had a total of 40 securities branches, with details as below:

No.	Branch	Date of establishment	Registered address	Contact number
1	Hubei Branch	6 February 2012	3/F, Block A, Longyuan Building, 24 Zhongbei Road, Wuchang District, Wuhan City, Hubei Province	027-87890128
2	Shanghai Branch	6 February 2012	Nos. 01, 02, 06, 07, 18/F, Block T2, No. 398 Huoshan Road, Yangpu District, Shanghai	021-55138037
3	Shenyang Branch	7 February 2012	No. 1, 12/F, 61 Beizhan Road, Shenhe District, Shenyang City, Liaoning Province	024-22556761
4	Jiangsu Branch	13 February 2012	1/F and 2/F, Huanghe Building, 58 Longyuan West Road, Gulou District, Nanjing City	025-83156571
5	Hunan Branch	1 March 2013	No. 9, Furong Middle Road Section 2, Furong District, Changsha City, Hunan Province	0731-82229568
6	Fujian Branch	16 April 2013	3/F, Wuyi Center, 33 East Street, Gulou District, Fuzhou City, Fujian Province	0591-87612358
7	Zhejiang Branch	18 April 2013	Room 604, 6/F, 225 Qing Chun Road, Shangcheng District, Hangzhou City, Zhejiang Province	0571-87067252
8	Northwest Branch	19 April 2013	No. 56 Nanda Street, Beilin District, Xi'an City, Shaanxi Province	029-87265999-202
9	Guangdong Branch	24 April 2013	Rooms 6804 and 6805, No. 233 Tianhe North Road, Tianhe District, Guangzhou City (Office only)	020-38381917
10	Chongqing Branch	14 April 2014	2-2, Block 2, Yijing Fenghao, 195 Longshan Road, Longshan Avenue, Yubei District, Chongqing City	023-63624398
11	Shenzhen Branch	21 April 2014	35E, Radio and Television Financial Center, No. 1 Pengcheng Road, Futian District, Shenzhen City	0755-23953860
12	Sichuan Branch	25 April 2014	No. 25, South Third Section, First Ring Road, Wuhou District, Chengdu City, Sichuan Province	028-85576963
13	Shandong Branch	23 May 2014	11/F, Block 4, 8 Long'ao North Road, Lixia District, Jinan City, Shandong Province	0531-68655601
14	Jiangxi Branch	28 May 2014	Unit 05, 30/F, Block 2#, Heping International Hotel, 69 Yanjiang North Avenue, Donghu District, Nanchang City, Jiangxi Province	0791-86700335
15	Henan Branch	3 June 2014	2/F, Zhonghua Mansion, 3 Shangwu Outer Ring Road, Zhengzhou District (Zhengdong), Henan Pilot Free Trade Zone	0371-69092409
16	Shanghai Free Trade Zone Branch	26 September 2014	Room 2206, North Building, 528 South Pudong Road, China (Shanghai) Free Trade Zone	021-68801573
17	Tianjin Branch	10 November 2014	No. 389, Jiefang South Road, Hexi District, Tianjin	022-23660571
18	Beijing Hongyi Branch	19 March 2019	Room 920, Unit 5, 9/F, Block B 2, Chaoyangmen Inner St, Dongcheng District, Beijing	010-65726085
19	Hainan Branch	29 December 2020	1/F and 2/F, Yindu Building, No. 38 Haifu Avenue, Haikou City	0898-65357208
20	Ningxia Branch	30 December 2020	Room 101 (Maisonette), No. 25 Commercial Building, Zhongying Yujing Phase II, No. 515 Fenghuang North Street, Xingqing District, Yinchuan City, Ningxia (self-declaration)	0951-6737057
21	Guizhou Branch	31 December 2020	No. 2, 1-8/F, No. 13, Yan'an Middle Road, Yunyan District, Guiyang City, Guizhou Province	0851-83879300
22	Jilin Branch	5 January 2021	2/F Podium Levels Zhengrong Building, No. 621 Changchun Street, Nanguan District, Changchun City	0431-81939356

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

Note: For the establishment of the above branches, the date of obtaining the "License to Operate Securities and Futures Business" 《經營證券期貨業務許可證》 shall prevail for any occurrence after 1 January 2020.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Events after the Reporting Period

On May 30, 2024, the third meeting of the third session of the Board of the Company considered and approved the Proposal on Establishing Branches, which was related to the change of branches and securities branches, and some business departments were changed into branches. As of the Date of Disclosure of the Report, the Company has newly established 5 branches and the details are as follows:

No.	Branch	Date of establishment	Registered address	Contact number
1	Qingdao Branch	July 1, 2024	No. 49 Nanjing Road, Shinan District, Qingdao	0532-82650714
2	Changzhou Branch	July 10, 2024	Nos. 23, 25, 27 and 29 Yanling West Road, Changzhou	0519-88854580
3	Wuxi Branch	July 10, 2024	No. 88-1, Xinjiangnan Garden, Wuxi City	0510-81811155
4	Quanzhou Branch	July 12, 2024	1st Floor, West Podium, Huangxing Building, Middle Section of Fengze Street, Fengze District, Quanzhou	0595-28391976
5	Dalian Branch	August 15, 2024	No. 20 Yide Street, Zhongshan District, Dalian	0411-82658669

VI. EXPLANATION OF CHANGES IN SCOPE OF STATEMENT CONSOLIDATION

As of 30 June 2024, the Company had a total of 14 structured entities included in the first-level consolidation scope of the financial statements. There were 19 first-level entities included in the consolidation scope of the financial statements of the Company.

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

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

Subsidiaries shall be charged at the applicable tax rate based on their tax residency status and preferential tax policy.

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

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

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

IX. FINANCING

In the first half of 2024, all businesses of the Company continued to be carried out in a healthy and orderly manner. In order to meet the needs of business development and according to the arrangement of asset and liability management, the Company, during the Reporting Period, successfully and publicly issued two tranches of corporate bonds with a total issuance amount of RMB3.7 billion; non-publicly issued three tranches of corporate bonds with a total issuance amount of RMB10 billion; publicly issued one tranche of perpetual subordinated bonds amounted to RMB4.5 billion, three tranches of short-term corporate bonds with a total issuance amount of RMB9.5 billion, one tranche of short-term financing bonds issued by security companies amounted to RMB2.5 billion (as of the end of the Reporting Period, the outstanding balance was RMB5.5 billion) and one tranche of offshore bonds amounted to US\$500 million.

In the second half of 2024, the Company will continue to take opportunities to issue corporate bonds, subordinated bonds, perpetual subordinated bonds, private placement bonds, short-term commercial papers, financial bonds, structured notes and other financing instruments permitted by regulatory authorities according to its own capital needs with reference to market conditions.

X. RISK MANAGEMENT

(I) Overview

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

(II) Structure of Risk Management

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

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

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Risk Management Committee under the Board of Directors is responsible for supervising the overall risk management of the Company in general and making them under a reasonable control so as to ensure that the Company can carry out effective risk management for various risks related to its operating activities. The Risk Management Committee under the Board of Directors considers and advises the overall objectives and basic policies of compliance management and risk management; confirms the specific constitution of risk management strategies and risk management resources so that they are compatible with the risk management policies of the Company; formulates tolerance level for major risks; and supervises and reviews the relevant risk management policies and makes recommendations to the Board.

The Supervisory Committee bears the supervision responsibility of overall risk management, is responsible for supervising and inspecting the performance of duties of the Board of Directors and Executive Committee of the Company in risk management, and urges rectification.

The Executive Committee makes general decisions with respect to, among others, the prevention, control, mitigation, or acceptance of risks in its business management and makes decisions on, among others, improving the Company's internal control rules and procedures and control measures in accordance with the risk management policies determined by the Board.

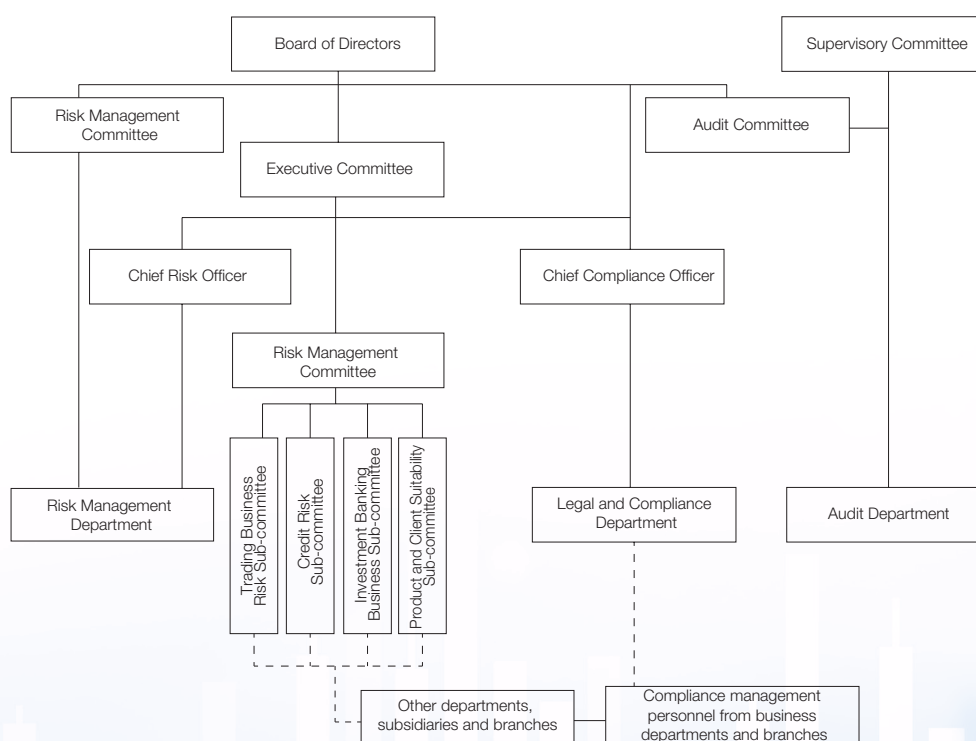
The Risk Management Committee under the Executive Committee is responsible for determining the Company's risk appetite, risk tolerance level, overall risk limits, important specific risk limits and risk control standards; formulating and promoting the implementation of the Company's risk management rules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

The Chief Risk Officer of the Company is responsible for leading the overall risk management professional work, organizing the formulation of relevant risk management rules and procedures, improving the Company's risk management systems, and guiding the Risk Management Department in the identification, evaluation, monitoring, reporting and other works of various risks.

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

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Company has specifically established the Risk Management Department responsible for risk management, the Legal and Compliance Department responsible for legal affairs and compliance management, and the Audit Department responsible for the internal audit activities. The aforementioned three departments are independent from other business departments and management departments, establish their own working systems, standardize the business processes, operate independently, and perform their respective risk management functions. Specifically, the Risk Management Department is responsible for risk management before and during the event through risk monitoring and assessment, the Legal and Compliance Department is responsible for managing the overall legal and compliance risks, and the Audit Department is responsible for conducting audits to identify material defects in key rules and procedures and processes or internal control weakness, and urging rectification.



In addition, the Company has set up the Investment Banking Internal Inspection Department. Through company-level review, the Company conducted export management and terminal risk control of investment banking projects, performed ultimate approval and decision-making functions for the materials and documents submitted, reported, issued or disclosed in the name of the Company, and strengthened risk management for investment banking business.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(III) Risk Management Mechanism

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

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

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

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

The Company has formulated guidelines for managing and controlling various types of risk, including market risk, credit risk, operational risk, liquidity risk, reputation risk and information technology risk, in order to guide and regulate the response to risks in various business lines. The Company has established crisis management mechanism and programs, formulated effective contingency measures and plans for various businesses, especially establishing emergency response mechanism for key risks and emergencies such as liquidity crisis and failures on transaction system, and conducted regular and irregular drills.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Company has built an information transmission mechanism for risk information and significant risk warnings, and conducted risk information transmission, management and significant risk warning works. The Risk Management Department formulates operational procedures for risk information submission and risk warnings, and the departments and branches report or warn risks identified by themselves to the Risk Management Department. The Risk Management Department then manages the risk information, performs comprehensive analyses on various risk information of the Company to identify risk control weaknesses and loopholes and propose recommendations on improving risk control, reports significant risks to the Chief Risk Officer of the Company and Risk Management Committee or executive management of the Company timely, communicates risk information to relevant departments timely at the same time, and tracks risk handling status. The Risk Management Department prepares risk reports and risk control recommendation reports according to the results on risk identification, monitoring and assessment, and reports the findings to involved departments and the executive management of the Company. The Risk Management Department continuously monitors risks and the risk control status by following up on the implementation of risk control recommendations proposed by relevant departments on the risk reports.

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

The Audit Department detects material defects in key rules and procedures and processes or internal control weaknesses through audits, reports these issues to the Supervisory Committee, the Audit Committee of the Board, executive management, the Legal and Compliance Department and the Risk Management Department, and urges rectification.

During the Reporting Period, as a pilot securities firm to consolidate supervisory undertakings, the Company continued to strengthen the vertical control of domestic and overseas subsidiaries and the group integrated management in accordance with regulatory requirements, and optimized ESG risk and country risk management, the risk management for OTC derivatives business, the risk management for investment banking business, refined capital management, the construction of risk management system and other aspects, resulting in further improvement of risk identification and management and control capabilities of the Company.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

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

1. Strategic Risk Management

Strategic risks refer to the risks that affect the Company's overall development direction, corporate culture, information and capability of survival or corporate effectiveness.

Based on serving the real economy and serving national strategies, the Company implements national financial policies, relies on the development environment of the capital market with Chinese characteristics, and takes the Company's core values, development vision and goals as the internal guidelines for formulating various strategic plans; the Company establishes rational organizational structure of strategic management, improves the strategic management mechanism, and clarifies the procedures and methods for formulating and executing the strategic planning; the Company establishes assessment mechanism for strategic risk, pays close attention to the macroeconomic situation at home and abroad, the status of the industry, national industrial policies, scientific and technological progress, technological innovation, strategic partners, competitors and market demand, and identifies, analyses and evaluates strategic risks; based on the assessment on the implementation of strategic planning, the Company will make adjustment or take targeted measures to effectively prevent and control strategic risks when necessary.

2. Credit Risk Management

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

The Company has established a relatively complete credit risk management system, improved management processes covering various aspects such as due diligence, credit rating, credit management, collateral management, follow-up management and asset classification, and strengthened the management of the same customer as well as the concentration control of industry, region and specific products.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

Credit risks related to bond investments primarily include risks such as defaults from bond financing instrument issuers or decline in the creditworthiness of issuers, and defaults of counterparty to bond trade. The Company conducts necessary due diligence for issuers and counterparties, establishes an internal rating system for implementing internal rating on issuers, debts and counterparties, and executes access control and limit management based on internal and external rating, so as to control credit risk of bond investment by periodic and non-periodic risk screening, post-investment tracking and other methods. In order to control credit risks relating to over-the-counter derivative transactions, the Company has set counterparty ratings and credit systems, and controlled the counterparty's trading limits and credit risk exposures before transactions can take place. The Company conducts a daily check and measurement on the credit risk exposures of counterparties. The Company has adopted mark-to-market practices to monitor the contracts of derivative transactions and for valuation of collateral, and established the forced position liquidation system to control the credit risk exposures of its customers within the credit limits.

In order to control the credit risk arising from the brokerage business, securities brokerage transactions in mainland China are all settled on a fully pledged basis, which enables settlement risks associated with brokerage business to be well under control. The Company strictly complies with relevant trading and settlement rules and procedures to eliminate non-compliant financing operations for clients and implement the classification management for repurchase financing clients at the same time, and prevents its clients from overdraft or negative balance through conducting due diligence for clients and establishing reasonable trading limits with customers, implementing the internal discount rate standard of equivalent securities and other measures. For option trading clients, the Company controls the credit risk of clients by implementing margin management, position limit system, forced position liquidation system and other measures.

Furthermore, the Risk Management Department monitors the credit risk, including tracking the changes in credit qualification of counterparties and bond issuers and giving risk alert and warning, monitoring coverage of collateral for securities and financial business, requiring the business department to effectively fulfill its duty of post-investment management, as well as measuring and assessing the credit risk of major business lines through stress tests, sensitivity analysis and other methods.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

3. Liquidity Risk Management

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

The Company has established the hierarchical decision-making and authority mechanism, along with centralized management by specialized departments and hierarchical control mechanism, and has clearly defined the duties and functions of the Board of Directors, executive management, Treasury Department and business departments in terms of liquidity risk management. The Company implements management on liquidity risk limits and establishes a liquidity risk limit indicator system covering three levels of the Company, business lines and products, as well as parent companies and subsidiaries. The Company establishes a daily position analyses and monthly liquidity analyses mechanism to manage liquidity movements in a timely manner, and evaluates the impact of asset and liability allocation and adjustment on liquidity risk on a regular or irregular basis. The Company has established securities centralized management system in securities investment and securities financing business, and bond credit rating standards for fixed income securities investments, in order to effectively control the market liquidity risk of its securities. The Company has also established a liquidity reserve asset management system to cope with potential capital needs by holding sufficient high-quality liquidity assets that can be realized at any time; implemented internal funds transfer pricing (FTP) system to guide the rational allocation of assets and liabilities. In addition, the Company has continued to optimize its daily liquidity risk management and control mechanism by implementing stress tests, improving liquidity emergency plans and other methods.

During the Reporting Period, the Company rationally planned the scale of our assets and liabilities, optimized the maturity structure of liabilities, maintained adequate liquidity reserve, and assessed liquidity risk through stress tests; the liquidity coverage ratio and the net stable funding ratio were within the compliant and stable range, and the liquidity risk was measurable and controllable.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

4. Market Risk Management

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

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

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

With regard to foreign exchange risk, the Company commenced the foreign exchange settlement and sale business on a pilot basis with the approval of the SAFE in 2020, and China Securities International, the overseas subsidiary, held assets and liabilities denominated in foreign currencies. During the Reporting Period, as the proportion of the assets and liabilities denominated in foreign currencies held by our Company to the overall assets and liabilities slightly increased but was not significant, and its proportion in the income was low, the Company was of the view that the foreign exchange rate risk did not have a significant impact on the Company's current operations as a whole. The Company established a foreign exchange risk management mechanism and managed its foreign exchange risk by, among others, limiting the size of assets and liabilities denominated in foreign currencies and general position management on foreign exchange settlement and sale, assigning stop-loss limits for proprietary investment and risk exposures limits for the Company, and making use of risk hedging instruments for foreign exchange derivatives.

Other price risks refer to risks arising from the decrease in fair value of the Company's investment portfolio due to fluctuations in market prices other than stock prices, interest rates, and foreign exchange rates. The Company's investment portfolio primarily comprises equity securities, fixed income securities and their derivatives business. Other price-related businesses include, among others, gold, commodity and its derivatives trading, and the Company primarily focuses on providing liquidity services, arbitrage strategies and hedging transactions in this type of business, with small risk exposures. Accordingly, other price risks do not have a significant impact on the Company's current operations.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

5. Operational Risk Management

Operational risks refer to the risks of losses caused by incomplete or defective internal procedures, employees and IT systems and external events.

Concerning the potential operational risks in each business and management activity of the Company, the Company has carried out mutual segregation for different businesses, and established three lines of defense for each business line – a mechanism for segregated checks and balances with a front office, a middle office and a back office; put in place sound license management and accountability system, as well as the management system, procedures and risk control measures for each business; transferred and mitigated operational risks by way of personnel or operation outsourcing and purchase of insurance where necessary within the scope of authority of the Company; improved the mechanisms for information exchange, major events reporting and information feedback.

The Risk Management Department monitors and assesses the operational risks of the brokerage business and other businesses, and conducts regular risk control evaluation; examines the key risk points of various business and management lines, and establishes and implements key control measures in practical business procedures; develops and improves the internal control matrix; organizes business departments for conducting self-evaluation of risk and control to identify new material risks and take corresponding risk control measures; and performs statistical analysis on various types of operational risk events at least once on an annual basis to calculate the frequency of their occurrence and the level of losses, as well as to assess the changing trend and distribution of risks. During the Reporting Period, the Company continued to carry out various risk warnings and risk education, held trainings on risk management topics, optimized and consummated the management system for operational risks, strengthened business continuity management, and actively responded to various emergencies.

6. Information Technology Risk Management

Information technology risks refer to the operational, legal and reputational risks incurred from natural factors, human factors, technical defects and management flaws in the course of application of the information technology by the Company.

The IT Department of the Company is responsible for the management of planning, establishment, and operation and maintenance of the information technology system. The Company carries out centralized management and backup of the data in transaction system; implements mutual separation among the positions in charge of development, testing, and operation and maintenance of information technology system, as well as mutual separation among the positions in charge of operating data management and application system, and implements strict control of access authority and track records; controls the choice of relevant software, hardware and external suppliers in information technology system; enhances external system management; performs real-time and automatic monitoring of the connection of important communication network and operation of the significant business system. In early 2023, the Company established the Data Management Department, which took a leading role in the implementation of construction of data governance system, the promotion of execution and implementation of data-related standardized rules and the coordination of data management efforts to promote the improvement in the Company's data quality and the application effectiveness of information technology. In addition, the emergency management for business continuity of the Company is organized by the Risk Management Department, with the technical support provided by the IT Department and the involvement from all relevant business departments.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

7. Legal Risk and Compliance Risk Management

Legal risks refer to the risk arising from failure to perform contracts due to invalidity within the law, or improper entering into of the contracts and other reasons; compliance risks refer to the risk that the Company may be exposed to legal sanction or regulatory punishment, major financial loss or reputation loss as a result of its non-compliance with the laws and regulations, regulatory rules, self-regulatory rules as well as code of conduct applicable to the Company's own business activities.

The Legal and Compliance Department uniformly manages legal affairs of the Company and controls legal risks. The Legal and Compliance Department leads to review all agreements and contracts of the Company, provides legal opinions on major business matters of the Company, and uniformly manages and guides to handle litigations and arbitrations. Meanwhile, as a department responsible for compliance management, the Legal and Compliance Department is under the leadership of the Chief Compliance Officer to independently carry out the compliance management of the Company. The main compliance management responsibilities of the Legal and Compliance Department are: tracking, analysing and preaching laws and regulatory rules currently in effect; timely identifying, evaluating and managing compliance risk in business operation and business innovation of the Company through methods such as compliance consultation, compliance review, compliance inspection and compliance supervision. Specific or part-time compliance management officers are engaged by the Company in all functional departments, business lines and branches, and are responsible for daily compliance management in their own departments. The compliance management of the Company has permeated all aspects, such as decision-making, implementation, supervision and feedback, and has been included in the whole process of the operation management of the Company. The Company proactively cultivates a culture of compliance and improves the self-restraint mechanisms in order to ensure compliant operations and standardized development.

8. Reputation Risk Management

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

XI. OTHER STATEMENT

Save as disclosed in this interim report, from 1 January 2024 to 30 June 2024, there are no material changes affecting the Company's performance that need to be disclosed under paragraphs 32 and 40(2) of Appendix D2 to the Hong Kong Listing Rules.

SECTION 4 SIGNIFICANT EVENTS

I. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Company was not subject to any major litigation, arbitration or other matters with an amount exceeding RMB10 million and accounting for more than 10% of the absolute value of the Company's latest audited net assets which was required to be disclosed under the SSE Listing Rules.

II. PUNISHMENT DURING THE REPORTING PERIOD OF THE COMPANY

During the Reporting Period, the Company has been subject to the following administrative supervision measures or self-discipline supervision measures:

1. Self-discipline Supervision Measure of Written Warning Imposed on CSC, Wang Haoji and Fang Yingjian by SZSE on January 3, 2024

On January 3, 2024, the SZSE issued the Regulatory Letter on CSC Financial Co., Ltd., Wang Haoji and Fang Yingjian (Shen Zheng Han [2024] No. 11), pointing out that the Company (as the sponsor) and Wang Haoji and Fang Yingjian (as the sponsor representatives) had the following non-compliant behaviors in sponsoring the initial public offering and listing of shares of XTX Technology Inc. on the ChiNext Board: failure to pay enough attention to the condition of the market where the issuer was in and the comparable companies in the same industry, failure to adequately verify the sales of the issuer to the end customers, failure to express prudent professional opinions on the expected performance of the issuer, and failure to urge the issuer to improve the quality of its information disclosure. The above behaviors violated the provisions of Article 30 and Article 42 of the Rules for Reviewing Stock Offering and Listing on the ChiNext Board of the Shenzhen Stock Exchange. The SZSE decided to impose the self-discipline supervision measure of written warning on the Company, Wang Haoji and Fang Yingjian.

In response to such penalty, the rectification measures taken by the Company are as follows: the Company has actively implemented rectification measures and enhanced the investment banking practicing ability of its practitioners through issuing business reminders, continuously carrying out training, intensifying industrial knowledge learning and exchange and other methods, so as to further enhance the awareness of fulfilling duties of business staff, and enhance risk control awareness of staff at quality control and internal audit positions.

2. Administrative Supervision Measures of Issuing Warning Letter to CSC Taken by Shandong CSRC on January 24, 2024

On January 24, 2024, Shandong CSRC issued the Decision on Taking Measures of Issuing Warning Letter to CSC Financial Co., Ltd. ([2024] No. 13), pointing out that the Company had the problem of non-normative continuous supervision: on September 8, 2022, Yunding Technology Co., Ltd. raised funds of RMB868 million through non-public issuance of shares. On October 28, 2022, the funds raised were withdrawn from the dedicated fund-raising account and used to replenish working capital and repay debts. Shandong CSRC identified defects of systems and irregular utilization of funds of the issuer. As a sponsor, the Company failed to perform its obligations of continuously supervising the issuer in improving its systems and taking measures to regulate the process of using raised funds to replenish working capital and repay debts. The above situation violated the provisions of Article 14 of the Regulatory Guidelines on Listed Companies No. 2 – Regulatory Requirements for the Management and Utilization of Funds Raised by Listed Companies, and Article 16 of the Measures for the Administration of the Sponsor Business of Securities Issuance and Listing. Accordingly, Shandong CSRC decided to take supervision measures of issuing warning letter to the Company and entered the relevant information into the database of integrity file on securities and futures market.

The acts involved in the above penalties also violated Articles 1.4 and 12.1.2 of the Rules Governing the Listing of Securities on the Shenzhen Stock Exchange and the provision of paragraph 1 to Article 3 of the Self-regulatory Guidelines No. 13 for the Companies Listed on the Shenzhen Stock Exchange – Sponsorship Business. On July 3, 2024, the SZSE adopted a self-regulatory measure of issuing written warning to the Company.

SECTION 4 SIGNIFICANT EVENTS

In response to such penalty, the rectification measures taken by the Company are as follows: the Company has actively implemented rectification measures, and enhanced the issuer's awareness of using the raised funds in a compliant manner and the Company's own sense of responsibility in continuous supervision by organizing staff to deeply study the relevant regulations, intensifying the continuous supervision on and training of relevant personnel of the issuer, further strengthening on-site inspections of the utilization of raised funds by the issuer, and other methods.

3. Administrative Supervision Measures of Issuing Warning Letter to CSC Taken by Guangdong CSRC on April 24, 2024

On April 24, 2024, Guangdong CSRC issued the Decision on Taking Administrative Supervisory Measures of Issuing Warning Letter to CSC Financial Co., Ltd. ([2024] No. 35), pointing out that the Company, as the lead underwriter and bond trustee of the Bond "23 Gedi 01" (23 格地 01) of Gree Real Estate Co., Ltd., failed to keep sufficient original copies of consultation with the auditor, failed to make records of interview with the management of the issuer, and failed to disclose the provisional entrusted management report for significant losses of the issuer, which did not comply with Article 11 and Article 12 of the Guidelines on Due Diligence for Corporate Bond Underwriting (2020) 《公司債券承銷業務盡職調查指引(2020年)》, Article 12 and Article 18 of Code of Conduct for Corporate Bond Trustees (2022) 《公司債券受託管理人執業行為準則(2022年)》, and violated Item 1 of Article 6 of the Measures for Administration of Issuance and Trading of Corporate Bonds 《公司債券發行與交易管理辦法》. Accordingly, Guangdong CSRC decided to take administrative supervision measures of issuing warning letter to the Company. The abovementioned behaviors also violated relevant provisions of the Rules of the Shanghai Stock Exchange for the Listing of Non-publicly Issued Corporate Bonds (2022 Revision) 《上海證券交易所非公開發行公司債券掛牌規則(2022年修訂)》, as a result of which the SSE imposed the supervision measures of written warning against the Company on May 28, 2024.

In response to such penalty, the rectification measures taken by the Company are as follows: The Company has actively implemented rectification measures, and continuously organized series training for high-quality bond practice, issued business reminders for compliance, and summarized and specified the requirements for conducting trustee bond business. The Company has improved the quality assessment of daily practice, enhanced assessment mechanism, and strengthened internal accountability, thereby further enhancing the bond practice capability of business employees and practice quality of corporate bond business.

4. Administrative Supervision Measures of Ordering to Increase Compliance Investigation of CSC Taken by Beijing CSRC on April 30, 2024

On April 30, 2024, Beijing CSRC issued the Decision on Taking Administrative Supervisory Measures of Ordering to Increase Compliance Investigation on CSC Financial Co., Ltd. ([2024] No. 99), pointing out that Company had the following problems: imprudence in carrying out OTC options and proprietary business, insufficient management of practitioners, and irregular corporate governance, reflecting failure of the Company to effectively implement compliance management, risk management and internal control, which did not comply with the provisions of Item 1 of Article 27 of Regulations on Supervision and Administration of Securities Companies and Article 3 of Measures for Compliance Management of Securities Companies and Securities Investment Fund Management Companies (2020 Revision) 《證券公司和證券投資基金管理公司合規管理辦法(2020年修訂)》. Beijing CSRC decided to take the following supervision and administrative measures against the Company: the Company was ordered to seriously rectify the above issues, to conduct internal compliance investigation once every three months within one year since the date of issuing the decision on supervision measures. Based on the findings of the investigation, the Company shall constantly improve the management system and internal control measures, enhance the management of business and personnel, prevent and control risk, and submit the report on compliance investigation to Beijing CSRC within ten business days after every investigation.

SECTION 4 SIGNIFICANT EVENTS

In response to such penalty, the rectification measures taken by the Company are as follows: the Company has actively implemented rectification measures, revised the system and process of the OTC options and proprietary business, enhanced the management of practitioners, increased compliance training, continuously improved internal governance of the Company, strictly implemented requirements for compliance, risk management and internal control, and increased the number of the internal compliance investigations as required.

5. **Supervision Measures of Regulatory Warning Imposed on CSC by SSE on May 14, 2024**

On May 14, 2024, SSE issued the Decision on Regulatory Warning Imposed on CSC Financial Co., Ltd. ([2024] No. 26), pointing out that the Company, as the sponsor for applications for initial public offering and the SSE STAR listing of shares of Shenzhen Zhongxing Innovative Material Technologies Co., LTD, did not sufficiently fulfil the sponsor's responsibilities in relevant projects, including apparently insufficient investigation of the rectification and operation of internal control deficiencies associated with waste diaphragm management of the issuer and apparently insufficient verification of the issuer's research and development expenses. The abovesaid behaviors violated relevant provisions of Article 15 and Article 27 of Rules Governing the Review of Offering and Listing of Stocks on the Shanghai Stock Exchange 《上海證券交易所股票發行上市審核規則》. Accordingly, SSE decided to take administrative supervision measures of issuing regulatory warning to the Company.

In response to such penalty, the rectification measures taken by the Company are as bellow: The Company has actively implemented rectification measures, and continuously provided risk warning education and capability enhancement training, and refined and enhanced the business requirements, so as to further enhance the awareness of fulfilling duties of business staff, and enhance risk control awareness of staff at quality control and internal audit positions.

6. **Administrative Supervision Measures of Issuing Warning Letters to the CSC as well as Zhang Tie and Zhang Yue by Jiangsu CSRC on May 17, 2024**

On May 17, 2024, the Jiangsu CSRC issued the Decision on Taking Measures of Issuing Warning Letter to CSC Financial Co., Ltd. as well as Zhang Tie and Zhang Yue by Jiangsu CSRC ([2024] No. 91), pointing out that the Jiangsu Changshu Automotive Trim Group Co., LTD (hereinafter referred to as "Changshu Automotive Trim") raised RMB992 million from the public issuance of convertible corporate bonds in 2019. According to the starting time of the projects and the original planning and construction schedule of investment projects to be financed by the proceeds, the Shangrao project, the Changshu project and the Yuyao project were supposed to be completed in January 2020, January 2020 and July 2020 respectively, but none of them were completed as scheduled. Moreover, Changshu Automotive Trim did not disclose the progress of the above-mentioned projects lagging behind the schedule in its special reports on the deposit and actual use of the proceeds at all times, therefore the risk warning was insufficient and the information disclosed was untrue. Consequently, the Company, as a sponsor, failed to diligently and continuously fulfill its supervision obligations and did not find the above problems. Moreover, it issued untrue verification opinions in its special verification reports on the actual use of the proceeds raised by Changshu Automotive Trim at all times. The above actions by the Company violated the relevant provisions of the "Measures for the Administration of the Sponsor Business of Securities Issuance and Listing" 《證券發行上市保薦業務管理辦法》, and "Administrative Measures for the Disclosure of Information of Listed Companies" 《上市公司信息披露管理辦法》. Zhang Tie and Zhang Yue, as signing sponsor representatives for continuous supervision, are directly responsible for the above violations. The Jiangsu CSRC decided to take regulatory measures of issuing warning letters to the Company as well as Zhang Tie and Zhang Yue, and recorded them in the integrity file on securities and futures market.

SECTION 4 SIGNIFICANT EVENTS

In response to the punishment, the Company's rectification measures are as follows: the Company will actively implement rectifications by ordering relevant personnel to conduct self-examination and keep learning to enhance prudent practice. In addition to comprehensively sorting out the usages of the issuer's proceeds, the Company will urge the issuer to conduct self-check and rectify, enhancing continuous supervision. Apart from the foresaid, the Company will continue to urge Changshu Automotive Trim to improve information disclosure. The Company's internal training and learning and its compliance, responsibility and risk awareness will be further strengthened.

7. Supervision Measures of Issuing Regulatory Warning to the CSC Financial by Shanghai Stock Exchange ("SSE") on June 19, 2024

On June 19, 2024, the SSE issued the Decision on regulatory warning against China Securities Co., Ltd. ([2024] No. 36), where it pointed out that Da Shenlin Pharmaceutical Group Co., Ltd * (大參林醫藥集團股份有限公司) withdrew its application materials when the application of the Issuer for issuing stocks to a specific subject was under review. The SSE, therefore, made a decision to cease the review on January 31, 2024. As the sponsor of the project, the Company has failed to perform the following sponsorship duties: Da Shenlin (Maoming) Chain Drugstore Limited* (茂名大參林連鎖藥店有限公司) (hereinafter referred to as the "Maoming Subsidiary") is a wholly-owned subsidiary of the Issuer and Ke Jinlong acted was one of the de facto controllers and a director of the Issuer at that time (the term of his office commencing from August 18, 2016 to February 9, 2024). The Maoming Subsidiary received the Notice of Filing issued by the Supervisory Committee of Maoming City, Guangdong Province on August 18, 2023, stating that the Maoming Subsidiary had been under investigation; on August 24, 2023, it received the Notice of Detention issued by the Dianbai Branch of the Public Security Bureau of Maoming City, Guangdong Province, stating that Ke Jinlong had been under criminal detention; on November 23, 2023, it received the "Indictment" from the People's Procuratorate of Dianbai District, Maoming City, Guangdong Province, specifying that the Maoming Subsidiary and Ke Jinlong had been prosecuted according to law on suspicion of organizational bribery. After the above-mentioned matters occurred, the sponsor didn't report to the SSE in a timely manner as required or applied for review suspension. It was not until March 14, 2024 when the Issuer informed the sponsor that the sponsor reported the above matters to the SSE. As a result, the sponsor failed to perform its duties diligently during the sponsorship period for the project and failed to detect and report relevant matters to the SSE in a timely manner. Such failures violate Articles 17 and 19 of the Rules Governing the Review of Offering and Listing of Securities by Listed Companies on the Shanghai Stock Exchange 《上海證券交易所股票發行上市審核規則》 and Articles 54 and 60 of the Rules Governing the Review of Offering and Listing of Stocks on the Shanghai Stock Exchange 《上海證券交易所股票發行上市審核規則》 and other relevant provisions. The SSE has decided to issue regulatory warnings against the Company.

In response to the penalty, the Company will take rectification measures as follows: the Company will actively implement rectifications, and enhance its practitioners' ability and acumen by means of refining verification procedures, conducting continuing business training and issuing compliance reminders, so as to further improve the quality of sponsor work.

SECTION 4 SIGNIFICANT EVENTS

Events after the Reporting Period

1. Supervision Measures of Issuing Regulatory Warning to the CSC, Yan Yan and Lv Yingxia by SSE on July 19, 2024

On July 19, 2024, the SSE issued the Decision on Imposing Regulatory Warning to China Securities Finance Limited, Yan Yan and Lv Yingxia ([2024] No. 43), stating that after the SSE had accepted the application of Zhengzhou Hengda Intelligent Control Technology Co., Ltd.* (鄭州恒達智控科技股份有限公司) (hereunder referred as the Issuer) for initial public offering (IPO) and STAR Market listing of its shares, the Issuer subsequently withdrew its application documents, therefore, on May 11, 2024, the SSE decided to terminate the examination of the application. During the examination and on-site inspection for the issuance and listing, the SSE found that the Company, as the sponsor of the Hengda Intelligent Control Project (恒達智控項目), and Yan Yan and Lv Yingxia, as the sponsor's representatives to the Hengda Intelligent Control Project (恒達智控項目), had the following situations of inadequate performance on sponsorship duties: the Company failed to adequately verify the Issuer's research and development expenses, and the verification procedures were not carried out adequately, thereby resulting in consequences of relevant inaccurate disclosures and failure of adequate fulfilment on sponsorship duties, accordingly, Yan Yan and Lv Yingxia were mainly accountable for the consequences thereof. The above said behaviors violated relevant provisions of Article 15 and Article 27 of Rules Governing the Review of Offering and Listing of Stocks on the Shanghai Stock Exchange (《上海證券交易所股票發行上市審核規則》). Accordingly, SSE decided to take supervision measures of issuing regulatory warning to the Company, Yan Yan and Lv Yingxia.

In response to such penalty, the rectification measures taken by the Company are as follows: the Company conducts deep introspect on the causes of problems and actively implemented rectification by urging the issuer to further strengthen the rectification of relevant internal control processes such as research and development expenses, rectification measures such as improving due diligence and paperwork requirements, carrying out compliance and accountability, and continuously carrying out training on business capability improvement, and further improving the compliance risk awareness and due diligence ability of relevant personnel.

III. MATERIAL ASSET ACQUISITION AND DISPOSAL, MORTGAGE OR PLEDGE, CHARGES ON ASSETS, MATERIAL CONTINGENT LIABILITIES AND EXTERNAL GUARANTEES OF THE COMPANY

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

IV. SIGNIFICANT INVESTMENTS

During the Reporting Period, neither the Company nor any of its subsidiaries held any significant investment.

V. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company strictly complied with the Corporate Governance Code contained in Appendix C1 to the Hong Kong Listing Rules ("Corporate Governance Code"), followed all code provisions and met the requirements of part of the recommended best practices set out in the Corporate Governance Code.

SECTION 4 SIGNIFICANT EVENTS

VI. REPURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the Reporting Period, there was no repurchase, sale or redemption of securities (including treasury shares) of the Company made by the Company or any of its subsidiaries. As at the end of the Reporting Period, the Company did not hold any treasury shares.

VII. DIVIDEND

On June 28 2024, the Proposal of 2024 Interim Profit Distribution Plan of the Company was considered and approved at the 2023 annual general meeting. The specific plan will be based on the financial report for the first half of 2024. The Company will perform the corresponding corporate governance procedures when conditions are mature and will implement the plan upon being considered and approved at the Company's general meeting.

VIII. OTHER IMPORTANT EVENTS

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

The Company has always kept abreast of the national strategy of “carbon peak and carbon neutrality” and “green finance development”, and fully implemented the deployment requirements of the “five major articles” proposed by the Central Financial Work Conference. We provide financial support for green and low-carbon industries such as energy conservation and environmental protection, clean energy and ecological environment through equity financing, debt financing, financial advisory and industrial investment, and further promotes the development of “green finance”. In July 2024, the Company was included in the S&P Sustainability Yearbook (China Edition) 2024, becoming one of the two companies in the domestic securities industry to be included.

During the Reporting Period, the Company has vigorously developed the businesses of green investment and financing activities, carbon finance and ESG research, actively guiding the allocation of resources to enterprises and projects that support green production and lifestyle to encourage more market entities to actively explore the path of green transformation.

In terms of green investment, the Company established a dynamic ESG evaluation system and investment research framework, and continued to operate a series of ESG “Fixed Income-Plus” (“固收+”) strategy products of “CSC ESG Vision Investment”, which are based on fixed income assets and supplemented by equity assets investment. The Company explored investment opportunities such as “carbon peak and carbon neutrality”, “green transformation” and “rural revitalization” on the basis of controlling portfolio risks. During the Reporting Period, there were a total of 6 duration products in the series with a total asset management scale of RMB590 million. China Capital (中信建投資本), a subsidiary, jointly established an investment fund with a total scale of RMB3 billion with the National Green Development Fund (國家綠色發展基金), China Chengxi Dazoulang Fund (中信城西大走廊基金), and state-owned institutions with the municipal level in Anhui Province, focusing on investing in the green transportation sector, and in upstream and downstream projects of green development industries such as advanced manufacturing, advanced materials and artificial intelligence, which can motivate to improve production efficiency and reduce production costs and energy consumption.

In terms of green financing, the Company has cumulatively led the underwriting of 37 green bonds, with a lead underwriting amount of RMB11.388 billion, among which, there were six carbon neutral bonds, with a lead underwriting amount of RMB1.092 billion. The Company completed a total of 2 green equity financing projects, with a lead underwriting amount of RMB892 million. The Company's subsidiary, China Securities International, participated in and completed 29 overseas ESG bond projects, including 15 green bonds and 14 sustainability bonds, with an aggregate financing amount of more than US\$8.8 billion. The typical practices of the Company to promote ecological protection, pollution prevention and control and fulfillment of environmental responsibilities through green financing business are as follows:

SECTION 4 SIGNIFICANT EVENTS

In March 2024, the Company, as the lead underwriter and bookrunner, supported Shenergy Co., Ltd. (hereinafter referred to as Shenergy) to successfully issue the first renewable corporate bonds for carbon neutral and green technology innovation rural revitalization in China. The issuance scale of the bonds will be RMB1 billion, which will support Shenergy to promote traditional energy consumption reduction and efficiency improvement, strengthen the R&D and application of new energy, and help build a new pattern of diversified development and utilization of new energy.

In June 2024, the Company, as the lead underwriter and bookrunner, supported China Power International Development Limited (hereinafter referred to as China Power) to successfully issue the first 10-year green panda bonds in China. The issuance scale of the bonds was RMB1.5 billion with a nominal interest rate of 2.58%, setting a record low issuance rate of green bonds with the same maturity in China, providing long-term and stable funding support for China Power to carry out green projects.

In terms of carbon finance, the Company actively participated in the establishment of domestic carbon market mechanism, continued to expand the business scope of local carbon markets, promoted production by financing, actively served the real economy, and promoted exchange in carbon markets industry. In January 2024, the Company successfully participated in the first batch of carbon assets repurchase transactions in the Shanghai carbon market. In June, it completed the Company's first carbon assets repurchase business in Hubei carbon market. In addition, the Company continued to carry out carbon quota transaction and the bilateral quotation of Shanghai carbon forward transaction in local carbon markets in Shanghai, Hubei and other places, to provide bilateral liquidity and boost market trading activity. During the Reporting Period, the Company recorded a total of 685 transactions in local carbon markets, and won the "Outstanding Member Award (優秀會員獎)" of the Shanghai carbon market and the "Hubei Carbon Market 10th Anniversary Market Pioneer Award (湖北碳市場開市10周年市場先鋒獎)".

In terms of ESG research, the Company has set up a dedicated team to conduct responsibility investment and ESG research in ESG investment strategy, carbon emission estimate of investment portfolio, and theme funds, and conduct ESG-related investment value research in industries such as steel, energy, transportation, power, automobile and home appliances, with 15 ESG research reports published. The Company also organized theme exchange activities such as high dividend and market value management investment strategy meetings, ESG – themed strategy meetings, and closed-door salons focusing on green finance, ESG policy and ESG-standardized information disclosure, corporate governance, and other issues.

(II) Measures for reducing its carbon emissions and their effects

The Company proactively responds to the national initiatives for energy conservation and emissions reduction, and is committed to implementing the concept of green development, continues to undertake activities associated with energy conservation and loss reduction and advocates a green lifestyle so it that can cut down the energy consumption and carbon emissions in the Company's operations and employee's work and life and can jointly promote green and low-carbon development.

SECTION 4 SIGNIFICANT EVENTS

In terms of green operations, the Company consistently integrates the concept of green operations into all aspects of its operations and office management, putting into practice the principles of low-carbon and energy-saving. The Company employs smart management of office lighting and elevators, automatically turning off lights during non-working hours and reducing elevator operations during off-peak periods to effectively reduce energy consumption. The office area of the Company's headquarters building employs a high-efficiency, energy-saving intelligent temperature control system that automatically adjusts air conditioning based on the indoor-outdoor temperature difference, thereby reducing energy consumption. The Company actively promotes a paperless office and encourages the use of electronic documents. An electronic meeting system has been implemented in the meeting rooms at the office area of the headquarters, enabling the uploading and screen projection of meeting materials, thereby reducing the use of paper documents. At the same time, the Company implements waste classification and standardizes the recycling and disposal of waste.

In terms of green procurement, the Company prioritizes not only the cost-effectiveness and product quality of its suppliers but also places significant emphasis on environmental protection, giving preference to procuring and giving priority to purchasing and using energy-, water – and resource-saving raw materials, products, and services. At the same time, the Company requires its suppliers to actively promote environmentally friendly technologies, effectively manage and minimize potential pollution from production and operations, provide complete and timely information disclosures, and submit to public oversight.

In terms of green travel, the Company strictly reviews the use of business vehicles, optimizes business vehicle scheduling, and rationally plans routes and timings to minimize empty-loaded and waiting periods, thereby reducing fuel consumption. At the same time, the Company encourages employees to travel green, enhances their awareness of environmental values, and implements low-carbon, environmentally friendly travel.

(III) Rural Revitalization and Other Measures

The Company actively responds to the state's call for "comprehensively promoting rural vitalization" by promoting agricultural and rural modernization, actively providing targeted assistance and assistance in poverty alleviation areas, and fully promoting financial assistance, so as to help consolidate and expand the achievements in poverty alleviation and rural revitalization.

As of the Date of Disclosure of the Report, the Company has donated RMB12 million to Pingbian County, Yunnan Province and Qianjiang District, Chongqing Municipality, which was used for a total of four assistance projects, including rural infrastructure construction and smart agriculture construction.

During the Reporting Period, China Futures, a subsidiary of the Company, actively engaged in rural revitalization efforts, signed new rural revitalization assistance agreements with 14 poverty alleviation areas and conducted rural revitalization assistance activities in a total of 32 paired areas, contributing corporate energy to the rural revitalization initiative. China Futures conducted a total of 44 rural revitalization donation projects, donating a total of approximately RMB930,000 to Qianjiang District of Chongqing Municipality, Butuo County of Sichuan Province, Taihu County of Anhui Province, and Lingao County of Hainan Province to support agriculture industry projects and rural education and other initiatives .

In addition, China Futures actively engaged in industrial assistance and consumer assistance initiatives. During the Reporting Period, in terms of industrial assistance, China Futures implemented 42 "insurance + futures" projects in various regions of China, covering live hogs, feed, eggs and others, providing a total risk protection of approximately RMB665 million. Additionally, China Futures assisted 9 enterprises in Dianjiang County and other areas of Chongqing in establishing online sales platforms, and conducted 65 training sessions in Pingbian County and other areas of Yunnan Province. In terms of consumer assistance, China Futures carried out 7 procurement projects in Yuanyang County and Mengla County of Yunnan Province, with a total investment of approximately RMB520,000 for consumer assistance funds.

SECTION 5 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

I. SHARE CAPITAL STRUCTURE OF THE COMPANY

As of the end of the Reporting Period, the total share capital of the Company was 7,756,694,797 Shares, including 6,495,671,035 A Shares and 1,261,023,762 H Shares. During the Reporting Period, the total number of Shares and share capital structure of the Company remained unchanged.

As of the end of the Reporting Period, the shareholdings of the top ten shareholders of the Company were as follows:

Name of Shareholders	Type of Shares	Number of Shares	Percentage in the total number of Shares
Beijing Financial Holdings Group (北京金控集團)	A Shares	2,684,309,017	34.61%
	H Shares	93,080,000	1.20%
Central Huijin (中央匯金)	A Shares	2,386,052,459	30.76%
Other Shares held under the name of HKSCC Nominees Limited (香港中央結算(代理人)有限公司) <i>(Note 1)</i>	H Shares	816,026,928	10.52%
CITIC Securities (中信証券)	A Shares	382,849,268	4.94%
Glasslake Holdings (鏡湖控股)	H Shares	351,647,000	4.53%
Tengyun Investment (騰雲投資)	A Shares	109,556,553	1.41%
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司) <i>(Note 2)</i>	A Shares	68,740,986	0.89%
Fujian Gui'an Xintiandi Tourism Culture Investment Co., Ltd. (福建貴安新天地旅遊文化投資有限公司)	A Shares	38,861,000	0.50%
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司 – 國泰中證全指證券公司 交易型開放式指數證券投資基金)	A Shares	29,330,173	0.38%
China Construction Bank Corporation – Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司 – 華寶中證全指證券公司 交易型開放式指數證券投資基金)	A Shares	18,700,165	0.24%
Other public holders of A Shares	A Shares	777,271,414	10.02%
Other public holders of H Shares	H Shares	269,834	Less than 0.01%
Total		7,756,694,797	100.00%

Note 1: HKSCC Nominees Limited is the nominee holder of the H Shares held by non-registered shareholders, and the Shares listed in the above table are other H Shares held by HKSCC Nominees Limited other than Beijing Financial Holdings Group and Glasslake Holdings.

Note 2: The shares held by Hong Kong Securities Clearing Company Limited are A Shares held by non-registered shareholders under Shanghai Stock Connect.

SECTION 5 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

II. SHAREHOLDERS

As of 30 June 2024, the total number of Shareholders as shown on the register of members of the Company was 136,927, of which 136,864 were A Shareholders and 63 were H Share registered Shareholders.

The H Share registered Shareholders include HKSCC Nominees Limited, which held H Shares of the Company as the nominee for all institutional and individual investors that maintained an account with it as of 30 June 2024.

III. DISCLOSURE OF INTERESTS

Interests and short positions to be disclosed by the Shareholders pursuant to the Securities and Futures Ordinance

Pursuant to Section 336 of the Securities and Futures Ordinance, shareholders are required to disclose their interests when they hold 5% or more of the voting shares of the Company's A shares or H shares, and are required to make further disclosure when the subsequent changes of their interest reached the prescribed threshold.

To the knowledge of the Directors, as at June 30, 2024, the following Shareholders (except Directors, Supervisors or chief executives) had interests or short positions in any Shares and underlying Shares of the Company required to be recorded in the register to be kept by the Company under Section 336 of the Securities and Futures Ordinance:

As the changes in interest are only subject to disclosure when the whole percentage level is crossed, the number of shares shown in the table below may not accurately reflect the latest shareholding of the respective shareholders as at the end of the Reporting Period.

SECTION 5 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

Name	Capacity	Number of Shares Directly and Indirectly Held	Class of Shares	Nature of Interest	Approximate Percentage of the Total Issued Ordinary Share Capital	Approximate Percentage of the Relevant Class of Shares
1. Beijing Financial Holdings Group (北京金融控股集團) <i>(Note 1)</i>	Beneficial owner	2,684,309,017	A Shares	Long positions	34.61%	41.32%
	Beneficial owner	89,249,500	H Shares	Long positions	1.15%	7.08%
2. Central Huijin (中央匯金)	Beneficial owner	2,386,052,459	A Shares	Long positions	30.76%	36.73%
3. CITIC Securities (中信証券)	Beneficial owner	382,849,268	A Shares	Long positions	4.94%	5.89%
		250,000	A Shares	Short positions	Less than 0.01%	Less than 0.01%
	Approved lending agent	250,000	A Shares	Long positions (Shares available for lending)	Less than 0.01%	Less than 0.01%
4. Glasslake Holdings (鏡湖控股) <i>(Note 2)</i>	Beneficial owner	351,647,000	H Shares	Long positions	4.53%	27.89%
5. Affluent East Investments Limited (東滿投資有限公司) <i>(Note 2)</i>	Interest of controlled corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
6. CITIC Limited (中信股份) <i>(Note 2)</i>	Interest of controlled corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
7. CITIC Group (中信集團) <i>(Note 2)</i>	Interest of controlled corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
8. Shanghai Ningquan Asset Management Co., Ltd. (上海寧泉資產管理有限公司)	Investment manager	100,121,500	H Shares	Long positions	1.29%	7.94%

Notes:

- (1) Pursuant to information provided by HKExnews website of HKEX, Beijing Financial Holdings Group held 89,249,500 H Shares in the Company; according to the Company's announcement, Beijing Financial Holdings Group held 93,080,000 H shares of the Company. 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 substantial Shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange.
- (2) Glasslake Holdings is wholly-owned by Affluent East Investments Limited (東滿投資有限公司) ("Affluent East Investments"), which is in turn a wholly-owned subsidiary directly controlled by CITIC Limited. CITIC Group indirectly holds a majority of equity interest in CITIC Limited. Therefore, each of Affluent East Investments, CITIC Limited and CITIC Group is deemed to be interested in the H Shares held by Glasslake Holdings under the Securities and Futures Ordinance.

Save as disclosed above, as at June 30, 2024, to the knowledge of the Directors, no other person (except Directors, Supervisors and chief executives of the Company) had interests and short positions in the Shares, underlying Shares and debentures of the Company which were required, pursuant to Section 336 of the Securities and Futures Ordinance, to be recorded in the register to be kept by the Company referred to therein.

Save as disclosed in this report, as at June 30, 2024, Directors did not hold positions as directors or employees in companies which had interests or short positions that needed to be notified to the Company under divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

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

During the Reporting Period, the Company did not issue any shares or sell treasury shares, and there was no change in the registered capital of the Company.

SECTION 6 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. THE BOARD OF DIRECTORS AND THE BOARD COMMITTEE

1. Composition of the Board of Directors

In April 2024, the Company completed the change of the Board session and elected all members of the third session of the Board. Please refer to the relevant announcement for details.

As of the end of the Reporting Period, the Board of the Company comprises of 14 Directors, two of which are executive Directors (Mr. Wang Changqing and Mr. Zou Yingguang), seven are non-executive Directors (Mr. Li Min, Mr. Wu Ruilin, Mr. Yan Xiaolei, Mr. Liu Yanming, Mr. Yang Dong, Ms. Hua Shurui and Ms. Wang Hua) and five are independent non-executive Directors (Mr. Po Wai Kwong, Mr. Lai Guanrong, Mr. Zhang Zheng, Mr. Wu Xi and Mr. Zheng Wei). Mr. Wang Changqing is the Chairman of the Board, and Mr. Li Min and Mr. Wu Ruilin are the Vice Chairmen. Save as the above employment information and the publicly disclosed information, none of the Directors, Supervisors and members of the senior management is related to other Directors, Supervisors and members of the senior management of the Company.

2. Board Committees under the Board of the Company

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

Name of committee	Members of committee
Development Strategy Committee	Wang Changqing (Chairman), Li Min, Wu Ruilin, Zou Yingguang, Liu Yanming, Yang Dong, Wang Hua, Lai Guanrong
Risk Management Committee	Wu Ruilin (Chairman), Zou Yingguang, Yan Xiaolei, Yang Dong, Wang Hua, Zhang Zheng, Zheng Wei
Audit Committee	Wu Xi (Chairman), Wu Ruilin, Yan Xiaolei, Po Wai Kwong, Zheng Wei
Remuneration and Nomination Committee	Lai Guanrong (Chairman), Wang Changqing, Li Min, Yang Dong, Po Wai Kwong, Zhang Zheng, Wu Xi

During the Reporting Period, all Directors have faithfully and diligently performed their duties entitled by laws and regulations, and protected the overall interests of the Company and interests of its Shareholders, especially the legitimate interests of minority Shareholders. The Audit Committee of the Board of the Company has reviewed the accounting policies adopted by the Company and discussed matters such as the internal control and financial reports, including a comprehensive review of the consolidated interim financial information for the six months ended 30 June 2024 and the interim results announcement, and no disagreement has been proposed in respect of the accounting policies adopted by the Company and financial reports. The financial information set out in this interim report is unaudited. 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*.

SECTION 6 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

II. THE SUPERVISORY COMMITTEE

In April 2024, the Company completed the change of the Supervisory Committee session and elected all members of the third session of the Supervisory Committee. Please refer to the relevant announcement for details.

The Company strictly complied with the requirements of the Articles of Association and relevant rules in respect of the appointment of Supervisors. As of the end of the Reporting Period, the Company's Supervisory Committee comprises six Supervisors, namely Mr. Zhou Xiaoyu, Mr. Dong Hongfu, Mr. Li Fang, Mr. Wang Xiaoguang, Ms. Lin Xuan and Mr. Zhao Ming. Among them, Mr. Zhou Xiaoyu is the Chairman of the Supervisory Committee. Ms. Lin Xuan and Mr. Zhao Ming are employee representative Supervisors.

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

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

Name	Positions	Changes
Zhu Jia	Director	Resigned
Ai Bo	Supervisor	Resigned
Zhou Zhigang	Senior management	Resigned
Liu Yanming	Director	Elected
Hua Shurui	Director	Elected
Li Fang	Supervisor	Elected

SECTION 6 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Description of changes in Directors, Supervisors and senior management of the Company

On April 30, 2024, the Company convened the 2024 First Extraordinary General Meeting, at which Mr. Wang Changqing and Mr. Zou Yingguang were elected as Executive Directors of the third session of the Board; Mr. Li Min, Mr. Wu Ruilin, Mr. Yan Xiaolei, Mr. Liu Yanming, Mr. Yang Dong and Ms. Wang Hua as Non-executive Directors of the third session of the Board; Mr. Po Wai Kwong, Mr. Lai Guanrong, Mr. Zhang Zheng, Mr. Wu Xi, Mr. Zheng Wei as Independent Non-executive Directors of the third session of the Board. The above Directors jointly constituted the third session of the Board of the Company. Upon the change of Board sessions, Ms. Zhu Jia will no longer serve as a Director. Mr. Zhou Xiaoyu, Mr. Dong Hongfu, Mr. Li Fang and Mr. Wang Xiaoguang were elected as Shareholder representative Supervisors of the third session of the Supervisory Committee at the general meeting, and jointly constituted the third session of the Supervisory Committee with Ms. Lin Xuan and Mr. Zhao Ming, who were elected as employee representative Supervisors of the third session of the Supervisory Committee at employee representative meetings. Upon the change of Supervisory Committee sessions, Ms. Ai Bo will no longer serve as a Supervisor of the Company. The above Directors and Supervisors will officially assume office from April 30, 2024, with a term of office of three years, until the term of the third session of the Board/Supervisory Committee of the Company expires.

On May 24, 2024, Mr. Zhou Zhigang, a senior management member of the Company, ceased to be a member of Executive Committee of the Company as he has reached the statutory retirement age, and his term of office expired on May 24, 2024.

On June 28, 2024, Ms. Hua Shurui was elected as a Non-executive Director of the third session of the Board of the Company at the 2023 general meeting. Ms. Hua Shurui will officially assume office from the date when the resolution on her appointment is considered and approved at the general meeting of the Company until the term of the third session of the Board of the Company expires.

In addition, on July 8, 2024, the Board considered and approved the Resolution on Adjusting the secretary to the Board and Related Matters, appointing Mr. Liu Naisheng as the secretary to the Board of the Company, who would officially assume duties from the date the Board approved the resolution regarding his appointment. Mr. Wang Guangxue ceased to serve as the secretary to the Board.

Major changes in information of Directors, Supervisors and chief executives

Since May 2024, Ms. Wang Hua has been a director of CITIC Telecom International Holdings Limited, a company listed on the Hong Kong Stock Exchange. Since May 2024, Mr. Po Wai Kwong ceased to be an independent director of Everbright Securities Co., Ltd., a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

Save as disclosed above, there is no other information relating to the Directors, Supervisors and chief executives of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

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

Not applicable

SECTION 6 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

V. DEALING IN SECURITIES BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Hong Kong Listing Rules (the "Model Code") in respect of the securities transactions entered into by its Directors and Supervisors. The Company has made specific inquiries to all Directors and Supervisors on any non-compliance with the Model Code. All the Directors and Supervisors have confirmed that they have completely complied with the provisions and standards set out in the Model Code during the period from 1 January 2024 up to the date of announcement of 2024 interim results.

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

To the knowledge of the Directors, as of 30 June 2024, no Directors, Supervisors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), which were required, pursuant to Section 352 of the SFO, to be recorded in the register to be kept by the Company, or required, pursuant to the Model Code under Appendix C3 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

As of 30 June 2024, no Directors and Supervisors or their respective spouses or children under 18 years of age had been granted the rights to gain benefits by way of purchasing Shares or debentures of the Company or exercise any aforesaid rights by themselves, nor had Directors and Supervisors or their respective spouses or children under 18 years of age been granted the aforesaid rights from any other corporate body due to the arrangement made by the Company or any of its subsidiaries.

VII. RIGHTS OF DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

VIII. EMPLOYEES

(I) Number and Composition of Employees

As of the end of the Reporting Period, the Group had 13,288 employees in total (including labor outsourcing personnel), specific composition of which was as follows:

Item		The Group		The Company	
		Number of employees	Percentage (%)	Number of employees	Percentage (%)
Professional structure	Business personnel	10,876	81.85	10,033	84.17
	Information technology personnel	865	6.51	802	6.73
	Financial personnel	288	2.17	242	2.03
	Administration personnel	78	0.59	48	0.40
	Others	1,181	8.89	795	6.67
Total		13,288	100.00	11,920	100.00

SECTION 6 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) Relevant Information of Securities Brokers

As of the end of the Reporting Period, the Company had a total of 8 securities business departments that were implementing a securities broker system. There was a total of 32 brokers who obtained practicing qualifications for securities brokers as reviewed and approved by the Securities Association of China.

(III) Remuneration Policies

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

Based on management of the gross salary of state-owned enterprises, the Company reasonably determines remuneration level for employees according to its annual operating performance and in compliance with the principles of marketization. The remuneration for employees includes fixed salary, annual bonuses and insurance benefits. Fixed salary is determined according to the position and grade, and the standard of position and grade is determined taking account of the comprehensive factors such as post responsibility, working capability, professional knowledge and experience, and market level of employees. The annual bonuses are determined comprehensively according to the strategy implementation, result performance, performance appraisal results, evaluation on compliance and risk control and honest practice evaluation, etc. of employees in the corresponding year. The Company establishes a comprehensive benefit protection system, and the statutory benefits are paid in accordance with the rules and standards as stipulated by the state. Benefits of the Company include various aspects, including replenishment of medical insurance, enterprise annuity, paid leave and medical examination.

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

SECTION 6 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(IV) Training Program

Building a team of talented cadres with fighting spirit is the core driving force for the Company to continuously make new strides and new development. In the first half of 2024, the Company continued to focus on effectively carrying out the education on the party's theory cultivation and political consciousness, studying and implementing the guiding principles of the central government, supplemented by management ability and professional ability training. Moreover, the Company made ongoing efforts to improve the talent system construction based on its business strategy, continuously improved the multi-level talent development system centered on the "ladder of training for the growth of employees", further promoted the training of key groups such as the middle-level and above cadres, head of branch office, the echelon of outstanding young cadres, various professional talents, and management trainees and created learning and growth space for cadres and employees.

1. Carried out the "Lighthouse Program" for middle-level and above cadres to enhance their improvement in the cultivation of Party spirit, political literacy, strategic thinking and leadership.
2. Carried out the "Long Voyage Program" for the heads of the branch offices, including organizing "Pilot Class" for the general managers of the branch offices, "Continued Sailing Class" and "Cruising Class" for business department managers of different seniors, and "Set Sailing Class" for newly hired business department managers, to help the heads of the branches heighten their political stance, improve their awareness of compliance risk control and business and master advanced management concepts.
3. Classified and cultivated outstanding young cadres. Carried out the "Sunglow Program" for the management talents at the headquarters, focused on the competency that high-quality financial management talents should possess, focused on helping young cadres to strengthen the cultivation of their Party spirit and theoretical literacy, and enhance their political disciplines and rule awareness, and guide their practice with Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era. Carried out the "Firework Plan" for outstanding young cadres in branch offices. Among them, a "Flame Class" was held for the management talent echelon of the branch offices to strengthen the ideals, beliefs and strategic execution, establish the concept of overall situation and systematic thinking, and improve the overall coordination and operation decision-making ability; a "Torch Class" was held for the management talent echelon of business departments to promote role transformation, establish business awareness and management thinking, consolidate management skills, and accelerate the growth from business cadres to management cadres. And a "Management Literacy Improvement Class" was held for team leaders at headquarters and subsidiaries to enhance their ability to "manage people and business" in daily team management. Carried out a "Stars Program" for management trainees and conducted overall planning, unified selection, and centralized training for them.

SECTION 6 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

4. Carried out the “Climbing the Peak Program” for professional talents. The Company promoted the cultivation of digital talents and held lectures on digital transformation, financial science and technology general education classes, data analysis and product thinking practice training camps. The Company continued to advance the grass-roots general education trainings and advanced practical trainings of investment research talents. The Company continued to hold a series of lectures themed with “Entering the Hong Kong Capital Market” and professional training classes of cross-border practicing for international talents to help broaden the international perspective of employees dispatched overseas and enhance overseas working capability and awareness of confidentiality and security, and promote integrated business development. The Company organized the training camp for key account managers with “customer-oriented” as the principle, cultivated versatile institutional sales talents and paid attention to professional training for talents of investment banking projects.
5. Organized all employees to carry out trainings on the study and implementation of the spirit of the Central Financial Work Conference and the study and guidance training of Xi Jinping’s Excerpts on Financial Work in a timely manner, trainings on Adhering to Political Guidance and Strengthen Cultivating of Working Style and Discipline; organized all party member and cadre employees to carry out learning and education of party disciplines, learning and education on Following the Right Approach to Selecting and Appointing Officials, etc.
6. Attached great importance to the education of compliance, integrity, and information security for all employees, and regularly strengthened their awareness and ability enhancement.
7. Attached great importance to campus recruitment and provided jobs and internship opportunities for outstanding graduates and current students. During the Reporting Period, the Company provided over 1,200 internship positions for current students, provided nearly 61 hours of pre-job online courses for employed fresh graduates, and organized centralized training for new employees from campus recruitments.

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

(V) Relationship with Employees

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

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 69 to 152, which comprises the interim condensed consolidated statement of financial position of CSC Financial Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2024 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

KPMG

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

29 August 2024

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

	Note	Six months ended 30 June	
		2024 (Unaudited)	2023 (Unaudited)
Revenue			
Fee and commission income	6	5,697,543	7,276,239
Interest income	7	4,364,607	5,208,745
Net investment gains	8	3,503,361	4,287,772
		13,565,511	16,772,756
Other income	9	1,264,531	1,878,792
Total revenue and other income		14,830,042	18,651,548
Fee and commission expenses	10	(1,322,499)	(1,051,554)
Interest expenses	10	(3,983,820)	(4,132,619)
Staff costs	10	(3,575,486)	(4,076,884)
Tax and surcharges		(47,468)	(75,001)
Other operating expenses and costs	10	(2,615,831)	(4,159,975)
Credit impairment (losses)/reversals	11	(93,937)	17,752
Impairment losses on other assets		(6,392)	(3,507)
Total expenses		(11,645,433)	(13,481,788)
Operating profit		3,184,609	5,169,760
Share of profits of associates		6,221	108
Profit before income tax		3,190,830	5,169,868
Income tax expense	12	(327,721)	(854,828)
Profit for the period		2,863,109	4,315,040
Attributable to:			
Equity holders of the Company		2,857,677	4,307,477
Non-controlling interests		5,432	7,563
		2,863,109	4,315,040
Earnings per share attributable to ordinary equity holders of the Company (expressed in RMB yuan per share)			
– Basic and diluted	14	0.30	0.49

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Profit for the period	2,863,109	4,315,040
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent period		
Net gains on investments in debt instruments measured at fair value through other comprehensive income	405,342	591,010
Net (losses)/gains on investments in debt instruments measured at fair value through other comprehensive income reclassified to profit or loss on disposal	(95,381)	31,817
Income tax relating to these items	(72,213)	(150,920)
	237,748	471,907
Share of other comprehensive income of associates	7	34
Foreign currency translation differences	27,111	122,699
Items that will not be reclassified subsequently to profit or loss		
Net gains/(losses) on investments in equity instruments designated as at fair value through other comprehensive income	26,353	(12,787)
Income tax relating to these items	(3,638)	–
	22,715	(12,787)
Other comprehensive income for the period, net of tax	287,581	581,853
Total comprehensive income for the period	3,150,690	4,896,893
Attributable to:		
Equity holders of the Company	3,145,258	4,889,330
Non-controlling interests	5,432	7,563
	3,150,690	4,896,893

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

	Note	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Non-current assets			
Property, plant and equipment	15	705,312	799,929
Right-of-use assets	16	1,331,134	1,477,583
Investment properties		40,786	43,823
Intangible assets	17	768,840	827,251
Investments in associates	19	120,883	114,656
Financial assets at fair value through profit or loss	20	8,864,375	10,034,677
Financial assets at fair value through other comprehensive income	21	1,384,454	1,400
Financial assets held under resale agreements	22	29,888	29,887
Refundable deposits	23	13,136,044	12,741,491
Deferred tax assets	24	100,404	428,316
Other non-current assets	25	306,259	361,708
Total non-current assets		26,788,379	26,860,721
Current assets			
Margin accounts	26	52,547,607	56,392,572
Accounts receivable	27	10,277,416	9,680,222
Financial assets at fair value through profit or loss	20	199,038,729	204,157,742
Financial assets at fair value through other comprehensive income	21	73,468,509	75,801,856
Derivative financial assets	28	7,058,732	4,185,151
Financial assets held under resale agreements	22	22,960,655	13,912,409
Cash held on behalf of clients	29	89,245,266	93,944,908
Cash and bank balances	30	41,448,932	36,620,725
Other current assets	31	2,280,302	1,195,882
Total current assets		498,326,148	495,891,467
Total assets		525,114,527	522,752,188
Current liabilities			
Accounts payable to brokerage clients	32	96,954,874	100,923,675
Lease liabilities	33	546,407	480,880
Derivative financial liabilities	28	4,862,608	4,360,558
Financial liabilities at fair value through profit or loss	34	4,957,361	5,185,063
Financial assets sold under repurchase agreements	35	129,840,258	129,461,728
Placements from banks and other financial institutions	36	3,616,856	1,904,048
Taxes payable	37	192,412	363,965
Short-term borrowings	38	960,698	473,460
Short-term financing instruments payable	39	29,481,872	37,701,659
Other current liabilities	40	55,685,845	57,531,977
Total current liabilities		327,099,191	338,387,013

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

	Note	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Net current assets		171,226,957	157,504,454
Total assets less current liabilities		198,015,336	184,365,175
Non-current liabilities			
Financial liabilities at fair value through profit or loss	34	3,389,724	4,959,247
Bonds in issue	41	90,974,291	80,643,971
Lease liabilities	33	875,794	1,065,204
Deferred tax liabilities	24	109,718	166,832
Other non-current liabilities		3,995	3,514
Total non-current liabilities		95,353,522	86,838,768
Net assets		102,661,814	97,526,407
Equity			
Share capital	42	7,756,695	7,756,695
Other equity instruments	43	29,406,528	24,906,528
Reserves	44	35,970,055	35,665,798
Retained earnings		29,482,095	29,149,026
Equity attributable to equity holders of the Company		102,615,373	97,478,047
Non-controlling interests		46,441	48,360
Total equity		102,661,814	97,526,407

Approved and authorized for issue by the Board of Directors on 29 August 2024.

WANG Changqing

Chairman

ZOU Yingguang

Executive Director

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

Attributable to equity holders of the Company											
Note	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Reserves		Retained earnings	Subtotal	Non-controlling interests	Total
						Investment revaluation reserve	Foreign currency translation reserve				
At 1 January 2024	7,756,695	24,906,528	12,417,001	7,063,893	15,273,437	516,895	394,572	29,149,026	97,478,047	48,360	97,526,407
Profit for the period	-	-	-	-	-	-	-	2,857,677	2,857,677	5,432	2,863,109
Other comprehensive income for the period	-	-	-	-	-	260,470	27,111	-	287,581	-	287,581
Total comprehensive income for the period	-	-	-	-	-	260,470	27,111	2,857,677	3,145,258	5,432	3,150,690
Capital injected/(reduced) by equity holders											
- Capital injected by other equity instrument holders	43	-	4,500,000	(17,235)	-	-	-	-	4,482,765	-	4,482,765
Appropriation to general reserves	44	-	-	-	33,911	-	-	(33,911)	-	-	-
Dividends to equity holders	13	-	-	-	-	-	-	(1,939,174)	(1,939,174)	-	(1,939,174)
Distribution to other equity instrument holders	13	-	-	-	-	-	-	(551,523)	(551,523)	-	(551,523)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	(7,351)	(7,351)
At 30 June 2024 (Unaudited)	7,756,695	29,406,528	12,399,766	7,063,893	15,307,348	777,365	421,683	29,482,095	102,615,373	46,441	102,661,814

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024
(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Cash flows from operating activities		
Profit before income tax	3,190,830	5,169,868
Adjustments for:		
Interest expenses on bonds in issue, short-term financing instruments payable, borrowings and lease liabilities	2,077,983	1,951,724
Dividend income and interest income from financial assets at fair value through other comprehensive income	(1,123,821)	(1,230,030)
Net gains from disposal of financial assets at fair value through other comprehensive income	(191,748)	(115,641)
Share of profits from associates and joint ventures	(6,221)	(108)
Net losses/(gains) on disposal of property, plant, equipment and other assets	487	(201)
Revaluation gains on financial instruments at fair value through profit or loss	(1,284,597)	(1,940,133)
Net foreign exchange gains	(5,637)	(43,780)
Depreciation and amortization	628,648	545,309
Credit impairment losses/(reversals)	93,937	(17,752)
Impairment losses on other assets	6,392	3,507
	3,386,253	4,322,763
Net changes in operating assets		
Margin accounts	3,664,652	(2,724,868)
Financial assets at fair value through profit or loss	5,882,743	(14,523,639)
Cash held on behalf of clients	4,650,595	(8,363,053)
Financial assets held under resale agreements	(9,129,394)	(6,639,994)
Other operating assets	(1,938,211)	(2,289,420)
	3,130,385	(34,540,974)
Net changes in operating liabilities		
Accounts payable to brokerage clients	(3,968,801)	9,502,951
Financial liabilities at fair value through profit or loss	(1,620,263)	4,434,299
Financial assets sold under repurchase agreements	415,967	6,952,427
Placements from banks and other financial institutions	1,700,000	1,060,000
Other operating liabilities	362,179	6,343,246
	(3,110,918)	28,292,923
Net cash inflow/(outflow) from operating activities before tax	3,405,720	(1,925,288)
Income tax paid	(780,793)	(1,444,370)
Net cash inflow/(outflow) from operating activities	2,624,927	(3,369,658)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Cash flows from investing activities		
Net cash flow from purchase or disposal of financial assets at fair value through other comprehensive income	1,694,403	(6,436,947)
Dividend income and interest income received from financial assets at fair value through other comprehensive income	1,153,573	1,455,732
Cash paid for purchase of property, plant and equipment and other assets	(132,753)	(135,128)
Other cash flows from investing activities	71	191
Net cash inflow/(outflow) from investing activities	2,715,294	(5,116,152)
Cash flows from financing activities		
Cash inflows from perpetual bonds	4,500,000	–
Cash inflows from borrowing activities	7,505,088	5,799,199
Cash inflows from issuing bonds and short-term financing instruments	36,208,753	46,526,511
Cash outflows from distribution to other equity instrument holders	(697,250)	(697,250)
Cash outflows from distribution to subsidiaries' non-controlling equity holders	(7,350)	(6,577)
Repayments of debts	(46,116,149)	(42,026,372)
Repayments of interest on debts	(1,573,153)	(1,964,625)
Other cash outflows from financing activities	(358,928)	(343,655)
Net cash (outflow)/inflow from financing activities	(538,989)	7,287,231
Net change in cash and cash equivalents	4,801,232	(1,198,579)
Cash and cash equivalents at the beginning of the period	36,068,227	38,560,954
Effect of exchange rate changes on cash and cash equivalents	(227,084)	(259,999)
Cash and cash equivalents at the end of the period (Note 45 (1))	40,642,375	37,102,376

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024
(In RMB thousands, unless otherwise stated)

1 GENERAL INFORMATION

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”, as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial statements do not include all financial information and data which annual consolidated financial statements are required to disclose, therefore, the interim condensed consolidated financial statements should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023, which have been audited.

3 SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies used in preparing the interim condensed consolidated financial statements are the same as those adopted in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023.

3.1 Amendments to the accounting standards effective in 2024 and adopted by the Group

In the current interim period, the Group has adopted the following International Financial Reporting Standards (“IFRSs”) and amendments issued by the International Accounting Standards Board (“IASB”), that are mandatorily effective for the current interim period. Descriptions of these standards and amendments were disclosed in the Group’s annual consolidated financial statements for the year ended 31 December 2023.

(1)	Amendments to IAS 1	Non-current Liabilities with Covenants
(2)	Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
(3)	Amendments to IFRS 7	Supplier Finance Arrangements

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024
(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

			Effective for annual periods beginning on or after
(1)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred. Early application of the amendments continues to be permitted.
(2)	Amendments to IAS 21	Lack of Exchangeability	1 January 2025
(3)	Amendments to IFRS 7 and IFRS 9	Classification and measurement of financial instruments	1 January 2026
(4)	IFRS 18	Presentation and disclosure in financial statements	1 January 2027

- Amendments to IFRS 7 and IFRS 9: classification and measurement of financial instruments.

The amendments include requirements on: classification of financial assets with environmental, social or governance (ESG) targets and similar features; settlement of financial liabilities through electronic payment systems; and disclosures regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent feature.

- IFRS 18, Presentation and disclosure in financial statements.

IFRS 18 will replace IAS 1 and aims to improve the transparency and comparability of information about an entity's financial performance. The main changes comprise: a more structured income statement; enhanced disclosure requirements on management-defined performance measures ("MPMs"); and enhanced requirements on aggregation and disaggregation of information.

Description of the above 3.2 (1) and (2) standards and amendments was disclosed in the Group's consolidated financial statements for the year ended 31 December 2023. The Group does not expect that the adoption of these standards and amendments will have material impact on the Group's consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Significant accounting judgements and estimates

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

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainties were the same as those that applied to the Group's consolidated financial statements for the year ended 31 December 2023.

4 TAXATION

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

(1) Income tax

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

Subsidiaries shall be charged at the applicable tax rate based on their tax residency status and preferential tax policy.

(2) Value added tax

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024
(In RMB thousands, unless otherwise stated)

4 TAXATION (CONTINUED)

(2) Value added tax (Continued)

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

- (3) Urban maintenance and construction taxes, educational surcharges and local educational surcharges are charged at 7%/5%/1%, 3% and 2% of the actual payment of the turnover tax, respectively.
- (4) Vehicle and vessel taxes, property taxes and stamp duties are levied in accordance with the provisions of the relevant tax laws and regulations.

5 OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

5 OPERATING SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 June 2024					Total
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	
Segment revenue and other income						
Fee and commission income	1,057,962	2,271,702	1,726,088	641,791	-	5,697,543
Interest income	-	2,174,068	1,824,279	338	365,922	4,364,607
Net investment gains	-	-	3,505,681	(2,320)	-	3,503,361
Other income	10	41,878	55,106	2,603	1,164,934	1,264,531
Total revenue and other income	1,057,972	4,487,648	7,111,154	642,412	1,530,856	14,830,042
Segment expenses	(1,126,644)	(3,525,628)	(5,412,651)	(370,772)	(1,209,738)	(11,645,433)
Including: Interest expenses	-	(741,637)	(3,201,306)	(16,692)	(24,185)	(3,983,820)
Credit impairment (losses)/ reversals	(15)	(99,475)	7,953	-	(2,400)	(93,937)
Impairment losses on other assets	-	-	-	-	(6,392)	(6,392)
Operating profit	(68,672)	962,020	1,698,503	271,640	321,118	3,184,609
Share of profits of associates	-	-	-	-	6,221	6,221
Profit before income tax	(68,672)	962,020	1,698,503	271,640	327,339	3,190,830
Income tax expense						(327,721)
Net profit for the period						2,863,109
Other segment information:						
Depreciation and amortization	73,331	200,385	288,464	33,947	32,521	628,648
Capital expenditure	15,283	39,637	62,013	8,313	7,507	132,753

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

5 OPERATING SEGMENT INFORMATION (CONTINUED)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

6 FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2024	2023
Brokerage services income	3,700,360	3,654,883
Investment banking income	1,057,962	2,710,322
Asset and fund management income	641,791	611,541
Others	297,430	299,493
Total	5,697,543	7,276,239

7 INTEREST INCOME

	Six months ended 30 June	
	2024	2023
Margin financing and securities lending	1,548,748	1,936,714
Deposits in financial institutions	1,494,425	1,654,565
Financial assets at fair value through other comprehensive income	1,113,644	1,224,848
Financial assets held under resale agreements	190,230	307,607
Others	17,560	85,011
Total	4,364,607	5,208,745

8 NET INVESTMENT GAINS

	Six months ended 30 June	
	2024	2023
Net gains from financial assets at fair value through profit or loss	748,712	5,238,480
Dividend income from financial assets at fair value through other comprehensive income	10,177	5,182
Net gains from disposal of financial assets at fair value through other comprehensive income	191,748	115,641
Net gains/(losses) from financial liabilities at fair value through profit or loss	519,515	(951,426)
Net gains/(losses) from derivatives	2,018,924	(111,235)
Net gains/(losses) attributable to other interest holders of consolidated structured entities	14,285	(8,870)
Total	3,503,361	4,287,772

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

9 OTHER INCOME

	Six months ended 30 June	
	2024	2023
Income from bulk commodity trading	1,053,387	1,668,638
Net gains on foreign exchange	60,701	77,676
Government grants	49,371	22,274
Rental income	7,800	9,593
(Losses)/gains on disposal of property, plant and equipment	(487)	201
Others	93,759	100,410
Total	1,264,531	1,878,792

10 EXPENSES

	Six months ended 30 June	
	2024	2023
Fee and commission expenses:		
Brokerage expenses	1,182,880	867,956
Investment banking expenses	56,049	89,953
Others	83,570	93,645
Total	1,322,499	1,051,554
Interest expenses:		
Bonds in issue	1,652,855	1,491,852
Financial assets sold under repurchase agreements	1,388,116	1,348,957
Short-term financing instruments payable	387,070	407,153
Accounts payable to brokerage clients	266,355	369,611
Placements from banks and other financial institutions	177,331	332,313
Lease liabilities	25,623	30,357
Borrowings	12,435	22,361
Others	74,035	130,015
Total	3,983,820	4,132,619
Staff costs (including directors' and supervisors' remuneration):		
Staff salaries	2,738,774	3,304,084
Other social benefits	364,739	337,741
Contributions to defined contribution schemes (i)	358,167	327,596
Others	113,806	107,463
Total	3,575,486	4,076,884

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

10 EXPENSES (CONTINUED)

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

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

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

Other operating expenses and costs:

	Six months ended 30 June	
	2024	2023
Cost of bulk commodity trading	1,018,222	1,648,083
Depreciation of right-of-use assets	285,657	305,460
Electronic equipment operating expenses	149,731	135,104
Depreciation expenses	148,697	120,939
Amortization of intangible assets	130,767	102,128
Membership fees of exchanges	124,448	137,145
Business travel expenses	116,438	140,188
Office operating expenses	92,083	131,295
Non-operating expenses	13,001	980,858
Auditors' remuneration	3,064	4,475
Others	533,723	454,300
Total	2,615,831	4,159,975

11 CREDIT IMPAIRMENT LOSSES/(REVERSALS)

	Six months ended 30 June	
	2024	2023
Financial assets held under resale agreements	84,839	(47,105)
Margin accounts	46,804	5,234
Financial assets at fair value through other comprehensive income	(39,642)	21,146
Others	1,936	2,973
Total	93,937	(17,752)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

12 INCOME TAX EXPENSE

(1) Income tax

	Six months ended 30 June	
	2024	2023
Current income tax		
– Mainland China	126,727	920,348
– Outside Mainland	5,734	10,158
Subtotal	132,461	930,506
Deferred income tax	195,260	(75,678)
Total	327,721	854,828

(2) Reconciliation between income tax and accounting profit

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

	Six months ended 30 June	
	2024	2023
Profit before income tax	3,190,830	5,169,868
Income tax at the PRC statutory income tax rate	797,707	1,292,467
Effects of different applicable rates of tax prevailing in various jurisdictions	(48,618)	(66,176)
Non-deductible expenses	38,702	24,747
Non-taxable income	(297,056)	(203,148)
Others	(163,014)	(193,062)
Income tax expenses at the Group's effective income tax rate	327,721	854,828

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

13 DIVIDENDS

	Six months ended 30 June	
	2024	2023
Dividends on ordinary shares proposed but not paid	1,939,174	2,094,308
Distribution to other equity instrument holders (Note 14(1))	551,523	487,832

A cash dividend of RMB2.50 (tax inclusive) per 10 ordinary shares related to the year of 2023 amounting to RMB1,939 million (tax inclusive) in total and based on 7,756,694,797 shares was approved at the annual general meeting held on 28 June 2024. All dividends were distributed on 22 August 2024.

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

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

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

	Six months ended 30 June	
	2024	2023
Earnings:		
Profit attributable to equity holders of the Company	2,857,677	4,307,477
Less: Profit attributable to other equity instrument holders of the Company (1)	(551,523)	(487,832)
Profit attributable to ordinary equity holders of the Company	2,306,154	3,819,645
Shares:		
Weighted average number of ordinary shares in issue (thousand)	7,756,695	7,756,695
Basic and diluted earnings per share (in RMB yuan)	0.30	0.49

There were no dilutive shares during the six months ended 30 June 2024 and during the six months ended 30 June 2023. Therefore, diluted earnings per share is equal to basic earnings per share.

- (1) As of 30 June 2024, there were seven tranches of perpetual subordinated bonds existed under the terms and conditions as detailed in Note 43 Other equity Instruments.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

15 PROPERTY, PLANT AND EQUIPMENT

	Properties and buildings	Communication equipment	Office equipment	Transportation vehicles	Security equipment	Electronic devices	Others	Total
Cost								
1 January 2024	423,583	4,354	72,484	34,430	11,073	1,383,317	34,565	1,963,806
Increases	-	769	569	300	36	49,764	675	52,113
Transfer of investment property	2,579	-	-	-	-	-	-	2,579
Decreases	-	(1,217)	(9,791)	-	(394)	(8,106)	(20,506)	(40,014)
30 June 2024	426,162	3,906	63,262	34,730	10,715	1,424,975	14,734	1,978,484
Accumulated depreciation								
1 January 2024	(178,455)	(3,494)	(51,547)	(29,421)	(6,746)	(860,213)	(34,001)	(1,163,877)
Increases	(5,754)	(156)	(3,607)	(622)	(579)	(137,843)	(136)	(148,697)
Transfer of investment property	(595)	-	-	-	-	-	-	(595)
Decreases	-	1,180	9,791	-	383	8,137	20,506	39,997
30 June 2024	(184,804)	(2,470)	(45,363)	(30,043)	(6,942)	(989,919)	(13,631)	(1,273,172)
Net carrying amount								
30 June 2024	241,358	1,436	17,899	4,687	3,773	435,056	1,103	705,312
Cost								
1 January 2023	437,983	4,651	57,724	35,328	10,252	1,082,707	37,154	1,665,799
Increases	-	250	18,829	1,815	1,443	360,150	449	382,936
Decreases	(14,400)	(547)	(4,069)	(2,713)	(622)	(59,540)	(3,038)	(84,929)
31 December 2023	423,583	4,354	72,484	34,430	11,073	1,383,317	34,565	1,963,806
Accumulated depreciation								
1 January 2023	(173,557)	(3,706)	(51,679)	(30,923)	(6,345)	(692,972)	(36,566)	(995,748)
Increases	(11,660)	(319)	(3,935)	(1,130)	(1,005)	(226,826)	(467)	(245,342)
Decreases	6,762	531	4,067	2,632	604	59,585	3,032	77,213
31 December 2023	(178,455)	(3,494)	(51,547)	(29,421)	(6,746)	(860,213)	(34,001)	(1,163,877)
Net carrying amount								
31 December 2023	245,128	860	20,937	5,009	4,327	523,104	564	799,929

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

16 RIGHT-OF-USE ASSETS

	Properties and buildings	Others	Total
Cost			
1 January 2024	2,712,022	325,091	3,037,113
Increases	143,352	810	144,162
Decreases	(256,830)	(107)	(256,937)
Foreign currency translation differences	1,452	–	1,452
30 June 2024	<u>2,599,996</u>	<u>325,794</u>	<u>2,925,790</u>
Accumulated depreciation			
1 January 2024	(1,359,728)	(199,802)	(1,559,530)
Increases	(254,923)	(30,734)	(285,657)
Decreases	251,692	41	251,733
Foreign currency translation differences	(1,202)	–	(1,202)
30 June 2024	<u>(1,364,161)</u>	<u>(230,495)</u>	<u>(1,594,656)</u>
Net carrying amount			
30 June 2024	<u>1,235,835</u>	<u>95,299</u>	<u>1,331,134</u>
Cost			
1 January 2023	2,703,049	283,004	2,986,053
Increases	226,675	42,338	269,013
Decreases	(220,614)	(251)	(220,865)
Foreign currency translation differences	2,912	–	2,912
31 December 2023	<u>2,712,022</u>	<u>325,091</u>	<u>3,037,113</u>
Accumulated depreciation			
1 January 2023	(978,410)	(152,255)	(1,130,665)
Increases	(575,389)	(47,782)	(623,171)
Decreases	196,126	235	196,361
Foreign currency translation differences	(2,055)	–	(2,055)
31 December 2023	<u>(1,359,728)</u>	<u>(199,802)</u>	<u>(1,559,530)</u>
Net carrying amount			
31 December 2023	<u>1,352,294</u>	<u>125,289</u>	<u>1,477,583</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

17 INTANGIBLE ASSETS

	Software	Trading seat rights and others	Total
Cost			
1 January 2024	1,656,535	75,388	1,731,923
Increases	72,350	–	72,350
Decreases	(2,647)	–	(2,647)
Foreign currency translation differences	246	6	252
30 June 2024	<u>1,726,484</u>	<u>75,394</u>	<u>1,801,878</u>
Accumulated amortization			
1 January 2024	(835,072)	(69,600)	(904,672)
Increases	(130,767)	–	(130,767)
Decreases	2,579	–	2,579
Foreign currency translation differences	(178)	–	(178)
30 June 2024	<u>(963,438)</u>	<u>(69,600)</u>	<u>(1,033,038)</u>
Net carrying amount			
30 June 2024	<u>763,046</u>	<u>5,794</u>	<u>768,840</u>
Cost			
1 January 2023	1,293,447	74,694	1,368,141
Increases	373,184	2,081	375,265
Decreases	(10,575)	(1,400)	(11,975)
Foreign currency translation differences	479	13	492
31 December 2023	<u>1,656,535</u>	<u>75,388</u>	<u>1,731,923</u>
Accumulated amortization			
1 January 2023	(628,160)	(69,600)	(697,760)
Increases	(216,959)	–	(216,959)
Decreases	10,356	–	10,356
Foreign currency translation differences	(309)	–	(309)
31 December 2023	<u>(835,072)</u>	<u>(69,600)</u>	<u>(904,672)</u>
Net carrying amount			
31 December 2023	<u>821,463</u>	<u>5,788</u>	<u>827,251</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

18 INVESTMENTS IN SUBSIDIARIES

	30 June 2024	31 December 2023
Investments in subsidiaries	11,700,844	11,700,844

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

Name of subsidiaries	Principal operating place	Place of registration	Registered share capital	Proportion of voting right		Directly/Indirectly hold	Principal activities
				30 June 2024	31 December 2023		
China Futures Co., Ltd.	Chongqing	Chongqing	RMB1,400 million	100%	100%	Directly	Futures brokerage
China Capital Management Co., Ltd.	Beijing	Beijing	RMB3,500 million	100%	100%	Directly	Project investment
China Securities (International) Finance Holding Co., Ltd. (i)	Hong Kong	Hong Kong	Not applicable	100%	100%	Directly	Shareholding and investment
China Fund Management Co., Ltd.	Beijing	Beijing	RMB450 million	100%	100%	Directly	Funds business, asset management
China Securities Investment Co., Ltd.	Beijing	Beijing	RMB6,100 million	100%	100%	Directly	Investment management, equity investment management, investment consultancy and project management

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024
(In RMB thousands, unless otherwise stated)

19 INVESTMENTS IN ASSOCIATES

30 June 2024 31 December 2023

Investments in associates	120,883	114,656
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The following table illustrates details of investments in associates:

Name	1 January 2024	Increase	Decrease	Movement using the equity method	Cash dividends or profits declared	Impairment allowance for the current period	30 June 2024
CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd.	59,120	-	-	2,550	-	-	61,670
Beijing Shunlong Zhiyuan Enterprise Management Consulting Co., Ltd.	28,172	-	-	1,454	-	-	29,626
Beijing Equity Trading Center Co., Ltd.	27,364	-	-	2,223	-	-	29,587
Total	114,656	-	-	6,227	-	-	120,883

Name	1 January 2023	Increase	Decrease	Movement using the equity method	Cash dividends or profits declared	Impairment allowance for the current year	31 December 2023
CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd.	52,945	-	-	6,175	-	-	59,120
Beijing Shunlong Zhiyuan Enterprise Management Consulting Co., Ltd.	27,102	-	-	1,345	(275)	-	28,172
Beijing Equity Trading Center Co., Ltd.	27,477	-	-	(113)	-	-	27,364
Total	107,524	-	-	7,407	(275)	-	114,656

- (1) As at 30 June 2024 and 31 December 2023, given there was no new sign of impairment on the Group's investments in associates, no further impairment allowance was made.
- (2) Zhongguancun Equity Trading Service Group Co., Ltd. was renamed as Beijing Shunlong Zhiyuan Enterprise Management Consulting Co., Ltd. on 22 February 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024	31 December 2023
Non-current		
Debt instruments	26,428	30,729
Equity investments	7,690,207	8,805,845
Fund investments	219,212	209,516
Others	928,528	988,587
Subtotal	8,864,375	10,034,677
Analyzed into:		
Listed	936,181	2,199,275
Unlisted	7,928,194	7,835,402
Subtotal	8,864,375	10,034,677
Current		
Debt instruments	111,440,192	108,888,273
Equity investments	22,448,915	32,213,562
Fund investments	15,047,575	15,373,903
Others	50,102,047	47,682,004
Subtotal	199,038,729	204,157,742
Analyzed into:		
Listed	163,146,097	170,053,932
Unlisted	35,892,632	34,103,810
Subtotal	199,038,729	204,157,742
Total	207,903,104	214,192,419

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

As at 30 June 2024, the fair value of financial assets pledged as collateral for repurchase agreements (Note 35), futures business and securities borrowing business by the Group were RMB102,435.08 million (31 December 2023: RMB86,451.14 million).

As at 30 June 2024, the above financial assets at fair value through profit or loss held by the Group included the outstanding balance of the securities lent of RMB141.45 million (31 December 2023: RMB728.40 million).

As at 30 June 2024, the fair value of financial assets at fair value through profit or loss in restricted period held by the Group was RMB1,682.36 million (31 December 2023: RMB3,448.55 million).

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2024	31 December 2023
Non-current		
Equity investments	1,384,454	1,400
Analyzed into:		
Listed	1,383,054	—
Unlisted	1,400	1,400
Subtotal	1,384,454	1,400
Current		
Debt instruments	73,393,260	75,736,268
Equity investments	75,249	65,588
Subtotal	73,468,509	75,801,856
Analyzed into:		
Listed	73,468,509	75,801,856
Subtotal	73,468,509	75,801,856
Total	74,852,963	75,803,256

- (i) As at 30 June 2024, the fair value of securities classified as financial assets at fair value through other comprehensive income of the Group which have been pledged as collateral for repurchase agreements (Note 35), placements from CSF (Note 36), and securities borrowing business were RMB45,867.81 million (31 December 2023: RMB54,263.50 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

22 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30 June 2024	31 December 2023
Non-current		
Analyzed by collateral:		
Stock	30,038	30,046
Allowance for impairment losses	(150)	(159)
Subtotal	29,888	29,887
Current		
Analyzed by collateral:		
Debts	18,447,858	8,946,148
Stock	5,106,975	5,495,599
Others	20,008	–
	23,574,841	14,441,747
Allowance for impairment losses	(614,186)	(529,338)
Subtotal	22,960,655	13,912,409
Total	22,990,543	13,942,296

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

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

	30 June 2024	31 December 2023
Collateral received	21,307,962	20,061,681
Including: Collateral allowed to be re-pledged	–	–
Including: Collateral re-pledged	–	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024
(In RMB thousands, unless otherwise stated)

23 REFUNDABLE DEPOSITS

	30 June 2024	31 December 2023
Performance deposits	12,651,570	12,107,366
Trading deposits	432,268	584,114
Credit deposits	52,206	50,011
Total	13,136,044	12,741,491

24 DEFERRED TAX ASSETS/LIABILITIES

Changes of deferred tax assets/liabilities before offset are as follows:

Deferred tax assets	Salaries, bonuses, and allowances payable	Fair value changes of financial instruments	Allowance for credit impairment losses	Lease liabilities	Others	Total
1 January 2024	1,028,325	26,477	584,472	379,136	96,148	2,114,558
Credited/(debited) to the consolidated income statement	145,727	(2,441)	22,951	(29,686)	(10,045)	126,506
(Debited)/credited to other comprehensive income	–	(6,751)	15	47	233	(6,456)
30 June 2024	1,174,052	17,285	607,438	349,497	86,336	2,234,608
Deferred tax assets	Salaries, bonuses, and allowances payable	Fair value changes of financial instruments	Allowance for credit impairment losses	Lease liabilities	Others	Total
1 January 2023	1,114,296	75,560	616,653	461,640	86,428	2,354,577
(Debited)/credited to the consolidated income statement	(85,971)	(3,299)	(32,027)	(81,123)	13,989	(188,431)
(Debited) to other comprehensive income	–	(45,784)	(154)	(1,381)	(4,269)	(51,588)
31 December 2023	1,028,325	26,477	584,472	379,136	96,148	2,114,558

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

24 DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

Changes of deferred tax assets/liabilities before offset are as follows: (Continued)

Deferred tax liabilities	Fair value changes of financial instruments	Right-of-use assets	Others	Total
1 January 2024	1,489,059	362,274	1,741	1,853,074
Debited/(credited) to the consolidated income statement	357,195	(35,478)	49	321,766
Debited to other comprehensive income	69,027	42	13	69,082
30 June 2024	1,915,281	326,838	1,803	2,243,922
	Fair value changes of financial instruments	Right-of-use assets	Others	Total
1 January 2023	1,066,553	454,779	1,657	1,522,989
Debited/(credited) to the consolidated income statement	409,578	(91,183)	40	318,435
Debited/(credited) to other comprehensive income	12,928	(1,322)	44	11,650
31 December 2023	1,489,059	362,274	1,741	1,853,074

Net balances of deferred tax assets/liabilities after offset

Item	30 June 2024		31 December 2023	
	Deferred tax assets/ liabilities offset amount	Deferred tax assets/ liabilities net balances after offset	Deferred tax assets/ liabilities offset amount	Deferred tax assets/ liabilities net balances after offset
Deferred tax assets	(2,134,204)	100,404	(1,686,242)	428,316
Deferred tax liabilities	(2,134,204)	109,718	(1,686,242)	166,832

25 OTHER NON-CURRENT ASSETS

As at 30 June 2024 and 31 December 2023, other non-current assets of the Group primarily represented long-term deferred expenses incurred on leasehold improvements of property, plant and equipment and network engineering projects.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024
(In RMB thousands, unless otherwise stated)

26 MARGIN ACCOUNTS

	30 June 2024	31 December 2023
Margin accounts		
– Individuals	43,863,276	46,158,352
– Institutions	10,093,570	11,595,743
	53,956,846	57,754,095
Allowance for impairment losses	(1,409,239)	(1,361,523)
Total	52,547,607	56,392,572

Margin accounts are funds that the Group provided to clients in margin financing and securities lending. As at 30 June 2024 and 31 December 2023, no margin accounts were pledged of the Group.

As at 30 June 2024, the fair value of securities lent was RMB405.83 million (31 December 2023: RMB3,129.56 million).

As at 30 June 2024, the Group received collateral with fair value amounted to RMB155,159.66 million (31 December 2023: RMB180,860.81 million), in connection with its margin financing and securities lending.

27 ACCOUNTS RECEIVABLE

	30 June 2024	31 December 2023
Derivative business receivables	8,485,580	7,896,145
Clearing funds receivable	864,765	912,684
Asset and fund management fee receivable	131,466	147,189
Others	811,357	740,112
	10,293,168	9,696,130
Allowance for impairment losses (i)	(15,752)	(15,908)
Total	10,277,416	9,680,222

- (i) ECL on accounts receivable arising from revenue recognized in accordance with IFRS 15 – Revenue, is measured using simplified approach. ECL on the rest of accounts receivable is measured using the general approach and as at 30 June 2024, accounts receivable measured using general approach were classified under Stage 1 (31 December 2023: Stage 1).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

27 ACCOUNTS RECEIVABLE (CONTINUED)

(ii) Analyzed by aging

Item	As at 30 June 2024			
	Carrying amount		Allowance for impairment losses	
	Value	Percentage	Value	Percentage
Allowance for impairment losses by portfolio				
Less than 1 year	10,244,299	99.53%	(1,050)	6.67%
1 to 2 years	27,629	0.27%	(2,316)	14.70%
2 to 3 years	6,918	0.07%	(1,424)	9.04%
More than 3 years	14,322	0.13%	(10,962)	69.59%
Total	10,293,168	100.00%	(15,752)	100.00%

Item	As at 31 December 2023			
	Carrying amount		Allowance for impairment losses	
	Value	Percentage	Value	Percentage
Allowance for impairment losses by portfolio				
Less than 1 year	9,650,036	99.52%	(1,105)	6.94%
1 to 2 years	25,357	0.26%	(2,526)	15.88%
2 to 3 years	6,469	0.07%	(1,369)	8.61%
More than 3 years	14,268	0.15%	(10,908)	68.57%
Total	9,696,130	100.00%	(15,908)	100.00%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024
(In RMB thousands, unless otherwise stated)

28 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2024		
	Nominal value	Fair value	
		Assets	Liabilities
Interest rate derivatives	472,582,204	80	7,630
Equity derivatives	219,182,730	6,364,730	3,368,057
Currency derivatives	268,306,410	123,476	1,144,595
Credit derivatives	942,000	17,417	1,500
Others	96,222,046	553,029	340,826
Total	1,057,235,390	7,058,732	4,862,608

	As at 31 December 2023		
	Nominal value	Fair value	
		Assets	Liabilities
Interest rate derivatives	390,754,943	4,686	10
Equity derivatives	292,058,989	3,550,180	3,606,161
Currency derivatives	158,749,720	73,001	501,035
Credit derivatives	981,000	17,773	262
Others	88,330,218	539,511	253,090
Total	930,874,870	4,185,151	4,360,558

Under the “Daily Mark-to-Market and Settlement Arrangement”, the Group’s future contracts are settled daily. The amount of mark-to-market gain or loss of those unexpired future contracts is reflected in Consolidated profit or loss and the account captioned “cash and bank balances”. As at 30 June 2024, the fair value of the Group’s unexpired futures contracts was at losses of RMB377.49 million (31 December 2023: losses of RMB201.16 million).

29 CASH HELD ON BEHALF OF CLIENTS

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

30 CASH AND BANK BALANCES

	30 June 2024	31 December 2023
Deposits in banks	<u>41,448,932</u>	<u>36,620,725</u>

As at 30 June 2024, the Group had restricted deposits of RMB800.40 million (31 December 2023: RMB546.54 million).

31 OTHER CURRENT ASSETS

	30 June 2024	31 December 2023
Prepaid tax	1,149,422	671,131
Commodity inventories	410,447	66,024
Interest receivable (i)	48,390	51,880
Prepaid expenses	12,891	20,887
Deferred expenses	4,069	4,748
Others	<u>734,820</u>	<u>455,458</u>
	2,360,039	1,270,128
Allowance for impairment losses	<u>(79,737)</u>	<u>(74,246)</u>
Total	<u>2,280,302</u>	<u>1,195,882</u>

(i) As at 30 June 2024 and 31 December 2023, interest income of financial assets accrued under effective interest rate method, which was overdue but not received, was reflected in Interest receivable under other current assets. Interest receivable not yet due were included in the carrying amount of the related financial assets.

32 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

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

33 LEASE LIABILITIES

	30 June 2024	31 December 2023
Current		
Lease liabilities	<u>546,407</u>	<u>480,880</u>
Non-current		
Lease liabilities	<u>875,794</u>	<u>1,065,204</u>
Total	<u>1,422,201</u>	<u>1,546,084</u>

As at 30 June 2024 and 31 December 2023, the cash outflow of lease contracts signed by the Group but lease not yet commenced are insignificant.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024
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34 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024	31 December 2023
Current		
Financial liabilities at fair value through profit or loss (Held for trading)		
– Debt instruments	1,756,425	1,429,579
– Others	424	585
Financial liabilities designated as at fair value through profit or loss		
– Structured notes (i)	3,200,512	3,754,899
Subtotal	4,957,361	5,185,063
Non-current		
Financial liabilities designated as at fair value through profit or loss		
– Structured notes (i)	3,389,724	4,959,247
Subtotal	3,389,724	4,959,247
Total	8,347,085	10,144,310

(i) As at 30 June 2024 and 31 December 2023, the structured notes held by the Group were mainly linked to equity indexes.

35 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2024	31 December 2023
Current		
Analysed by collateral:		
Debt securities (Notes 20 and 21)	109,601,409	108,639,876
Gold	4,499,732	6,006,876
Others (Notes 20)	15,739,117	14,814,976
Total	129,840,258	129,461,728

As at 30 June 2024 and 31 December 2023, other collaterals were the standard bonds for pledge-style quotation-driven repurchase.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

36 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2024	31 December 2023
Current		
Placements from CSF (Notes 21)	2,816,686	1,503,960
Placements from banks	800,170	400,088
Total	3,616,856	1,904,048

37 TAXES PAYABLE

	30 June 2024	31 December 2023
Current		
Income tax	83,400	111,423
Value added tax	74,246	40,256
Others	34,766	212,286
Total	192,412	363,965

38 SHORT-TERM BORROWINGS

	30 June 2024	31 December 2023
Current		
Analyzed by nature:		
Credit borrowings	960,698	473,460

As at 30 June 2024 and 31 December 2023, the Group had fixed-rate borrowings which carried interest rate from 2.85% to 5.80% and 3.20% to 6.37%.

As at 30 June 2024 and 31 December 2023, the Group does not provide collateral for its short-term borrowings.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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39 SHORT-TERM FINANCING INSTRUMENTS PAYABLE

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Coupon rate	1 January 2024	Increase	Decrease	30 June 2024
Short-term commercial paper									
23 CSC CP002	2,000,000	2,000,000	17/01/2023	12/01/2024	2.78%	2,053,163	1,675	2,054,838	-
23 CSC CP003	3,000,000	3,000,000	14/02/2023	07/02/2024	2.72%	3,071,763	8,272	3,080,035	-
23 CSC CP007	3,000,000	3,000,000	16/03/2023	12/03/2024	2.78%	3,066,492	15,997	3,082,489	-
23 CSC CP009	2,000,000	2,000,000	29/03/2023	22/03/2024	2.72%	2,041,433	11,927	2,053,360	-
23 CSC CP011	3,000,000	3,000,000	25/05/2023	23/02/2024	2.39%	3,043,413	10,264	3,053,677	-
23 CSC CP012	3,000,000	3,000,000	21/06/2023	23/04/2024	2.42%	3,038,587	22,310	3,060,897	-
23 CSC CP013	2,500,000	2,500,000	28/06/2023	27/06/2024	2.45%	2,531,380	29,703	2,561,083	-
23 CSC CP014	3,000,000	3,000,000	18/09/2023	13/09/2024	2.51%	3,021,662	37,340	-	3,059,002
24 CSC CP001	2,500,000	2,500,000	26/06/2024	16/04/2025	2.05%	-	2,500,702	-	2,500,702
Short-term corporate bond									
23 Xintou S1	5,000,000	5,000,000	24/11/2023	24/11/2024	2.69%	5,002,840	72,897	-	5,075,737
23 Xintou S2	5,500,000	5,500,000	19/12/2023	19/12/2024	2.76%	5,490,393	83,290	472	5,573,211
24 Xintou S1	1,500,000	1,500,000	16/01/2024	16/01/2025	2.52%	-	1,518,482	2,830	1,515,652
24 Xintou S2	1,500,000	1,500,000	24/04/2024	24/04/2025	2.05%	-	1,506,257	2,830	1,503,427
24 Xintou S3	6,500,000	6,500,000	20/06/2024	20/06/2025	2.05%	-	6,504,385	12,264	6,492,121
Structured notes (i)						5,340,533	3,403,786	4,982,299	3,762,020
Total						37,701,659	15,727,287	23,947,074	29,481,872

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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39 SHORT-TERM FINANCING INSTRUMENTS PAYABLE (CONTINUED)

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Coupon rate	1 January 2023	Increase	Decrease	31 December 2023
Short-term commercial paper									
22 CSC CP003	3,000,000	3,000,000	25/07/2022	23/05/2023	2.14%	3,028,142	24,976	3,053,118	-
22 CSC CP004	3,000,000	3,000,000	27/07/2022	18/01/2023	1.92%	3,024,934	2,683	3,027,617	-
22 CSC CP005	3,000,000	3,000,000	26/09/2022	09/06/2023	1.96%	3,015,626	25,614	3,041,240	-
22 CSC CP006	3,000,000	3,000,000	28/09/2022	20/06/2023	2.04%	3,015,929	28,504	3,044,433	-
22 CSC CP007	2,000,000	2,000,000	12/12/2022	08/09/2023	2.74%	2,003,003	37,534	2,040,537	-
22 CSC CP008	2,000,000	2,000,000	15/12/2022	15/09/2023	3.00%	2,002,795	42,247	2,045,042	-
23 CSC CP001	2,500,000	2,500,000	09/01/2023	13/10/2023	2.55%	-	2,548,380	2,548,380	-
23 CSC CP002	2,000,000	2,000,000	17/01/2023	12/01/2024	2.78%	-	2,053,163	-	2,053,163
23 CSC CP003	3,000,000	3,000,000	14/02/2023	07/02/2024	2.72%	-	3,071,763	-	3,071,763
23 CSC CP004	3,000,000	3,000,000	20/02/2023	22/08/2023	2.57%	-	3,038,656	3,038,656	-
23 CSC CP005	1,000,000	1,000,000	28/02/2023	29/08/2023	2.65%	-	1,013,214	1,013,214	-
23 CSC CP006	2,000,000	2,000,000	09/03/2023	29/08/2023	2.62%	-	2,024,768	2,024,768	-
23 CSC CP007	3,000,000	3,000,000	16/03/2023	12/03/2024	2.78%	-	3,066,492	-	3,066,492
23 CSC CP008	3,000,000	3,000,000	24/03/2023	22/09/2023	2.57%	-	3,038,339	3,038,339	-
23 CSC CP009	2,000,000	2,000,000	29/03/2023	22/03/2024	2.72%	-	2,041,433	-	2,041,433
23 CSC CP010	3,500,000	3,500,000	11/04/2023	08/11/2023	2.58%	-	3,552,058	3,552,058	-
23 CSC CP011	3,000,000	3,000,000	25/05/2023	23/02/2024	2.39%	-	3,043,413	-	3,043,413
23 CSC CP012	3,000,000	3,000,000	21/06/2023	23/04/2024	2.42%	-	3,038,587	-	3,038,587
23 CSC CP013	2,500,000	2,500,000	28/06/2023	27/06/2024	2.45%	-	2,531,380	-	2,531,380
23 CSC CP014	3,000,000	3,000,000	18/09/2023	13/09/2024	2.51%	-	3,021,662	-	3,021,662
Short-term corporate bond									
23 Xintou S1	5,000,000	5,000,000	24/11/2023	24/11/2024	2.69%	-	5,015,293	12,453	5,002,840
23 Xintou S2	5,500,000	5,500,000	19/12/2023	19/12/2024	2.76%	-	5,505,959	15,566	5,490,393
Structured notes //						3,450,819	8,596,234	6,706,520	5,340,533
Total						19,541,248	56,362,352	38,201,941	37,701,659

As at 30 June 2024 and 31 December 2023, there were no defaults related to any short-term financing instruments payable by the Group.

As at 30 June 2024 and 31 December 2023, the interests of short-term financing instruments payable measured by the effective interest rate method were included in the carrying amount of the related financial instruments, which amounted to RMB280.97 million and RMB432.15 million, respectively.

- (i) As at 30 June 2024 and 31 December 2023, the fixed annual interest rate ranges of the structured notes issued by the Group are 2.10% to 6.30% and 1.55% to 6.30%, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024
(In RMB thousands, unless otherwise stated)

40 OTHER CURRENT LIABILITIES

	30 June 2024	31 December 2023
Derivative business payables	21,956,343	21,855,545
Bonds in issue with maturity within one year (Note 41)	17,617,429	22,150,473
Salaries, bonuses and allowances payable	5,191,012	4,505,829
Dividends payable (Note 13 and 43)	2,376,287	582,841
Amounts due to other holders of consolidated structured entities at fair value	1,265,593	1,296,501
Accounts payable to underwriting clients	977,331	1,262,679
Settlement deposits payable	414,910	775,498
Futures settlement risk funds payable	248,884	226,964
Provision	126,233	127,424
Securities investor protection fund payable	37,256	40,133
Funds payable to securities holders	5,913	5,956
Others	5,468,654	4,702,134
Total	55,685,845	57,531,977

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

41 BONDS IN ISSUE

	30 June 2024	31 December 2023
Corporate bonds in issue	70,538,420	56,614,365
Subordinated bonds in issue	18,841,943	21,333,886
Structured notes in issue	1,593,928	2,695,720
Total	90,974,291	80,643,971

(1) As at 30 June 2024 and 31 December 2023, there were no defaults related to any bonds in issue.

(2) The details of bonds in issue

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Interest payment method	Coupon rate	1 January 2024	Increase	Decrease	30 June 2024
Corporate bond										
20 Xintou G2	1,000,000	1,000,000	11/03/2020	11/03/2025	Pay annually	3.13%	1,024,005	16,126	31,300	1,008,831
22 Xintou F1	1,000,000	1,000,000	26/09/2020	26/09/2027	Pay annually	2.65%	1,006,328	13,233	-	1,019,561
22 Xintou F2	5,000,000	5,000,000	26/09/2022	26/09/2029	Pay annually	3.02%	5,024,219	76,171	-	5,100,390
22 Xintou F3	1,000,000	1,000,000	19/10/2022	19/10/2027	Pay annually	2.68%	1,003,255	13,566	-	1,016,821
22 Xintou F4	3,000,000	3,000,000	19/10/2022	19/10/2029	Pay annually	2.99%	3,011,044	45,054	-	3,056,098
22 Xintou G1	2,000,000	2,000,000	10/11/2022	10/11/2025	Pay annually	2.55%	2,003,724	26,235	-	2,029,959
22 Xintou G2	2,000,000	2,000,000	10/11/2022	10/11/2027	Pay annually	2.89%	2,003,808	29,214	-	2,033,022
22 Xintou G3	2,500,000	2,500,000	10/11/2022	10/11/2032	Pay annually	3.29%	2,503,221	41,207	-	2,544,428
22 Xintou G4	2,000,000	2,000,000	06/12/2022	06/12/2025	Pay annually	3.08%	2,000,709	31,492	-	2,032,201
22 Xintou G5	1,000,000	1,000,000	06/12/2022	06/12/2027	Pay annually	3.29%	1,000,087	16,589	-	1,016,676
22 Xintou G6	1,500,000	1,500,000	06/12/2022	06/12/2032	Pay annually	3.55%	1,499,939	26,593	-	1,526,532
22 Xintou G7	4,000,000	4,000,000	20/12/2022	20/12/2025	Pay annually	3.49%	3,997,081	71,117	-	4,068,198
23 Xintou F1	500,000	500,000	17/01/2023	17/01/2026	Pay annually	3.20%	513,997	8,247	16,000	506,244
23 Xintou F2	2,500,000	2,500,000	17/01/2023	17/01/2028	Pay annually	3.35%	2,572,345	42,440	83,750	2,531,035
23 Xintou F3	1,500,000	1,500,000	27/02/2023	27/02/2025	Pay annually	3.10%	1,535,941	24,488	46,500	1,513,929
23 Xintou G2	1,500,000	1,500,000	21/08/2023	21/08/2028	Pay annually	2.97%	1,510,963	22,629	-	1,533,592
23 Xintou G3	2,500,000	2,500,000	21/08/2023	21/08/2023	Pay annually	3.15%	2,519,559	39,463	-	2,559,022
23 Xintou G4	1,000,000	1,000,000	16/10/2023	16/10/2026	Pay annually	2.91%	1,002,623	15,043	-	1,017,666
23 Xintou G5	1,000,000	1,000,000	16/10/2023	16/10/2028	Pay annually	3.10%	1,002,915	15,728	-	1,018,643
23 Xintou G6	1,000,000	1,000,000	16/10/2023	16/10/2033	Pay annually	3.34%	1,003,340	16,725	-	1,020,065
23 Xintou G7	500,000	500,000	27/10/2023	27/10/2026	Pay annually	2.94%	500,882	7,596	-	508,478
23 Xintou G8	500,000	500,000	27/10/2023	27/10/2028	Pay annually	3.13%	501,007	7,938	-	508,945
23 Xintou G9	1,500,000	1,500,000	27/10/2023	27/10/2033	Pay annually	3.35%	1,503,514	25,162	-	1,528,676
23 Xintou 10	1,500,000	1,500,000	20/11/2023	20/11/2026	Pay annually	2.87%	1,499,505	22,265	-	1,521,770
23 Xintou 11	2,300,000	2,300,000	20/11/2023	20/11/2028	Pay annually	3.07%	2,299,633	35,831	-	2,335,464
23 Xintou 13	1,500,000	1,500,000	07/12/2023	07/12/2026	Pay annually	2.95%	1,498,880	22,629	-	1,521,509
23 Xintou 14	2,500,000	2,500,000	07/12/2023	07/12/2028	Pay annually	3.15%	2,498,410	39,715	-	2,538,125
24 Xintou G1	700,000	700,000	23/01/2024	23/01/2027	Pay annually	2.72%	-	708,655	2,547	706,108
24 Xintou G2	2,000,000	2,000,000	23/01/2024	23/01/2034	Pay annually	2.99%	-	2,026,337	7,547	2,018,790
24 Xintou F1	4,000,000	4,000,000	01/02/2024	01/02/2027	Pay annually	2.80%	-	4,048,044	15,094	4,032,950
24 Xintou F2	3,000,000	3,000,000	07/03/2024	07/09/2026	Pay annually	2.58%	-	3,026,047	11,321	3,014,726
24 Xintou G4	1,000,000	1,000,000	27/03/2024	27/03/2034	Pay annually	2.78%	-	1,007,399	3,774	1,003,625
24 Xintou F3	1,000,000	1,000,000	19/04/2024	19/04/2027	Pay annually	2.38%	-	1,005,006	3,774	1,001,232
24 Xintou F4	2,000,000	2,000,000	19/04/2024	19/04/2029	Pay annually	2.55%	-	2,010,487	7,547	2,002,940

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

41 BONDS IN ISSUE (CONTINUED)

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

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Interest payment method	Coupon rate	1 January 2024	Increase	Decrease	30 June 2024
CSCIF A N2508	500,000 thousand dollars	499,690 thousand dollars	04/08/2020	04/08/2025	Pay semi-annually	1.75%	3,560,570	59,826	35,555	3,584,841
CSCIF A N2406 (iii)	500,000 thousand dollars	498,105 thousand dollars	10/06/2021	10/06/2024	Pay semi-annually	1.125%	3,540,036	43,394	3,583,430	-
CSCIF A N2504	1,500,000	1,500,000	27/04/2023	27/04/2025	Pay semi-annually	3.15%	1,505,905	24,462	23,949	1,506,418
CSCIF A N2604	1,500,000	1,500,000	27/04/2023	27/04/2026	Pay semi-annually	3.25%	1,505,725	25,114	24,710	1,506,129
CNY500,000,000 3.45 per cent. Guaranteed Notes due 2026	500,000	500,000	19/12/2023	19/12/2026	Pay semi-annually	3.45%	500,308	9,121	9,118	500,311
CNY710,000,000 3.45 per cent. Guaranteed Notes due 2026	710,000	710,000	19/12/2023	19/12/2026	Pay semi-annually	3.45%	710,438	12,952	12,947	710,443
CNY790,000,000 3.45 per cent. Guaranteed Notes due 2026	790,000	790,000	19/12/2023	19/12/2026	Pay semi-annually	3.45%	790,487	14,411	14,406	790,492
CSCIFHK N2705	500,000 thousand dollars	500,000 thousand dollars	31/05/2024	31/05/2027	Pay quarterly	SOFR +0.67%	-	3,581,053	8,338	3,572,715
Subordinated bonds										
21 Xintou C2 (iii)	1,000,000	1,000,000	20/01/2021	20/01/2024	Pay annually	3.87%	1,036,675	2,025	1,038,700	-
21 Xintou C4 (iii)	1,000,000	1,000,000	19/03/2021	19/03/2024	Pay annually	3.88%	1,030,424	8,376	1,038,800	-
21 Xintou C6 (iii)	2,000,000	2,000,000	15/04/2021	15/04/2024	Pay annually	3.70%	2,052,356	21,644	2,074,000	-
21 Xintou C8 (iii)	2,500,000	2,500,000	21/06/2021	21/06/2024	Pay annually	3.75%	2,548,558	45,192	2,593,750	-
21 Xintou 10	1,500,000	1,500,000	12/07/2021	12/07/2024	Pay annually	3.50%	1,524,160	26,750	-	1,550,910
21 Xintou 12	2,000,000	2,000,000	18/10/2021	18/10/2024	Pay annually	3.75%	2,014,165	38,016	-	2,052,181
21 Xintou 13	4,000,000	4,000,000	28/10/2021	28/10/2024	Pay annually	3.68%	4,023,115	74,970	-	4,098,085
22 Xintou C1 (iii)	4,000,000	4,000,000	21/01/2022	21/01/2024	Pay annually	2.90%	4,109,458	6,542	4,116,000	-
22 Xintou C2	2,000,000	2,000,000	21/01/2022	21/01/2027	Pay annually	3.45%	2,061,676	34,782	69,000	2,027,458
22 Xintou C3	1,000,000	1,000,000	22/02/2022	22/02/2025	Pay annually	3.08%	1,025,324	15,758	30,800	1,010,282
22 Xintou C4	2,000,000	2,000,000	22/02/2022	22/02/2027	Pay annually	3.49%	2,056,213	35,177	69,800	2,021,590
22 Xintou C6	1,000,000	1,000,000	19/04/2022	19/04/2027	Pay annually	3.57%	1,022,592	18,077	35,700	1,004,969
23 Xintou C1	1,500,000	1,500,000	30/05/2023	30/05/2025	Pay annually	2.99%	1,523,542	23,303	44,850	1,501,995
23 Xintou C2	2,000,000	2,000,000	30/05/2023	30/05/2026	Pay annually	3.15%	2,031,184	32,477	63,000	2,000,661
23 Xintou C3	3,000,000	3,000,000	10/07/2023	10/07/2025	Pay annually	2.86%	3,034,662	44,663	-	3,079,325
23 Xintou C4	1,500,000	1,500,000	10/07/2023	10/07/2026	Pay annually	3.04%	1,518,280	23,307	-	1,541,587
23 Xintou C5	1,000,000	1,000,000	27/07/2023	27/07/2025	Pay annually	2.74%	1,008,894	14,525	-	1,023,419
23 Xintou C6	2,500,000	2,500,000	27/07/2023	27/07/2026	Pay annually	2.95%	2,523,818	38,114	-	2,561,932
23 Xintou C7	1,000,000	1,000,000	15/08/2023	15/08/2025	Pay annually	2.75%	1,007,409	14,576	-	1,021,985
23 Xintou C8	2,500,000	2,500,000	15/08/2023	15/08/2026	Pay annually	3.00%	2,520,291	38,727	-	2,559,018
Structured notes (iv)							2,967,245	3,230,283	1,228,805	4,968,723
Total							102,794,444	22,142,088	16,344,812	108,591,720

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

41 BONDS IN ISSUE (CONTINUED)

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

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Interest payment method	Coupon rate	1 January 2023	Increase	Decrease	31 December 2023
Corporate bond										
20 Xintou G1 (iii)	5,000,000	5,000,000	11/03/2020	11/03/2023	Pay annually	2.94%	5,117,734	29,266	5,147,000	-
20 Xintou G2	1,000,000	1,000,000	11/03/2020	11/03/2025	Pay annually	3.13%	1,022,822	32,483	31,300	1,024,005
20 Xintou G3 (iii)	3,000,000	3,000,000	15/04/2020	15/04/2023	Pay annually	2.56%	3,053,437	23,363	3,076,800	-
20 Xintou G4 (iii)	3,000,000	3,000,000	14/07/2020	14/07/2023	Pay annually	3.55%	3,047,628	58,872	3,106,500	-
20 Xintou G5 (iii)	4,500,000	4,500,000	28/07/2020	28/07/2023	Pay annually	3.46%	4,564,084	91,616	4,655,700	-
22 Xintou F1	1,000,000	1,000,000	26/09/2022	26/09/2027	Pay annually	2.65%	1,006,147	26,681	26,500	1,006,328
22 Xintou F2	5,000,000	5,000,000	26/09/2022	26/09/2029	Pay annually	3.02%	5,021,688	153,531	151,000	5,024,219
22 Xintou F3	1,000,000	1,000,000	19/10/2022	19/10/2027	Pay annually	2.68%	1,002,712	27,343	26,800	1,003,255
22 Xintou F4	3,000,000	3,000,000	19/10/2022	19/10/2029	Pay annually	2.99%	3,009,920	90,824	89,700	3,011,044
22 Xintou G1	2,000,000	2,000,000	10/11/2022	10/11/2025	Pay annually	2.55%	2,001,867	52,857	51,000	2,003,724
22 Xintou G2	2,000,000	2,000,000	10/11/2022	10/11/2027	Pay annually	2.89%	2,002,726	58,882	57,800	2,003,808
22 Xintou G3	2,500,000	2,500,000	10/11/2022	10/11/2032	Pay annually	3.29%	2,502,399	83,072	82,250	2,503,221
22 Xintou G4	2,000,000	2,000,000	06/12/2022	06/12/2025	Pay annually	3.08%	1,998,858	63,451	61,600	2,000,709
22 Xintou G5	1,000,000	1,000,000	06/12/2022	06/12/2027	Pay annually	3.29%	999,551	33,436	32,300	1,000,087
22 Xintou G6	1,500,000	1,500,000	06/12/2022	06/12/2032	Pay annually	3.55%	1,499,574	53,615	53,250	1,499,939
22 Xintou G7	4,000,000	4,000,000	20/12/2022	20/12/2025	Pay annually	3.49%	3,993,389	143,292	139,600	3,997,081
23 Xintou F1	500,000	500,000	17/01/2023	17/01/2026	Pay annually	3.20%	-	515,884	1,887	513,997
23 Xintou F2	2,500,000	2,500,000	17/01/2023	17/01/2028	Pay annually	3.35%	-	2,581,779	9,434	2,572,345
23 Xintou F3	1,500,000	1,500,000	27/02/2023	27/02/2025	Pay annually	3.10%	-	1,541,601	5,660	1,535,941
23 Xintou G2	1,500,000	1,500,000	21/08/2023	21/08/2028	Pay annually	2.97%	-	1,516,623	5,660	1,510,963
23 Xintou G3	2,500,000	2,500,000	21/08/2023	21/08/2033	Pay annually	3.15%	-	2,528,993	9,434	2,519,559
23 Xintou G4	1,000,000	1,000,000	16/10/2023	16/10/2026	Pay annually	2.91%	-	1,006,397	3,774	1,002,623
23 Xintou G5	1,000,000	1,000,000	16/10/2023	16/10/2028	Pay annually	3.10%	-	1,006,689	3,774	1,002,915
23 Xintou G6	1,000,000	1,000,000	16/10/2023	16/10/2033	Pay annually	3.34%	-	1,007,114	3,774	1,003,340
23 Xintou G7	500,000	500,000	27/10/2023	27/10/2026	Pay annually	2.94%	-	502,769	1,887	500,882
23 Xintou G8	500,000	500,000	27/10/2023	27/10/2028	Pay annually	3.13%	-	502,894	1,887	501,007
23 Xintou G9	1,500,000	1,500,000	27/10/2023	27/10/2033	Pay annually	3.35%	-	1,509,174	5,660	1,503,514
23 Xintou 10	1,500,000	1,500,000	20/11/2023	20/11/2026	Pay annually	2.87%	-	1,505,165	5,660	1,499,505
23 Xintou 11	2,300,000	2,300,000	20/11/2023	20/11/2028	Pay annually	3.07%	-	2,308,312	8,679	2,299,633
23 Xintou 13	1,500,000	1,500,000	07/12/2023	07/12/2026	Pay annually	2.95%	-	1,503,125	4,245	1,498,880
23 Xintou 14	2,500,000	2,500,000	07/12/2023	07/12/2028	Pay annually	3.15%	-	2,505,485	7,075	2,498,410

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024
(In RMB thousands, unless otherwise stated)

41 BONDS IN ISSUE (CONTINUED)

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

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Interest payment method	Coupon rate	1 January 2023	Increase	Decrease	31 December 2023
CSCIF A N2508	500,000 thousand dollars	499,690 thousand dollars	04/08/2020	04/08/2025	Pay semi-annually	1.75%	3,497,654	132,494	69,578	3,560,570
CSCIF A N2406	500,000 thousand dollars	498,105 thousand dollars	10/06/2021	10/06/2024	Pay semi-annually	1.125%	3,473,315	106,561	39,840	3,540,036
CSCIF A N2504	1,500,000	1,500,000	27/04/2023	27/04/2025	Pay semi-annually	3.15%	-	1,536,335	30,430	1,505,905
CSCIF A N2604	1,500,000	1,500,000	27/04/2023	27/04/2026	Pay semi-annually	3.25%	-	1,536,908	31,183	1,505,725
CNY500,000,000 3.45 per cent. Guaranteed Notes due 2026	500,000	500,000	19/12/2023	19/12/2026	Pay semi-annually	3.45%	-	500,569	261	500,308
CNY710,000,000 3.45 per cent. Guaranteed Notes due 2026	710,000	710,000	19/12/2023	19/12/2026	Pay semi-annually	3.45%	-	710,808	370	710,438
CNY790,000,000 3.45 per cent. Guaranteed Notes due 2026	790,000	790,000	19/12/2023	19/12/2026	Pay semi-annually	3.45%	-	790,899	412	790,487
Subordinated bonds										
20 Xintou C2 (iii)	1,000,000	1,000,000	24/11/2020	24/11/2023	Pay annually	4.20%	1,003,248	38,752	1,042,000	-
20 Xintou C4 (iii)	1,000,000	1,000,000	10/12/2020	10/12/2023	Pay annually	4.18%	1,001,338	40,462	1,041,800	-
21 Xintou C2	1,000,000	1,000,000	20/01/2021	20/01/2024	Pay annually	3.87%	1,035,523	39,852	38,700	1,036,675
21 Xintou C4	1,000,000	1,000,000	19/03/2021	19/03/2024	Pay annually	3.88%	1,029,271	39,953	38,800	1,030,424
21 Xintou C6	2,000,000	2,000,000	15/04/2021	15/04/2024	Pay annually	3.70%	2,050,062	76,294	74,000	2,052,356
21 Xintou C8	2,500,000	2,500,000	21/06/2021	21/06/2024	Pay annually	3.75%	2,545,628	96,680	93,750	2,548,558
21 Xintou 10	1,500,000	1,500,000	12/07/2021	12/07/2024	Pay annually	3.50%	1,522,702	53,958	52,500	1,524,160
21 Xintou 11 (iii)	4,000,000	4,000,000	18/10/2021	18/10/2023	Pay annually	3.43%	4,025,204	111,996	4,137,200	-
21 Xintou 12	2,000,000	2,000,000	18/10/2021	18/10/2024	Pay annually	3.75%	2,012,558	76,607	75,000	2,014,165
21 Xintou 13	4,000,000	4,000,000	28/10/2021	28/10/2024	Pay annually	3.68%	4,019,264	151,051	147,200	4,023,115
21 Xintou 14 (iii)	2,000,000	2,000,000	25/11/2021	25/11/2023	Pay annually	3.13%	2,003,804	58,796	2,062,600	-
21 Xintou 16 (iii)	3,000,000	3,000,000	17/12/2021	17/12/2023	Pay annually	3.07%	2,999,712	92,388	3,092,100	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

41 BONDS IN ISSUE (CONTINUED)

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

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Interest payment method	Coupon rate	1 January 2023	Increase	Decrease	31 December 2023
22 Xintou C1	4,000,000	4,000,000	21/01/2022	21/01/2024	Pay annually	2.90%	4,103,663	121,795	116,000	4,109,458
22 Xintou C2	2,000,000	2,000,000	21/01/2022	21/01/2027	Pay annually	3.45%	2,060,572	70,104	69,000	2,061,676
22 Xintou C3	1,000,000	1,000,000	22/02/2022	22/02/2025	Pay annually	3.08%	1,024,375	31,749	30,800	1,025,324
22 Xintou C4	2,000,000	2,000,000	22/02/2022	22/02/2027	Pay annually	3.49%	2,055,112	70,901	69,800	2,056,213
22 Xintou C6	1,000,000	1,000,000	19/04/2022	19/04/2027	Pay annually	3.57%	1,021,863	36,429	35,700	1,022,592
23 Xintou C1	1,500,000	1,500,000	30/05/2023	30/05/2025	Pay annually	2.99%	-	1,527,787	4,245	1,523,542
23 Xintou C2	2,000,000	2,000,000	30/05/2023	30/05/2026	Pay annually	3.15%	-	2,038,731	7,547	2,031,184
23 Xintou C3	3,000,000	3,000,000	10/07/2023	10/07/2025	Pay annually	2.86%	-	3,043,153	8,491	3,034,662
23 Xintou C4	1,500,000	1,500,000	10/07/2023	10/07/2026	Pay annually	3.04%	-	1,522,525	4,245	1,518,280
23 Xintou C5	1,000,000	1,000,000	27/07/2023	27/07/2025	Pay annually	2.74%	-	1,012,668	3,774	1,008,894
23 Xintou C6	2,500,000	2,500,000	27/07/2023	27/07/2026	Pay annually	2.95%	-	2,533,252	9,434	2,523,818
23 Xintou C7	1,000,000	1,000,000	15/08/2023	15/08/2025	Pay annually	2.75%	-	1,011,183	3,774	1,007,409
23 Xintou C8	2,500,000	2,500,000	15/08/2023	15/08/2026	Pay annually	3.00%	-	2,529,725	9,434	2,520,291
Structured notes //i/							17,452,575	483,447	14,968,777	2,967,245
Total							101,781,979	45,289,400	44,276,935	102,794,444

As at 30 June 2024, the interest payable on bonds included in the book value accrued by the Group based on the effective interest rate method is RMB1,792.03 million (As at 31 December 2023: RMB1,210.18 million).

- (i) These bonds include those maturing within one year and those maturing over one year.
- (ii) As at 30 June 2024, the bonds issued by the Group are not guaranteed except for CSCIF A N2508、CSCIF A N2504、CSCIF A N2604、CNY500,000,000 3.45 per cent. Guaranteed Notes due 2026、CNY710,000,000 3.45 per cent. Guaranteed Notes due 2026、CNY790,000,000 3.45 per cent. Guaranteed Notes due 2026、CSCIFHK N2705. As at 31 December 2023, the bonds issued by the Group are not guaranteed except for CSCIF A N2508、CSCIF A N2406、CSCIF A N2504、CSCIF A N2604、CNY500,000,000 3.45 per cent. Guaranteed Notes due 2026、CNY710,000,000 3.45 per cent. Guaranteed Notes due 2026、CNY790,000,000 3.45 per cent. Guaranteed Notes due 2026.
- (iii) These bonds were fully redeemed at maturity.
- (iv) As at 30 June 2024, the Group had structured notes named “Gushouxin series”, “Zhiyingbao series” and “Kanzhangbao series”. These structured notes are not guaranteed and accrue interests at fixed annual rate or floating rate linked to one or more stock indexes, of which the fixed annual rate were 3.30% to 3.35%. The interest of the structured notes is paid in installments, and the principal is paid at maturity, or both the principal and interest are payable at maturity.

As at 31 December 2023, the Group had structured notes named “Gushouxin series”, “Zhiyingbao series” and “Kanzhangbao series”. These structured notes are not guaranteed and accrue interests at fixed annual rate or floating rate linked to one or more stock indexes, of which the fixed annual rate were 2.55% to 3.40%. The interest of the structured notes is paid in installments, and the principal is paid at maturity, or both the principal and interest are payable at maturity.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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42 SHARE CAPITAL

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

	30 June 2024	31 December 2023
Registered, issued and fully paid ordinary shares of RMB1 each (in thousands)		
– A shares	6,495,671	6,495,671
– H shares	1,261,024	1,261,024
Total	7,756,695	7,756,695

43 OTHER EQUITY INSTRUMENTS

	30 June 2024	31 December 2023
Perpetual subordinated bonds	29,406,528	24,906,528

Other equity instruments of the Group are as follows:

- In August 2019, the Company issued the first tranche of perpetual subordinated bonds of 2019 amounted to RMB5 billion.
- In March 2020, the Company issued the first tranche of perpetual subordinated bonds of 2020 amounted to RMB5 billion.
- In May 2021, the Company issued the first tranche of perpetual subordinated bonds of 2021 amounted to RMB5 billion.
- In March 2022, the Company issued the first tranche of perpetual subordinated bonds of 2022 amounted to RMB4.5 billion.
- In June 2022, the Company issued the second tranche of perpetual subordinated bonds of 2022 amounted to RMB3.5 billion.
- In August 2022, the Company issued the third tranche of perpetual subordinated bonds of 2022 amounted to RMB2 billion.
- In January 2024, the Company issued the first tranche of perpetual subordinated bonds of 2024 amounted to RMB4.5 billion.

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

- The bonds are repriced every 5 interest-accruing years, and at the end of the repricing cycle, the issuer has the option to extend the bonds for another repricing cycle (another five years) or redeem them in full;

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

43 OTHER EQUITY INSTRUMENTS (CONTINUED)

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

- The bonds offer no redemption option to the investors so that investors cannot require the issuer to redeem their bonds during the duration of the bonds;
- The Company has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interests and accreted interests already deferred according to the related terms, without any limitation with respect to the number of deferrals. Mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital;
- The priority over repayment of the above perpetual subordinated bonds is subordinated to the Company's general debts and other subordinated debt, unless in the event of liquidation of the Company, investors of these bonds cannot require the Company to accelerate payment of bonds' principals.

The perpetual subordinated bonds issued by the Company are classified as equity instruments, and recognized under equity in the consolidated statement of financial position. As at 30 June 2024, the interest payable of perpetual subordinated bonds was RMB437.11 million. As at 31 December 2023, the interest payable of perpetual subordinated bonds was RMB582.84 million. The interest amounted to RMB697.25 million was paid in the first half of 2024. The interest amounted to RMB697.25 million was paid in the first half of 2023.

44 RESERVES

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

(1) Capital reserve

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

(2) Surplus reserves

(i) Statutory surplus reserve

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024
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44 RESERVES (CONTINUED)

(2) Surplus reserves (Continued)

(ii) Discretionary surplus reserve

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

(3) General reserve

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

(4) Investment revaluation reserve

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

(5) Foreign currency translation reserve

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

45 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(1) Cash and cash equivalents

	30 June 2024	31 December 2023
Cash and bank balances	41,448,932	36,620,725
Less: Restricted deposits (Note 30)	(800,400)	(546,536)
Interest receivable	(6,157)	(5,962)
Cash and cash equivalents	40,642,375	36,068,227

(2) Changes in liabilities arising from financing

	Short-term borrowings	Short-term financing instruments payable	Bonds in issue	Total
At 1 January 2024	473,460	37,701,659	102,794,444	140,969,563
Changes from financing cashflows	471,793	(8,612,723)	4,110,724	(4,030,206)
Other non-cash changes				
Interest expenses	12,435	387,070	1,652,855	2,052,360
Exchange differences	3,010	5,866	49,396	58,272
Others	–	–	(15,699)	(15,699)
At 30 June 2024	960,698	29,481,872	108,591,720	139,034,290

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024
(In RMB thousands, unless otherwise stated)

46 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Capital commitments

	30 June 2024	31 December 2023
Contracted, but not provided for	24,729	28,096

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

(2) Legal proceedings

The Company and its subsidiaries are subject to claims and are parties to legal and regulatory proceedings in their ordinary course of businesses. As of June 30, 2024 and December 31, 2023, management of the Group believes that the Group was not involved in any material legal, or arbitration proceedings that if adversely determined, would have material impact on its financial position or results of operations of the Group.

(3) Others

Group has no material contingencies that need to be disclosed.

47 RELATED PARTY DISCLOSURES

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

As at 30 June 2024 and 31 December 2023, Beijing Financial Holdings Group owned 35.81% of the equity interest of the Company respectively.

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

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

	Six months ended 30 June	
	2024	2023
Fee and commission income	564	–
Interest income	4	27
Fee and commission expenses	(142)	(31)
Interest expenses	(1,043)	(45)
Other operating expenses and costs	(84)	(49)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

47 RELATED PARTY DISCLOSURES (CONTINUED)

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

	30 June 2024	31 December 2023
Assets		
Cash and bank balances	291	4,094
Liabilities		
Accounts payable to brokerage clients	3,866	1
Other current liabilities	47	67

- (2) Central Huijin and companies under Central Huijin

As at 30 June 2024 and 31 December 2023, Central Huijin Investment Limited ("Central Huijin") owned 30.76% of the equity interest of the Company.

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

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

	Six months ended 30 June	
	2024	2023
Fee and commission income	58,208	35,491
Interest income	140,519	337,119
Fee and commission expenses	(57,108)	(65,985)
Interest expenses	(128,651)	(144,859)
Other operating expenses and costs	(4,461)	(766)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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47 RELATED PARTY DISCLOSURES (CONTINUED)

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

	30 June 2024	31 December 2023
Assets		
Right-of-use assets	2,626	3,269
Accounts receivable	2,402,862	1,557,690
Financial assets at fair value through profit or loss	7,131,988	5,932,823
Financial assets at fair value through other comprehensive income	4,148,010	1,235,365
Derivative financial assets	17,999	253,956
Cash held on behalf of clients	11,927,741	13,298,349
Cash and bank balances	7,512,839	4,279,432
Other current assets	667	306
Liabilities		
Accounts payable to brokerage clients	14,784	4,576
Lease liabilities	2,508	3,114
Derivative financial liabilities	1,058,060	556,250
Financial assets sold under repurchase agreements	3,843,159	5,179,467
Short-term borrowings	–	90,622
Other current liabilities	352,759	647,033

(3) Government related entities

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

Part of the Group’s transactions including securities and futures dealing and broking, underwriting of debt securities, purchase and sale of government bonds, and equity and debt securities issued by other government related entities are entered into with government related entities. These transactions are conducted in accordance with general commercial terms and conditions.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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47 RELATED PARTY DISCLOSURES (CONTINUED)

(4) Other major shareholders and its related parties

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

	Six months ended 30 June	
	2024	2023
Fee and commission income	6,568	8,482
Interest income	167,735	137,353
Other income	400	427
Fee and commission expenses	(9,184)	(6,763)
Interest expenses	(28,374)	(17,984)
Other operating expenses and costs	(32,331)	(7,699)
	30 June 2024	31 December 2023
Assets		
Right-of-use assets	346,535	417,962
Accounts receivable	464,538	245,013
Financial assets at fair value through profit or loss	2,558,276	3,382,391
Financial assets at fair value through other comprehensive income	1,998,324	330,408
Derivative financial assets	26,043	19,144
Cash held on behalf of clients	11,103,408	13,612,953
Cash and bank balances	2,712,653	2,195,224
Other current assets	–	18,012
Liabilities		
Accounts payable to brokerage clients	102,030	102,597
Lease liabilities	469,737	517,986
Derivative financial liabilities	11,301	380
Financial assets sold under repurchase agreements	540,549	–
Short-term borrowings	–	181,245
Other current liabilities	20,818	10,585

(5) The Group's associates

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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48 FAIR VALUE AND FAIR VALUE HIERARCHY

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

Fair value hierarchy

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

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

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

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

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

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

For certain unlisted equity securities (private equity securities), thinly traded equity securities, subordinated tranche of asset-backed securities, certain over-the-counter derivative contracts and trust plans, the management uses counterparty quotations or valuation techniques to determine their fair value. Valuation techniques used primarily include discount cash flow model, option pricing model and comparable companies methods, etc. The fair value measurement of these financial instruments may use unobservable inputs that may have significant impact on the valuation results, and therefore, the Group includes them as Level 3 assets and liabilities. The unobservable parameters that may have impacts on the valuation include, among others, liquidity discount, price to book ratio and volatility of underlying assets. As at 30 June 2024 and 31 December 2023, the fair value of the financial assets and liabilities classified under level 3 is not significantly sensitive to a reasonable change in these unobservable inputs. The Group has implemented internal control procedures to monitor and control the Group's exposures to such financial instruments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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48 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

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

(1) Financial instruments recorded at fair value

	30 June 2024			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt instruments	7,368,014	104,072,009	26,597	111,466,620
– Equity investments	21,777,188	504,884	7,857,050	30,139,122
– Fund investments	9,284,277	5,982,510	–	15,266,787
– Others	28,821	45,807,964	5,193,790	51,030,575
Subtotal	38,458,300	156,367,367	13,077,437	207,903,104
Financial assets at fair value through other comprehensive income				
– Debt instruments	–	73,393,260	–	73,393,260
– Equity instruments	1,162,176	296,127	1,400	1,459,703
Subtotal	1,162,176	73,689,387	1,400	74,852,963
Derivative financial assets	976,026	1,294,190	4,788,516	7,058,732
Total assets	40,596,502	231,350,944	17,867,353	289,814,799
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	424	1,756,425	–	1,756,849
– Financial liabilities designated as at fair value through profit or loss	–	19,803	6,570,433	6,590,236
Subtotal	424	1,776,228	6,570,433	8,347,085
Derivative financial liabilities	487,088	1,349,853	3,025,667	4,862,608
Total liabilities	487,512	3,126,081	9,596,100	13,209,693

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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48 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

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

	31 December 2023			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss				
– Debt instruments	6,174,156	102,713,948	30,898	108,919,002
– Equity investments	31,745,623	442,951	8,830,833	41,019,407
– Fund investments	9,627,882	5,955,537	–	15,583,419
– Others	31,172	42,644,332	5,995,087	48,670,591
Subtotal	47,578,833	151,756,768	14,856,818	214,192,419
Financial assets at fair value through other comprehensive income				
– Debt instruments	–	75,736,268	–	75,736,268
– Equity instruments	65,588	–	1,400	66,988
Subtotal	65,588	75,736,268	1,400	75,803,256
Derivative financial assets	792,254	979,498	2,413,399	4,185,151
Total assets	48,436,675	228,472,534	17,271,617	294,180,826
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	585	1,429,579	–	1,430,164
– Financial liabilities designated as at fair value through profit or loss	–	195,579	8,518,567	8,714,146
Subtotal	585	1,625,158	8,518,567	10,144,310
Derivative financial liabilities	415,983	1,174,300	2,770,275	4,360,558
Total liabilities	416,568	2,799,458	11,288,842	14,504,868

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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48 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

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

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

	Six months ended 30 June 2024				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2024	14,856,818	1,400	2,413,399	8,518,567	2,770,275
Total gains or losses for the period	(212,399)	-	2,488,487	(457,349)	(998,462)
Increases	1,846,284	-	404,136	1,598,247	1,889,036
Decreases	(2,419,806)	-	(517,506)	(3,089,032)	(635,182)
Transfers to Level 1 from Level 3	(993,457)	-	-	-	-
Transfers to Level 2 from Level 3	(3)	-	-	-	-
30 June 2024	<u>13,077,437</u>	<u>1,400</u>	<u>4,788,516</u>	<u>6,570,433</u>	<u>3,025,667</u>
Gains or losses for the period included in profit or loss for assets/liabilities held at the end of the period	<u>(212,399)</u>	<u>-</u>	<u>2,488,487</u>	<u>457,349</u>	<u>998,462</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

48 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

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

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

	Year ended 31 December 2023				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2023	13,572,435	401	1,254,931	10,945,894	1,518,921
Total gains or losses for the year	(317,454)	(401)	805,410	(60,535)	(1,801,407)
Increases	9,346,579	1,400	510,231	6,332,805	6,126,832
Transfers to Level 3 from Level 1	40,914	-	-	-	-
Decreases	(7,414,968)	-	(157,173)	(8,677,958)	(3,074,071)
Transfers to Level 1 from Level 3	(370,688)	-	-	-	-
Transfers to Level 2 from Level 3	-	-	-	(21,639)	-
31 December 2023	<u>14,856,818</u>	<u>1,400</u>	<u>2,413,399</u>	<u>8,518,567</u>	<u>2,770,275</u>
Gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	<u>(317,454)</u>	<u>(401)</u>	<u>805,410</u>	<u>60,535</u>	<u>1,801,407</u>

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

48 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

(4) Transfers between Level 1 and Level 2

During the six months ended 30 June 2024, the amount of financial assets at fair value through profit and loss from Level 2 to Level 1 were RMB522.15 million.

During the year ended 31 December 2023, the amount of financial assets at fair value through profit and loss from Level 2 to Level 1 were RMB38.23 million, while the amount of financial assets at fair value through profit and loss from Level 1 to Level 2 were RMB2,488.14 million. The amount of Derivative financial assets from Level 1 to Level 2 were RMB458.60 million.

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

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

As at 30 June 2024 and 31 December 2023, the carrying amounts and fair value of bonds in issue (including bonds in issue with maturity within one year) are summarized below:

	30 June 2024	31 December 2023
Bonds in issue (including bonds in issue with maturity within one year)		
– Carrying amount (Notes 40 and 41)	108,591,720	102,794,444
– Fair value	110,774,217	103,291,191

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49 FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

The Group's risk management and control system is not significantly changed compared to 31 December 2023.

Structure of risk management

The Board

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

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

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

The Operation Management

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

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

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49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Structure of risk management (Continued)

The Operation Management (Continued)

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

The Department, Branch and Subsidiary

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

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

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

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49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk management activities

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

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

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

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

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

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49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk management activities (Continued)

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

Risk analysis and control

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

49.1 Credit risk

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

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

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49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

Credit risk relating to bond investments is primarily due to the decline in the creditworthiness of credit issuer of the debt financing instruments or defaults, counterparty defaults. The Group carries out due diligence for issuers and counterparties, establishes internal ratings for issuers, debts and counterparties, manages the access and size of transactions according to the internal and external rating, and controls credit risk using other tools for subsequent monitoring and management. During the first half of 2024, the Group maintains good credit quality of its investment portfolio, optimizes the issuer rating and credit granting and concentration management mechanism, strengthens risk early warning, and effectively control the loss of default.

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

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

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

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49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

Expected credit loss measurement

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

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

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

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

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

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49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

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

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

Measuring ECL – models and parameters

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

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

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

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49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

The criteria of Significant increase in credit risk (SICR)

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

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

For securities financing business, the Group considers securities financing business to have experienced a SICR if collateral to loan ratios are lower than the force liquidation thresholds, which means a decline in collateral valuation or the quality of the third-party collateral is significantly reduced. As at 30 June 2024 and 31 December 2023, over 95% of the securities financing balances of the Group were covered by collateral value of over the force liquidation thresholds of related loan or repo amounts.

For debt securities investments, the Group makes use of its internal rating measurement system's results. The Group considers debt securities investments to have experienced a SICR if the latest internal ratings of the issuers of debt securities or the debt securities themselves underwent two notches of downward migration or more, compared with those ratings as at the acquisition date; and if the latest internal rating of issuers of debt securities or the debt securities themselves were under the predetermined grading. As at 30 June 2024 and 31 December 2023, majority of the debt securities investments of the Group were rated as investment grade or above and there was no SICR.

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

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

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49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Definition of default and credit impairment

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

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

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

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

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

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49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Forward-looking information

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

For all portfolios the Group concluded that three scenarios appropriately captured non-linearities of key economic variables. The scenario weightings are determined by a combination of statistical analysis and expert judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The Group reevaluates the quantity and characteristic of these scenarios at each balance sheet date. As at 30 June 2024 and 31 December 2023, the Group set three scenarios of optimism, base and pessimism for analysis of main product types, and the probability-weight of base scenario adopted by the Group was more than that of the other scenarios.

During the first half of 2024, the Group adopted the macroeconomic prosperity index leading index and the average guarantee ratio in the margin trading market as proxy variables for macroeconomic forward-looking forecasting, distinguished optimistic, benchmark, and pessimistic scenarios using the historical distribution of relative changes with different confidence levels.

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

As at 30 June 2024, by taking current economy situation and international circumstances into comprehensive consideration, the Company updated the relevant economic indicators used for forward-looking measurement according to the latest economic forecast. As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes as at the financial statement date.

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49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Sensitivity analysis

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

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

Meanwhile, the Group also uses sensitivity analysis to monitor the impact of changes to the credit risk classification of financial assets on ECL. As at 30 June 2024 and 31 December 2023, assuming there was no SICR since initial recognition, and all the financial assets in Stage 2 were moved to Stage 1, the decremental impact on ECL allowance recognized in statement of financial position would be not significant.

Collateral and other credit enhancements

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

Impairment provision of securities financing business

As at 30 June 2024, the percentage of impairment provision applied by the Group on securities financing business under the Stage 1, Stage 2 and Stage 3 were 0.61%, 18.75% and 91.96%, respectively (31 December 2023: 0.51%, 0.62% and 91.19%).

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49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Credit risk exposure analysis

As at 30 June 2024 and 31 December 2023, the credit quality of the Group's financing exposures to customers was in good condition and over 95% of the securities financing business of the Group were with collateral to loan ratios no lower than the force liquidation thresholds. High threshold of margin loans to collateral ratios indicated that PD was low. For debt securities investments, the Group employed both open market credit ratings and internal credit ratings simultaneously as admittance criteria. The debt securities will be admitted only when the internal and external ratings criteria are met. Majority of the Group's debt securities investments were rated as investment grade (AA) or above externally.

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

	30 June 2024	31 December 2023
Financial assets at fair value through profit or loss	172,053,849	166,043,471
Cash held on behalf of clients	89,245,266	93,944,908
Financial assets at fair value through other comprehensive income	73,393,260	75,736,268
Margin accounts	52,547,607	56,392,572
Deposits in banks	41,448,932	36,620,725
Financial assets held under resale agreements	22,990,543	13,942,296
Refundable deposits	13,136,044	12,741,491
Derivative financial assets	7,058,732	4,185,151
Others	10,941,982	10,114,490
Total maximum credit risk exposure	482,816,215	469,721,372

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49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

ECL	30 June 2024			Total
	Stage of ECL			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
Margin accounts				
Carrying amount	52,781,675	94,400	1,080,771	53,956,846
Loss allowance	(326,230)	(2,238)	(1,080,771)	(1,409,239)
Book value	52,455,445	92,162	–	52,547,607
Financial assets held under resale agreements				
Carrying amount	22,737,374	181,889	685,616	23,604,879
Loss allowance	(21,247)	(49,570)	(543,519)	(614,336)
Book value	22,716,127	132,319	142,097	22,990,543
Including: Stock-pledged repurchase business				
Carrying amount	4,269,507	181,889	685,617	5,137,013
Loss allowance	(21,247)	(49,570)	(543,519)	(614,336)
Collateral	11,358,167	298,593	827,651	12,484,411
Financial assets at fair value through other comprehensive income (debt instruments)				
Book value	72,903,832	489,428	–	73,393,260
Loss allowance	(418,195)	(26,190)	(13,773)	(458,158)

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49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

	31 December 2023			
	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
ECL	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
Margin accounts				
Carrying amount	56,674,279	6,708	1,073,108	57,754,095
Loss allowance	(288,330)	(85)	(1,073,108)	(1,361,523)
Book value	56,385,949	6,623	–	56,392,572
Financial assets held under resale agreements				
Carrying amount	13,765,620	50,105	656,068	14,471,793
Loss allowance	(25,442)	(267)	(503,788)	(529,497)
Book value	13,740,178	49,838	152,280	13,942,296
Including: Stock-pledged repurchase business				
Carrying amount	4,819,472	50,105	656,068	5,525,645
Loss allowance	(25,442)	(267)	(503,788)	(529,497)
Collateral	13,362,149	152,766	729,710	14,244,625
Financial assets at fair value through other comprehensive income (debt instruments)				
Book value	75,735,867	–	401	75,736,268
Loss allowance	(484,383)	–	(13,372)	(497,755)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

The movements of loss allowance are mainly affected by:

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

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

(i) Credit loss allowance for margin accounts

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2024	288,330	85	1,073,108	1,361,523
Increases	247,947	2,238	6,708	256,893
Reversals	(210,089)	–	–	(210,089)
Transfer:				
Stage 1 to Stage 3	(87)	–	87	–
Stage 2 to Stage 1	85	(85)	–	–
Foreign exchange and other movements	44	–	868	912
30 June 2024	326,230	2,238	1,080,771	1,409,239

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

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

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired)	
1 January 2023	203,600	911	1,071,317	1,275,828
Increases	198,725	78	–	198,803
Reversals	(115,254)	(5)	–	(115,259)
Transfer:				
Stage 1 to Stage 2	(7)	7	–	–
Stage 1 to Stage 3	(52)	–	52	–
Stage 2 to Stage 1	906	(906)	–	–
Foreign exchange and other movements	412	–	1,739	2,151
31 December 2023	<u>288,330</u>	<u>85</u>	<u>1,073,108</u>	<u>1,361,523</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

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

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired)	
1 January 2024	25,442	267	503,788	529,497
Increases	16,974	47,971	39,612	104,557
Reversals	(19,451)	(267)	–	(19,718)
Transfer:				
Stage 1 to Stage 2	(1,599)	1,599	–	–
Stage 1 to Stage 3	(119)	–	119	–
30 June 2024	<u>21,247</u>	<u>49,570</u>	<u>543,519</u>	<u>614,336</u>

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired)	
1 January 2023	26,565	1,277	501,829	529,671
Increases	11,919	–	1,959	13,878
Reversals	(13,042)	(1,010)	–	(14,052)
31 December 2023	<u>25,442</u>	<u>267</u>	<u>503,788</u>	<u>529,497</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.1 Credit risk (Continued)

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

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2024	484,383	–	13,372	497,755
Increases	118,325	9,086	401	127,812
Reversals	(167,454)	–	–	(167,454)
Transfer:				
Stage 1 to Stage 2	(17,104)	17,104	–	–
Foreign exchange and other movements	45	–	–	45
30 June 2024	418,195	26,190	13,773	458,158

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2023	729,656	–	13,372	743,028
Increases	257,227	–	–	257,227
Reversals	(502,502)	–	–	(502,502)
Foreign exchange and other movements	2	–	–	2
31 December 2023	484,383	–	13,372	497,755

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(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.2 Liquidity risk

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

The Group has established clear decision-making levels, authority delegation and risk control rules and procedures, and clearly defined the roles and responsibilities of the Board of Directors, executive management and business departments in liquidity risk control. The Asset and Liability Management Committee of the Executives Committee is responsible for organizing and managing the asset and liability allocation plan of the Group, reviewing and approving the internal valuation interest rate of capital and emergency plans for liquidity risk. The Group established the Treasury Department to initiate the management of the liquidity of its proprietary funds, accounting for expanding mid – and long-term stable funding channels, reasonably adjusting the asset allocation among various business lines, and steadily optimizing its assets and liabilities structure. The Group implements liquidity risk limits management and conducts daily and monthly liquidity position analyzes to manage liquidity movements. For effective management of market liquidity risk of its securities portfolios, the Group has implemented securities centralization management for securities investment and financing activities, and has adopted credit rating criteria for fixed-income securities investments. The Group has improved its daily practice for liquidity risk management and control mechanism with the assistance of liquidity reserve asset management system, refining internal funds transfer pricing (FTP) system, as well as establishing and optimizing liquidity emergency plans and stress tests. During the period ended 30 June 2024, the Group has appropriately planned its scale and structure of assets and liabilities, maintained sufficient liquidity reserve and ensured its regulatory liquidity coverage ratio and net stable funding ratio were being fully complied with, and its liquidity risk was closely monitored and controlled.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.2 Liquidity risk (Continued)

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

	30 June 2024					
	Overdue/ repayable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Accounts payable to brokerage clients	96,954,874	-	-	-	-	96,954,874
Derivative financial liabilities	3,957,426	417,504	487,440	238	-	4,862,608
Financial liabilities at fair value through profit or loss	1,776,652	809,366	2,371,343	3,175,719	214,005	8,347,085
Financial assets sold under repurchase agreements	4,409,002	119,314,468	6,177,319	-	-	129,900,789
Placements from banks and other financial institutions	-	3,630,524	-	-	-	3,630,524
Short-term borrowings	-	962,221	-	-	-	962,221
Short-term financing instruments payable	-	4,359,003	25,514,653	-	-	29,873,656
Bonds in issue	-	837,920	1,945,900	76,637,653	22,032,700	101,454,173
Lease liabilities	-	138,010	449,252	890,289	15,989	1,493,540
Others ⁽ⁱ⁾	30,216,901	3,867,346	17,264,248	2,513	1,482	51,352,490
Total	137,314,855	134,336,362	54,210,155	80,706,412	22,264,176	428,831,960
Cash flows from derivative financial liabilities settled on a net basis	3,957,426	319,048	366,327	9	-	4,642,810
Gross-settled derivative financial liabilities	-	98,456	121,113	229	-	219,798
Contractual amounts receivable	-	8,838	-	-	-	8,838
Contractual amounts payable	-	89,618	121,113	229	-	210,960

(i) Others mainly include derivative business payables, and bonds in issue with maturity within one year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.2 Liquidity risk (Continued)

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

	31 December 2023					
	Overdue/ repayable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Accounts payable to brokerage clients	100,923,675	–	–	–	–	100,923,675
Derivative financial liabilities	3,811,009	222,587	326,886	76	–	4,360,558
Financial liabilities at fair value through profit or loss	1,625,743	1,422,656	2,136,663	4,708,410	250,838	10,144,310
Financial assets sold under repurchase agreements	3,378,120	121,916,392	4,243,209	–	–	129,537,721
Placements from banks and other financial institutions	–	400,088	1,522,295	–	–	1,922,383
Short-term borrowings	–	474,588	–	–	–	474,588
Short-term financing instruments payable	–	15,663,599	22,513,717	–	–	38,177,316
Bonds in issue	–	378,137	2,057,897	69,147,702	18,594,700	90,178,436
Lease liabilities	–	149,626	378,043	1,091,989	13,951	1,633,609
Others (i)	29,953,913	6,675,649	17,045,097	2,031	1,483	53,678,173
Total	139,692,460	147,303,322	50,223,807	74,950,208	18,860,972	431,030,769
Cash flows from derivative financial liabilities settled on a net basis	3,811,009	197,101	261,407	38	–	4,269,555
Gross-settled derivative financial liabilities	–	25,486	65,479	38	–	91,003
Contractual amounts receivable	–	22,917	7,442	–	–	30,359
Contractual amounts payable	–	2,569	58,037	38	–	60,644

(i) Others mainly include bonds in issue with maturity within one year, and derivative business payables.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.2 Liquidity risk (Continued)

The table below analyzes the Group's lease agreements, which were committed as at 30 June 2024 and 31 December 2023 but not commenced into the relevant maturity groupings based on their contractual maturities:

	30 June 2024				Total
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Lease liabilities	<u>1,383</u>	<u>1,614</u>	<u>4,841</u>	<u>8,298</u>	<u>16,136</u>
	31 December 2023				Total
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Lease liabilities	<u>16,124</u>	<u>16,071</u>	<u>42,979</u>	<u>11,561</u>	<u>86,735</u>

49.3 Market risk

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

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

During the period ended 30 June 2024, while the Group earns reasonable investment returns, market risks are effectively controlled within the scope of various risk limit indicators.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024
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49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.3 Market risk (Continued)

(1) Value at risk (VaR)

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

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

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

	30 June 2024	31 December 2023
Equity price-sensitive financial instruments	72,578	78,293
Interest rate-sensitive financial instruments	129,127	103,921

(2) Interest rate risk

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(In RMB thousands, unless otherwise stated)

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.3 Market risk (Continued)

(2) Interest rate risk (Continued)

Interest rate sensitivity analysis of are as follows (in RMB thousands):

Sensitivity to revenue	30 June 2024	31 December 2023
Change in basis points		
+ 25 basis points	(757,485)	(738,185)
– 25 basis points	762,639	743,967
Sensitivity to equity	30 June 2024	31 December 2023
Change in basis points		
+ 25 basis points	(257,357)	(380,066)
– 25 basis points	259,341	383,365

(3) Foreign currency rate risk

As at 30 June 2024, the foreign exchange exposure is approximately RMB4,534 million (31 December 2023: RMB1,342 million). The Group manages its foreign exchange rate risk by implementing integrated management of domestic and foreign Fixed-Income securities, Currencies and Commodities (FICC) and derivatives business, and manages its foreign exchange risk by limiting the scale of foreign-currency-denominated assets and liabilities and the comprehensive position of foreign exchange settlement and sales, setting the Company's self-operated investment stop-loss limit, risk exposure limit, and using foreign exchange derivative risk hedging tools. The majority of its income-generating business activities under the current structure are conducted in RMB, with only a small portion denominated in foreign currencies. Given the small portion of the foreign-currency-denominated businesses in both its assets and liabilities portfolio and income structure, the Group believes that its foreign exchange rate risk has an insignificant impact on its current operations.

(4) Other price risks

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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49 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

49.4 Capital management

The Group's objectives of capital management are:

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

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

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

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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50 EVENTS AFTER THE REPORTING PERIOD

(1) Issuance of corporate bond

In July 2024, the Company publicly issued a corporate bond with a face value of RMB2 billion: (a) the “24 Xintou G5” has a face value of RMB1 billion, with a maturity of 3 years and a nominal rate of 2.13%; (b) the “24 Xintou G6” has a face value of RMB1 billion, with a maturity of 5 years and a nominal rate of 2.25%. The bond accrues interest at fixed rate per annum, pays interest annually and is not guaranteed.

(2) Issuance of perpetual subordinated bond

In August 2024, the Company publicly issued a perpetual subordinated bond with a face value of RMB2.5 billion (“24 Xintou Y2”). The bond is repriced every 5 interest-accruing years and at the end of the repricing cycle, the Company has the option to extend the bond for another repricing cycle (another five years) or redeem it in full. The bond accrues interest at floating rate with an initial fixed annual interest rate of 2.16% in the first 5 interest-accruing years and will be repriced every 5 years from the sixth year. The bond pays interest annually in case of the Company not exercising the option to defer the interest payment and is not guaranteed.

(3) Issuance of short-term commercial paper

In July 2024, the Company publicly issued a 308-day fixed rate short-term commercial paper with a face value of RMB2.5 billion (“24 Zhongxinjiantou CP002”). The short-term commercial paper pays the principal and interest at 1.98% per annum at maturity and is not guaranteed.



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CSC FINANCIAL CO., LTD.