

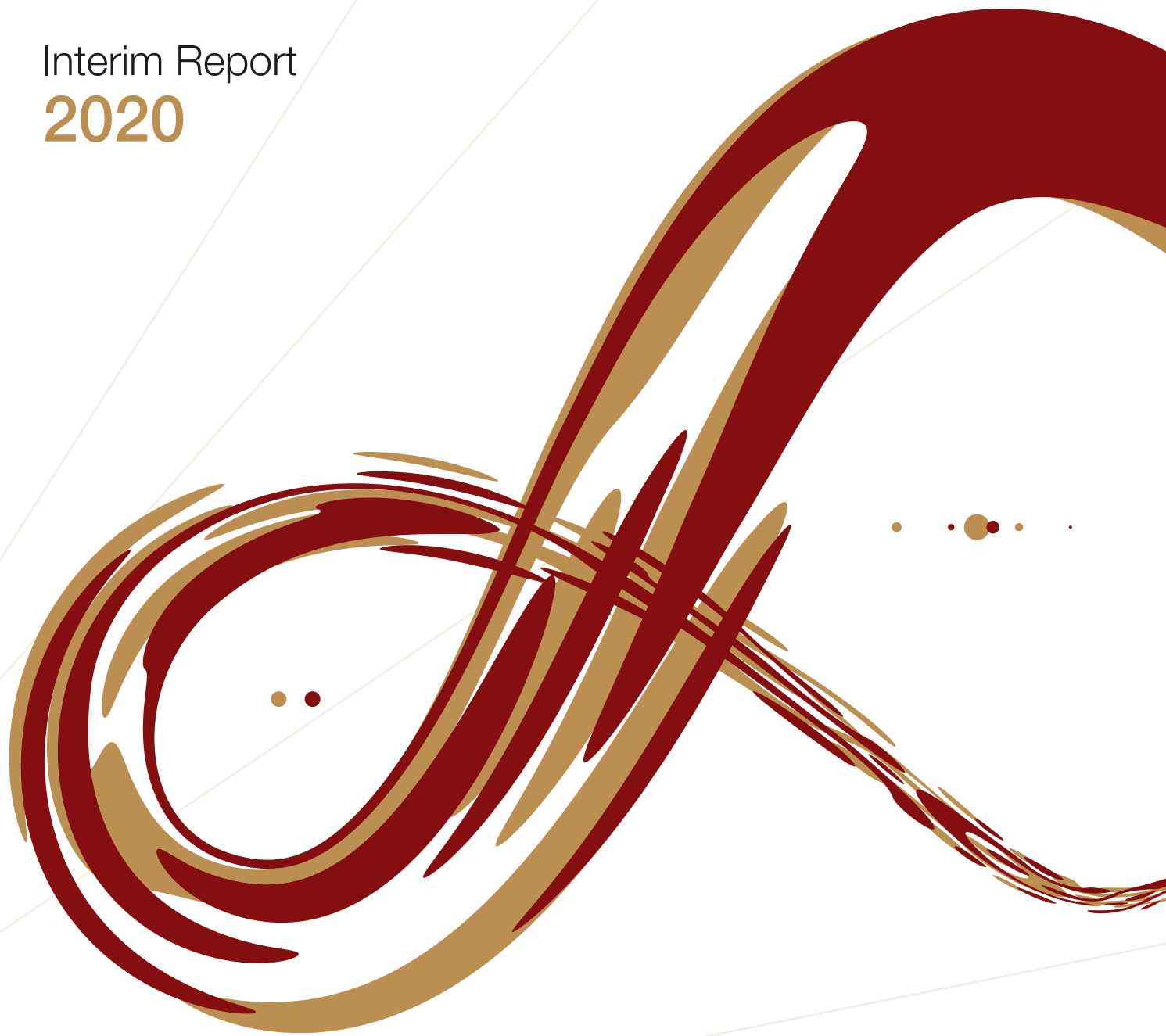
CICC
中金公司

China International Capital Corporation Limited

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

Stock code : 3908

Interim Report
2020





Core Values

BY THE PEOPLE AND FOR THE NATION

People are our most valuable assets. We strive to attract, cultivate and retain the best people. Since inception, CICC has positioned itself as “a China-based investment bank with international perspectives”. It is our mission to serve the nation by promoting economic reform and long-term development of the capital markets.

PROFESSIONALISM AND DILIGENCE

We develop our businesses up to the highest professional standards, and nurture a high-caliber team of financial professionals, who boast international visions, diligently perform their duties and share our corporate values.

INNOVATION AND ENTREPRENEURSHIP

Innovation is the lasting force that drives CICC forward. Blessed with deep industry knowhow, visionary leadership, close relationship with clients, and abundant execution experiences, CICC is always prepared to embrace change and continue to deliver innovative products and quality services to our clients.

CLIENT FIRST

We always put our clients first. We develop and maintain long-term relationships of trust with our clients by truly safeguarding their interests and satisfying their needs.

INTEGRITY

We build our franchise upon the utmost professional integrity and highest ethical standards. We value our franchise and never compromise on integrity.

CHINESE ROOTS AND INTERNATIONAL REACH

As a China-based global investment bank, we are proud of our Chinese roots and of our international DNA. We bridge China and the world by providing best-in-class services to clients at home and abroad.

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Definitions

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

“Articles of Association”	the articles of association of our Company (as amended)
“AUM”	the amount of assets under management
“Basic earnings per share”	(net profit attributable to shareholders of the Company and holders of other equity instruments – interest for holders of perpetual subordinated bonds for the period)/weighted average number of ordinary shares in issue
“Board” or “Board of Directors”	the board of directors of our Company
“Central Bank”	the People’s Bank of China* (中國人民銀行), the central bank of the PRC
“CG Code” or “Corporate Governance Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
“China-invs Changchun”	China-invs Changchun Investment Fund Management Co., Ltd. (中投長春創業投資基金管理有限公司), a company incorporated in the PRC in December 2012 and a subsidiary of CISC Luckystone
“China Investment Consulting”	China Investment Consulting Co., Ltd.* (中國投資諮詢有限責任公司), a company incorporated in the PRC in March 1986 and a wholly-owned subsidiary of Jianyin Investment and a Shareholder of our Company
“China Securities Finance”	China Securities Finance Co., Ltd. (中國證券金融股份有限公司), a company incorporated in the PRC in October 2011
“CICC Capital”	CICC Capital Management Co., Ltd.* (中金資本運營有限公司), a company incorporated in the PRC in March 2017 and a wholly-owned subsidiary of our Company
“CICC Fund Management”	CICC Fund Management Co., Ltd.* (中金基金管理有限公司), a company incorporated in the PRC in February 2014 and a wholly-owned subsidiary of our Company
“CICC Futures”	CICC Futures Co., Ltd.* (中金期貨有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of our Company
“CICC UK”	China International Capital Corporation (UK) Limited, a company incorporated in the United Kingdom in August 2009 and a wholly-owned subsidiary of our Company
“CICC Wealth Management” or “CISC”	China CICC Wealth Management Securities Company Limited (中國中金財富證券有限公司), formerly known as China Investment Securities Company Limited (中國中投證券有限責任公司), a company incorporated in the PRC in September 2005 and a wholly-owned subsidiary of our Company
“CISC Luckystone”	CISC Luckystone Investment Management Co., Ltd. (中投瑞石投資管理有限責任公司), a company incorporated in the PRC in September 2009 and a wholly-owned subsidiary of CICC Wealth Management



Definitions

“Company”, “our Company”, or “CICC”	China International Capital Corporation Limited (中國國際金融股份有限公司), a joint stock company incorporated in the PRC with limited liability converted from China International Capital Corporation Limited (中國國際金融有限公司), a Chinese-foreign equity joint venture, on June 1, 2015
“Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“CSRC”	the China Securities Regulatory Commission* (中國證券監督管理委員會)
“Directors”	directors of our Company
“Domestic Share(s)”	issued ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is (are) subscribed for or credited as fully paid in RMB
“FICC”	fixed income, commodities and currencies
“GDR(s)”	global depositary receipt(s)
“Gearing ratio”	$(\text{total liabilities} - \text{accounts payable to brokerage clients and to underwriting clients}) / (\text{total assets} - \text{accounts payable to brokerage clients and to underwriting clients})$
“Group”, “our Group” or “we”	our Company and its subsidiaries (or with reference to the context, our Company and anyone or more of its subsidiaries)
“Growth Enterprise Market”	the ChiNext board of the Shenzhen Stock Exchange
“H Share(s)”	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, which is (are) listed on the Hong Kong Stock Exchange and are subscribed for and traded in HK dollars
“HK\$, “HKD” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong, China
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Huijin” or “Huijin Company”	Central Huijin Investment Ltd.* (中央匯金投資有限責任公司), a wholly state-owned company ultimately owned by the PRC Government
“I&G”	China National Investment and Guaranty Corporation* (中國投融資擔保股份有限公司), a company incorporated in the PRC in 1993 and a Shareholder of our Company
“ICAEW”	The Institute of Chartered Accountants in England and Wales

Definitions

“IFRSs”	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
“Jiayin Investment”	China Jiayin Investment Ltd.* (中國建銀投資有限責任公司), a company incorporated in the PRC in June 1986 and a wholly-owned subsidiary of Huijin and a Shareholder of our Company
“JIC Investment”	JIC Investment Co., Ltd. (建投投資有限責任公司), a company incorporated in the PRC in October 2012 and a wholly-owned subsidiary of Jiayin Investment and a Shareholder of our Company
“Latest Practicable Date”	August 14, 2020
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Mingly”	Mingly Corporation, a company incorporated in Cayman Islands, and registered in Hong Kong, China in 1988 and a Shareholder of our Company
“Ministry of Finance” or “MOF”	the Ministry of Finance of the PRC* (中華人民共和國財政部)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“MTN(s)”	medium-term notes
“NEEQ”	The National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“Net capital”	net capital refers to net assets after risk adjustments on certain types of assets as defined in the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies
“NSSF”	the National Council for Social Security Fund of the PRC* (全國社會保障基金理事會)
“PRC” or “China”	the People’s Republic of China
“PRC Government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities
“QDII(s)”	Qualified Domestic Institutional Investor* (合格境內機構投資者)
“QFII(s)”	Qualified Foreign Institutional Investor* (合格境外機構投資者)
“Reporting Period”	the six-month period ended June 30, 2020
“REPOs”	financial assets sold under repurchase agreements
“Reverse REPOs”	financial assets held under resale agreements
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RQFII(s)”	Renminbi Qualified Foreign Institutional Investor* (人民幣合格境外機構投資者)



Definitions

“science and technology innovation board”	Sci-Tech innovation board of Shanghai Stock Exchange
“Securities Law”	the Securities Law of the PRC as amended, supplemented or otherwise modified from time to time
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, China) as amended, supplemented or otherwise modified from time to time
“Shanghai Stock Exchange”	the Shanghai Stock Exchange* (上海證券交易所)
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each
“Shenzhen Stock Exchange” or “SZSE”	the Shenzhen Stock Exchange* (深圳證券交易所)
“SOE(s)” or “state-owned enterprise(s)”	state-owned enterprise(s)
“Supervisor(s)”	supervisor(s) of our Company
“Supervisory Committee”	the supervisory committee of our Company
“Tencent”	Tencent Holdings and its subsidiaries
“Tencent Holdings”	Tencent Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 700)
“Tencent Mobility Limited”	Tencent Mobility Limited, a company incorporated in Hong Kong, China with limited liability and a wholly-owned subsidiary of Tencent Holdings
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“Weighted average return on net assets”	(net profit attributable to shareholders of the Company and holders of other equity instruments – interest for holders of perpetual subordinated bonds for the period)/weighted average of equity attributable to shareholders of the Company
“%”	per cent

Notes:

Certain amounts and percentage figures included in this report have been subject to rounding. Accordingly, the arithmetic sum shown in certain tables may not be the total of the figures preceding them. Any discrepancies in any table or chart between the arithmetic sum shown and the total of the amounts listed are due to rounding.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the report in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are marked with “*” and are provided for identification purposes only.

Company Profile

Name in Chinese:	中國國際金融股份有限公司
Name in English:	China International Capital Corporation Limited
Legal representative:	Shen Rujun
Chairman:	Shen Rujun
Chief Executive Officer:	Huang Zhaohui
Registered capital:	RMB4,368,667,868
Headquarters in the PRC:	
Registered and office address	27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Company website	http://www.cicc.com
E-mail	Investorrelations@cicc.com.cn
Principal place of business in Hong Kong, China:	29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong, China
Secretary to the Board:	Sun Nan ^(Note 1)
Address	27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Telephone	+86-10-65051166
Facsimile	+86-10-65051156
Joint Company Secretaries:	Sun Nan ^(Note 1) , Zhou Jiaying
Authorized Representatives:	Huang Zhaohui ^(Note 2) , Zhou Jiaying
Statutory Auditors engaged by our Company:	
Domestic accounting firm:	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Overseas accounting firm:	Deloitte Touche Tohmatsu Registered Public Interest Entity Auditor

Note 1: As approved by the Board of Directors, Mr. Sun Nan has started to serve as the Secretary to the Board of Directors and a Joint Company Secretary of the Company with effect from May 8, 2020, and Mr. Xu Yicheng has ceased to hold these positions since then.

Note 2: As approved by the Board of Directors and the shareholders' general meeting, Mr. Huang Zhaohui has started to serve as the Executive Director and Authorized Representative of the Company since February 28, 2020, and Mr. Bi Mingjian has ceased to hold these positions since then.



Financial Summary

I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

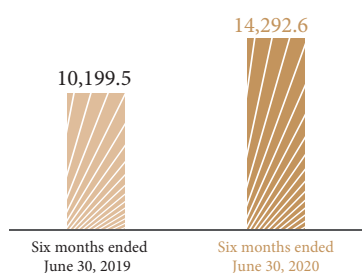
Items	Six months ended June 30, 2020	Six months ended June 30, 2019	Changes over the corresponding period of last year
Operating results (RMB in million)			
Total revenue and other income	14,292.6	10,199.5	40.1%
Total expenses	10,493.4	7,850.5	33.7%
Profit before income tax	3,808.7	2,420.6	57.3%
Profit for the period attributable to shareholders of the Company and holders of other equity instruments	3,051.8	1,880.5	62.3%
Net cash used in operating activities	(3,989.5)	(3,446.9)	15.7%
Earnings per share (RMB/share)			
Basic earnings per share	0.693	0.442	56.9%
			Increased by 1.8 percentage points
Weighted average return on net assets	6.2%	4.4%	

Items	June 30, 2020	December 31, 2019	Changes over the end of last year
Financial position (RMB in million)			
Total assets	438,174.9	344,971.2	27.0%
Total liabilities	387,597.9	296,439.7	30.8%
Total equity attributable to shareholders of the Company and holders of other equity instruments	50,328.7	48,293.8	4.2%
Accounts payable to brokerage clients and to underwriting clients	65,333.0	52,815.4	23.7%
Total share capital (in million shares)	4,368.7	4,368.7	–
Net assets attributable to shareholders of the Company per share (RMB/share)	11.5	10.8	6.4%
			Increased by 3.0 percentage points
Gearing ratio	86.4%	83.4%	

Financial Summary

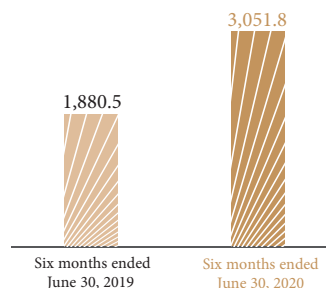
Total revenue and other income

RMB in million

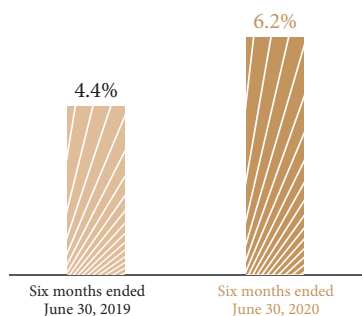


Profit for the period attributable to shareholders of the Company and holders of other equity instruments

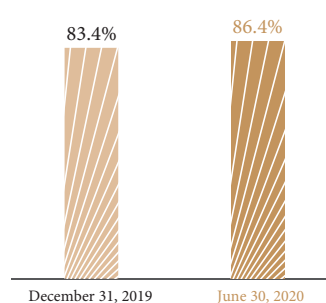
RMB in million



Weighted average return on net assets

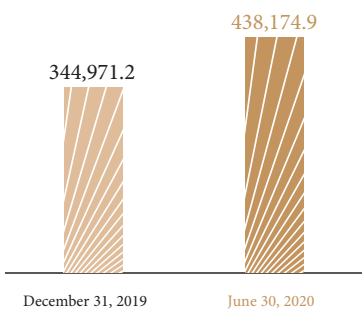


Gearing ratio



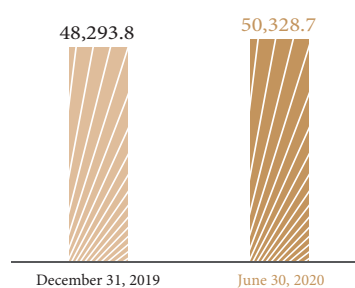
Total assets

RMB in million



Total equity attributable to shareholders of the Company and holders of other equity instruments

RMB in million





Financial Summary

II. NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS

As of June 30, 2020, the Company's net capital amounted to RMB31,487.3 million, representing an increase of 9.7% compared with RMB28,702.0 million as of December 31, 2019. During the Reporting Period, all of the Company's risk control indicators including the net capital met regulatory requirements.

Unit: RMB in million

Items	June 30, 2020	December 31, 2019
Core net capital	20,991.5	19,134.7
Supplementary net capital	10,495.8	9,567.3
Net capital	31,487.3	28,702.0
Net assets	41,896.4	40,885.3
Total risk capital reserves	19,733.2	21,663.2
Total on-and-off-balance-sheet assets	158,320.6	182,810.8
Risk coverage ratio	159.6%	132.5%
Capital leverage ratio	13.3%	10.5%
Liquidity coverage ratio	241.3%	251.9%
Net stable funding ratio	130.4%	128.8%
Net capital/net assets	75.2%	70.2%
Net capital/liabilities	19.9%	24.7%
Net assets/liabilities	26.5%	35.1%
Equity securities and related derivatives held/net capital	41.1%	44.9%
Non-equity securities and related derivatives held/net capital	361.9%	290.1%

Management Discussion and Analysis

I. ANALYSIS OF PRINCIPAL BUSINESSES

Investment Banking

Equity Financing

Market Environment

During the first half of 2020, a total of 128 A-share IPOs were completed, with an aggregate financing size of approximately RMB143,628 million, representing a year-on-year increase of 134.9%; a total of 86 A-share follow-on offerings were completed, with an aggregate financing size of approximately RMB148,678 million, representing a year-on-year increase of 143.4%.

In the Hong Kong primary market, during the first half of 2020, a total of 63 Hong Kong IPOs were completed, with an aggregate financing size of approximately US\$12,607 million, representing a year-on-year increase of 37.9%; a total of 126 Hong Kong follow-on offerings and sell-downs were completed, with an aggregate amount of approximately US\$19,010 million, representing a year-on-year increase of 90.7%.

In the U.S. primary market, during the first half of 2020, a total of 19 US IPOs of PRC-based companies were completed, with an aggregate financing size of approximately US\$3,282 million, representing a year-on-year increase of 106.8%.

Actions and Achievements

In the first half of 2020, the Company closed a total of 13 A-share IPOs acting as the lead underwriter, with an aggregate lead underwriting amount of RMB24,356 million, ranking No.2 in the market; the Company also closed 5 A-share follow-on offerings, with an aggregate lead underwriting amount of RMB13,581 million, ranking No.3 in the market.

During the first half of 2020, the Company sponsored a total of 1 Hong Kong IPO, with an aggregate amount of US\$3,130 million; the Company closed a total of 4 Hong Kong IPOs acting as the global coordinator, with an aggregate lead underwriting amount of US\$1,382 million, ranking first in the market; the Company also closed a total of 4 Hong Kong IPOs acting as the bookrunner, with an aggregate lead underwriting amount of US\$490 million. In the first half of 2020, the Company closed 10 transactions of refinancing and sell-down for Hong Kong stocks acting as the lead bookrunner, with an aggregate lead underwriting amount of US\$917 million.

During the first half of 2020, the Company closed a total of 4 US IPOs of PRC-based companies acting as the lead bookrunner, with an aggregate lead underwriting amount of US\$296 million. During the first half of 2020, the Company closed 2 US follow-on offerings and sell-downs of PRC-based companies acting as the lead bookrunner, with an aggregate lead underwriting amount of US\$309 million.



Management Discussion and Analysis

Items	January to June 2020		January to June 2019	
	Lead underwriting amount (RMB in million)	Number of offerings	Lead underwriting amount (RMB in million)	Number of offerings
A shares				
IPOs	24,356	13	5,913	5
Follow-on offerings	13,581	5	5,414	4

Items	January to June 2020		January to June 2019	
	Lead underwriting amount (USD in million)	Number of offerings	Lead underwriting amount (USD in million)	Number of offerings
Hong Kong equity offerings				
IPOs	490	4	938	15
Follow-on offerings	917	10	772	5

Items	January to June 2020		January to June 2019	
	Lead underwriting amount (USD in million)	Number of offerings	Lead underwriting amount (USD in million)	Number of offerings
U.S. equity offerings by PRC-based companies				
IPOs	296	4	282	3
Follow-on offerings	309	2	316	1

Management Discussion and Analysis

Outlook for the Second Half of 2020

In the second half of 2020, we will continue to serve national strategies, seize opportunities from the market reform, and support the development of the real economy. We will capture core customers of the new economy, and enhance our capabilities to offer value-added services. We will continue to accelerate the development of cross-border businesses and strengthen our regional presence. Meantime, we will reinforce our risk management and control and internal management, and leverage technological means to further improve our management and operation efficiency.

Debt and Structured Financing

Market Environment

In the first half of 2020, due to the outbreak of the COVID-19 pandemic in China and abroad as well as the easing monetary policy, yields had dropped sharply, and the total amount of issuance in the debt primary market continued to grow. The size of domestic credit bond issuance exceeded RMB9.22 trillion, representing an increase of 39.6% compared with the corresponding period of 2019. In the offshore market, due to the COVID-19 pandemic overseas and the panic sentiment in the market at the beginning of 2020, the overseas debt capital raising amount of PRC-based companies decreased significantly. Since May, the total amount of issuance in the primary market has gradually recovered on improving market sentiment. During the first half of 2020, the overseas debt capital raising amount of PRC-based companies amounted to approximately US\$103,312 million, representing a year-on-year decrease of 20.7%.

Actions and Achievements

In the first half of 2020, the Group closed a total of 314 fixed income transactions, representing a year-on-year increase of 32%. Among them, 266 onshore bond underwriting transactions amounted to approximately RMB194,561 million, and 48 offshore bond underwriting transactions amounted to approximately US\$3,356 million.

In terms of onshore financial bonds, we participated in the RMB50 billion perpetual capital bond of China Merchants Bank, the largest single tranche perpetual bond of a joint-stock bank. As for onshore convertible bonds, we sponsored the RMB7.3 billion onshore convertible bond of Eastmoney as the sole sponsor, which is the largest ever convertible bond offering by a privately-owned issuer in the non-banking sector, and by a company of the Growth Enterprise Market as well. In terms of offshore debt capital raising, we underwrote the US\$2 billion Tier-2 Capital Bond of China Construction Bank as the lead underwriter, which was issued at the lowest ever interest rate of global capital instruments.

In terms of product innovation, we actively supported financing transactions of private enterprises in response to the government's call, and facilitated private enterprise bond offerings through financial derivatives in the first half of 2020. We, in cooperation with China Securities Finance, jointly established a RMB250 million credit protection instrument for Red Star Macalline, and solely set a credit risk mitigation warrant ("CRMW") for HEC (東陽光) in the interbank market which was the first CRMW of a securities company with Medium-term notes (MTN) as the subject. Meantime, we issued a public short-term corporate bond for Ping An Real Estate, which was the first public short-term bond in SZSE following the implementation of new regulations on short-term corporate bonds. In terms of offshore products, we assisted ZhongAn Insurance in its issuance of first offshore bond with an amount of US\$600 million, which was the first offshore bond issuance by a PRC-based insurance company in recent three years.

Management Discussion and Analysis

Outlook for the Second Half of 2020

In the second half of 2020, we will continue to expand our regional presence and enhance coverage over core local customers to create sustainable productivity. We will continue to enhance business capabilities in line with business innovation, and integrate advantageous resources to ensure our leading position in large financial bond projects and bond projects of centrally-owned enterprises. We will strengthen market research and mobilize resources to seize business opportunities in the area of publicly-offered REITs.

Financial Advisory Services

Market Environment

During the first half of 2020, according to Dealogic, 2,490 mergers and acquisitions (“M&A”) by PRC-based companies were announced with an aggregate amount of approximately US\$172,180 million, representing a year-on-year decrease of 13.6%, among which, 2,164 were domestic M&A transactions with a total amount of US\$145,346 million, representing a year-on-year decrease of 12.9%; and 326 were cross-border M&A transactions with a total amount of approximately US\$26,834 million, representing a year-on-year decrease of 17.2%.

The milestone transactions announced in the first half of 2020 include:

Actions and Achievements

We continued to reinforce our leadership in the M&A business. In the first half of 2020, according to Dealogic, the Company announced 23 deals, involving an amount of approximately US\$17,668 million. Among these transactions, 19 were domestic M&A transactions with a total amount of approximately US\$15,055 million and 4 were cross-border and offshore M&A transactions with a total amount of approximately US\$2,613 million. In the first half of 2020, we ranked No.1 in the PRC M&A market with a market share of approximately 9.8%, of which we ranked No.1 in the PRC onshore M&A market, and No.2 in the PRC cross-border M&A market.

Projects	Size	Highlights
The capital increase of China Energy Investment Corporation in China Shenhua Finance Company	RMB13.3 billion	Further deepening reforms of state-owned enterprises, giving full play to the platform of China Shenhua Finance Company, so as to provide services for members of the Group
China Resources Financial Holdings' acquisition of the controlling interest of Chongqing Yukang, which triggered a general offer project to Chongqing Gas	RMB10.8 billion	An example of mixed ownership reform of local state-owned enterprises and the multi-dimensional cooperation between central and local corporations
Privatization of Huadian Fuxin	HK\$8.3 billion	One of the largest privatization transactions in the Hong Kong market in the first half of 2020
BYD Semiconductor's Series A and Series A+ private placements, which introduced strategic investors such as Sequoia Capital China, CICC Capital and SDIC Innovation	RMB2.7 billion	Supporting the development and growth of a key semiconductor company in China, which will realize domestic substitution of core components in the new energy automotive industry chain
Carlsberg China's asset injection into Chongqing Brewery	Not yet disclosed	An example of the reorganization and integration of Chinese assets in a foreign-invested multinational company into an A-share listed company

Management Discussion and Analysis

Outlook for the Second Half of 2020

In the second half of 2020, we will continue to strengthen our coverage of listed companies, vigorously develop new customers, and increase our market share in M&A and reorganizations. We will continue to promote innovation and corporate reforms, and explore to resolve debt risks of enterprises and financial institutions. We will continue to focus on mixed ownership reforms, industry acquisitions and specialized spin-offs, and support the reforms of state-owned enterprises. Meantime, we will strengthen development of cross-border M&A with the focus on areas such as inbound acquisitions.

Equities

Market environment

In the first half of 2020, as the global capital markets were challenged by factors including the China-US trade friction and the COVID-19 pandemic, major stock indices declined overall in the first quarter. Since the second quarter, investors' confidence recovered due to the easing monetary policy and several rounds of economic stimulus measures introduced by central banks of various countries. As of June 30, 2020, as compared with the beginning of the year, the Shanghai Composite Index dropped by 2.1%, the Shenzhen Stock Exchange Composite Index rose by 15.0%, and the Growth Enterprise Market Index and the SME Board Index rose by 35.6% and 20.8%, respectively. As for the Hong Kong stock market, during the first half of 2020, the Hang Seng Index dropped by 13.3%, and the H-share Index dropped by 12.6%, which underperformed major international markets. During the first half of 2020, the average daily trading volume in the A-share market was RMB758.0 billion, representing an increase of 29% compared with the corresponding period last year. The average daily turnover volume of the Hong Kong stock market was HK\$117.5 billion, representing an increase of 20% compared with the corresponding period last year.

Actions and Achievements

During the first half of 2020, global markets experienced significant volatility, but the equities business of the Group made efforts to actively expand into new addressable markets and customer groups according to the overall strategy and values "One CICC" and "Two Bases and Six Pillars". In order to enhance scale and efficiency, we focused on inter-departmental cooperation to create more value for our shareholders. At the same time, the equities business continued to strengthen customer management, optimize business procedures and accelerate the construction of IT systems, to strictly manage business risks. During the COVID-19 pandemic, the equities business strictly implemented requirements on pandemic prevention and control, and continued to deliver services through online channels, so as to ensure the continuous and smooth operation of our business as well as the health and safety of our employees and their families in China and abroad. Our revenues from domestic and overseas markets grew significantly compared with the first half of 2019 with a balanced revenue structure between the exchange and OTC markets at home and abroad, outperforming the overall market.

In international services, our Group continued to intensify business development efforts in the international financial markets. We maintained a leading and growing customer coverage and market share in the stock connect programs, while continuing to expand business presence in the international market. In the domestic market, we maintained a strong coverage over fund and insurance accounts in the Hong Kong stock market, and a leading market share in terms of trading volume, and the scale of cross-border business reached a new high. In the offshore market, the total trading volume in Hong Kong stocks and the volume of northbound trading of Shanghai and Shenzhen Stock Connect programs hit record highs in the first half of 2020. CICC continued to maintain a leading market share in terms of trading in Shanghai and Shenzhen Stock Connect programs. As our sources of revenue from overseas trading activities became increasingly diversified, we made breakthroughs and progress in the development of overseas markets due to our construction and layout of local trading platforms in New York or London, which can provide more comprehensive and uninterrupted trading services for global customers. With the completion of listing of the second GDR in the middle of 2020, CICC UK will continue to facilitate conversion between A shares and GDRs for investors as one of the qualified cross-border conversion agencies for GDRs.



Management Discussion and Analysis

In product business, the Group was committed to diversifying and balancing its product mix based on institutional customer base, continued to improve its comprehensive capabilities, and recorded substantial increase in term of accounts and scale. By fully capturing opportunities from fluctuations in the global market, we have achieved remarkable results in revenue, scale, customers and trading volume in overseas product business. Our domestic prime brokerage business platform continued to provide one-stop services to institutional investors covering their full life cycle. In order to capture market trading opportunities on time and enhance our core competitiveness in cross-border business, we designed market-based innovative trading instruments and services to help clients improve their risk-return profile. In derivatives business, we offered both standard and tailor-made services to meet the market demand for asset allocation. We constantly made innovative efforts in product mix and trading to give full play to our cross-border advantages. Our new products and corporate derivatives were highly recognized by the market, maintaining our leading position in OTC derivatives market making. We provided a convenient market-making platform for institutional customers to help them increase trading liquidity, manage risks and enhance returns. We continued to develop the capital introduction business to link capital with assets. In addition, our team optimized the asset-liability structure and business procedures to expand business scale and enhance revenue. The exposure of relevant businesses maintained at a reasonable level due to our strict risk control measures. Through our cooperation with the IT department, we completed the upgrading of several systems, with the aim to develop a comprehensive IT platform.

In terms of coverage of institutional customers, the equities business provided professional investors in the exchange and OTC markets at home and abroad with one-stop comprehensive financial services, including “sales, trading, investment and research, product and cross-border services”. During the COVID-19 pandemic, our team intensified efforts in online services by innovative means. Through high-frequency and high-quality telephone conferences and video conferences as well as our cross-border, cross-business line and cross-departmental collaboration, we strengthened coverage over new and existing customers at home and abroad and ensured efficiency of services, thus hitting a new high in trading volume. At the same time, our team strengthened internal trainings to promote resource sharing and cross-selling, and the number of new accounts of customers at home and abroad maintained steady growth. We maintained high levels of customer coverage and market shares among long funds (including QFIIs/RQFIIs, WOFE, QDIIs, and the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect), insurance companies and hedge funds. In terms of bank clients services, the Group has signed strategic cooperation agreements with a number of commercial banks and their wealth management subsidiaries, and has developed and implemented various cooperation models with bank clients. For the northbound trading of the Connect Program, we recorded a significant increase in the number of trading accounts covering customers from a wider range of regions and types, with a leading market share in terms of total trading volume.

Outlook for the Second Half of 2020

With the comprehensive and orderly resumption of work and production as well as the accelerated implementation of reform and opening-up policies for the capital market, the equities business will seize the business opportunities from the institutionalization and internationalization of the market, and actively expand new products and businesses in the exchange and OTC markets at home and abroad relying on our broad customer base. Meanwhile, we will continue to improve our risk management capabilities and promote cross-selling, so as to expand our scale and improve our comprehensive financial service capabilities.

Management Discussion and Analysis

FICC

Market Environment

In 2020, macro economic recovery was pulled to a halt due to the COVID-19 pandemic, leading to economic slowdown at home and abroad. However, due to the proactive prevention and control measures against COVID-19 as well as the support of monetary and fiscal policies, China showed a V-shaped rebound in some economic data. While global risk assets fell sharply in March, China adopted a gradually easing monetary policy since February. With the continuous decline in the money market interest rate and bond yields, the yield curve steepened, and the yield of 10-year government bonds fell to the lowest 2.48% in April. Since May, as the pandemic was gradually controlled overseas and China's economy was gradually recovering, monetary policies began to tighten to prevent funds from simply circulating in the financial sector for the sake of arbitrage. The money market interest rate began to rise in the end of May, while the bond yields recorded a sharp rebound in June due to the market-based issuance of special treasury bonds in June, leading to a V-shaped curve in the interest rate in the first half of 2020. Overall, in the first half of 2020, bond yields decreased to some extent in the context of easing monetary policy, and the yield of 10-year government bonds decreased from 3.14% at the beginning of 2020 to 2.82% at the end of the half of 2020, with a decline of 32bp. In terms of credit bonds, the market appetite was still concentrated on short- and medium-term products, and the credit spreads of short- and long-term high-grade products were narrowed. As for credit bonds of other maturities, the credit spreads of lower grade and longer maturity period went wider.

Actions and Achievements

During the first half of 2020, the Company continued to forge ahead our FICC business. We have steadily improved our comprehensive service capability and further strengthened the ability of serving customers. We delivered strong results in securitization and structured product business. We further strengthened structuring of new products, and enhanced collaboration and product offerings to wealth management customers and investment banking customers.

During the first half of 2020, subject to the impact of COVID-19 on the global economy and financial markets, in spite of increasing market volatility and credit risks, our trading teams continued to demonstrate strong trading and risk control capabilities, and achieved sound returns by steadily capturing market opportunities.

During the first half of 2020, the Company continued to strengthen the IT infrastructure of our FICC business and steadily push forward IT system development.

Outlook for the Second Half of 2020

Our Company will continue to strengthen the FICC business and focus on improving comprehensive service capability. We will further enhance risk control in trading and proprietary investment businesses to strive for better returns. We will continue to build our product innovation and design capabilities, increase product varieties and expand the scale of products. We will focus on our cross-border business capability and steadily upgrade our product design and customer service level.

Investment Management

During the first half of 2020, the investment management business of the Group continued to advance the building of allocation teams and platforms for major classes of assets, strengthened critical capabilities such as product design, distribution, investment and research and vigorously grew our AUM. As of June 30, 2020, the scale of assets under the Group's management through a variety of ways amounted to approximately RMB898.3 billion.

Asset Management

Market Environment

In the first half of 2020, with the continuous improvement of new asset management regulations, the policies of removal of implicit guarantees, regulating the money pool and curbing the "conduit" business began to take effect. The ecological landscape of the industry has been further reshaped, and transformation and innovation has become the key for the reform and development of the asset management industry to improve competitiveness. Due to the impact of



Management Discussion and Analysis

the COVID-19 pandemic, the domestic and international economy and markets were facing increasing uncertainties. However, as China continuously deepened reform and expanded opening-up in a comprehensive way, the household asset allocation has ushered in a “turning point”. With the accelerating sophistication of institutional investors as well as the continuous optimization of the capital market system, cross-border capital transactions has been increasing, which has provided broad space and massive opportunities for the development of China’s asset management industry.

Actions and Achievements

Our Company focuses on active asset management. Always putting clients’ interest first, we design and offer high-quality and innovative asset management products and services to domestic and overseas clients for the purpose of steady value appreciation over the long term. In the first half of 2020, the Company further strengthened the investment and research team, and optimized our investment decision-making process and disciplined management system, steadily improving the capabilities and efficiency of our investment and research teams. We have systematically established and strengthened our cooperation with core customers such as wealth management subsidiaries of banks, insurance companies, and large enterprises and groups, so as to vigorously expand various channels. We continued to enrich our product lines, constantly develop a series of innovative solutions and products tailored to changing market environment, client demand, and investment and research resources, so as to continuously strengthen our comprehensive service capabilities. Moreover, we achieved steady growth in the pension business, and continuously strengthened our capabilities of asset gathering. We steadily enhanced the capabilities of active cross-border asset management and achieved stable results despite the turbulent international financial markets, and our total cross-border AUM continued to grow. In addition, in the first half of 2020, the Group has consolidated our asset management business and enhanced unified management, with the aim to provide customers with the best customer-based and one-stop comprehensive financial services.

As of June 30, 2020, total AUM by the asset management department of the Company was RMB342,385 million, representing an increase of 15.0% compared with the end of 2019. By product line, total AUM of collective asset management products and segregated asset management products (including NSSF, corporate annuities, pensions and occupational annuities) were RMB64,229 million and RMB278,156 million, respectively. We had altogether 545 products under management, most of which were under active management.

Outlook for the Second Half of 2020

In the second half of 2020, the Company will continue to enhance our investment and research capabilities, and diversify and refine our strategies, so as to achieve more sustained performance. We will optimize the product mix, closely follow up the market trend, and improve our product lines. We will intensify our investment in system construction and utilize technologies to constantly improve our automation level. Meantime, we will seize the historical opportunity presented by the transformation of China’s asset management industry to establish and improve our comprehensive service system. The Company will fully integrate the platform resources of CICC to provide customers with one-stop comprehensive solutions, with the aim to grow our asset management business into a global leading multi-asset, multi-strategy, cross-market and full-service asset management institution.

Management Discussion and Analysis

Mutual Fund

Market Environment

As of the end of the first half of 2020, total assets under management by the mutual fund industry increased by 14.5% to RMB16.9 trillion from that as of the end of 2019. The global capital markets were experiencing intensified volatility due to the impact of the COVID-19 pandemic, while China's mutual fund industry continued to grow as China's pandemic prevention and control measures were more effective than expected and various favorable policies were launched. In the first half of 2020, the size of IPO mutual funds reached RMB1.1 trillion, most of which were boosted by actively managed equity-type products. The regulatory approval for bond products slowed down, and enhanced fixed-income products and held-to-maturity products became the new focus of bond funds. In the first half of 2020, with the comprehensive implementation of new refinancing regulations, the registration-based IPO system reform of the Growth Enterprise Market and the deepening reform of NEEQ, as well as the announcement of the Consultation Paper on Requesting Public Comments on the Guidelines for Publicly Offered Real Estate Investment Trusts, the mutual fund industry was faced with new opportunities and challenges.

Actions and Achievements

In the first half of 2020, CICC Fund Management continued to develop featured tool-type products in line with selected industry themes and tracks, and gave play to our advantages in self-developed index and investment team's capabilities of allocation to provide customers with high-quality long-term asset allocation products. We continued to enhance the investment management capabilities of our investment and research team, leading to a significant rise in the ranking in terms of return generated by products under active management. Meantime, in prompt response to regulatory policies, we actively developed new products such as publicly offered REITs leveraging on CICC's advantages in the overall business.

As of June 30, 2020, the AUM of CICC Fund Management amounted to RMB35,668 million, representing an increase of RMB7,799 million compared with the end of 2019. In particular, the size of mutual funds increased to RMB32,030 million, representing an increase of 35% compared with the end of 2019.

Outlook for the Second Half of 2020

In the second half of 2020, CICC Fund Management will continue to develop investment capabilities with focus on tool-type products, actively-managed and allocative-type products, thus constantly improving the performance of our products and customer experience. We will continue to penetrate into the retail market and expand coverage by improving retail channel service, and make attempts to expand institutional business. We will expand new addressable markets through fully combining resources of the Group, and make important contributions to enhance the overall asset management and comprehensive service capabilities of our Group.

Private Equity Investment

Market Environment

Since 2019, as affected by the cyclical nature of the economy and the tightening regulations, the new funds raised in the private equity market continued to decline. In the first quarter of 2020, as a result of challenging fundraising conditions and more cautious decisions of investors due to the impact of the pandemic, the amount of funds raised in the private equity market recorded a sharp year-on-year decrease. In the second quarter, with the gradual stabilization of the pandemic, resumption of work and production, more visibility in regulations and the gradual implementation of financial market reforms, the fundraising market improved compared with the first quarter where state-owned investors played an increasingly prominent role. In addition, the further advancement of financial opening-up provided smoother channels for overseas investors to enter China's capital market.



Management Discussion and Analysis

In terms of investment, as fundamentals of the economy were affected by the COVID-19 pandemic and the due diligence and investment activities of private equity funds were affected due to travel restrictions, the investment in the first quarter of 2020 slowed down significantly. In the second quarter, even though the investment data rebounded slightly compared with the first quarter and the number of large-scale investments increased, institutional investors maintained relatively cautious as a whole, and the private equity market focused on investment opportunities in emerging sectors such as biotechnology and new infrastructure.

In terms of exit, in the first half of 2020, the size of Hong Kong IPOs increased slightly compared to the first half of 2019, the number and size of US IPOs rose, and the size of A-share IPOs reached a record high in the corresponding period of past five years. As China's capital market continued to deepen reforms, a multi-layered market has been gradually taking shape, and the exit channels for private equity investment have been continuously expanding.

Actions and Achievements

CICC Capital has focused on establishing a unified and open management platform. Internally, we achieved resource centralization and management synergy. Externally, we fostered an open platform ecosystem. The family of funds managed by CICC Capital mainly include government venture capital funds, RMB equity investment funds, USD equity investment funds, M&A funds and infrastructure funds. The industries covered include new generation information technology, biomedicine, cultural consumption, and high-end equipment manufacturing.

During the Reporting Period, the funds managed by CICC Capital were mainly local venture capital/industry FoFs and direct investment funds through cooperation with governments at various levels and large enterprises, funds managed as innovative segregated accounts through cooperation with large financial institutions, direct equity investment funds focusing on growth investment opportunities, and products with regional focuses. We have formed relatively diversified product lines, to balance the overall risk of the business in light of diversified risk profiles of different products and to lay a solid foundation for the long-term and sustainable development of CICC Capital. In the first half of 2020, CICC Capital established a number of regional equity investment funds, to share resources, realize synergies, promote collaboration with local governments, and fully mobilize social capital to promote the transformation and upgrading of regional economy in the medium and long term. As of the end of June 2020, the size of assets managed by the domestic and overseas businesses of CICC Capital reached RMB291,415 million in total, making it one of the largest business platforms in the field of private equity investment in China by AUM.

CICC Capital attaches great importance to risk control, and risk awareness has been implanted in CICC culture. CICC Capital has made constant efforts in enhancing the risk awareness of the team, and urged the team to carry out investment, post-investment and exit in a more prudent manner to generate revenue and create value for investors through long-term investment appreciation. In terms of internal control and management, CICC Capital continued to enhance the unified management and control capabilities of its platform, and formulated more strict standards for investment decision-making and post-investment management of each fund upon a complete and vigorous risk control system that matches the development of the business.

Management Discussion and Analysis

Outlook for the Second Half of 2020

CICC Capital will continue to adhere to the basic concept of pursuing growth in prudent and steady paces, and make innovative efforts for pragmatic actions. We will fully leverage upon the franchise and strengths of CICC, and grasp opportunities brought by the reform of China's stock economies and development of new economies to assist in China's economic transformation and upgrading with practical actions, which will create long-term sound investment returns for investors. In the second half of 2020, CICC Capital will continue to focus on key areas such as FoF, investment funds of corporate equity and infrastructure funds in line with national strategies, and promote its international presence in regions along the Belt and Road Initiative, so as to further expand the management size of private equity investment funds and enhance our influence in the market. We will develop comprehensive innovative products for core customers through constantly enhancing our capabilities in product innovation, and continue to promote cross-department collaboration to further strengthen synergies with the investment banking department. Moreover, we will continue to reinforce the unified management and control of our risk control and business platforms.



Management Discussion and Analysis

Others

The investment management business of the Group was mainly conducted through departments or subsidiaries such as the Asset Management Department, CICC Fund Management and CICC Capital. Along with increasing market demand and our business expansion, other departments, such as Wealth Management department and Investment Banking department of our Group also rolled out investment management business and achieved new breakthroughs in terms of business scale and client development. As of June 30, 2020, the size of total assets managed by different business divisions and subsidiaries of our Group is set forth as follows:

Unit: RMB in million

Items	June 30, 2020	December 31, 2019	% of change
AUM in relation to fee and commission income			
(wholly-owned)			
Collective asset management schemes	69,199	49,046	41%
Segregated asset management schemes	300,034	271,395	11%
Special asset management schemes	159,949	152,959	5%
Mutual funds ¹	35,668	27,869	28%
Private equity funds	191,887	175,552	9%
Subtotal	756,738	676,821	12%
AUM in relation to share of profits of associates and			
joint ventures (jointly-invested)			
Private equity funds	112,686	135,470	(17%)
Non-private equity funds	28,882	24,534	18%
Subtotal	141,568	160,004	(12%)
Total	898,306	836,825	7%

Note 1: Mutual funds include public securities investment funds and private asset management schemes under the management of CICC Fund.

Management Discussion and Analysis

Wealth Management

Market Environment

In the first half of 2020, with the accelerating reform of the capital market, the secondary markets grew more active, and the stock and mutual fund markets continued to expand. At the same time, as the transformation into NAV-based financial products has further deepened, customers became increasingly interested in asset allocation among various assets including cash management, FICC, equities and funds, which has brought sound opportunities for the development of wealth management business of securities firms.

Actions and Achievements

In the first half of 2020, as market trading activities grew more active, the Company seized the opportunities to consolidate and enhance our position in trading business by leveraging research coverage research, optimizing trading system, expanding distribution and strengthening synergies with product allocation, leading to a significant rebound in our trading market share. In terms of product allocation business, our product sales continued to grow rapidly, and our wealth planning and asset allocation businesses also maintained steady growth. Under the research guidance from the Office of Chief Investment Officer, we continued to provide high net worth clients with asset allocation services of highest standards through family trusts and private accounts. On the other hand, as one of the first batch of securities firms obtaining the qualification for fund investment advisory business, we were actively preparing to launch investment advisory and investment solutions buy-side to the mass affluent customers. In terms of international business, to cope with uncertainties in the global pandemic and the world economy, the Company continued to improve our capabilities in global asset allocation and services in the first half of 2020, and recorded rapid growth in our international wealth management business.

In the first half of 2020, our private wealth management business continued to expand, and provided the Company with long-term stable income driven by asset allocation solutions. In addition, the Company leveraged our network advantages through integration with CICC Wealth Management to expand coverage of the mass affluent customer base, and utilized financial technologies to explore the wealth management service model with the combination of online and offline channels for our mass affluent customer base. As of June 30, 2020, the number of CICC's wealth management customers reached 3,389,550, with total customer assets of RMB2,095,429 million. Among which, there were 21,053 high-net-worth customers, with total assets of RMB483,769 million.

Outlook for the Second Half of 2020

In the second half of 2020, the Company will continue to adhere to the wealth management concepts of providing buy-side investment advisory and asset allocation solutions, and continue to enhance our product sourcing and investment advisory capabilities in line with international service standards. We will seize market opportunities to give full play to our advantages in trading as a securities firm and CICC's investment banking franchise, with the aim to develop a comprehensive customer solution platform integrating trading, capital, asset allocation and investment banking. Moreover, we will continue to deepen our cooperation with Tencent to accelerate digital transformation of our wealth management business, thus constantly improving our digital wealth management platform. Jinteng Technology, our joint venture with Tencent, was officially set up in June.



Management Discussion and Analysis

Research

Our research team covers global markets and serves clients both at home and abroad through the Group's offices and platforms across the world. The scope of our research products and investment analysis ranges from macro economy, market strategy, asset allocation to equities, commodities, and derivatives. As of June 30, 2020, our research team employed more than 100 highly experienced, high-caliber professionals and covered more than 40 sectors as well as over 1,000 stocks listed in the Chinese mainland, Hong Kong SAR, New York, Singapore, Frankfurt and London.

Our Group's Research has won recognition from major domestic and overseas investors for its independent, unbiased and insightful research products. In the first half of 2020, we published 7,500 reports in English and/or Chinese. On the back of our numerous sector and company reports, we also assembled a series of thematic reports, such as *Invest in domestic-demand names amid spread of COVID-19 abroad*, *China promotes establishing a drug traceability system*, *Our thoughts about COVID-19, a once-in-a-century epidemic*, *Fintech: Era of differentiated operations – a perspective of user data*, *10 key questions on China REITs: a regime that needs further refinement*, *Internet celebrity economy revolutionizes consumption*, *Chinese cuisine: Fast-growing segment in China's consumer goods industry*, and *When Chinese families begin to own more financial assets*. These research products show our profound understanding of China. The superior quality and extensive coverage of our research reports have earned us the reputation as the "China Expert".

Management Discussion and Analysis

II. ANALYSIS OF FINANCIAL STATEMENTS

(i) Profitability Analysis of Our Group

The Group's revenue and profit in the first half of 2020 increased significantly compared with those in the corresponding period last year. In particular, the investment banking business and equities business achieved a substantial growth of revenue, and the revenue of investment management business also increased notably.

The Group realized total revenue and other income of RMB14,292.6 million in the first half of 2020, representing an increase of 40.1% compared with that in the first half of 2019. Investment Banking^(note) realized a revenue of RMB2,422.8 million, representing an increase of 134.7% compared with that in the first half of 2019; Equities^(note) realized a revenue of RMB3,151.1 million, representing an increase of 68.2%; FICC^(note) realized a revenue of RMB3,027.6 million, representing an increase of 7.8%; Wealth Management^(note) realized a revenue of RMB3,534.2 million, representing an increase of 16.2%; Investment Management^(note) realized a revenue of RMB1,267.4 million, representing an increase of 47.1%; Others^(note) realized a revenue of RMB889.5 million, representing an increase of 53.2%.

The Group's total expenses amounted to RMB10,493.4 million in the first half of 2020, representing an increase of 33.7% compared with that in the first half of 2019, mainly due to the increase of staff costs.

The Group realized a net profit attributable to shareholders of the Company and holders of other equity instruments of RMB3,051.8 million in the first half of 2020, representing an increase of 62.3% compared with that in the first half of 2019. The Group realized basic earnings per share of RMB0.693, representing an increase of 56.9% compared with that in the first half of 2019. The weighted average return on net assets was 6.2%, representing an increase of 1.8 percentage points compared with that in the first half of 2019.

(ii) Asset Structure and Quality

As of June 30, 2020, the Group's equity attributable to shareholders of the Company and holders of other equity instruments amounted to RMB50,328.7 million, representing an increase of RMB2,034.9 million or 4.2% compared with that at the end of 2019, mainly consisting of the net profit attributable to shareholders of the Company and holders of other equity instruments realized during the Reporting Period.

The Group continuously maintained a relatively stable asset structure, a satisfactory asset quality and a healthy liquidity. As of June 30, 2020, the Group's total assets amounted to RMB438,174.9 million, representing an increase of RMB93,203.7 million or 27.0% compared with that at the end of 2019. Financial assets at fair value through profit or loss and derivative financial assets totaled RMB224,597.8 million, accounting for 51.3% of the total assets; financial assets at fair value through other comprehensive income amounted to RMB37,717.2 million, accounting for 8.6% of the total assets; cash and bank balances amounted to RMB30,787.7 million, accounting for 7.0% of the total assets; receivable from margin clients and reverse REPOs totaled RMB41,836.7 million, accounting for 9.5% of the total assets; interests in associates and joint ventures amounted to RMB1,179.7 million, accounting for 0.3% of the total assets. During the Reporting Period, there was no indication of significant impairment in the Group's assets.

Note: The Group has five principal business segments: Investment Banking, Equities, FICC, Wealth Management and Investment Management. The segment of Others mainly comprises other business departments and back offices. Details about the business segments were set out in "Management Discussion and Analysis – (iv) Operating Revenue and Profit Analysis – 2. Segment Results" of the report.



Management Discussion and Analysis

As of June 30, 2020, the Group's total liabilities amounted to RMB387,597.9 million, representing an increase of RMB91,158.2 million or 30.8% compared with that at the end of 2019. After deducting accounts payable to brokerage clients and to underwriting clients, the total liabilities amounted to RMB322,265.0 million, representing an increase of RMB78,640.6 million or 32.3% compared with that at the end of 2019. REPOs amounted to RMB44,062.2 million, accounting for 11.4% of the total liabilities; debt securities issued totaled RMB122,894.9 million, accounting for 31.7% of the total liabilities; financial liabilities at fair value through profit or loss and derivative financial liabilities totaled RMB49,961.1 million, accounting for 12.9% of the total liabilities; placements from financial institutions amounted to RMB27,090.3 million, accounting for 7.0% of the total liabilities.

The gearing ratio was relatively steady. As of June 30, 2020, excluding the impact of accounts payable to brokerage clients and to underwriting clients, total assets of the Group amounted to RMB372,842.0 million; the gearing ratio was 86.4%, representing an increase of 3.0 percentage points compared with 83.4% at the end of 2019.

(iii) Cash Flows

Excluding the effect of cash held on behalf of clients, the Group's net increase in cash and cash equivalents amounted to RMB6,755.7 million in the first half of 2020, representing an increase of RMB1,699.1 million compared with that in the first half of 2019, mainly due to an increase in net cash generated from financing activities.

In the first half of 2020, net cash used in operating activities by the Group amounted to RMB3,989.5 million, representing an increase of RMB542.6 million compared with that in the first half of 2019, mainly due to an increase in cash outflows caused by the enlarged investment in financial assets at fair value through profit or loss.

In the first half of 2020, net cash used in investing activities by the Group amounted to RMB7,714.4 million and net cash generated from investing activities in the first half of 2019 amounted to RMB1,163.9 million. The variation was primarily a result of the increase in payment for purchase of investments.

In the first half of 2020, net cash generated from financing activities by the Group amounted to RMB18,459.6 million, representing an increase of RMB11,120.1 million compared with that in the first half of 2019, mainly due to an increase in proceeds from issuing corporate bonds.

Management Discussion and Analysis

(iv) Operating Revenue and Profit Analysis

1. Analysis of Items in Statement of Profit or Loss

Summary of Financial Performance

The Group realized a net profit of RMB3,078.8 million in the first half of 2020, representing an increase of 62.1% compared with that in the first half of 2019. The financial performance of the Group are summarized as follows:

Unit: RMB in million

Items	Six months ended June 30, 2020	Six months ended June 30, 2019	Change	% of change
Revenue				
Fee and commission income	6,043.0	4,263.1	1,779.9	41.8%
Interest income	2,500.8	2,419.8	81.0	3.3%
Investment income	5,500.7	3,459.0	2,041.7	59.0%
Total revenue	14,044.4	10,141.9	3,902.5	38.5%
Other income, net	248.2	57.6	190.6	331.1%
Total revenue and other income	14,292.6	10,199.5	4,093.2	40.1%
Total expenses	10,493.4	7,850.5	2,642.9	33.7%
Share of profits of associates and joint ventures	9.5	71.6	(62.2)	(86.8%)
Profit before income tax	3,808.7	2,420.6	1,388.1	57.3%
Income tax expense	729.9	521.3	208.6	40.0%
Profit for the period	3,078.8	1,899.3	1,179.5	62.1%
Attributable to:				
Shareholders of the Company and holders of other equity instruments	3,051.8	1,880.5	1,171.3	62.3%



Management Discussion and Analysis

Revenue Breakdown

In the first half of 2020, the Group's total revenue amounted to RMB14,044.4 million, representing an increase of 38.5% compared with that in the first half of 2019. Of the Group's total revenue, fee and commission income accounted for 43.0%, representing an increase of 1.0 percentage point compared with that in the first half of 2019; interest income accounted for 17.8%, representing a decrease of 6.1 percentage points; investment income accounted for 39.2%, representing an increase of 5.1 percentage points. Breakdown of the Group's revenue for the six months ended June 30, 2020 is listed as follows:

Items	Six months ended June 30, 2020	Six months ended June 30, 2019	Change
Fee and commission income	43.0%	42.0%	Increased by 1.0 percentage point
Interest income	17.8%	23.9%	Decreased by 6.1 percentage points
Investment income	39.2%	34.1%	Increased by 5.1 percentage points
Total	100%	100.0%	

The Group's fee and commission income and investment income in the first half of 2020 increased significantly compared with that in the corresponding period last year, resulting in a smaller proportion of interest income in total revenue.

Management Discussion and Analysis

Fee and Commission Income and Expenses

In the first half of 2020, the Group realized a net fee and commission income of RMB5,237.0 million, representing an increase of 39.5% compared with that in the first half of 2019. Breakdown of the Group's net fee and commission income for the six months ended June 30, 2020 is listed as follows:

Unit: RMB in million

Items	Six months ended June 30, 2020	Six months ended June 30, 2019	Change	% of change
Fee and commission income				
Brokerage commission income	2,633.6	1,991.7	641.8	32.2%
Investment banking income	2,081.2	1,213.8	867.4	71.5%
Underwriting and sponsoring fees				
from equity financing	1,271.7	309.5	962.1	310.9%
Underwriting and sponsoring fees				
from debt and structured financing	542.3	643.8	(101.6)	(15.8%)
Financial advisory fees	267.3	260.5	6.8	2.6%
Asset management fees	1,124.3	829.8	294.5	35.5%
Asset management and mutual funds	487.3	302.3	185.0	61.2%
Private equity investment funds	637.0	527.5	109.5	20.8%
Investment advisory fees	187.4	210.6	(23.2)	(11.0%)
Others	16.4	17.1	(0.7)	(3.9%)
Total fee and commission income	6,043.0	4,263.1	1,779.9	41.8%
Fee and commission expenses	806.0	508.9	297.1	58.4%
Net fee and commission income	5,237.0	3,754.2	1,482.7	39.5%



Management Discussion and Analysis

The respective proportions of the Group's fee and commission income for the six months ended June 30, 2020 are listed as follows:

Items	Six months ended June 30, 2020	Six months ended June 30, 2019	Change
Brokerage commission income	43.6%	46.7%	Decreased by 3.1 percentage points
Investment banking income	34.4%	28.5%	Increased by 6.0 percentage points
Asset management fees	18.6%	19.5%	Decreased by 0.9 percentage point
Investment advisory fees	3.1%	4.9%	Decreased by 1.8 percentage points
Others	0.3%	0.4%	Decreased by 0.1 percentage point
Total	100.0%	100.0%	

Brokerage commission income increased by RMB641.8 million or 32.2% compared with that in the first half of 2019, mainly due to the major stock indices in the mainland China rose on an overall basis in the first half of 2020; at the same time, the average daily trading volume of A-share market increased by 29%, and the average daily turnover of the Hong Kong stock market increased by 20%, compared with those in the corresponding period last year.

Investment banking income increased by RMB867.4 million or 71.5% compared with that in the first half of 2019. Investment banking income included underwriting and sponsoring fees from equity financing and from debt and structured financing and financial advisory fees. The underwriting and sponsoring fees increased by RMB860.6 million or 90.3% compared with that in the first half of 2019, mainly due to a significant increase in the underwriting and sponsoring fees from equity financing. Financial advisory fees increased by RMB6.8 million or 2.6% compared with that in the first half of 2019.

Asset management fees increased by RMB294.5 million or 35.5% compared with that in the first half of 2019, in line with the growth in AUM. Asset management fees consisted of the management fees from asset management business, mutual fund business and private equity investment fund business. In addition to asset management fees, the Group also had a share of profits of associates and joint ventures generated from AUM managed by fund management companies jointly-invested by the Group.

Investment advisory fees decreased by RMB23.2 million or 11.0% compared with that in the first half of 2019, mainly due to a decline in demand for advisory services for trust investments and private equity investments.

Fee and commission expenses increased by RMB297.1 million or 58.4% compared with that in the first half of 2019, in line with the growth of the fee and commission income.

Management Discussion and Analysis

Interest Income and Expenses

In the first half of 2020, the Group incurred net interest expenses of RMB498.7 million, among which interest income amounted to RMB2,500.8 million, representing an increase of 3.3% compared with that in the first half of 2019, and among which interest expenses amounted to RMB2,999.5 million, representing an increase of 8.0% compared with that in the first half of 2019. Breakdown of the Group's interest income and expenses for the six months ended June 30, 2020 is listed as follows:

Unit: RMB in million

Items	Six months ended June 30, 2020	Six months ended June 30, 2019	Change	% of change
Interest income				
Interest income from financial institutions	800.6	695.6	105.0	15.1%
Interest income from margin financing and securities lending	844.7	705.1	139.6	19.8%
Interest income from reverse REPOs	292.1	395.1	(103.1)	(26.1%)
Interest income from financial assets at fair value through other comprehensive income	537.8	613.3	(75.5)	(12.3%)
Others	25.6	10.7	14.9	139.4%
Total interest income	2,500.8	2,419.8	81.0	3.3%
Interest expenses				
Interest expenses on accounts payable to brokerage clients	105.7	84.8	20.9	24.6%
Interest expenses on REPOs	290.7	594.6	(303.9)	(51.1%)
Interest expenses on placements from financial institutions	358.9	355.4	3.5	1.0%
Interest expenses on debt securities issued	1,972.5	1,575.9	396.6	25.2%
Interest expenses on lease liabilities	32.0	34.6	(2.6)	(7.5%)
Others	239.6	132.7	107.0	80.6%
Total interest expenses	2,999.5	2,778.0	221.5	8.0%
Net interest expenses	(498.7)	(358.2)	(140.5)	39.2%



Management Discussion and Analysis

Interest income from financial institutions increased by RMB105.0 million or 15.1% compared with that in the first half of 2019, mainly due to bank balances and cash held on behalf of clients increased as compared with that in the first half of 2019.

Interest income from margin financing and securities lending increased by RMB139.6 million or 19.8% compared with that in the first half of 2019, mainly due to an enlargement of average daily scale of margin financing as a result of increasing financing demands of domestic clients.

Interest income from reverse REPOs decreased by RMB103.1 million or 26.1% compared with that in the first half of 2019, mainly due to a decrease in the interest income from stock pledged repurchase business.

Interest income from financial assets at fair value through other comprehensive income decreased by RMB75.5 million or 12.3% compared with that in the first half of 2019, mainly due to a decrease in the Group's average bond positions in the first half of 2020.

Interest expenses increased by RMB221.5 million or 8.0% compared with that in the first half of 2019, mainly due to an increase in debt financing. During the second half of 2019 and the first half of 2020, in order to meet its business development needs and the regulatory requirements, the Group issued various debt securities including corporate bonds, subordinated bonds, structured notes and USD-denominated medium-term notes, resulting in the corresponding increase in interest expenses.

Management Discussion and Analysis

Investment income

In the first half of 2020, the Group recognized an investment income of RMB5,500.7 million, representing an increase of RMB2,041.7 million or 59.0% compared with that in the corresponding period last year. Breakdown of the Group's investment income for the six months ended June 30, 2020 is listed as follows:

Unit: RMB in million

Items	Six months ended June 30, 2020	Six months ended June 30, 2019	Change	% of change
Investment income				
Net gains from disposal of financial assets at fair value through other comprehensive income	193.8	138.1	55.8	40.4%
Net gains from financial instruments at fair value through profit or loss and derivative financial instruments	5,078.7	3,314.6	1,764.2	53.2%
– Equity investments	2,689.1	1,185.3	1,503.9	126.9%
– Debt investments	1,750.2	1,605.4	144.7	9.0%
– Other investments	639.4	523.9	115.6	22.1%
Others	228.1	6.3	221.8	3,493.0%
Total	5,500.7	3,459.0	2,041.7	59.0%



Management Discussion and Analysis

Net gains from disposal of financial assets at fair value through other comprehensive income amount to RMB193.8 million, representing an increase of RMB55.8 million or 40.4% compared with that in the first half of 2019, mainly due to the increase in gains from disposal of debt investments at fair value through other comprehensive income.

Net gains from financial instruments at fair value through profit or loss and from derivative financial instruments totaled RMB5,078.7 million, representing an increase of RMB1,764.2 million or 53.2% compared with that in the first half of 2019. The net gains were from the following categories of investments:

- Net gains from equity investments represented an increase of RMB1,503.9 million or 126.9% compared with that in the first half of 2019, mainly resulting from the Group's increasing business scale of OTC derivatives and a considerable amount of gains from securities positions held under the following-investment mechanism on science and technology innovation board amid a stock market with an upward trajectory and increasing trading activities in the first half of 2020;
- Net gains from debt investments represented an increase of RMB144.7 million or 9.0% compared with that in the first half of 2019, mainly consisting of the gains from investment in securitized products;
- Net gains from other investments represented an increase of RMB115.6 million or 22.1% compared with that in the first half of 2019, mainly consisting of the gains from investment in fixed-income trusts.

Other investment income amounted to RMB228.1 million, representing an increase of RMB221.8 million or 3,493.0% compared with that in the first half of 2019, mainly consisting of the gains from disposal of long-term equity investment.

Management Discussion and Analysis

Operating Expenses

In the first half of 2020, the Group's operating expenses (excluding fee and commission expenses and interest expenses, the same below) amounted to RMB6,687.9 million, representing an increase of RMB2,124.3 million or 46.5% compared with that in the corresponding period last year. Breakdown of the Group's operating expenses for the six months ended June 30, 2020 is listed as follows:

Unit: RMB in million

Items	Six months	Six months	Change	% of change
	ended June 30, 2020	ended June 30, 2019		
Operating expenses				
Staff costs	5,174.2	3,275.2	1,899.0	58.0%
Depreciation and amortization expenses	490.3	442.1	48.1	10.9%
Tax and surcharges	51.0	35.1	15.9	45.2%
Other operating expenses and costs	805.2	821.7	(16.5)	(2.0%)
Provision for/(reversal of) impairment losses	167.3	(10.5)	177.8	N/A
Total	6,687.9	4,563.6	2,124.3	46.5%

Staff costs increased by RMB1,899.0 million or 58.0% compared with that in the first half of 2019, mainly due to an improvement in the operating results of the Group compared with that in the corresponding period of 2019 and an increase in the number of staff.

Depreciation and amortization expenses increased by RMB48.1 million or 10.9% compared with that in the first half of 2019, mainly due to the increase in the depreciation of right-of-use assets.

Tax and surcharges increased by RMB15.9 million or 45.2% compared with that in the first half of 2019, mainly due to the increase in value-added tax and surcharges resulting from the increase in the taxable revenue in respect of value-added tax.

Other operating expenses and costs decreased by RMB16.5 million or 2.0% compared with that in the first half of 2019.

Management Discussion and Analysis

2. Segment Results

The Group has five principal business segments: Investment Banking, Equities, FICC, Wealth Management and Investment Management. The segment Others mainly comprises other business departments and back offices.

Unit: RMB in million

Items	Six months ended June 30, 2020	Six months ended June 30, 2019	Change	% of change
Investment Banking				
Segment revenue and other income	2,422.8	1,032.4	1,390.4	134.7%
Fee and commission income	1,702.3	814.8	887.5	108.9%
Interest income	25.6	11.9	13.7	115.6%
Investment income	693.8	196.6	497.2	252.9%
Other income, net	1.0	9.1	(8.1)	(88.7%)
Interest expenses	(102.9)	(66.3)	(36.6)	55.1%
Revenue and other income after interest	2,319.9	966.1	1,353.8	140.1%
Non-interest expenses ⁽¹⁾	(1,641.0)	(913.5)	(727.5)	79.6%
Profit before income tax	678.9	52.6	626.3	1,190.4%
Segment margin⁽²⁾	28.0%	5.1%	Increased by 22.9 percentage points	

Fee and commission income of Investment Banking increased notably compared with that in the corresponding period last year, mainly due to a substantial increase in the underwriting fees from A-share equity financing. Investment income grew significantly compared with that in the corresponding period last year, primarily resulting from a substantial increase in the net gains from securities positions held under the following-investment mechanism on science and technology innovation board. The increase in the net gains was attributable to the upward trajectory of stock market in the first half of 2020. Interest income increased notably compared with that in the corresponding period last year, mainly consisting of the interest income from securities lending business on science and technology innovation board.

Management Discussion and Analysis

Items	Six months ended June 30, 2020	Six months ended June 30, 2019	Change	% of change
Equities				
Segment revenue and other income	3,151.1	1,873.5	1,277.6	68.2%
Fee and commission income	993.4	695.6	297.8	42.8%
Interest income	242.3	139.4	102.9	73.8%
Investment income	1,873.1	1,060.8	812.4	76.6%
Other income/(losses), net	42.3	(22.3)	64.6	N/A
Interest expenses	(394.9)	(279.6)	(115.4)	41.3%
Revenue and other income after interest	2,756.2	1,594.0	1,162.2	72.9%
Non-interest expenses ⁽¹⁾	(673.4)	(412.4)	(260.9)	63.3%
Profit before income tax	2,082.8	1,181.5	901.3	76.3%
Segment margin⁽²⁾	66.1%	63.1%	Increased by 3.0 percentage points	

The variation of other income of Equities from the other losses in the first half of 2019 was primarily attributable to the changes in gains and losses from foreign exchange derivatives under the effect of exchange rate fluctuations.



Management Discussion and Analysis

Items	Six months ended June 30, 2020	Six months ended June 30, 2019	Change	% of change
FICC				
Segment revenue and other income	3,027.6	2,808.8	218.9	7.8%
Fee and commission income	355.4	447.7	(92.3)	(20.6%)
Interest income	605.2	683.3	(78.1)	(11.4%)
Investment income	1,974.1	1,634.5	339.6	20.8%
Other income, net	93.0	43.3	49.7	114.8%
Interest expenses	(1,283.3)	(1,537.3)	254.0	(16.5%)
<hr/>				
Revenue and other income after interest	1,744.4	1,271.5	472.9	37.2%
<hr/>				
Non-interest expenses ⁽¹⁾	(443.7)	(329.4)	(114.3)	34.7%
Profit before income tax	1,300.7	942.1	358.6	38.1%
<hr/>				
Segment margin⁽²⁾	43.0%	33.5%	Increased by 9.4 percentage points	

Other income of FICC increased significantly compared with that in the first half of 2019, mainly due to the changes in gains and losses from foreign exchange derivatives under the effect of exchange rate fluctuations.

Management Discussion and Analysis

Items	Six months ended June 30, 2020	Six months ended June 30, 2019	Change	% of change
Investment Management				
Segment revenue and other income	1,267.4	861.6	405.8	47.1%
Fee and commission income	1,063.4	758.9	304.5	40.1%
Interest income	14.0	8.7	5.3	60.9%
Investment income	178.2	79.3	98.9	124.7%
Other income, net	11.8	14.7	(2.9)	(19.9%)
Interest expenses	(55.1)	(56.4)	1.2	(2.2%)
<hr/>				
Revenue and other income after interest	1,212.3	805.2	407.1	50.6%
<hr/>				
Non-interest expenses ⁽¹⁾	(890.3)	(546.3)	(344.0)	63.0%
Share of profits of associates and joint ventures	(2.4)	25.9	(28.2)	N/A
Profit before income tax	319.7	284.8	34.8	12.2%
<hr/>				
Segment margin⁽²⁾	25.2%	33.1%	Decreased by 7.8 percentage points	

Investment income of Investment Management grew notably compared with that in the first half of 2019, mainly due to a substantial increase in the net gains from investments in private equity investment funds.



Management Discussion and Analysis

Items	Six months ended June 30, 2020	Six months ended June 30, 2019	Change	% of change
Wealth Management				
Segment revenue and other income	3,534.2	3,042.8	491.4	16.2%
Fee and commission income	1,927.4	1,536.3	391.1	25.5%
Interest income	1,407.8	1,340.6	67.2	5.0%
Investment income	178.6	168.3	10.3	6.1%
Other income/(losses), net	20.3	(2.4)	22.8	N/A
Interest expenses	(759.0)	(760.9)	1.9	(0.2%)
<hr/>				
Revenue and other income after interest	2,775.1	2,281.9	493.3	21.6%
<hr/>				
Non-interest expenses ⁽¹⁾	(1,645.6)	(1,303.8)	(341.8)	26.2%
Share of profits of associates and joint ventures	0.8	26.0	(25.2)	(96.8%)
Profit before income tax	1,130.4	1,004.0	126.3	12.6%
<hr/>				
Segment margin⁽²⁾	32.0%	33.0%	Decreased by 1.0 percentage point	

The variation of other income of Wealth Management from the other losses in the first half of 2019 was mainly due to an increase in government grants received.

Management Discussion and Analysis

Items	Six months ended June 30, 2020	Six months ended June 30, 2019	Change	% of change
Others⁽³⁾				
Segment revenue and other income	889.5	580.4	309.0	53.2%
Fee and commission income	1.0	9.8	(8.8)	(90.2%)
Interest income	205.9	236.0	(30.0)	(12.7%)
Investment income	602.8	319.5	283.3	88.7%
Other income, net	79.8	15.2	64.6	425.2%
Segment expenses	(2,604.2)	(1,644.8)	(959.5)	58.3%
Share of profits of associates and joint ventures	11.0	19.7	(8.7)	(44.2%)
Loss before income tax	(1,703.8)	(1,044.6)	(659.2)	63.1%

Other income of Others increased significantly compared with that in the first half of 2019, mainly due to the changes in exchange gains and losses arising from exchange rate fluctuations.

- (1) Non-interest expenses include fee and commission expenses, staff costs, depreciation and amortization expenses, tax and surcharges, other operating expenses and costs, and impairment losses.
- (2) Segment margin = profit before income tax/segment revenue and other income.
- (3) The segment margin of Others is not presented because this segment incurred loss before income tax in the relevant periods.



Management Discussion and Analysis

(v) Contingent Liabilities

As of June 30, 2020, CICC Wealth Management, a subsidiary of the Company, held one piece of land for which CICC Wealth Management had obtained the corresponding land use right certificates and construction permits in accordance with PRC laws. By relevant laws and regulations, in the event of delay in commencement of construction, CICC Wealth Management may be subject to an idle land fee of no more than RMB112.2 million (equivalent to 20% of the land transfer fee) and/or to forfeiture of the land use rights. However, if the delay is caused by government actions or other force majeure events, CICC Wealth Management may negotiate with relevant government authorities for postponing the construction and extending the construction period. Up to the date of approving the Group's interim financial report, CICC Wealth Management is still in the negotiation with the relevant government authorities. Whether to pay the idle land fee and the amount of the fee is subject to the decision of the government authorities, and CICC Wealth Management is of the view that the probability of the economic benefit outflow caused by the event is uncertain. As a result, no relevant accrued liabilities were recognised as of June 30, 2020. Up to the date of approving the Group's interim financial report, the construction of the land has not commenced, and the Group has completed the bidding for the constructor and for the building designer of this project and will actively carry forward the construction work thereof.

Except for the above, the Group had no other outstanding matters which had a material impact on its consolidated financial position as of June 30, 2020.

(vi) Pledge of Assets of the Group

The Group has no pledge of assets as of June 30, 2020.

(vii) Income Tax Policy

In accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and the Provisions of Implementation for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), the statutory corporate income tax rate applicable to our Company and our PRC subsidiaries is 25%. Our Hong Kong subsidiaries are subject to a tax rate of 16.5% on their assessable profit. The Company's income tax computation and payment are governed by the Announcement of the State Administration of Taxation on Printing and Distributing the Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by the Enterprises with Trans-regional Operations (《國家稅務總局關於印發〈跨地區經營匯總納稅企業所得稅徵收管理辦法〉的公告》) (Public Notice of the State Administration of Taxation [2012] No.57). During the six months ended June 30, 2020, we had fulfilled all our tax obligations and did not have any unresolved tax disputes with the relevant tax authorities in China or other jurisdictions.

Management Discussion and Analysis

III. SIGNIFICANT INVESTMENT AND FINANCING ACTIVITIES OF THE GROUP

(i) Equity Investment

During the Reporting Period, the Group did not have significant equity investments.

(ii) Equity Financing

References are made to the announcements dated February 28, 2020, April 14, 2020, May 11, 2020 and May 15, 2020, and the circular dated March 30, 2020 published by the Company, which are in relation to (among others) the proposed initial public offering of RMB ordinary shares (A shares) and listing of the Company on the Shanghai Stock Exchange (hereinafter referred to as the “A Share Offering and Listing”). Resolutions regarding the A Share Offering and Listing have been considered and approved at the 2020 Second Extraordinary General Meeting, the 2020 First Domestic Shareholders’ Class Meeting and the 2020 First H Shareholders’ Class Meeting of the Company on April 14, 2020. The A Share Offering and Listing is still subject to approval from the CSRC and other relevant regulatory authorities. Further announcements will be made by the Company in case of any major updates and developments of the A Share Offering and Listing.

Save as disclosed above, the Group had no material equity financing during the Reporting Period.

Management Discussion and Analysis

(iii) Debt Financing

As of June 30, 2020, the Group's outstanding bonds are set out in the table below:

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
Corporate bonds	16 CICC 01	RMB3,000 million	July 18, 2016	July 18, 2021	3.58%	The Company has an option to redeem such bond on July 18, 2019. According to the Company's announcement dated June 28, 2019, the Company announced to waive the option to redeem such bond, and opted to increase the coupon rate from 2.99% to 3.58% for the last two years of the duration of such bond, and hence was obligated to redeem such bond if required by the investors. On July 18, 2019, the Company has redeemed such bond as requested by investors who exercised put options, and the remaining amount of such bond following the redemption was RMB2,876 million
	16 CICC 02	RMB1,000 million	July 18, 2016	July 18, 2023	3.29%	Our Company has an option to redeem such bond on July 18, 2021. If the early-redemption option is not exercised at the end of the fifth year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors
	16 CICC 04	RMB900 million	October 27, 2016	October 27, 2023	3.13%	Our Company has an option to redeem such bond on October 27, 2021. If the early-redemption option is not exercised at the end of the fifth year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors

Management Discussion and Analysis

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
	17 CICC 03	RMB1,000 million	May 8, 2017	May 8, 2022	5.19%	
	17 CICC 04	RMB2,000 million	July 27, 2017	July 27, 2020	4.78%	
	17 CICC 05	RMB2,000 million	October 20, 2017	October 20, 2020	5.13%	
	17 CICC 06	RMB2,500 million	November 21, 2017	November 21, 2020	5.45%	
	18 CICC 02	RMB1,000 million	January 26, 2018	January 26, 2021	5.70%	
	18 CICC 04	RMB1,000 million	April 24, 2018	April 24, 2021	4.94%	
	18 CICC 06	RMB1,000 million	June 28, 2018	June 28, 2021	5.30%	
	19 CICC 04	RMB1,500 million	November 21, 2019	November 21, 2025	3.52%	Our Company has an option to adjust the coupon rate on November 21, 2022 and an obligation to redeem the bonds if required by the investors
	20 CICC F1	RMB4,000 million	February 26, 2020	February 26, 2025	3.20%	Our Company has an option to adjust the coupon rate on February 26, 2023 and an obligation to redeem the bonds if required by the investors
	20 CICC G1	RMB1,500 million	April 3, 2020	April 3, 2026	2.89%	Our Company has an option to adjust the coupon rate on April 3, 2023 and an obligation to redeem the bonds if required by the investors
	20 CICC G2	RMB1,000 million	April 3, 2020	April 3, 2027	3.25%	Our Company has an option to adjust the coupon rate on April 3, 2025 and an obligation to redeem the bonds if required by the investors
Corporate bonds	20 CICC G3	RMB3,300 million	May 6, 2020	May 6, 2026	2.37%	Our Company has an option to adjust the coupon rate on May 6, 2023 and an obligation to redeem the bonds if required by the investors
	20 CICC G4	RMB700 million	May 6, 2020	May 6, 2027	2.88%	Our Company has an option to adjust the coupon rate on May 6, 2025 and an obligation to redeem the bonds if required by the investors
	20 CICC F2	RMB3,000 million	May 28, 2020	May 28, 2025	2.95%	Our Company has an option to adjust the coupon rate on May 28, 2023 and an obligation to redeem the bonds if required by the investors
	20 CICC G5	RMB1,500 million	June 22, 2020	June 22, 2026	3.10%	Our Company has an option to adjust the coupon rate on June 22, 2023 and an obligation to redeem the bonds if required by the investors
	17 CISC F1	RMB3,000 million	July 18, 2017	July 18, 2020	4.95%	
	17 CISC F2	RMB1,000 million	July 18, 2017	July 18, 2022	5.10%	
	18 CISC 01	RMB1,000 million	March 23, 2018	March 23, 2021	5.95%	
	18 CISC 02	RMB2,000 million	September 3, 2018	September 3, 2020	4.72%	
	18 CISC 03	RMB1,000 million	September 21, 2018	September 21, 2021	4.99%	
	19 CISC 01	RMB2,000 million	April 22, 2019	April 22, 2022	4.22%	



Management Discussion and Analysis

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
Corporate bonds	19 CICC Wealth Management 01	RMB3,000 million	October 16, 2019	October 16, 2024	3.58%	Our Company has an option to redeem such bond on October 16, 2022. If the early-redemption option is not exercised at the end of the third year, the Company has an option to adjust the coupon rate and an obligation to redeem such bond if required by the investors
	20 CICC Wealth Management G1	RMB2,000 million	January 16, 2020	January 16, 2025	3.44%	Our Company has an option to redeem such bond on January 16, 2023. If the early-redemption option is not exercised at the end of the third year, the Company has an option to adjust the coupon rate and an obligation to redeem such bond if required by the investors
	20 CICC Wealth Management F1	RMB3,000 million	April 9, 2020	April 9, 2025	3.17%	Our Company has an option to adjust the coupon rate on April 9, 2023 and an obligation to redeem the bonds if required by the investors
Financial bonds	19 CICC Financial Bond 01	RMB2,500 million	August 22, 2019	August 22, 2022	3.39%	
Subordinated bonds	16 CICC C2	RMB3,400 million	December 15, 2016	December 15, 2021	4.60%	
	17 CICC C1	RMB600 million	May 22, 2017	May 22, 2022	5.39%	
	17 CICC C2	RMB1,500 million	July 24, 2017	July 24, 2022	4.98%	
	17 CICC C3	RMB1,500 million	November 16, 2017	November 16, 2022	5.50%	
	18 CICC C1	RMB1,000 million	April 20, 2018	April 20, 2023	5.30%	
	18 CICC C2	RMB1,500 million	August 29, 2018	August 29, 2021	4.70%	
	19 CICC C1	RMB1,500 million	April 19, 2019	April 19, 2022	4.20%	
	19 CICC C3	RMB1,500 million	October 14, 2019	October 14, 2024	4.09%	
	19 CICC C4	RMB1,500 million	November 11, 2019	November 11, 2024	4.12%	
	19 CICC C5	RMB2,000 million	December 5, 2019	December 5, 2024	4.20%	
	20 CICC C1	RMB1,500 million	February 17, 2020	February 17, 2025	3.85%	
	17 CISC 02	RMB1,800 million	February 23, 2017	February 23, 2022	5.00%	
	19 CISC C1	RMB3,000 million	April 25, 2019	April 25, 2022	4.50%	
	20 CICC Wealth Management C1	RMB2,000 million	April 17, 2020	April 17, 2025	3.80%	
	16 CICC Futures	RMB100 million	December 16, 2016	December 16, 2024	Bearing an interest rate of 5.00% per annum in the first five years; 8.00% from the sixth to eighth year	CICC Futures has an option to redeem such bond on December 16, 2021

Management Discussion and Analysis

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
Notes payable	The three-year USD-denominated US\$600 million guaranteed notes with floating rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US\$600 million	April 25, 2018	April 25, 2021, or interest payment date nearest to April 25, 2021	3-month USD LIBOR rate +1.20%	
	The three-year USD-denominated US\$400 million guaranteed notes with floating rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US\$400 million	September 11, 2018	September 11, 2021, or interest payment date nearest to September 11, 2021	3-month USD LIBOR rate +1.20%	
	The three-year USD-denominated US\$700 million guaranteed notes with floating rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US\$700 million	May 3, 2019	May 3, 2022, or interest payment date falling nearest to May 3, 2022	3-month USD LIBOR rate +1.175%	
	The three-year USD-denominated US\$300 million guaranteed notes with fixed rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US\$300 million	May 3, 2019	May 3, 2022	3.375%	



Management Discussion and Analysis

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
	The three-year USD-denominated US\$1 billion guaranteed notes with floating rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US\$1,000 million	February 18, 2020	February 18, 2023, or interest payment date nearest to February 18, 2023	3-month USD LIBOR rate +0.9%	

Furthermore, during the six months ended June 30, 2020, the Group completed 831 issuances of beneficiary certificates, with an aggregate issuance size of RMB29,246.4 million. As of June 30, 2020, the balance of principal amount of the Group's beneficiary certificates amounted to RMB16,783.3 million. As of June 30, 2020, the balance of bank borrowings and overdrafts of the Group's subsidiaries in Hong Kong amounted to approximately HKD80.0 million, USD526.0 million and RMB2,953.0 million.

As of June 30, 2020, the Group completed the issuance of 11 tranches of corporate bonds and zero tranche of financial bonds, with an aggregate issuance size of RMB 23,500 million.

Management Discussion and Analysis

IV. RISK MANAGEMENT

Overview

Our Group has always believed that risk management creates value. The risk management of our Group aims to effectively allocate risk-based capital, limit risks to a controllable level, maximize the corporate value and constantly solidify the foundation for the steady and sustainable development of our Group. Our Group has sound corporate governance, effective risk management measures and a strict internal control system.

Pursuant to the relevant laws and regulations and regulatory requirements, our Group has established a sound governance structure. The general meeting, the Board of Directors and the Supervisory Committee of our Company perform duties in accordance with the “Company Law”, the “Securities Law”, the “Guidance for the Internal Control of Securities Companies” (《證券公司內部控制指引》), the “Norms for the Comprehensive Risk Management of Securities Companies” (《證券公司全面風險管理規範》) and the Articles of Association and supervise and manage the business operations of our Group. Through enhancing and improving the internal control structure, compliance and risk management culture, the Board of Directors has made internal control and risk management an essential aspect of the business operation management of our Group.

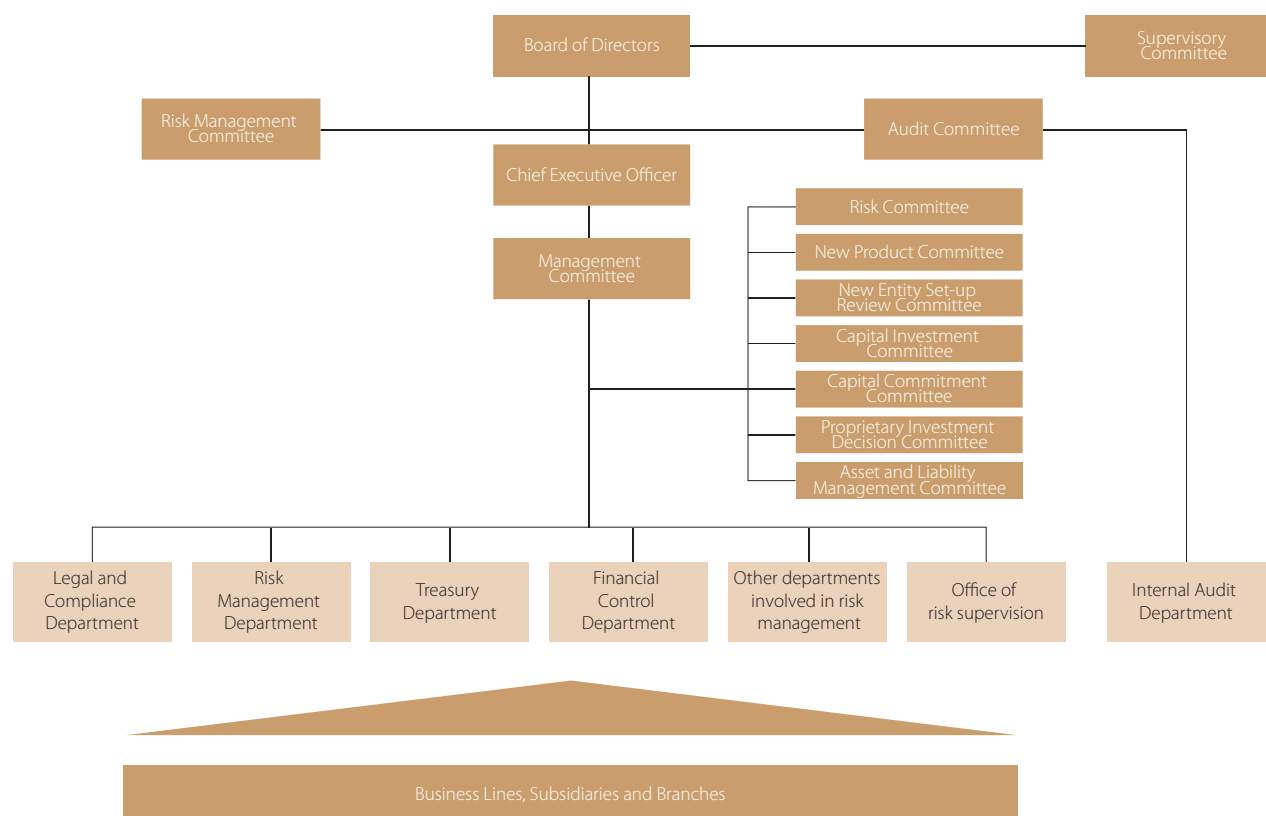
Risk Management Framework

The Group has established a multi-level risk management organizational structure which comprises the Board of Directors, the Supervisory Committee, senior management, independent departments performing risk management functions, business departments and branches, of which, (i) the Board of Directors is the top level of our Company’s risk management and internal control governance structure and is responsible for facilitating the enforcement of the firmwide risk management culture and reviewing and approving the overall risk management goals, risk appetite, risk tolerance, important risk limits and the risk management policy of our Company. The Board of Directors performs its risk management duties primarily through the Risk Management Committee and the Audit Committee; (ii) the Supervisory Committee assumes the supervision duty on the effectiveness

of the overall risk management of our Company, and supervises and inspects the fulfillment of the risk management duties performed by the Board of Directors and the Management Committee, and reviews the rectification of risk management deficiencies and findings; (iii) under the Board of Directors, our Company has established the Management Committee chaired by the Chief Executive Officer. The Management Committee determines the risk appetite of our Company in accordance with the overall risk management goals set by the Board of Directors and assumes the major responsibility of ensuring the effectiveness of the overall risk management of our Company; (iv) the Risk Committee established under the Management Committee reports risk issues to the Management Committee and significant risk matters to the Risk Management Committee under the Board of Directors. The Chief Operating Officer is the chairman of the Risk Committee, and the Chief Risk Officer and Chief Compliance Officer are the co-executive chairmen of the Risk Committee. Other members include the Chief Financial Officer, heads of each of the business departments and heads of independent departments performing risk management functions. There are New Product Committee, New Entity Set-Up Review Committee, Capital Investment Committee, Capital Commitment Committee, Proprietary Investment Decision Committee and Asset and Liability Management Committee under Management Committee, which perform their duties in respect of new business/new product approval, branch set-up and approval, approval of capital contribution from owned funds, risk control of issuance and underwriting in investment banking business, management of investment decision-making process of proprietary business, management of assets and liabilities of the Company and etc.; (v) independent departments performing risk management functions, including internal control departments such as Risk Management Department, Legal and Compliance Department, Treasury Department, Financial Control Department, Operations Department, Information Technology Department and Public Relations Department, coordinate to manage various risks based on their respective perspectives; and (vi) heads of business departments and branches take the primary responsibility for the effectiveness of risk management. During our daily business operations, all staff involved in business operations in our business departments and branches are required to perform risk management functions.

Management Discussion and Analysis

The organizational structure of our Group's risk management is shown in the following chart:



Risk to Our Group's Business Activities and Management Measures

Risks related to business activities of our Group mainly include market risk, credit risk, liquidity risk, operational risk, IT risk, compliance risk, legal risk and reputational risk, etc. Our Group proactively responded to risks through effective risk management measures, which generally prevented the occurrence of significant risk events and ensured the stable development of the business operation of our Group. During the Reporting Period, the business of our Group operated steadily and all risks were managed within a controllable and tolerable level.

In the first half of 2020, China has orderly accelerated the resumption of work, production and business after bringing the coronavirus outbreak largely under control within its borders. Macro policies to shore up the economy started to take effect. The GDP returned to growth in the second quarter and reverted from the contraction in the first quarter this year. The overall economy demonstrated a momentum of gradual recovery. However, the outlook of the global pandemic was subject to great uncertainty, and the internal and external environment was still complex and severe, the cross-market, cross-industry and cross-sector risk contagion in financial markets had become increasingly prominent. The potential risks of the whole market were increasing, especially credit risks, market risks and liquidity risks. Subject to the effect of the pandemic, domestic and foreign capital markets environment, the Group's risk management encountered greater pressure. In the first half of 2020, the Group aligned business planning and risk appetite, and continued to improve the development of a comprehensive risk management framework in terms of risk culture, risk management

Management Discussion and Analysis

structure and procedures, risk management and control measures, and continuous evaluation and improvement of risk management based on the risk management strategy. The Group adhered to the risk management and control requirements of “full coverage, looking through, and full cycle”, and continuously strengthened the integrated vertical risk management system covering its subsidiaries and branches. Through joint efforts on risk management control of three lines of defense, the Group actively identified, prudently evaluated, dynamically monitored, timely reported and proactively tackled with risks. The Group continued to enhance risk management capabilities, review the multi-dimensional and multi-level risk limits framework, improved the management mechanism and processes from a forward-looking perspective, and improve risk management and control of the same business and the same customer, to promote the optimization and sustainable development of our business models. During the Reporting Period, the Group prevented the occurrence of significant risk events and large losses, and the overall risks were managed within a controllable and tolerable level.

During the Reporting Period, the Group continued to enhance risk management of the same business and the same customer. The Group formulated identification standards for the same business to implement relatively consistent risk management standards and measures for the same business and to identify, assess, measure, monitor and aggregate risks of the same business within the Group in a unified manner. The Group also formulated identification standards for the same customer to enhance standardized and regulated management of information of the same customer and to aggregate and monitor the business transactions in various business lines of the Group with the same customer, which will be implemented throughout all key links of business. At the same time, the Group managed relevant risks of customers identified as related parties in a unified manner.

Market Risk

Market risk refers to risks of changes in the fair value of financial assets held by our Group resulting from the fluctuations in equity prices, interest rates, exchange rates and commodity prices, etc.

Our Group has adopted the following measures to manage market risk:

- Business departments of our Group, as the first line of defense, dynamically manage market risk of exposures by way of diversifying risk exposures, controlling the size of positions and utilizing hedging instruments;
- The Risk Management Department of our Group independently assesses, monitors and manages the overall market risk of our Group with the following measures. The market risk management mainly includes risk measurement, limit formulation and risk monitoring:
 - Our Group measures market risk mainly by means of Value at Risk (VaR) analysis, stress tests and sensitivity analysis, etc. VaR is a major tool for our Group to measure and monitor market risk. VaR measures the potential maximum loss to an asset portfolio by changes in market risk factors at a certain confidence level within a certain holding period. Our Group computes the single day VaR at a confidence level of 95% by adopting a historical simulation method based on three years of historical data and examines the effectiveness of the model through the method of back testing on a regular basis. Meanwhile, our Group adopts stress test to complement the VaR analysis and measures whether the investment loss of our Group is within the scope of the risk tolerance when market risk factors such as equity prices, interest rates, exchange rates and commodity prices undergo extreme changes. In addition, in respect of sensitivity factors of different assets, our Group measures the impact of changes in specific factors on the value of assets by calculating the corresponding sensitivity indicators.

Management Discussion and Analysis

- Our Group has formulated a risk limit indicator framework. Risk limit is a mean for controlling risks and also represents the risk appetite and risk tolerance of our Group. Our Group sets appropriate market risk limits based on the business nature, such as notional limit, VaR limit, concentration limit, sensitivity limit, stress test limit and stop-loss limit, etc.
- Our Group monitors risk limit usage in real time or on a daily basis. The Risk Management Department prepares daily risk reports to monitor the usage of limits and submits them to the management and business departments. When the limit usage triggers the warning line, the Risk Management Department will issue a warning notice to business departments. Once the risk indicators exceed the limits, business departments shall report reasons of the breach and measures to be taken to the Chief Risk Officer or his authorized person and shall be responsible for reducing the risk exposure to a level within the limits in a given time frame. If this cannot be achieved, they are required to apply to the Chief Risk Officer or his authorized person for a temporary increase in limit. If necessary, the Chief Risk Officer will submit a request to the management.

Value at Risk (VaR)

Our Group sets the total VaR limit of our investment portfolio and VaR limits for different business lines. The Risk Management Department computes and monitors VaRs of these financial instruments on a daily basis to ensure the daily VaRs are maintained within limits. The following table sets forth the computed VaRs and diversification effect of the Group by risk categories (equity prices, Interest rates, currency rates and commodity prices) as of the dates and for the periods as indicated: (i) the daily VaRs as of the end of the respective period; (ii) the averages of daily VaRs during the respective period; and (iii) the highest and lowest daily VaRs during the respective period.

The Group

(RMB in million)	June 30, 2020	December 31, 2019	Six months ended June 30, 2020			Twelve months ended December 31, 2019		
			Average	Highest	Lowest	Average	Highest	Lowest
Equity prices ⁽¹⁾	167.6	30.9	97.0	167.6	32.8	27.3	63.3	8.3
Interest rates ⁽²⁾	48.4	36.6	39.8	48.7	29.8	53.2	63.9	35.4
Currency rates ⁽³⁾	38.7	33.9	36.2	43.5	30.8	32.0	43.0	10.5
Commodity prices ⁽⁴⁾	0.9	3.8	1.2	5.3	0.3	1.4	6.3	0.0
Diversification effect	(78.7)	(47.4)	(59.4)	(43.0)	(84.0)	(44.2)	(19.6)	(67.1)
Total portfolio	176.8	57.9	114.7	176.8	62.4	69.7	98.1	50.7

Notes:

- (1) including equities and the price-sensitive portion of derivative products
- (2) including fixed income products and the interest-rate sensitive portion of derivative products
- (3) including financial products subject to exchange rate changes (including derivative products)
- (4) including commodity and the price-sensitive portion of derivative products

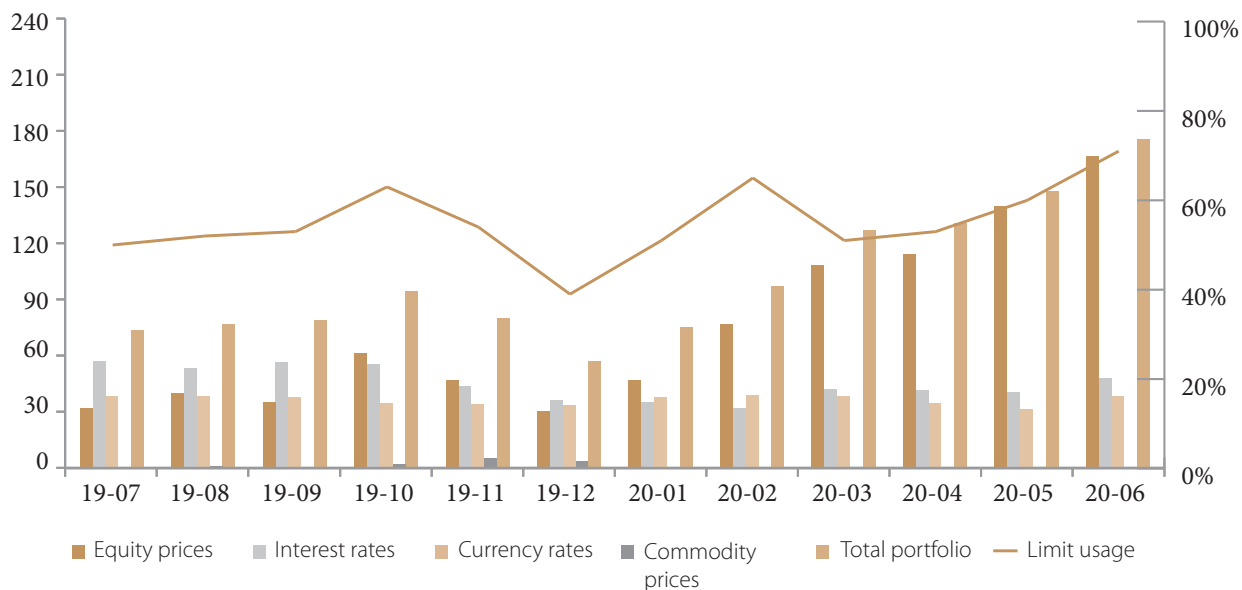


Management Discussion and Analysis

The chart below sets forth the VaRs by risk categories of the Group as of the end of each month over the past year:

Monthly VaR Chart

**VaR or VaR limit
(RMB in million)**





Management Discussion and Analysis

During the Reporting Period, our Group conducted foreign exchange risk management for offshore assets, measuring risk exposures and monitoring risk limit utilizations on a daily basis. The foreign exchange risk exposures were managed by adjusting currency positions and using foreign exchange derivatives as hedging instruments.

During the Reporting Period, our Group closely monitored domestic and overseas market conditions and business risks. Coping with interest rate swings in both domestic and overseas markets, our Group hedged the interest rate risk for the fixed-income portfolio by using treasury bond futures, interest rate swaps, etc.

Credit Risk

Credit risk refers to the risk resulting from defaults or deterioration in creditworthiness of counterparties, financing parties and securities issuers.

Bond Investments Business

Our Group emphasizes the diversification level of the fixed income credit products and the credit products invested are those predominantly with relatively high credit ratings. Our Group controls its market risk and credit risk exposures by setting up limits on investment size, product types, credit ratings and concentrations, and closely monitors and tracks bond issuers' business performance and credit profiles so as to constantly evaluate and warn any credit deterioration.

During the Reporting Period when bond defaults were rising, FICC closely collaborated with the Risk Management Department and identified, assessed, monitored and managed credit risk related to bond investments. As a result, the Group avoided material losses during the Reporting Period through effective risk management measures.

Management Discussion and Analysis

The Group	As of June 30, 2020 (RMB in million)		
	Position	DV01	Spread DV01
Outside mainland China (by international rating agencies) ⁽¹⁾			
– AAA	35.3	0.03	0.03
– AA- to AA+	–	–	–
– A- to A+	3,186.2	0.61	0.68
– below A-	14,532.7	1.78	1.80
Sub-total	17,754.2	2.42	2.52
Mainland China (by domestic rating agencies) ⁽¹⁾	–	–	–
– AAA	77,161.2	13.42	11.73
– AA- to AA+	5,659.4	0.74	0.74
– A- to A+	1,090.4	0.09	0.09
– below A-	536.1	0.06	0.06
Sub-total	84,447.0	14.31	12.63
– Non-rated ⁽²⁾	7,208.2	3.44	–
– Non-rated ⁽³⁾	13,379.3	0.17	0.17
Total	122,788.8	20.34	15.31

Notes:

The Risk Management Department uses DV01 and Spread DV01 to measure the interest rate sensitivity and credit spread sensitivity of bonds. DV01 measures the change in the value of interest rate sensitive products for each parallel movement of one basis point in a market interest rate curve. Spread DV01 measures the change in the value of credit spread sensitive products for each parallel movement of one basis point in the credit spread.

- (1) The Group refers the credit ratings of its debt securities to the credit ratings of the debt securities or the debt securities' issuers from Bloomberg comprehensive ratings or the local major rating agencies.
- (2) These non-rated financial assets mainly include government bonds, central bank bills and policy financial bonds.
- (3) These non-rated financial assets are mainly other debt instruments and trading securities which are not rated by independent rating agencies.



Management Discussion and Analysis

Capital Business

For the credit risks of margin financing and securities lending business, stock-based lending business and other capital businesses, our Group has established a comprehensive and robust risk control system, including the customers' creditworthiness assessment, collateral management, underlying securities management, risk limit management, margin ratio monitoring, mandatory liquidation, etc. Our Group attaches considerable importance to customers' on-boarding and has established and implemented a strict customer selection and credit assessment mechanism, under which the branches are responsible for preliminary assessment of the customers' credit profile by collecting customers' basic information, financial status, securities investment experience, credit record and risk tolerance. The information of the customers that has passed the preliminary assessment will be submitted to the relevant business departments at the headquarters for further review, which, if qualified, will then be submitted to the Risk Management Department for formal approval, which will conduct an independent assessment of the customers' qualifications, and determine their credit ratings and credit limits.

During the Reporting Period, no significant losses were incurred in the Group's margin financing and securities lending business and stock-based lending business. Our Group primarily controlled the risks of margin financing and securities lending business and stock-based lending business by the following measures:

Margin Financing and Securities Lending Business

During the Reporting Period, our Group strictly controlled the concentrations of single customer and single underlying security, closely monitored and assessed accounts with higher collateral concentration and riskier investment portfolio, timely communicated with the customers and promptly took corresponding measures to mitigate such risks; our Group attached considerable importance to collateral management and dynamically adjusted the scope and haircuts of the collaterals; we prudently reviewed and approved business

extension by considering the following factors, i.e., the concentration and risk condition of the investment portfolio, and the collateral ratio of the existing deal; our Group also conducted regular and irregular stress testing and closely monitored customers with high risks.

Stock-based Lending Business

During the Reporting Period, our Group exercised strict control over the onboarding and approval of the stock-based lending deals, and has taken effective risk control measures, including, but not limited to, strengthening deal risk assessment and management, evaluating the risks by the customers' creditworthiness and fundamentals of the pledged securities (including the pledge ratio of the large shareholder, pledge ratio of all shareholders, liquidity and trading suspension records, shareholder structure, capital status of the controlling shareholder, potential delisting risk and negative news), carefully determining the loan-to-value ratio, as well as exercising strict control over the financing amount of the customers who are subject to shareholding reduction restriction; our Group strictly controlled single security concentration, established a security blacklist mechanism, and managed the overall exposure of a single security within the Group. In addition, our Group strengthened the on-site due diligence investigation, assessment and analysis of the pledged securities and clients with large financing demand, and raised the approval requirements to ensure risks were managed at a controllable level.

Meanwhile, our Group continuously monitored the risks of the outstanding contracts, conducted regular and irregular stress testing, and classified deals into different risk status and kept key track of the deals with potential high risks; we maintained close monitoring and regular assessment of the customers' credit risk with large financing amount, and maintained dynamic monitoring of the pledged securities, continuously tracked the fundamentals and security price fluctuations of large deals, and if any abnormal circumstances identified on the pledged security, our Group will ensure the risk precautions are in place, and corresponding measures are taken promptly.

Management Discussion and Analysis

Margin Financing and Securities Lending Business

The following table sets forth the balance of margin financing and securities lending, market value of collaterals, and collateral ratio data of the margin financing and securities lending business of the Group:

Unit: RMB in million

Items	As of June 30, 2020	As of December 31, 2019
Amounts of margin financing and securities lending	30,150.2	24,131.5
Market value of collaterals	84,582.3	69,650.7
Collateral ratio	280.5%	288.6%

Note: The collateral ratio is calculated as the ratio of the client's total account assets balance (including cash and securities held) to the client's balance of margin loans and securities borrowed from our Group (i.e. the sum of margin loans extended, the securities sold short and any accrued interests and fees).

As of June 30, 2020, the collateral ratio of the margin financing and securities lending business of the Group was 280.5%. Assuming that the market value of all securities as collaterals of the Group's margin financing and securities lending business declined by 10% and 20% respectively, and the liabilities of securities lending business increased by 10% and 20% respectively, the collateral ratio of the Group's margin financing and securities lending business as of June 30, 2020, would have been 249.8% and 220.9% respectively.

Stock-based Lending Business

The following table sets forth the lending amount, market value of collaterals, and collateral ratio data of the stock-based lending business of the Group:

Unit: RMB in million

Items	As of June 30, 2020	As of December 31, 2019
Amounts of stock-based lending	7,961.4	7,712.5
Market value of collaterals	26,036.2	22,958.9
Collateral ratio	327.0%	297.7%

Note: The collateral ratio refers to the ratio of the total market value of the pledged collateral and its yields to the client's total amount payable to our Group.



Management Discussion and Analysis

Liquidity Risk

Liquidity risk refers to the risks arising from our Group's inability to obtain sufficient funds at reasonable costs in a timely manner to settle debts due, fulfill other payment obligations, and satisfy the funding needs in conducting normal business operations.

Our Group implements vertical and centralized management on liquidity risks of all domestic and overseas branches and subsidiaries. Our Group has adopted the following measures to manage liquidity risk:

- Closely monitoring balance sheets of our Group and its branches and subsidiaries, and managing liquidity gaps between assets and liabilities;
- Setting liquidity risk limits based on our Group's overall situation and regulatory requirement;
- Conducting cash flow forecast and liquidity risk stress test on a regular and irregular basis to analyze and assess our liquidity risk exposure;
- Maintaining adequate high-quality liquid assets and establishing liquidity contingency plan for potential liquidity emergencies.

In order to withstand the potential liquidity risk and satisfy the short-term liquidity needs, our Group constantly holds sufficient unsecured and high-quality liquid assets as its liquidity reserves. The liquidity reserves are held by the Treasury Department and are managed independently from business departments. Our Group vertically manages the liquidity reserves to ensure the allocation efficiency of the liquidity reserves. Meanwhile, due to the liquidity transfer restrictions between entities and regions, the liquidity reserves are held in various currencies and maintained within the Company and its major operating subsidiaries, ensuring that the liquidity requirements of different entities are met in a timely manner. The size and composition of the liquidity

reserves are actively managed by our Group based on the consideration of factors including, but not limited to, funding maturity profile, balance sheet size and composition, business and operational capital requirements, stress test results, and regulatory requirements. Our Group strictly limits the liquidity reserves to high-quality liquid assets (including cash and cash equivalents, interest rate bonds and money market funds) and sets risk limits.

Our Group constantly broadens and diversifies its funding channels to optimize the liability structure. The funding instruments of our Group include corporate bonds, medium term note program, syndication loan, short-term commercial papers, beneficiary certificates, income right transfer, inter-bank borrowing, REPOs, etc. Our Group maintains good relationship with major commercial banks and had sufficient bank credit to meet the funding requirement for business development. As of the Latest Practicable Date, as assessed by China Chengxin Securities Rating Co., Ltd (中誠信證券評估有限公司) and China Chengxin International Credit Rating Company Limited (中誠信國際信用評級有限責任公司), the credit rating of our Company was AAA and the rating outlook was stable. As of the Latest Practicable Date, as assessed by Standard & Poor's, the long-term rating of the Group was BBB, the short-term rating was A-2 and the rating outlook is stable. As assessed by Moody's, the long-term rating of the Group was Baa1, the short-term rating was P-2 and the rating outlook was stable. As assessed by Fitch, the long-term rating of the Group was BBB+, the short-term rating was F2 and the rating outlook was stable. During the Reporting Period, there was no substantial change in terms of substance and type of liquidity risks exposed to our Group. Our Group's liquidity risk management was sound, the liquid reserve was sufficient, and the liquidity risk was under control.

During the Reporting Period, the regulatory indicator of liquidity risk management of our Company continued to comply with the regulatory requirements. As of June 30, 2020, the liquidity coverage ratio and the net stable funding ratio of our Company were 241.3% and 130.4%, respectively.

Management Discussion and Analysis

Operational Risk

Operational risk refers to the risks of losses resulting from failed or defective internal procedures, IT systems, human factors and external events. Operational risk can occur in all business operations and daily operations of the Company, which may eventually lead to other risks such as legal risk, compliance risk and reputational risk.

Our Group has adopted the following measures to manage operational risk:

- Cultivating the operational risk consciousness of all staffs and strengthening employees' attention to operational risks in business processes;
- Establishing a transparent organizational structure with a proper decision-making mechanism and defining the responsibilities of the management and control of business processes;
- Implementing checks and balances and mature business and internal control policies and procedures and executing them in a strict way;
- Conducting risk pre-assessment and follow-up review on new business and new products;
- Applying operational risk loss data collection, risk and control self-assessment, and key risk indicators to identify, assess, monitor, and respond to operational risks;
- Clarifying the communicating, reporting and processing mechanisms for operational risk information;
- Establishing a business continuity plan to ensure business continuity in the event of sudden business disruptions.

During the Reporting Period, there was no substantial change in nature and extent of operational risks exposed to our Group. Our Group continued to strengthen the operational risk management by enhancing IT systems and streamlining business procedures. Through developing business-related IT systems and optimizing and standardizing business procedures, our Group further improved the operation efficiency and reduced operational risk.

IT Risk

IT risk refers to the operational, legal and reputational risks arising from natural disasters, human factors, technology vulnerabilities and management deficiencies in the course of carrying out business activities or providing services by means of information technology.

The Group has adopted the following measures to control and prevent IT risks:

- Keeping information technology consistent with business goals through establishing an effective IT governance framework;
- Clarifying at the policy level the division of responsibilities of the three lines of defense in IT risk management, defining and regulating management strategies and methods through formulating the information technology risk management policy;
- Taking risk assessment and monitoring as two important measures, continuously improving the capability of IT risk management: conducting IT risk assessment, fully identifying and analyzing the risks, evaluating the possibility and potential impact of the risks, and implementing risk prevention measures; through the development of the key IT risk indicator framework and monitoring system, monitoring and timely reporting key risk indicators at various level;
- Ensuring the reliability, integrity, availability and maintainability of information system through the management process of initialization, approval and control of IT projects;



Management Discussion and Analysis

- Establishing information security management system, formulating and implementing information security plan, monitoring information security threats;
- Establishing a data governance framework to ensure unified management, sustainable controllability and storage safety of data;
- Tracking, responding to, analyzing and dealing with problems of information system and emergencies of information technology through establishing an effective process to manage problems; through establishing an IT emergency management system, formulating an emergency plan, carrying out emergency drills, and evaluating and improving IT emergency management process, to ensure that the system can support the Company's business operations in a continuous and steady manner.
- Our Group controls the circulation of sensitive information by monitoring compliance information flows and establishing dynamic information barrier walls, with the aim to prevent risks of insider trading and manage conflicts of interest;
- Our Group has established a sound internal control system for anti-money laundering to fulfill our responsibilities for client identification and classification of client risk level. We identify and analyze suspicious transactions and promptly report to the regulators where necessary;
- Our Group undertakes compliance reviews in accordance with applicable laws and regulations, other regulatory documents, self-regulatory rules, industry norms and our internal policies, to monitor the compliance of our business operations and employee activities and identify and manage compliance risks in a proactive manner;

Compliance Risk

Compliance risk refers to the risk of legal sanctions, regulatory actions, loss of property or damage to our reputation because of the violation of laws, regulations, industry self-regulatory rules or our internal policies arising from our operations and management activities or employee behavior.

Our Group has mainly adopted the following measures to manage and prevent compliance risk:

- Our Group formulates and updates our compliance policies and procedures in accordance with changes in laws, regulations and industry norms;
- Our Group conducts compliance reviews for new businesses. Our professional compliance team is responsible for examining new businesses and providing compliance advice. We implement effective compliance risk management measures at an early stage of new businesses;
- Our Group adopts various means to cultivate a compliance culture with each business line, functional department and branch and provide compliance training to our employees to improve their compliance awareness;
- Our Group has established an internal accountability system in respect of employees' violations of laws and regulations and internal policies to impose applicable punishments on offenders.

During the Reporting Period, there was no substantial change in nature and extent of compliance risks exposed to our Group.

Management Discussion and Analysis

Legal Risk

Legal risk refers to the possible risk of economic loss or damage to our Group's reputation resulting from breach of contracts, infringement-related disputes, litigation or other legal disputes. Our Group manages, controls and prevents legal risks mainly through the following measures:

- Our Group continuously enhances our internal policies and business procedures from a legal perspective to ensure that our operations and management satisfy the requirements of applicable laws and regulations;
- Our Group formulates templates for various business contracts and requires our business departments to use our in-house templates to the fullest extent. We also review contracts drafted or provided by counterparties prior to entering into such contracts to mitigate the legal risk associated with performing such contracts;
- Our Group conducts legal training to enhance our employees' legal awareness;
- The application, maintenance and protection of our trademarks, protection of our goodwill and trade secrets and taking actions against behaviors that harms our reputation or interests;
- Our Group takes active measures to mitigate legal risks when disputes and litigation arise.

During the Reporting Period, there was no material change in the nature and extent of legal risks of our Group or in our ability to respond to legal risks.

Reputational Risk

Reputational risk refers to the risk of negative comments on our Group caused by our Group's operational activities, business management and other actions as well as external events. Reputational risk can occur in all business areas and activities, and our Group assesses and manages reputational risk across all areas such as operation management, business activities and employee behaviors.

Our Group has mainly adopted the following measures to manage and prevent reputational risk:

- All business departments take measures to prevent and control reputational risks across important business activities and processes, and strictly follow "Know your Customers (KYC)" principle, enhance project due diligence and quality control, as well as timely prevent and deal with potential reputational risk;
- Reinforcing the firmwide culture of risk awareness for all employees and enhancing the professional ethics of employees through policy making and employee training; and any employee who causes a significant reputational loss to our Group due to any misconduct or improper behavior will be subject to disciplinary actions;
- The Public Relations Department manages the overall reputational risk of our Group by public opinion monitoring, media communications, media management, and takes proper actions to intervene in a timely manner according to the severity of events, and releases or communicates with media the correct information and stance related to our Group, so as to lead correct and objective public opinion and further prevent the spread of inaccurate and false information in public environment.



Other Events

I. INTERIM DIVIDEND

The Board of Directors did not recommend to declare any interim dividend for the six months ended June 30, 2020 to the Shareholders.

II. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF OUR COMPANY AND ITS ASSOCIATED CORPORATIONS

As of June 30, 2020, the interests or short positions of the Directors, Supervisors and chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by our Company under section 352 of the SFO, or as otherwise notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Name of Director/ Supervisor/chief executive	Class of shares	Capacity	Number of securities/Type of shares held	Approximate percentage of shareholding in the total share capital of the Company	Approximate percentage of shareholding in the relevant class of shares
Huang Zhaohui	H Shares	Others (Note 1)	7,002,199/ Long positions	0.160%	0.368%
Siu Wai Keung	H Shares	Beneficial owner	100,000/ Long positions	0.002%	0.005%

Note:

(1) Mr. Huang Zhaohui indirectly holds interests through subscription of fund and asset management scheme.

Other Events

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

As of June 30, 2020, none of the Directors, Supervisors or their respective spouses or minor children were granted with rights or had exercised any such rights to acquire benefits by means of acquisition of Shares or debentures of the Company. Neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors, Supervisors or their respective spouses or minor children to acquire such rights from any other body corporate.

IV. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As of June 30, 2020, to the knowledge of the Company and the Directors after making reasonable inquiries, the following persons (other than the Directors, Supervisors or chief executive of the Company as disclosed above) have interests or short positions in shares or underlying shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and have recorded in the register required to be maintained by the Company under Section 336 of the SFO:

Name of Shareholders	Class of shares	Capacity	Number of securities/Type of shares held	Approximate percentage of shareholding in the total share capital of the Company	Approximate percentage of shareholding in the relevant class of shares
Huijin (Note 1)	Domestic Shares	Beneficial owner	1,936,155,680/ Long positions	44.319%	78.547%
		Interests of controlled corporation	2,734,800/ Long positions	0.063%	0.111%
Haier Group Corporation (Note 2)	Domestic Shares	Interests of controlled corporation	398,500,000/ Long positions	9.122%	16.167%
Tencent Holdings (Note 3)	H Shares	Interests of controlled corporation	216,249,059/ Long positions	4.950%	11.359%
Alibaba Group Holding Limited (Note 4)	H Shares	Interests of controlled corporation	202,844,235/ Long positions	4.643%	10.655%
I&G (Note 5)	Domestic Shares	Beneficial owner	127,562,960/ Long positions	2.920%	5.175%
CCM Trust (Cayman) Limited (Note 6)	H Shares	Interests of controlled corporation	129,859,265/ Long positions	2.973%	6.821%



Other Events

Notes:

- (1) Each of Jianyin Investment, JIC Investment and China Investment Consulting is wholly-owned by Huijin. Therefore, Huijin is deemed to be interested in 2,734,800 Domestic Shares held by Jianyin Investment, JIC Investment and China Investment Consulting for the purpose of the SFO.
- (2) As at June 30, 2020, each of Haier Electric International Co., Ltd. (as the sole member of Haier Group (Qingdao) Financial Holdings Ltd.), Qingdao Haichuangke Management Consulting Enterprise (Limited Partnership) (holding 48.8% interest in Haier Electric International Co., Ltd.), Haier Group Corporation (holding 51.2% interest in Haier Electric International Co., Ltd.) and Qingdao Haichuangke Investment Management Co., Ltd. (as general partner of Qingdao Haichuangke Management Consulting Enterprise (Limited Partnership) and a member holding its 10% interest) is deemed to be interested in the Domestic Shares held by Haier Group (Qingdao) Financial Holdings Ltd. under the SFO.
- (3) As at June 30, 2020, Tencent Mobility Limited, directly interested in 216,249,059 H Shares, is a corporation controlled by Tencent Holdings, which is therefore deemed to be interested in the H Shares held by Tencent Mobility Limited.
- (4) As at June 30, 2020, Des Voeux Investment Company Limited held 202,844,235 H Shares of the Company. Des Voeux Investment Company Limited is wholly-owned by Alibaba Group Treasury Limited, which is wholly-owned by Alibaba Group Holding Limited. Therefore, Alibaba Group Treasury Limited and Alibaba Group Holding Limited are deemed to be interested in 202,844,235 H Shares held by Des Voeux Investment Company Limited under the SFO.
- (5) As at June 30, 2020, State Development & Investment Corp., Ltd. (國家開發投資集團有限公司), a PRC state-owned enterprise, holds approximately 47.20% shares of I&G and is therefore deemed to be interested in the Domestic Shares held by I&G under the SFO.
- (6) As of June 30, 2020, CCM Trust (Cayman) Limited is deemed to be interested in 122,559,265 H Shares held by Mingly since CCM Trust (Cayman) Limited directly or indirectly owns 87.5% interest in aggregate in Mingly. CCM Trust (Cayman) Limited is also deemed to be interested in 7,300,000 H Shares through its indirectly controlled corporation, CMC Master Offshore Fund, L.P., since it indirectly owns 51.10% interest in CMC Master Offshore Fund, L.P. CCM Trust (Cayman) Limited is deemed to be interested in those shares as trustee of certain but not identical discretionary trusts of which the members of the classes of discretionary beneficiaries comprise the late Dr. Cha Chi Ming's issue.

Other Events

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

During the Reporting Period, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's securities.

VI. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company strictly complied with the 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.

VII. COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms no less exacting than the required standard set out in the Model Code. The Company has made specific enquiries to all Directors and Supervisors concerning the compliance with the Model Code. All Directors and Supervisors confirmed that they had strictly observed all standards set out in the Company's code of conduct regarding Directors' and Supervisors' securities transactions during the Reporting Period.

VIII. AUDIT

The 2020 interim financial report of the Company is unaudited. The Audit Committee under the Board of Directors has reviewed the unaudited interim financial report of the Company for the six months ended June 30, 2020, and did not raise any objection to the accounting policy and practices adopted by the Company. The external auditor of the Company has reviewed the interim financial report of the Company for the six months ended June 30, 2020 in accordance with Hong Kong Standard on Review Engagements 2410.

IX. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group did not have any material litigation or arbitration.



Other Events

X. CHANGE IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(i) Change in Directors and Composition of Board Committees

With the approval of the Company's first extraordinary general meeting in 2020 held on February 28, 2020, the second session of the Board of the Company was established. Mr. Shen Rujun, Mr. Huang Hao, Ms. Xiong Lianhua, Ms. Tan Lixia and Mr. Duan Wenwu were appointed as the non-executive Directors of the Company; Mr. Huang Zhaohui was appointed as the executive Director of the Company; Mr. Liu Li, Mr. Siu Wai Keung, Mr. Ben Shenglin and Mr. Peter Hugh Nolan were appointed as the independent non-executive Directors of the Company. At the same time, Mr. Bi Mingjian ceased to serve as an executive Director of the Company; Ms. Zhao Haiying, Mr. David Bonderman, Mr. Liu Haifeng David, Mr. Shi Jun and Mr. Cha Mou Daid Johnson ceased to serve as non-executive Directors of the Company; and Mr. Edwin Roca Lim ceased to serve as an independent non-executive Director of the Company. The term of office of the second session of the Board of Directors is three years from February 28, 2020. Details of the foregoing changes were disclosed in the announcement dated December 30, 2019 and the circular dated January 3, 2020, which is in relation to, among other things, election of new session of the Board of Directors as published by the Company.

On February 28, 2020, the Board of Directors elected Mr. Shen Rujun as the Chairman of the second session of the Board of Directors of the Company. He will serve as the Chairman of Board of Directors for the same term of office as his service as the Director. On the same day, after consideration and approval by the Board of Directors, the chairmen and compositions of the special committees of the second session of the Board of Directors are as follows:

1. The members of the Strategy Committee are Mr. Shen Rujun, Mr. Huang Zhaohui, Mr. Huang Hao, Ms. Xiong Lianhua, Ms. Tan Lixia, Mr. Duan Wenwu, and the chairman is Mr. Shen Rujun;
2. The members of the Remuneration Committee are Ms. Tan Lixia, Mr. Siu Wai Keung, Mr. Ben Shenglin, Mr. Peter Hugh Nolan, and the chairman is Mr. Peter Hugh Nolan;
3. The members of the Nomination and Corporate Governance Committee are Mr. Shen Rujun, Mr. Huang Hao, Mr. Liu Li, Mr. Ben Shenglin, Mr. Peter Hugh Nolan, and the chairman is Mr. Liu Li;
4. The members of the Audit Committee are Mr. Huang Hao, Ms. Xiong Lianhua, Mr. Liu Li, Mr. Siu Wai Keung, Mr. Ben Shenglin, and the chairman is Mr. Siu Wai Keung;
5. The members of the Risk Management Committee are Mr. Huang Zhaohui, Ms. Xiong Lianhua, Mr. Duan Wenwu, Mr. Liu Li, Mr. Siu Wai Keung, Mr. Ben Shenglin, and the chairman is Mr. Ben Shenglin.

The terms of office of the members of the special committees of the second session of the Board of Directors are the same as those of their service as Directors. The aforesaid details of the change were disclosed in the announcement dated February 28, 2020 relating to, among other things, the election of the Chairman and members of the special committees of the Board of Directors as published by the Company.

Other Events

(ii) Change in Supervisors

With the approval of the Company's 2020 First Extraordinary General Meeting held on February 28, 2020, the second session of the Supervisory Committee of the Company was established. Mr. Jin Lizuo and Mr. Cui Zheng were appointed as the non-employee representative Supervisors of the Company, who jointly composed the second session of the Supervisory Committee of the Company together with Mr. Gao Tao, the employee representative Supervisor elected at the 2019 First Employees' Representative Meeting of the Company. At the same time, Mr. Liu Haoling ceased to serve as a Supervisor of the Company. The term of office of the second session of the Supervisory Committee is three years from February 28, 2020. Details of the foregoing changes were disclosed in the announcement dated December 30, 2019 and the circular dated January 3, 2020, which is in relation to, among other things, election of new session of the Supervisory Committee as published by the Company.

On February 28, 2020, the Supervisory Committee elected Mr. Gao Tao as the Chairman of the second session of the Supervisory Committee of the Company. He will serve as the Chairman of the Supervisory Committee for the same term of office as his service as employee representative Supervisor. Details of the foregoing change were disclosed in the announcement dated February 28, 2020, which is in relation to, among other things, the election of the Chairman of the Supervisory Committee as published by the Company.

(iii) Change in Biographies of Directors and Supervisors

Mr. Shen Rujun has served as the executive director of China Investment Corporation since June 2020. The updated biography of Mr. Shen is as follows:

Mr. Shen Rujun (沈如軍), aged 56, has been appointed as the Chairman of our Company since August 2019, and serves as the Executive Director and Executive Vice President of China Investment Corporation as well as the Vice Chairman, Executive Director and President of Huijin Company. Mr. Shen successively served as the Deputy Section Chief, Section Chief, and Deputy Director of the Accounting Division, as well as Deputy Director (in charge of the work) and Director of the Planning Division of Jiangsu Branch of Industrial and Commercial Bank of China Limited (hereinafter referred to as "ICBC"), a company listed on the Shanghai Stock Exchange (Stock Code: 601398) and the Hong Kong Stock Exchange (Stock Code: 01398), from December 1984 to December 1998. He served as the Vice General Manager of the Planning and Finance Department of ICBC from December 1998 to November 2003; Vice President of ICBC Beijing Branch from November 2003 to July 2008; General Manager of the Finance and Accounting Department of ICBC from July 2008 to November 2013; and President of ICBC Shandong Branch from November 2013 to March 2015. Mr. Shen served as the Vice President of Bank of Communications Co., Ltd. (hereinafter referred to as "Bank of Communications"), a company listed on the Shanghai Stock Exchange (Stock Code: 601328) and the Hong Kong Stock Exchange (Stock Code: 03328), from March 2015 to June 2018; and Vice President and Executive Director of Bank of Communications from June 2018 to October 2018. Mr. Shen obtained his doctoral degree from School of Technology and Economics of Hohai University in 2001.



Other Events

Mr. Huang Hao has ceased to serve as a deputy director of the Leading Group Office of the Directly Managed Enterprise/Equity Management Department II of Huijin since April 2020, and has served as the director of the General Management Department of Huijin since then. The updated biography of Mr. Huang is as follows:

Mr. Huang Hao (黃昊), aged 47, has been appointed as a Director of the Company since February 2020 and serves as the director of the General Management Department of Huijin. Mr. Huang joined Huijin in February 2005, and successively served as the deputy director of the Capital Market Department, the deputy director and division director of the Equity Management Office of the China Development Bank of the General Department, managing director and deputy director of Securities Institution Management Department, the deputy director of the Securities Institution Management Department/Insurance Institution Management Department, and the deputy director of the Leading Group Office of the Directly Managed Enterprise/Equity Management Department II of Huijin. He served as a director of Guotai Junan Securities Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 601211) and the Hong Kong Stock Exchange (Stock Code: 02611), from September 2005 to January 2013, a director of China Development Bank and concurrently served as a director of China Development Bank Capital Co., Ltd. from April 2012 to October 2017. Mr. Huang successively served as the senior staff member, assistant researcher and concurrently served as the Youth League Secretary of the Policy Research Division in the State Administration of Foreign Exchange from July 1999 to February 2005. Mr. Huang obtained a bachelor's degree in economics from Zhejiang University in July 1996, a master's degree in management from Tsinghua University in May 1999, and a doctoral degree in economics from the Finance Research Institute of People's Bank of China in July 2011.

Ms. Xiong Lianhua has ceased to serve as a non-executive director of New China Life Insurance Company Ltd. and a director of New China Asset Management Co., Ltd.* (新華資產管理股份有限公司) since August 2020. The updated biography of Ms. Xiong is as follows:

Ms. Xiong Lianhua (熊蓮花), aged 52, has been appointed as a Director of the Company since February 2020 and has been working in Huijin since January 2012. Ms. Xiong worked at Huangshi Sub-branch of Bank of Communications in Hubei province from October 1990 to September 1993. From July 1995 to December 2011, she successively served as a deputy division director, division director and an inspector of deputy-bureau-level of the People's Bank of China. She served as a director candidate and a division director of the General Management Department of Huijin from January 2012 to December 2012 and a director of China Export & Credit Insurance Corporation* (中國出口信用保險公司) from December 2012 to July 2019. She served as a non-executive director of New China Life Insurance Company Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 601336) and the Hong Kong Stock Exchange (Stock Code: 01336) and a director of New China Asset Management Co., Ltd.* (新華資產管理股份有限公司) from July 2017 to August 2020. Ms. Xiong obtained a bachelor's degree in international finance from Wuhan University in July 1990, and a master's degree in monetary banking from Renmin University of China in June 1995.

Other Events

Mr. Duan Wenwu has served as the Chairman of I&G from May 2020 and has ceased to serve as the Chairman of Rongshi International Holding Company Limited since June 2020. The updated biography of Mr. Duan is as follows:

Mr. Duan Wenwu (段文務), aged 51, a senior accountant, has been appointed as a Director of the Company since February 2020. Mr. Duan has served as the Chairman of I&G (NEEQ: 834777) from May 2020, General Manager of I&G from April 2019 and Chairman of SDIC Financial Leasing Co., Ltd. from March 2015. Mr. Duan served as the Deputy Manager and Financial Chief of Yunnan Dachaoshan Hydropower Co., Ltd. Dachao Industrial Company from July 1998 to December 1998, and successively served as Deputy Manager, Manager of the Finance Department, Deputy Chief Accountant, Chief Accountant and Deputy Manager of Yunnan Dachaoshan Hydropower Co., Ltd. (later renamed as SDIC Yunnan Dachaoshan Hydropower Co., Ltd.) from December 1998 to May 2008. Mr. Duan served as an assistant to the director of Finance and Accounting Department of State Development and Investment Corporation (later renamed as State Development & Investment Corp., Ltd.) from May 2008 to November 2008, Deputy General Manager of SDIC Finance Co., Ltd. from November 2008 to August 2010, Deputy Director of Finance and Accounting Department of State Development and Investment Corporation from August 2010 to August 2014, Director and Deputy General Manager of China National Complete Plant Import and Export Group Corporation Limited from March 2013 to August 2014, Director of Finance and Accounting Department and Director of the Finance Department of State Development and Investment Corporation from August 2014 to August 2016 and from August 2016 to May 2017, respectively, Chairman of Rongshi International Holding Company Limited from December 2016 to June 2020, General Manager of SDIC Essence Co., Ltd. (later renamed as SDIC Capital Co., Ltd.), a company listed on the Shanghai Stock Exchange (Stock Code: 600061), from May 2017 to December 2017, General Manager of SDIC Capital Co., Ltd. from December 2017 to March 2018, Director of Essence Securities Co., Ltd. from December 2017 to January 2019, and Chairman of SDIC Finance Co., Ltd. from March 2018 to April 2019. Mr. Duan obtained a bachelor's degree in economics from Xiamen University in July 1990, and a master's degree in business administration from Jiangxi University of Finance and Economics in January 2003.



Other Events

Mr. Siu Wai Keung has ceased to serve as the independent non-executive director of CGN Power Co., Ltd. since August 2020. The updated biography of Mr. Siu is as follows:

Mr. Siu Wai Keung (蕭偉強), aged 66, (former name: Francis Siu Wai Keung), has been appointed as a Director of our Company since May 2015. He served for KPMG for approximately 30 years, where he provided professional services to clients from various industries. He joined KPMG Manchester, England in 1979 and was transferred to Hong Kong in May 1986 and became a partner of KPMG Hong Kong in July 1993. From October 2000 to March 2002, he was a senior partner of KPMG Huazhen LLP Shanghai Office. Prior to his retirement in March 2010, he was a senior partner of KPMG Huazhen LLP Beijing Office and North China. He has extensive experience in providing audit services for PRC and overseas companies, and has a sound knowledge of advising on foreign direct investment in the PRC. Mr. Siu currently serves as an independent non-executive director of Guoco Land Limited, a company listed on the Singapore Exchange (Stock Code: F17), since December 2010, an independent non-executive director of CITIC Limited, a company listed on Hong Kong Stock Exchange (Stock Code: 267), since May 2011, an independent non-executive director of China Communications Services Corporation Limited, a company listed on Hong Kong Stock Exchange (Stock Code: 552), since June 2012, an independent director of Beijing Gao Hua Securities Company Limited since June 2015, and an independent non-executive director of BHG Retail Trust Management Pte. Ltd., since November 2015. Mr. Siu also served as an independent non-executive director of CGN Power Co., Ltd., a company listed on Hong Kong Stock Exchange (Stock Code: 1816) and the Shenzhen Stock Exchange (Stock Code: 003816), from March 2014 to August 2020. Mr. Siu has been a fellow member of the ICAEW and the HKICPA since July 1994 and September 1993. He obtained a bachelor's degree in economics and accounting and financial management from The University of Sheffield, the United Kingdom, in July 1979.

Other Events

Mr. Ben Shenglin has ceased to serve as an independent director of Bank of Ningbo Co., Ltd. since February 2020 and an independent non-executive director of Tsingtao Brewery Co., Ltd. since June 2020, and has served as a supervisor of China Construction Bank Corporation since June 2020. The updated biography of Mr. Ben is as follows:

Mr. Ben Shenglin (賁聖林), aged 54, has been appointed as a Director of our Company since May 2015. He held several positions in ABN Amro in China and London, including leadership roles such as senior vice president and general manager of working capital business in China from September 1994 to January 2005. He served at HSBC from February 2005 to March 2010, successively as China country head and managing director of financial institutions, and China country head of commercial banking. From April 2010 to April 2014, he was with JP Morgan Chase as a member of the global leadership team at global corporate bank and the chief executive officer of J.P. Morgan Chase Bank (China). Mr. Ben currently serves as an independent director of Wuchan Zhongda Group Co., Ltd. (物產中大集團股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600704), since February 2016, a supervisor of Industrial Bank Co., Ltd. (興業銀行股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 601166), since December 2016, and a supervisor of China Construction Bank Corporation, a company listed on the Shanghai Stock Exchange (Stock Code: 601939) and Hong Kong Stock Exchange (Stock Code: 939), since June 2020. Mr. Ben has also served as an independent director of Bank of Ningbo Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 2142), from September 2014 to February 2020, an independent non-executive director of Tsingtao Brewery Co., Ltd., a company listed on Hong Kong Stock Exchange (Stock Code: 168), from June 2014 to June 2020. Mr. Ben joined Zhejiang University since May 2014 and currently serves as a full-time professor and doctoral advisor. He is also the dean of Academy of Internet Finance since April 2015, the dean of the International Business School since October 2018, and the co-director of Zhejiang University- Ant FinTech Research Center since November 2019. He also currently serves as an executive director of the International Monetary Institute in Renmin University of China since January 2014 and the co-director thereof since July 2018, the dean of Zhejiang Institute of Innovations since April 2018, a counsellor of the Zhejiang People's Government since August 2014, a member of Zhejiang Provincial Committee of the Chinese People's Political and Consultative Conference and Vice Commissioner of Economic Policy Committee since January 2018, the Joint Chairman of Zhejiang Association of Internet Finance since September 2015, a member of the Guangdong Financial Experts Advisory Committee since November 2017, a member of the International Cooperation Committee of the All-China Federation of Industry and Commerce since December 2018 and an expert specially invited by the FinTech Cooperation Committee of the Asian Financial Cooperation Association since July 2019. Mr. Ben obtained a bachelor's degree in engineering from Tsinghua University in July 1987, a master's degree in economics specializing in industrial enterprise management from Renmin University of China in March 1990 and a doctoral degree in economics from Purdue University, the United States, in August 1994.

The biographies of other Directors and Supervisors were disclosed in the 2019 Annual Report dated April 24, 2020 as published by the Company.



Other Events

(iv) Change in Senior Management

The Board of Directors considered and approved to appoint Mr. Wang Sheng as a member of the Management Committee of the Company, responsible for the investment banking business, with effect from March 30, 2020. On the same day, Mr. Wang Sheng ceased to serve as the Assistant President of the Company.

The Board of Directors considered and approved to appoint Mr. Xu Yicheng as the Assistant President of the Company, responsible for the asset management business, with effect from March 30, 2020.

The Board of Directors considered and approved to appoint Mr. Sun Nan as the Secretary to the Board of Directors and Joint Company Secretary of the Company, with effect from May 8, 2020. On the same day, Mr. Xu Yicheng ceased to serve as the Secretary to the Board of Directors and Joint Company Secretary of the Company.

Due to personal career planning, Ms. Liang Hong resigned from her position as a member of the Management Committee of the Company, with effect from April 27, 2020.

Due to personal career planning, Mr. Cheng Qiang resigned from his position as a member of the Management Committee of the Company, with effect from May 13, 2020.

On account of the age, Mr. Ding Wei and Mr. Lu Xu resigned from the positions as a member of the Management Committee and the Chief Information Officer of the Company, respectively, with effect from July 27, 2020.

Save from the above-mentioned changes, there has been no other change in Directors, Supervisors and senior management of our Company as of the Latest Practicable Date.

XI. EMPLOYEES AND REMUNERATION

As at June 30, 2020, we had 8,255 employees, among whom 7,650 employees were based in the Mainland China and 605 employees were based in Hong Kong SAR, Singapore, the United States, the United Kingdom and Germany, representing 93% and 7%, respectively, of the total number of our employees. Approximately 40% and 45% of our employees had obtained bachelor's degrees or master's degrees and above, respectively. Moreover, approximately 28% of our employees and 45% of our managing directors had overseas education or working experience.

During the Reporting Period, there was no change in the remuneration policy and training plans of the Company. For related information, please refer to "Directors, Supervisors, Senior Management and Employees" in the 2019 Annual Report of the Company.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF CHINA INTERNATIONAL CAPITAL CORPORATION LIMITED

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

Introduction

We have reviewed the condensed consolidated financial statements of China International Capital Corporation Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 73 to 164, which comprise the condensed consolidated statement of financial position as at 30 June 2020 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, China

17 August 2020

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020 (Expressed in Renminbi ("RMB"), unless otherwise stated)

	Notes	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Revenue:			
Fee and commission income	7	6,042,978,417	4,263,118,847
Interest income	8	2,500,774,036	2,419,798,688
Investment income	9	5,500,668,577	3,458,967,557
Total revenue		14,044,421,030	10,141,885,092
Other income, net	10	248,188,821	57,565,546
Total revenue and other income		14,292,609,851	10,199,450,638
Expenses:			
Fee and commission expenses	11	806,017,646	508,891,194
Interest expenses	12	2,999,459,061	2,777,987,316
Staff costs	13	5,174,227,245	3,275,248,272
Depreciation and amortisation expenses	14	490,257,928	442,130,914
Tax and surcharges		50,954,462	35,104,042
Other operating expenses and costs	15	805,199,302	821,666,631
Provision for/(reversal of) impairment losses under expected credit loss model	16	167,261,838	(10,516,274)
Total expenses		10,493,377,482	7,850,512,095
Operating profit		3,799,232,369	2,348,938,543
Share of profits of associates and joint ventures		9,457,408	71,613,532
Profit before income tax		3,808,689,777	2,420,552,075
Less: Income tax expense	17	729,936,340	521,293,232
Profit for the period		3,078,753,437	1,899,258,843
Attributable to:			
Shareholders of the Company and holders of other equity instruments	18	3,051,785,319	1,880,477,236
Non-controlling interests		26,968,118	18,781,607
Basic earnings per share (in RMB per share)	18	0.69	0.44

The notes on pages 83 to 164 form part of this interim financial report.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Profit for the period	3,078,753,437	1,899,258,843
Other comprehensive income for the period		
Items that may be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
– Net gains from changes in fair value	103,004,113	203,276,498
– Provision for expected credit losses	3,725,209	4,872,520
– Tax effect	20,199,271	15,006,335
– Net gains transferred to profit or loss on disposals	(193,818,347)	(138,060,377)
Interests in associates and joint ventures:		
– Share of other comprehensive income	101,571	(108,584)
Foreign currency translation difference of financial statements of overseas subsidiaries	106,922,023	31,195,223
Total other comprehensive income for the period, net of income tax	40,133,840	116,181,615
Total comprehensive income for the period	3,118,887,277	2,015,440,458
Attributable to:		
Shareholders of the Company and holders of other equity instruments	3,091,919,159	1,996,658,851
Non-controlling interests	26,968,118	18,781,607

The notes on pages 83 to 164 form part of this interim financial report.

Condensed Consolidated Statement of Financial Position

As at 30 June 2020 (Expressed in RMB, unless otherwise stated)

	Notes	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Non-current assets:			
Property and equipment	19	687,256,741	729,506,720
Right-of-use assets	20	2,445,579,781	2,603,508,871
Goodwill	21	1,582,678,646	1,582,678,646
Intangible assets	22	281,561,449	285,100,659
Interests in associates and joint ventures		1,179,745,347	1,168,476,657
Financial assets at fair value through profit or loss	23	5,037,013,090	3,719,607,275
Financial assets held under resale agreements (“reverse REPOs”)	24	583,996,432	241,608,278
Refundable deposits	25	8,902,555,603	6,502,093,854
Deferred tax assets	26	1,153,773,961	1,089,945,732
Other non-current assets	27	457,650,770	1,315,599,799
Total non-current assets		22,311,811,820	19,238,126,491
Current assets:			
Accounts receivable	28	27,021,831,947	17,876,559,376
Receivable from margin clients	29	25,566,704,172	23,189,950,890
Financial assets at fair value through other comprehensive income	30	37,717,197,920	28,985,823,339
Financial assets at fair value through profit or loss	23	211,276,119,252	164,472,286,846
Reverse REPOs	24	15,685,980,423	14,057,328,635
Derivative financial assets	31	8,284,659,311	4,502,204,258
Cash held on behalf of clients	32	59,083,112,133	48,458,799,900
Cash and bank balances	33	30,787,652,295	23,958,928,670
Other current assets		439,863,965	231,234,510
Total current assets		415,863,121,418	325,733,116,424
Total assets		438,174,933,238	344,971,242,915

The notes on pages 83 to 164 form part of this interim financial report.

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2020 (Expressed in RMB, unless otherwise stated)

	Notes	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Current liabilities:			
Financial liabilities at fair value through profit or loss	35	37,078,908,216	26,570,318,854
Derivative financial liabilities	31	12,882,161,405	6,362,192,001
Accounts payable to brokerage clients	36	64,522,364,872	48,337,872,171
Placements from financial institutions	37	27,090,288,663	24,082,382,130
Short-term debt securities issued	38	20,332,448,671	21,240,334,869
Financial assets sold under repurchase agreements (“REPOs”)	39	44,062,238,103	24,708,257,231
Employee benefits payable		4,603,481,844	4,843,433,026
Income tax payable		672,641,800	991,893,266
Long-term debt securities issued due within one year	40	23,156,288,841	21,806,085,676
Lease liabilities		470,559,855	487,672,398
Contract liabilities	41	465,806,666	339,489,435
Other current liabilities	42	70,623,709,361	56,957,135,623
Total current liabilities		305,960,898,297	236,727,066,680
Net current assets		109,902,223,121	89,006,049,744
Total assets less current liabilities		132,214,034,941	108,244,176,235
Non-current liabilities:			
Non-current employee benefits payable		762,573,528	636,478,779
Long-term debt securities issued	40	79,406,157,452	57,585,268,714
Deferred tax liabilities	26	433,048,884	361,389,177
Lease liabilities		880,328,801	972,322,130
Other non-current liabilities		154,938,000	157,182,000
Total non-current liabilities		81,637,046,665	59,712,640,800
Net assets		50,576,988,276	48,531,535,435

The notes on pages 83 to 164 form part of this interim financial report.



Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2020 (Expressed in RMB, unless otherwise stated)

	Notes	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Equity:			
Share capital	43	4,368,667,868	4,368,667,868
Other equity instruments	44	–	1,000,000,000
Reserves	43	31,195,526,590	31,144,523,534
Retained profits		14,764,524,043	11,780,607,940
Total equity attributable to shareholders of the Company and holders of other equity instruments		50,328,718,501	48,293,799,342
Non-controlling interests		248,269,775	237,736,093
Total equity		50,576,988,276	48,531,535,435

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 17 August 2020.

Shen Rujun
Chairman of Board

Huang Zhaohui
Chief Executive Officer

Company chop

The notes on pages 83 to 164 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

	Attributable to shareholders of the Company and holders of other equity instruments										
	Share capital (Note 43(a))	Other equity instruments (Note 44)	Capital reserve (Note 43(b))	Surplus reserve (Note 43(b))	Reserves			Retained profits	Subtotal	Non-controlling interests	Total equity
					General reserves (Note 43(b))	Investment revaluation reserve (Note 43(b))	Foreign currency translation reserve (Note 43(b))				
At 1 January 2020	4,368,667,868	1,000,000,000	26,931,646,975	736,558,479	3,201,193,156	191,007,682	84,117,242	11,780,607,940	48,293,799,342	237,736,093	48,531,535,435
Changes in equity for the six months ended 30 June 2020											
Profit for the period	-	-	-	-	-	-	-	3,051,785,319	3,051,785,319	26,968,118	3,078,753,437
Other comprehensive income for the period	-	-	-	-	-	(66,788,183)	106,922,023	-	40,133,840	-	40,133,840
Total comprehensive income for the period	-	-	-	-	-	(66,788,183)	106,922,023	3,051,785,319	3,091,919,159	26,968,118	3,118,887,277
Appropriation to general reserves	-	-	-	-	10,869,216	-	-	(10,869,216)	-	-	-
Distributions to holders of perpetual subordinated bonds	-	-	-	-	-	-	-	(57,000,000)	(57,000,000)	-	(57,000,000)
Dividends to shareholders	-	-	-	-	-	-	-	-	-	(15,431,034)	(15,431,034)
Redemption of perpetual subordinated bonds	-	(1,000,000,000)	-	-	-	-	-	-	(1,000,000,000)	-	(1,000,000,000)
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	-	(1,003,402)	(1,003,402)
At 30 June 2020 (Unaudited)	4,368,667,868	-	26,931,646,975	736,558,479	3,212,062,372	124,219,499	191,039,265	14,764,524,043	50,328,718,501	248,269,775	50,576,988,276

The notes on pages 83 to 164 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

	Attributable to shareholders of the Company and holders of other equity instruments										
	Share capital (Note 43(a))	Other equity instruments (Note 44)	Capital reserve (Note 43(b))	Surplus reserve (Note 43(b))	Reserves			Retained profits	Subtotal	Non-controlling interests	Total equity
					General reserves (Note 43(b))	Investment revaluation reserve (Note 43(b))	Foreign currency translation reserve (Note 43(b))				
At 1 January 2019	4,192,667,868	1,000,000,000	24,822,602,955	532,495,676	2,547,710,127	41,820,298	(81,034,461)	9,127,261,314	42,183,523,777	193,212,800	42,376,736,577
Changes in equity for the six months ended 30 June 2019											
Profit for the period	-	-	-	-	-	-	-	1,880,477,236	1,880,477,236	18,781,607	1,899,258,843
Other comprehensive income for the period	-	-	-	-	-	84,986,392	31,195,223	-	116,181,615	-	116,181,615
Total comprehensive income for the period	-	-	-	-	-	84,986,392	31,195,223	1,880,477,236	1,996,658,851	18,781,607	2,015,440,458
Appropriation to general reserves	-	-	-	-	32,562,077	-	-	(32,562,077)	-	-	-
Distributions to holders of perpetual subordinated bonds	-	-	-	-	-	-	-	(57,000,000)	(57,000,000)	-	(57,000,000)
Dividends to shareholders of the Company	-	-	-	-	-	-	-	(670,826,859)	(670,826,859)	-	(670,826,859)
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	-	(8,996,185)	(8,996,185)
At 30 June 2019 (Unaudited)	4,192,667,868	1,000,000,000	24,822,602,955	532,495,676	2,580,272,204	126,806,690	(49,839,238)	10,247,349,614	43,452,355,769	202,998,222	43,655,353,991

The notes on pages 83 to 164 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities:		
Profit before income tax	3,808,689,777	2,420,552,075
Adjustments for:		
Net interest expenses on debt securities issued and others	2,050,354,006	1,659,893,771
Depreciation and amortisation expenses	490,257,928	442,130,914
Provision for/(reversal of) credit impairment losses	167,261,838	(10,516,274)
Net losses on disposal of property, equipment and other assets	977,879	2,706,865
Foreign exchange (gains)/losses	(168,201,790)	8,803,838
Losses on changes in fair value of financial instruments at fair value through profit or loss	2,092,233,502	851,433,917
Interest income from financial assets at fair value through other comprehensive income	(537,783,518)	(613,316,721)
Dividend income from investments in financial assets, and share of profits of associates and joint ventures	(38,774,247)	(95,115,771)
Net gains on disposal of investments	(439,404,769)	(144,409,112)
Operating cash flows before movements in working capital	7,425,610,606	4,522,163,502
Increase in receivable from margin clients	(2,495,795,067)	(3,506,446,467)
Increase in accounts receivable, other receivables and prepayments	(9,790,898,393)	(154,855,846)
(Increase)/decrease in reverse REPOs	(1,933,035,370)	4,198,632,927
Increase in financial instruments at fair value through profit or loss	(36,526,639,261)	(18,326,012,800)
Increase in cash held on behalf of clients	(10,622,882,664)	(11,436,960,333)
Decrease/(increase) in restricted bank deposits	325,710,765	(251,636,252)
Increase in refundable deposits	(2,403,826,919)	(1,065,624,058)
Increase in accounts payable to brokerage clients	16,925,167,731	11,752,765,478
Increase/(decrease) in REPOs	19,376,840,040	(10,104,601,092)
Increase in other liabilities	16,750,742,609	21,277,415,847
Cash used in operating activities, before income tax	(2,969,005,923)	(3,095,159,094)
Income tax paid	(1,020,517,030)	(351,716,947)
Net cash used in operating activities	(3,989,522,953)	(3,446,876,041)

Note: From 31 December 2019 onwards, the cash flows of financial assets at fair value through other comprehensive income (“FVTOCI”) are presented under “Cash flows from investing activities” in the consolidated statement of cash flows. Accordingly, the comparative figures of cash flows of FVTOCI, which were presented under “Cash flows from operating activities” in the prior period, has been reclassified to conform with the current period presentation.

The notes on pages 83 to 164 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Cash flows from investing activities:		
Receipts from disposal of investments	25,159,831,312	21,232,729,732
Cash receipts of investment returns	205,596,586	366,191,077
Proceeds from disposal of interest in an associate	–	8,455,800
Proceeds from disposal of property, equipment and other assets	4,890,630	630,035
Purchase of investments	(32,450,200,650)	(20,230,475,599)
Purchase of property, equipment and other assets	(165,382,047)	(213,587,556)
Net cash outflow on disposal of a subsidiary	(469,103,820)	–
Net cash (used in)/generated from investing activities	(7,714,367,989)	1,163,943,489
Cash flows from financing activities:		
Proceeds from issuance of beneficiary certificates	27,733,495,769	23,595,264,000
Proceeds from issuance of medium-term notes (“MTNs”)	6,982,600,000	6,734,400,000
Proceeds from issuance of structured notes	3,917,432,008	5,688,853,824
Proceeds from issuance of subordinated bonds	3,500,000,000	4,500,000,000
Proceeds from issuance of corporate bonds	20,000,000,000	2,000,000,000
Redemption of beneficiary certificates	(28,187,177,412)	(27,145,289,000)
Redemption of MTNs	–	(3,449,400,000)
Redemption of corporate bonds	(7,500,000,000)	–
Redemption of structured notes	(3,906,825,898)	(2,917,240,896)
Redemption of perpetual subordinated bonds	(1,000,000,000)	–
Redemption of subordinated bonds	(1,000,000,000)	–
Repayment of lease liabilities	(243,903,207)	(191,798,768)
Cash paid for dividend or interest	(1,775,385,642)	(1,409,077,101)
Distribution to holders of other equity instruments	(57,000,000)	(57,000,000)
Cash outflows associated with other financing activities	(3,601,566)	(9,148,294)
Net cash generated from financing activities	18,459,634,052	7,339,563,765

The notes on pages 83 to 164 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

	Note	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Net increase in cash and cash equivalents		6,755,743,110	5,056,631,213
Cash and cash equivalents at the beginning of the period		23,097,595,255	21,954,987,644
Effect of exchange rate changes		409,743,685	(122,958,463)
Cash and cash equivalents at the end of the period	34	30,263,082,050	26,888,660,394
Net cash used in operating activities including:			
Interest received		2,384,981,987	2,034,692,788
Interest paid		(991,917,852)	(1,053,707,957)

The notes on pages 83 to 164 form part of this interim financial report.



Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

1. GENERAL INFORMATION

China International Capital Corporation Limited (中國國際金融股份有限公司) (the “Company”) was established on 25 June 1995 in the People’s Republic of China (“PRC”) as approved by the People’s Bank of China (“PBOC”). On 31 July 1995, it obtained the Business License for Enterprise Legal Person (Qi He Guo Zi No.000599) issued by the State Administration for Industry and Commerce of the PRC.

Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 9 November 2015.

The Company acquired 100% equity interests of China CICC Wealth Management Securities Company Limited (formerly known as China Investment Securities Company Limited) (“CICC Wealth Management”) in March 2017 and issued 1,678,461,809 domestic shares to Central Huijin Investment Ltd. (“Huijin”) as a consideration of the acquisition. After the completion of the acquisition, the registered capital and share capital of the Company increased to RMB3,985,130,809.

The Company issued 207,537,059 new H shares to Tencent Mobility Limited in March 2018. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,192,667,868.

The Company completed general mandate of placement and issuance of 176,000,000 new H shares in October 2019. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,368,667,868.

The Company’s unified social credit code is 91110000625909986U, and the registered address of the Company is the 27th and 28th Floor, China World Trade Centre 2, 1 Jian Guo Men Wai Avenue, Beijing, the PRC. As at 30 June 2020, the Company has 23 securities business offices and 7 branches.

The Company and its subsidiaries (together “the Group”) are principally engaged in investment banking business, equities business, fixed-income, currency and commodity (“FICC”) business, investment management business, wealth management business and other business activities.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* (“IAS 34”), issued by the International Accounting Standards Board (the “IASB”). The condensed consolidated financial statements were authorised for issue on 17 August 2020.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted for the preparation of the 2019 annual financial statements, except for the changes in accounting policy that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The condensed consolidated financial statements do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”), and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2019.

3. CHANGES IN ACCOUNTING POLICIES

3.1 Application of amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the IASB which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>
Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>

The application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current period has had no material effect on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the condensed consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of uncertainty for the estimation used for the preparation of the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those for the preparation of the Group’s financial statements for the year ended 31 December 2019.



Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

5. TAXATION

(a) *Value-added tax (“VAT”) and surcharges*

The applicable tax rate is 6%. The urban maintenance and construction tax, education surcharge and local education surcharge are charged at 7%, 3% and 2% of VAT respectively.

(b) *Income tax*

The income tax rate applicable to the Company and its subsidiaries in mainland China is 25%.

The income tax rate applicable to the subsidiaries in Hong Kong Special Administrative Region (“Hong Kong SAR”) is 16.5%. Taxes of other offshore subsidiaries are charged at the relevant local rates.

6. SEGMENT REPORTING

Reportable segments are identified based on operating segments which are determined based on the structure of the Group’s internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Group’s management for the purposes of resources allocation and performance assessment; and
- for which statements of financial position, of profit or loss and of cash flows are available.

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics in respect of:

- the nature of services;
- the type or class of customers for the services;
- the methods used to provide the services; and
- the nature of the regulatory environment.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

6. SEGMENT REPORTING (continued)

For management purposes, the Group's businesses are structured and managed separately according to the nature of their operations and the services that the Group provides. Each of the Group's operating segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those to which the services offered by the other operating segments. A summary of the operating segments is as follows:

- the Investment Banking segment provides investment banking services, including equity financing, debt and structured financing, financial advisory services as well as the National Equities Exchange and Quotations services, to domestic and overseas clients.
- the Equities segment provides a wide range of equity sales and trading services, including brokerage services, financial intermediary services and financial product services, to institutional investors, including financial institutions, corporations and governmental entities, and other investors.
- the FICC segment engages in trading of financial products, including fixed-income, equities, currencies and commodities products, using the Group's own capital, as well as for client facilitation purpose. It also provides product structuring, fixed income distribution and futures brokerage services.
- the Investment Management segment designs and provides a wide range of asset management products and services for domestic and overseas investors. It also manages mutual funds, private equity funds as well as funds of funds.
- the Wealth Management segment provides a wide range of wealth management products and services, consisting of brokerage services, advisory services, transactional services, financial intermediary services and financial product services, to retail clients, high-net-worth individuals, families and corporate clients.
- the Others segment mainly comprises of other business departments and back offices.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

6. SEGMENT REPORTING (continued)

(a) Segment results

	Six months ended 30 June 2020						Total
	Investment banking	Equities	FICC	Investment management	Wealth management	Others	
Segment revenue							
- Fee and commission income	1,702,340,807	993,432,329	355,365,317	1,063,442,003	1,927,443,693	954,268	6,042,978,417
- Interest income	25,571,676	242,285,200	605,179,268	13,973,073	1,407,828,504	205,936,315	2,500,774,036
- Investment income	693,825,317	1,873,129,542	1,974,081,330	178,248,313	178,571,529	602,812,546	5,500,668,577
- Other income, net	1,025,352	42,284,861	93,013,801	11,776,010	20,326,614	79,762,183	248,188,821
Segment revenue and other income	2,422,763,152	3,151,131,932	3,027,639,716	1,267,439,399	3,534,170,340	889,465,312	14,292,609,851
Segment expenses	(1,743,884,340)	(1,068,311,394)	(1,726,945,497)	(945,375,867)	(2,404,618,383)	(2,604,242,001)	(10,493,377,482)
Segment operating profit/(loss)	678,878,812	2,082,820,538	1,300,694,219	322,063,532	1,129,551,957	(1,714,776,689)	3,799,232,369
Share of profits of associates and joint ventures	-	-	-	(2,379,549)	827,653	11,009,304	9,457,408
Profit/(loss) before income tax	678,878,812	2,082,820,538	1,300,694,219	319,683,983	1,130,379,610	(1,703,767,385)	3,808,689,777
Other segment information (Amounts included in the measure of segment profit or loss):							
Interest expenses (Note)	(102,879,986)	(394,949,532)	(1,283,261,922)	(55,121,488)	(759,036,986)	(404,209,147)	(2,999,459,061)
Depreciation and amortisation expenses	(51,016,177)	(33,963,915)	(27,454,657)	(52,264,389)	(179,184,949)	(146,373,841)	(490,257,928)
(Provision for)/reversal of credit impairment losses	(169,044,042)	(3,397,878)	(4,064,993)	12,415,526	(2,303,481)	(866,970)	(167,261,838)

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

6. SEGMENT REPORTING (continued)

(a) Segment results (continued)

	Six months ended 30 June 2019						
	Investment banking	Equities	FICC	Investment management	Wealth management	Others	Total
Segment revenue							
- Fee and commission income	814,816,809	695,636,959	447,701,823	758,902,718	1,536,307,485	9,753,053	4,263,118,847
- Interest income	11,860,650	139,392,670	683,273,741	8,685,021	1,340,610,869	235,975,737	2,419,798,688
- Investment income	196,630,325	1,060,755,312	1,634,472,318	79,323,220	168,280,076	319,506,306	3,458,967,557
- Other income/(losses), net	9,087,647	(22,273,201)	43,310,273	14,702,334	(2,448,199)	15,186,692	57,565,546
Segment revenue and other income	1,032,395,431	1,873,511,740	2,808,758,155	861,613,293	3,042,750,231	580,421,788	10,199,450,638
Segment expenses	(979,785,992)	(691,964,138)	(1,866,655,842)	(602,634,790)	(2,064,716,092)	(1,644,755,241)	(7,850,512,095)
Segment operating profit/(loss)	52,609,439	1,181,547,602	942,102,313	258,978,503	978,034,139	(1,064,333,453)	2,348,938,543
Share of profits of associates and joint ventures	-	-	-	25,867,862	26,008,548	19,737,122	71,613,532
Profit/(loss) before income tax	52,609,439	1,181,547,602	942,102,313	284,846,365	1,004,042,687	(1,044,596,331)	2,420,552,075
Other segment information (Amounts included in the measure of segment profit or loss):							
Interest expenses (Note)	(66,311,067)	(279,550,114)	(1,537,259,691)	(56,368,003)	(760,893,553)	(77,604,888)	(2,777,987,316)
Depreciation and amortisation expenses	(44,436,465)	(27,101,599)	(21,310,975)	(49,126,450)	(152,386,233)	(147,769,192)	(442,130,914)
(Provision for)/reversal of credit impairment losses	(7,982,537)	634,972	(3,951,989)	(1,306,000)	23,804,982	(683,154)	10,516,274

Note: The Group allocates interest expenses across the reportable segments according to the capital used during the reporting periods for the purpose of measuring segment operating performance and improving the efficiencies of capital management.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

6. SEGMENT REPORTING (continued)

(b) Geographical information

The following table sets out the Group's revenue and other income from external clients and the Group's non-current assets (excluding financial assets at fair value through profit or loss, deferred tax assets, and reverse REPOs, same as below) in terms of geographical locations. The geographical locations of the revenue and other income from external clients are identified based on the locations of the clients to whom the services are rendered or the products are purchased. The geographical locations of the non-current assets are identified based on the locations where the fixed assets are located or the intangible assets are allocated or the associates and joint ventures operate.

	Revenues and other income from external customers	
	Six months ended 30 June	
	2020	2019
Mainland China	12,081,768,389	8,089,247,533
Outside mainland China	2,210,841,462	2,110,203,105
Total	14,292,609,851	10,199,450,638

	Non-current assets	
	As at 30 June 2020	As at 31 December 2019
Mainland China	11,854,900,013	10,431,470,733
Outside mainland China	3,682,128,324	3,755,494,473
Total	15,537,028,337	14,186,965,206

Reconciliation of segment non-current assets:

	Non-current assets	
	As at 30 June 2020	As at 31 December 2019
Total non-current assets for segments	36,175,372,449	34,625,309,318
Elimination of inter-segment non-current assets	(20,638,344,112)	(20,438,344,112)
Total	15,537,028,337	14,186,965,206

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

6. SEGMENT REPORTING (continued)

(c) Major clients

The Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue for the six months ended 30 June 2020 and ended 30 June 2019.

7. FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2020	2019
Brokerage commission income	2,633,563,338	1,991,736,448
Underwriting and sponsoring fees	1,813,904,998	953,321,691
Asset management fees	1,124,334,961	829,801,181
Financial advisory fees	267,312,959	260,522,816
Investment advisory fees	187,431,202	210,638,575
Others	16,430,959	17,098,136
Total	6,042,978,417	4,263,118,847

8. INTEREST INCOME

	Six months ended 30 June	
	2020	2019
Interest income from margin financing and securities lending	844,700,343	705,082,877
Interest income from financial institutions	800,610,583	695,563,864
Interest income from financial assets at fair value through other comprehensive income	537,783,518	613,316,721
Interest income from reverse REPOs	292,069,668	395,135,944
Others	25,609,924	10,699,282
Total	2,500,774,036	2,419,798,688

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

9. INVESTMENT INCOME

	Six months ended 30 June	
	2020	2019
Net gains from disposal of financial assets at fair value through other comprehensive income	193,818,347	138,060,377
Net gains from financial instruments at fair value through profit or loss	12,996,941,240	6,813,311,768
Net losses from derivative financial instruments	(7,918,202,287)	(3,498,753,323)
Others (Note)	228,111,277	6,348,735
Total	5,500,668,577	3,458,967,557

Note : In June 2019, CICC Wealth Management, the Company's subsidiary, entered into the Share Transfer Agreement Regarding the Trading of All Issued Shares of China Investment Securities (Hong Kong) Financial Holdings Limited with Soochow Securities (Hong Kong) Financial Holdings Limited and Soochow Securities Co., Ltd. The consideration of the transaction is HK\$479 million. The share transfer was filed with the China Securities Regulatory Commission (the "CSRC") with no objection in September 2019 and was approved in January 2020 by the Hong Kong Securities and Futures Commission. On 18 February 2020, CICC Wealth Management received the consideration of HK\$478 million in full and transferred its 100.00% of equity interests in China Investment Securities (Hong Kong) Financial Holdings Limited ("CISHK"). Net loss of CISHK in 2019 amounted to RMB57 million, and the total assets and net assets of CISHK as at 31 December 2019 amounted to RMB1,504 million and RMB234 million, respectively. For the six months ended 30 June 2020, CICC Wealth Management's investment income from disposal of the above equity interests amounted to RMB214 million and net cash outflows from the disposal of equity amounted to RMB469 million. The disposal of CISHK does not have a significant impact on the Group's operating results for the six months ended 30 June 2020 and the Group's financial position as at 30 June 2020.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

10. OTHER INCOME, NET

	Notes	Six months ended 30 June	
		2020	2019
Tax refunds		25,639,939	5,037,986
Government grants	(i)	43,494,576	42,287,572
Others	(ii)	179,054,306	10,239,988
Total		248,188,821	57,565,546

(i) The government grants were received by the Company and its subsidiaries from the local government with no condition attached.

(ii) Others mainly consisted of gains and losses of foreign currency transactions due to exchange rate fluctuations and gains and losses of foreign exchange derivatives.

11. FEE AND COMMISSION EXPENSES

	Six months ended 30 June	
	2020	2019
Brokerage commission expenses	632,455,244	436,118,927
Underwriting and sponsoring expenses	80,598,951	38,839,440
Asset management expenses	92,963,451	31,692,204
Investment advisory expenses	–	2,240,623
Total	806,017,646	508,891,194

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

12. INTEREST EXPENSES

	Six months ended 30 June	
	2020	2019
Interest expenses on:		
– Corporate bonds	826,693,602	733,466,008
– Subordinated bonds	492,312,887	364,239,699
– Placements from financial institutions	358,889,274	355,430,400
– REPOs	290,700,202	594,557,623
– MTNs	261,838,532	215,184,809
– Beneficiary certificates	250,623,362	205,224,096
– Accounts payable to brokerage clients	105,695,134	84,827,843
– Structured notes	98,782,270	57,764,874
– Financial bonds	42,258,904	–
– Lease liabilities	32,028,502	34,630,336
– Others	239,636,392	132,661,628
Total	2,999,459,061	2,777,987,316

13. STAFF COSTS

	Six months ended 30 June	
	2020	2019
Salaries, bonus and allowance	4,879,939,023	2,924,637,483
Retirement scheme contributions	76,439,801	140,088,711
Other social welfare	145,005,812	150,159,838
Other benefits	72,842,609	60,362,240
Total	5,174,227,245	3,275,248,272

The Group is required to participate in pension schemes in mainland China, Hong Kong SAR and other jurisdictions whereby the Group pays annual contributions for its employees at certain rates of wages. The Group has no other material obligations for payment of retirement benefits to its employees beyond the annual contributions described above.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

14. DEPRECIATION AND AMORTISATION EXPENSES

	Six months ended 30 June	
	2020	2019
Depreciation of right-of-use assets	297,313,060	272,224,484
Depreciation of property and equipment	136,942,037	128,446,125
Amortisation of intangible assets	55,400,893	41,007,469
Others	601,938	452,836
Total	490,257,928	442,130,914

15. OTHER OPERATING EXPENSES AND COSTS

	Six months ended 30 June	
	2020	2019
Business development expenses	239,333,998	240,243,277
Information technology related expenses	181,292,764	160,372,385
Professional service fees	64,581,602	59,018,722
Travelling and transportation expenses	64,154,956	138,199,364
Securities Investor Protection Fund	39,524,973	31,630,006
Utilities and maintenance	36,059,055	34,824,959
Lease expenses	13,052,571	31,068,063
Auditors' remuneration	3,000,000	3,000,000
Others	164,199,383	123,309,855
Total	805,199,302	821,666,631

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

16. PROVISION FOR/(REVERSAL OF) IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	Six months ended 30 June	
	2020	2019
Impairment losses provided/(reversed) for:		
Accounts receivable and other assets	156,395,095	(1,109,162)
Receivable from margin clients	6,921,015	2,336,342
Reverse REPOs	235,939	(15,855,185)
Financial assets at fair value through other comprehensive income	3,577,463	4,872,520
Cash and bank balances	132,326	(760,789)
Total	167,261,838	(10,516,274)

17. INCOME TAX EXPENSE

(a) Taxation in the condensed consolidated statement of profit or loss:

	Six months ended 30 June	
	2020	2019
Current tax		
– Mainland China income tax	585,520,723	120,915,501
– Hong Kong SAR profits tax	115,744,841	118,543,517
Subtotal	701,265,564	239,459,018
Deferred tax		
– Origination and reversal of temporary differences	28,670,776	281,834,214
Total	729,936,340	521,293,232

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

17. INCOME TAX EXPENSE (continued)

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

The income tax has been provided at the statutory rate of 25%, in accordance with relevant tax laws in mainland China during the period. Taxes on profits assessable outside mainland China have been calculated at the applicable tax rates prevailing in the countries/jurisdictions in which the Group operates, based on the existing legislation, interpretations and practices. Reconciliation between income tax expense that would result from applying the PRC statutory income tax rate to the Group's profit before income tax and the income tax expense in the condensed consolidated statement of profit or loss is as follows:

	Six months ended 30 June	
	2020	2019
Profit before income tax	3,808,689,777	2,420,552,075
Income tax calculated at the PRC statutory income tax rate	952,172,444	605,138,019
Effect of non-deductible expenses	14,853,444	17,497,068
Effect of non-taxable income	(203,810,494)	(41,196,763)
Effect of different applicable tax rates of the subsidiaries	2,034,889	(71,860,496)
Effect of deductible temporary differences or deductible tax losses for which no deferred tax asset was recognised in the period	67,651,427	39,195,630
Effect of using the deductible tax losses for which no deferred tax asset was recognised in previous period	(5,148,071)	(15,248,882)
Others	(97,817,299)	(12,231,344)
Total income tax expense	729,936,340	521,293,232



Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

18. BASIC EARNINGS PER SHARE

	Six months ended 30 June	
	2020	2019
Profit attributable to shareholders of the Company and holders of other equity instruments	3,051,785,319	1,880,477,236
Interest for holders of perpetual subordinated bonds for the period	(23,112,329)	(28,265,753)
Total	3,028,672,990	1,852,211,483
Weighted average number of ordinary shares in issue	4,368,667,868	4,192,667,868
Basic earnings per share (in RMB per share)	0.69	0.44

Basic earnings per share was calculated as the profit for the period attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.

No diluted earnings per share has been presented for the six months ended 30 June 2020 and ended 30 June 2019 as the Group had no potential ordinary shares in issue during the periods.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

19. PROPERTY AND EQUIPMENT

	Buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
Cost							
As at 31 December 2019	91,329,992	1,481,439,154	104,438,927	54,751,668	806,063,472	6,514,139	2,544,537,352
Additions and transfer-in	-	76,114,831	1,416,203	360,080	12,540,170	10,347,590	100,778,874
Transfer-out	-	-	-	-	-	(5,542,297)	(5,542,297)
Disposals	-	(24,282,116)	(1,261,848)	(2,942,131)	(37,464,156)	-	(65,950,251)
Effect of changes in exchange rates	-	1,291,346	151,315	(6,595)	3,650,455	-	5,086,521
As at 30 June 2020	91,329,992	1,534,563,215	104,744,597	52,163,022	784,789,941	11,319,432	2,578,910,199
Accumulated depreciation							
As at 31 December 2019	(37,124,241)	(1,065,069,036)	(72,650,171)	(45,328,010)	(594,859,174)	-	(1,815,030,632)
Additions	(2,180,468)	(92,273,261)	(5,674,529)	(1,431,868)	(35,381,911)	-	(136,942,037)
Disposals	-	23,112,454	1,129,840	2,871,660	37,108,012	-	64,221,966
Effect of changes in exchange rates	-	(2,455,226)	(356,926)	6,595	(1,097,198)	-	(3,902,755)
As at 30 June 2020	(39,304,709)	(1,136,685,069)	(77,551,786)	(43,881,623)	(594,230,271)	-	(1,891,653,458)
Carrying amount							
As at 30 June 2020	52,025,283	397,878,146	27,192,811	8,281,399	190,559,670	11,319,432	687,256,741
As at 31 December 2019	54,205,751	416,370,118	31,788,756	9,423,658	211,204,298	6,514,139	729,506,720

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

19. PROPERTY AND EQUIPMENT (continued)

	Buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
Cost							
As at 31 December 2018	91,329,992	1,318,075,018	92,619,102	62,971,929	763,693,399	5,369,255	2,334,058,695
Adjustment for initial application of IFRS 16 Leases	-	(8,740,873)	-	-	-	-	(8,740,873)
As at 1 January 2019	91,329,992	1,309,334,145	92,619,102	62,971,929	763,693,399	5,369,255	2,325,317,822
Acquired on acquisition of a subsidiary	-	437,762	206,550	-	-	-	644,312
Additions and transfer-in	-	227,455,811	20,334,190	283,879	150,983,636	22,172,883	421,230,399
Transfer - out	-	-	-	-	-	(21,027,999)	(21,027,999)
Disposals	-	(60,124,832)	(9,013,786)	(8,517,249)	(111,841,482)	-	(189,497,349)
Effect of changes in exchange rates	-	4,336,268	292,871	13,109	3,227,919	-	7,870,167
As at 31 December 2019	91,329,992	1,481,439,154	104,438,927	54,751,668	806,063,472	6,514,139	2,544,537,352
Accumulated depreciation							
As at 31 December 2018	(32,763,304)	(962,606,048)	(68,980,427)	(47,004,661)	(625,497,035)	-	(1,736,851,475)
Adjustment for initial application of IFRS 16 Leases	-	6,997,397	-	-	-	-	6,997,397
As at 1 January 2019	(32,763,304)	(955,608,651)	(68,980,427)	(47,004,661)	(625,497,035)	-	(1,729,854,078)
Acquired on acquisition of a subsidiary	-	(251,055)	(106,123)	-	-	-	(357,178)
Additions	(4,360,937)	(162,310,495)	(11,104,681)	(4,437,978)	(76,359,068)	-	(258,573,159)
Disposals	-	56,547,817	7,983,255	6,127,738	110,850,875	-	181,509,685
Effect of changes in exchange rates	-	(3,446,652)	(442,195)	(13,109)	(3,853,946)	-	(7,755,902)
As at 31 December 2019	(37,124,241)	(1,065,069,036)	(72,650,171)	(45,328,010)	(594,859,174)	-	(1,815,030,632)
Carrying amount							
As at 31 December 2019	54,205,751	416,370,118	31,788,756	9,423,658	211,204,298	6,514,139	729,506,720
As at 31 December 2018	58,566,688	355,468,970	23,638,675	15,967,268	138,196,364	5,369,255	597,207,220

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

20. RIGHT-OF-USE ASSETS

	Buildings	Leasehold land	Equipment	Total
Cost				
As at 31 December 2019	2,023,843,309	1,266,558,879	891,449	3,291,293,637
Increases	140,258,486	-	-	140,258,486
Decreases	(51,375,030)	-	-	(51,375,030)
Effect of changes in exchange rates	8,027,370	-	(44,202)	7,983,168
As at 30 June 2020	2,120,754,135	1,266,558,879	847,247	3,388,160,261
Accumulated depreciation				
As at 31 December 2019	(535,523,833)	(151,911,128)	(349,805)	(687,784,766)
Increases	(280,777,570)	(16,455,329)	(80,161)	(297,313,060)
Decreases	46,552,119	-	-	46,552,119
Effect of changes in exchange rates	(4,096,893)	-	62,120	(4,034,773)
As at 30 June 2020	(773,846,177)	(168,366,457)	(367,846)	(942,580,480)
Carrying amount				
As at 30 June 2020	1,346,907,958	1,098,192,422	479,401	2,445,579,781
As at 31 December 2019	1,488,319,476	1,114,647,751	541,644	2,603,508,871
Expense relating to short-term leases and other leases with lease terms end within 12 months for the period				13,052,571
Total cash outflow for leases for the period				298,263,272

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

20. RIGHT-OF-USE ASSETS (continued)

	Buildings	Leasehold land	Equipment	Total
Cost				
As at 1 January 2019	1,597,467,973	1,266,558,879	1,878,786	2,865,905,638
Increases	434,674,329	–	899,021	435,573,350
Decreases	(20,356,964)	–	(1,938,443)	(22,295,407)
Effect of changes in exchange rates	12,057,971	–	52,085	12,110,056
As at 31 December 2019	2,023,843,309	1,266,558,879	891,449	3,291,293,637
Accumulated depreciation				
As at 1 January 2019	–	(119,000,470)	–	(119,000,470)
Increases	(529,574,219)	(32,910,658)	(470,756)	(562,955,633)
Decreases	4,047,432	–	140,836	4,188,268
Effect of changes in exchange rates	(9,997,046)	–	(19,885)	(10,016,931)
As at 31 December 2019	(535,523,833)	(151,911,128)	(349,805)	(687,784,766)
Carrying amount				
As at 31 December 2019	1,488,319,476	1,114,647,751	541,644	2,603,508,871
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16 <i>Leases</i>				57,906,991
Total cash outflow for leases for the period				670,930,219

(a) Leases committed

As at 30 June 2020, the Group entered into new leases that are not yet commenced, with average non-cancellable period ranged from 2 to 3 years with extension options, and under which the total future undiscounted cash flows amounted to RMB29,099,617 over the non-cancellable period (31 December 2019: RMB46,513,649).

Details of the lease maturity analysis of lease liabilities are disclosed in Note 48(b).

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

21. GOODWILL

(a) Changes in goodwill

	Six months ended 30 June 2020	Year ended 31 December 2019
At the beginning of the period/year	1,582,678,646	1,582,678,646
Additions for the period/year	-	-
Subtotal	1,582,678,646	1,582,678,646
Less: Allowance for impairment losses	-	-
Carrying amount	1,582,678,646	1,582,678,646

Note: The Company acquired CICC Wealth Management in 2017 and paid, as the cost of the acquisition, the consideration of RMB16,700,695,000 in the form of share issuance. The difference between the consideration and the fair value of the identifiable net assets attributable to the Company amounted to RMB1,582,678,646 and was recognised as goodwill.

(b) Impairment test

The Company acquired 100% equity interests of CICC Wealth Management in March 2017, aiming to generate long-term benefit of synergy by utilizing strengths in aspects of products, services and distributions across the enlarged group. The Group recognised the portion of consideration in excess of fair value of the identifiable net assets acquired as the goodwill of the cash-generating unit (“CGU”) of wealth management.

The recoverable amount of the CGU is determined based on the present value of expected future cash flows, which was determined on the financial budgets (including budgeted income and profit margins based on the CGU’s past performance and management’s expectations for market development) approved by management covering a certain period, cash flows beyond the certain period are extrapolated using an estimated annual growth rate based on industry growth forecasts. Pre-tax discount rates used by the Group range from 16.0% to 17.5%.

As at 30 June 2020, no obvious signs of impairment came to attention of the management.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

22. INTANGIBLE ASSETS

	Securities trading seat rights	Others	Total
Cost			
As at 31 December 2019	164,008,627	466,228,881	630,237,508
Additions	-	52,999,460	52,999,460
Disposal	(885,930)	(1,867,999)	(2,753,929)
Effect of changes in exchange rates	(9,854)	(17,273)	(27,127)
As at 30 June 2020	163,112,843	517,343,069	680,455,912
Accumulated amortisation			
As at 31 December 2019	(100,890,344)	(244,246,505)	(345,136,849)
Additions	(4,305,000)	(51,095,893)	(55,400,893)
Disposal	-	1,626,400	1,626,400
Effect of changes in exchange rates	-	16,879	16,879
As at 30 June 2020	(105,195,344)	(293,699,119)	(398,894,463)
Carrying amount			
As at 30 June 2020	57,917,499	223,643,950	281,561,449
As at 31 December 2019	63,118,283	221,982,376	285,100,659

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

22. INTANGIBLE ASSETS (continued)

	Securities trading seat rights	Others	Total
Cost			
As at 31 December 2018	163,989,047	363,140,177	527,129,224
Additions	–	103,110,556	103,110,556
Disposal	–	(56,197)	(56,197)
Effect of changes in exchange rates	19,580	34,345	53,925
As at 31 December 2019	164,008,627	466,228,881	630,237,508
Accumulated amortisation			
As at 31 December 2018	(92,406,520)	(162,497,061)	(254,903,581)
Additions	(8,483,824)	(81,766,498)	(90,250,322)
Disposal	–	49,968	49,968
Effect of changes in exchange rates	–	(32,914)	(32,914)
As at 31 December 2019	(100,890,344)	(244,246,505)	(345,136,849)
Carrying amount			
As at 31 December 2019	63,118,283	221,982,376	285,100,659
As at 31 December 2018	71,582,527	200,643,116	272,225,643

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Analysed by type:

Non-current

	As at 30 June 2020	As at 31 December 2019
Equity securities	5,001,092,734	3,685,728,809
Funds and other investments	35,920,356	33,878,466
Total	5,037,013,090	3,719,607,275

Current

	As at 30 June 2020	As at 31 December 2019
Equity securities	87,923,003,253	66,003,797,677
Debt securities (Note)	85,071,596,286	76,130,839,312
Funds and other investments	38,281,519,713	22,337,649,857
Total	211,276,119,252	164,472,286,846

Note: As at 30 June 2020, perpetual bonds amounted to RMB19,219,451,294 are included in debt securities (31 December 2019: RMB14,055,982,894).

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(b) Analysed by listing status:

Non-current

	As at 30 June 2020	As at 31 December 2019
Listed		
– Outside Hong Kong, China	1,817,025,298	613,851,417
Unlisted	3,219,987,792	3,105,755,858
Total	5,037,013,090	3,719,607,275

Current

	As at 30 June 2020	As at 31 December 2019
Listed		
– In Hong Kong, China	14,036,002,451	13,743,433,216
– Outside Hong Kong, China	158,106,558,352	127,010,033,129
Unlisted	39,133,558,449	23,718,820,501
Total	211,276,119,252	164,472,286,846

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

24. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (“REVERSE REPOS”)

(a) Analysed by collateral type:

Non-current

	As at 30 June 2020	As at 31 December 2019
Stocks	579,184,305	235,314,895
Accrued interests	5,105,592	6,374,726
Less: Allowance for impairment losses	(293,465)	(81,343)
Total	583,996,432	241,608,278

Current

	As at 30 June 2020	As at 31 December 2019
Stocks	7,465,599,029	7,329,305,168
Debt securities	8,093,947,986	6,641,075,887
Subtotal	15,559,547,015	13,970,381,055
Accrued interests	156,974,022	117,464,377
Less: Allowance for impairment losses	(30,540,614)	(30,516,797)
Total	15,685,980,423	14,057,328,635

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For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

24. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (“REVERSE REPOS”) (continued)

(b) Analysed by market:

Non-current

	As at 30 June 2020	As at 31 December 2019
Stock exchanges	134,637,465	65,050,591
Over-the-counter market	449,358,967	176,557,687
Total	583,996,432	241,608,278

Current

	As at 30 June 2020	As at 31 December 2019
Stock exchanges	10,217,366,195	13,150,771,156
Inter-bank market	5,115,239,210	260,264,802
Over-the-counter market	353,375,018	646,292,677
Total	15,685,980,423	14,057,328,635

The Group received securities as collateral in connection with reverse repo business. According to the resale agreements, the Group was allowed to sell or re-pledge the securities in the absence of default of its counterparties. If the securities depreciate in value, the Group may, in certain circumstances, require additional collaterals. The Group had an obligation to return the collaterals to its counterparties at the maturity of the agreements.

As at 30 June 2020, the Group received collateral amounted to RMB36,447,462,986 (31 December 2019: RMB30,326,890,225), in connection with financial assets under resale agreements.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

24. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (“REVERSE REPOS”) (continued)

(c) Analysis of the movement in allowance for impairment losses:

	Six months ended 30 June 2020	Year ended 31 December 2019
At the beginning of the period/year	30,598,140	73,794,449
Provided/(reversed) for the period/year	235,939	(43,196,309)
At the end of the period/year	30,834,079	30,598,140

	As at 30 June 2020			Total
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	
Allowance for impairment losses	2,740,216	1,487,560	26,606,303	30,834,079

	As at 31 December 2019			Total
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	
Allowance for impairment losses	5,831,361	769,153	23,997,626	30,598,140

25. REFUNDABLE DEPOSITS

	As at 30 June 2020	As at 31 December 2019
Self-owned refundable deposits	5,711,374,158	4,060,476,945
Refundable deposits held on behalf of clients	3,190,813,030	2,441,292,572
Subtotal	8,902,187,188	6,501,769,517
Accrued interests	368,415	324,337
Total	8,902,555,603	6,502,093,854

Refundable deposits are mainly placed at stock exchanges and clearing house, futures and commodity exchanges, China Securities Finance Corporation Limited, Shanghai Clearing House, futures companies and other institutions.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

26. DEFERRED TAX ASSETS/(LIABILITIES)

(a) *Deferred tax assets and liabilities recognised*

The components of deferred tax assets/(liabilities) recognised in the condensed consolidated statement of financial position and the movement during the period/year are as follows:

	As at	Credited/	Credited/	Exchange	As at 30 June 2020		
	1 January 2020	(charged) to profit or loss	(charged) to equity	differences (Note)	Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax assets/(liabilities) before set-off:							
Staff cost	830,304,832	92,237,409	-	157,684	922,699,925	922,699,925	-
Deductible tax losses	33,729,748	21,744,440	-	385,181	55,859,369	55,859,369	-
Depreciation and amortisation	(30,173,159)	3,847,983	-	29,811	(26,295,365)	-	(26,295,365)
Changes in fair values of financial instruments at fair value through profit or loss	(78,058,586)	(208,079,333)	-	20,404	(286,117,515)	-	(286,117,515)
Changes in fair values of financial assets at fair value through other comprehensive income	(53,438,968)	-	20,952,667	(128,082)	(32,614,383)	-	(32,614,383)
Fair value adjustment arising from acquisition of a subsidiary	(174,993,509)	3,465,367	-	-	(171,528,142)	-	(171,528,142)
Others	201,186,197	58,113,358	(599,622)	21,255	258,721,188	258,721,188	-
Subtotal	728,556,555	(28,670,776)	20,353,045	486,253	720,725,077	1,237,280,482	(516,555,405)
Set off						(83,506,521)	83,506,521
Deferred tax assets/(liabilities) recognised in the condensed consolidated statement of financial position						1,153,773,961	(433,048,884)

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For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

26. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

(a) Deferred tax assets and liabilities recognised (continued)

	As at 1 January 2019	(Charged)/ credited to profit or loss	(Charged)/ credited to equity	Exchange differences (Note)	As at 31 December 2019		
					Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax assets/(liabilities) before set-off:							
Staff cost	1,085,463,782	(255,253,554)	-	94,604	830,304,832	830,304,832	-
Deductible tax losses	29,868,168	3,543,610	-	317,970	33,729,748	33,729,748	-
Depreciation and amortisation	(22,681,482)	(7,542,853)	-	51,176	(30,173,159)	-	(30,173,159)
Changes in fair values of financial instruments at fair value through profit or loss	(216,202,730)	134,633,916	-	3,510,228	(78,058,586)	-	(78,058,586)
Changes in fair values of financial assets at fair value through other comprehensive income	(35,189,455)	-	(16,773,661)	(1,475,852)	(53,438,968)	-	(53,438,968)
Fair value adjustment arising from acquisition of a subsidiary	(182,718,694)	7,725,185	-	-	(174,993,509)	-	(174,993,509)
Others	227,592,044	(24,647,550)	377,587	(2,135,884)	201,186,197	201,186,197	-
Subtotal	886,131,633	(141,541,246)	(16,396,074)	362,242	728,556,555	1,065,220,777	(336,664,222)
Set off						24,724,955	(24,724,955)
Deferred tax assets/(liabilities) recognised in the condensed consolidated statement of financial position						1,089,945,732	(361,389,177)

Note: Exchange differences represent foreign currency translation difference of financial statements of overseas subsidiaries.

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For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

26. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

(b) *Deferred tax assets not recognised*

The Group has not recognised deferred tax assets in respect of deductible temporary differences and cumulative tax losses amounted to RMB291 million and RMB265 million as at 30 June 2020 and 31 December 2019, respectively.

Deferred tax assets not recognised in respect of cumulative tax losses are mainly attributable to certain overseas subsidiaries of the Group which were set up to strengthen the Group's cross-border service capabilities.

Deferred tax asset arising from unused tax losses is recognised only to the extent that an entity has sufficient taxable temporary differences or there is other convincing evidence that sufficient taxable profit will be available against which the unused tax losses can be utilised by the entity, when the entity has a history of recent losses. The directors of the Company review the financial performance of these overseas subsidiaries at the end of reporting period to determine whether there is sufficient taxable profit to be available against the unused tax losses, and they are of the opinion that it is probable that sufficient future taxable profits against which the losses can be utilised may not be available in these overseas entities in the foreseeable future, given the current market conditions, and that further expenditures of these overseas subsidiaries are considered necessary for expanding the Group's overseas operations based on its business strategies.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

27. OTHER NON-CURRENT ASSETS

	As at 30 June 2020	As at 31 December 2019
Rental and other deposits	146,913,588	149,502,348
Others	320,923,014	1,182,702,966
Subtotal	467,836,602	1,332,205,314
Less: Allowance for impairment losses	(10,185,832)	(16,605,515)
Total	457,650,770	1,315,599,799

(a) Analysis of the movement in allowance for impairment losses:

	Six months ended 30 June 2020	Year ended 31 December 2019
At the beginning of the period/year	16,605,515	9,841,333
Provided for the period/year	4,207,717	6,881,050
Write-offs for the period/year	(10,627,400)	(116,868)
At the end of the period/year	10,185,832	16,605,515

	As at 30 June 2020			Total
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	
Allowance for impairment losses	-	-	10,185,832	10,185,832

	As at 31 December 2019			Total
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	
Allowance for impairment losses	-	-	16,605,515	16,605,515

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For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

28. ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 30 June 2020	As at 31 December 2019
Trade receivable	24,381,744,592	15,311,390,897
Asset management fees receivable	1,708,873,739	1,440,190,809
Underwriting and advisory fees receivable	875,180,151	1,105,783,772
Trading seat rental fees receivable	142,683,385	137,142,963
Others	127,704,940	115,351,950
Subtotal	27,236,186,807	18,109,860,391
Less: Allowance for impairment losses	(214,354,860)	(233,301,015)
Total	27,021,831,947	17,876,559,376

(b) Analysed by aging:

	As at 30 June 2020			
	Gross amount Amount	%	Allowance for impairment losses Amount	%
Within 1 year (inclusive)	25,305,222,283	92.91%	(76,380,641)	35.64%
1 – 2 years (inclusive)	1,418,718,137	5.21%	(60,897,278)	28.41%
2 – 3 years (inclusive)	234,214,453	0.86%	(49,716,329)	23.19%
More than 3 years	278,031,934	1.02%	(27,360,612)	12.76%
Total	27,236,186,807	100.00%	(214,354,860)	100.00%

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

28. ACCOUNTS RECEIVABLE (continued)

(b) Analysed by aging: (continued)

	As at 31 December 2019			
	Gross amount		Allowance for impairment losses	
	Amount	%	Amount	%
Within 1 year (inclusive)	17,173,548,745	94.83%	(117,707,701)	50.45%
1 – 2 years (inclusive)	494,208,241	2.73%	(65,141,935)	27.92%
2 – 3 years (inclusive)	198,795,635	1.10%	(23,087,909)	9.90%
More than 3 years	243,307,770	1.34%	(27,363,470)	11.73%
Total	18,109,860,391	100.00%	(233,301,015)	100.00%

(c) Analysis of the movement in allowance for impairment losses:

	Six months ended 30 June 2020	Year ended 31 December 2019
At the beginning of the period/year	233,301,015	64,488,653
(Reversed)/provided for the period/year	(13,465,053)	175,791,579
Write-offs for the period/year	(5,886,151)	(8,677,455)
Effect of changes in exchange rates and others	405,049	1,698,238
At the end of the period/year	214,354,860	233,301,015

	As at 30 June 2020			Total
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	
Allowance for impairment losses	–	11,535,820	202,819,040	214,354,860

	As at 31 December 2019			Total
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	
Allowance for impairment losses	–	7,384,783	225,916,232	233,301,015

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

29. RECEIVABLE FROM MARGIN CLIENTS

(a) Analysed by nature:

	As at 30 June 2020	As at 31 December 2019
Individuals	22,448,523,527	20,190,212,792
Institutions	2,609,417,343	2,556,491,253
Subtotal	25,057,940,870	22,746,704,045
Accrued interests	540,698,142	486,198,955
Less: Allowance for impairment losses	(31,934,840)	(42,952,110)
Total	25,566,704,172	23,189,950,890

As at 30 June 2020, the principal amount of receivable from margin clients that the Group transferred to the securitisation vehicle amounted to RMB1.32 billion (31 December 2019: RMB2.00 billion). The securitisation vehicle issued asset-backed securities to investors with the receivable from margin clients as the underlying assets, of which all subordinated tranche were held by the Group.

(b) Analysed by fair value of collaterals:

	Fair value of collaterals	
	As at 30 June 2020	As at 31 December 2019
Stocks	75,581,702,985	65,923,431,986
Cash	3,432,366,725	2,191,069,017
Funds	1,876,358,494	312,290,301
Debt securities	78,849,927	69,326,087
Total	80,969,278,131	68,496,117,391

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For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

29. RECEIVABLE FROM MARGIN CLIENTS (continued)

(c) Analysis of the movement in allowance for impairment losses:

	Six months ended 30 June 2020	Year ended 31 December 2019
At the beginning of the period/year	42,952,110	23,931,810
Provided for the period/year	6,921,015	18,772,123
Effect of changes in exchange rates and others	(17,938,285)	248,177
At the end of the period/year	31,934,840	42,952,110

	As at 30 June 2020			Total
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	
Allowance for impairment losses	27,457,818	1,789,806	2,687,216	31,934,840

	As at 31 December 2019			Total
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	
Allowance for impairment losses	22,634,834	1,029,104	19,288,172	42,952,110

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Analysed by type:

	As at 30 June 2020	As at 31 December 2019
At fair value		
– Debt securities	37,717,197,920	28,985,823,339

(b) Analysed by listing status:

	As at 30 June 2020	As at 31 December 2019
Listed		
– In Hong Kong, China	3,148,466,515	2,913,953,460
– Outside Hong Kong, China	34,568,731,405	26,062,869,879
Unlisted	–	9,000,000
Total	37,717,197,920	28,985,823,339

(c) Analysis of the movement in allowance for impairment losses:

	Six months ended 30 June 2020	Year ended 31 December 2019
At the beginning of the period/year	17,043,688	20,151,854
Provided/(reversed) for the period/year	3,577,463	(3,369,149)
Effect of changes in exchange rates and others	147,746	260,983
At the end of the period/year	20,768,897	17,043,688

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

(c) Analysis of the movement in allowance for impairment losses: (continued)

	As at 30 June 2020			Total
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	
Allowance for impairment losses	20,768,897	-	-	20,768,897

	As at 31 December 2019			Total
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	
Allowance for impairment losses	17,043,688	-	-	17,043,688

31. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	As at 30 June 2020		
	Notional amount	Fair value	
		Assets	Liabilities
Hedging instruments (a)			
- Interest rate contracts	17,890,000,000	308,222,997	-
Non-hedging instruments			
- Interest rate contracts	83,269,329,300	540,509,784	(688,365,434)
- Currency contracts	78,303,770,522	271,018,017	(231,479,080)
- Equity contracts	202,994,267,072	6,889,840,689	(12,104,370,383)
- Credit contracts	1,368,475,500	7,823,147	(13,829,315)
- Other contracts (Note)	21,791,332,383	323,912,750	(332,226,589)
Total	405,617,174,777	8,341,327,384	(13,370,270,801)
Less: Settlement		(56,668,073)	488,109,396
Net position		8,284,659,311	(12,882,161,405)

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For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

31. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (continued)

	As at 31 December 2019		
	Notional amount	Fair value	
		Assets	Liabilities
Hedging instruments (a)			
– Interest rate contracts	24,640,000,000	288,002,265	–
Non-hedging instruments			
– Interest rate contracts	70,954,087,992	270,908,718	(326,465,411)
– Currency contracts	38,246,090,870	209,882,716	(351,243,297)
– Equity contracts	120,463,872,756	3,237,022,236	(5,302,698,832)
– Credit contracts	740,682,000	2,283,489	(13,182,890)
– Other contracts (Note)	22,904,072,395	555,934,539	(370,985,627)
Total	277,948,806,013	4,564,033,963	(6,364,576,057)
Less: Settlement		(61,829,705)	2,384,056
Net position		4,502,204,258	(6,362,192,001)

Note: Other contracts mainly include commodity options and commodity futures.

The notional amount of derivative financial instruments represents the volume of transactions that has not been completed but does not reflect the risk undertaken by the Group.

Under the daily mark-to-market settlement arrangement, any gains and losses of the Group's positions in futures contracts in mainland China are settled daily and the corresponding accounts receivables and payables are reflected in "deposits with clearing houses". Accordingly, the Group did not hold any net position of the contracts as at 30 June 2020 and 31 December 2019.

As at 30 June 2020, the positive fair value of the unexpired commodity futures contracts held by the Group is RMB56,668,073 (31 December 2019: the positive fair value of the unexpired commodity futures contracts and stock index futures contracts held by the Group is RMB61,829,705); the negative fair value of the unexpired treasury bond futures contracts and stock index futures contracts held by the Group is RMB488,109,396 (31 December 2019: the negative fair value of the unexpired treasury bond futures contract held by the Group is RMB2,384,056).

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For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

31. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (continued)

(a) Hedging instruments

Fair value hedges are used by the Group to protect against changes in the fair value of financial liabilities due to movements in market interest rates. Interest rate swaps are used to hedge the interest rate risk of long-term debt securities issued.

The (losses)/gains of fair value hedges are presented as follows :

	Six months ended 30 June	
	2020	2019
Gains arising from fair value hedges, net:		
Interest rate contracts	133,909,510	(302,698)
Hedged items attributable to the hedged risk	(102,694,920)	57,732,277
Total	31,214,590	57,429,579

The notional amounts with remaining life of the designated as hedging instruments in fair value hedges are presented as follows:

	As at 30 June 2020			Total
	Less than	6 months to	More than	
	6 months	12 months	12 months	
Hedging instruments-interest rate contracts	8,300,000,000	2,200,000,000	7,390,000,000	17,890,000,000

	As at 31 December 2019			Total
	Less than	6 months to	More than	
	6 months	12 months	12 months	
Hedging instruments-interest rate contracts	6,450,000,000	8,600,000,000	9,590,000,000	24,640,000,000

Details of the Group's hedged risk exposure in fair value hedges strategy are set out below:

	As at 30 June 2020	As at 31 December 2019
Long-term debt securities issued		
Carrying amount of hedged items	18,591,104,189	25,395,517,892
Accumulated adjustments to the fair value of hedged items	407,336,446	376,385,675

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For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

32. CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold client monies arising from its ordinary course of business. The Group has classified their client monies as cash held on behalf of clients under current assets of the condensed consolidated statement of financial position and recognised the corresponding current liabilities, in particular, accounts payable to brokerage clients and accounts payable to underwriting clients, on the grounds that the Group is liable for any misappropriation of their clients' monies. In mainland China, clients' monies are restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong SAR, clients' monies are restricted and governed by the *Securities and Futures (Client Money) Rules* under the Securities and Futures Ordinance.

33. CASH AND BANK BALANCES

	As at 30 June 2020	As at 31 December 2019
Cash on hand	185,398	227,924
Deposits with banks	26,788,237,439	20,448,205,534
Deposits with clearing houses	3,962,792,280	3,463,005,629
Subtotal	30,751,215,117	23,911,439,087
Accrued interests	36,865,629	47,784,141
Less: Allowance for impairment losses	(428,451)	(294,558)
Total	30,787,652,295	23,958,928,670

34. CASH AND CASH EQUIVALENTS

	As at 30 June 2020	As at 31 December 2019
Cash on hand	185,398	227,924
Deposits with banks	26,788,237,439	20,448,205,534
Deposits with clearing houses	3,962,792,280	3,463,005,629
Subtotal	30,751,215,117	23,911,439,087
Less: Restricted bank deposits	(488,133,067)	(813,843,832)
Total	30,263,082,050	23,097,595,255

The restricted bank deposits mainly include the risk reserve deposits held for asset management business and temporary deposits held on behalf of non-brokerage clients.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

35. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020		Total
	Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss	
Equity securities	4,795,635,721	29,321,865,958	34,117,501,679
Debt securities	896,065,620	1,868,195,819	2,764,261,439
Funds and others	197,145,098	–	197,145,098
Total	5,888,846,439	31,190,061,777	37,078,908,216

	As at 31 December 2019		Total
	Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss	
Equity securities	3,067,219,649	20,673,051,510	23,740,271,159
Debt securities	833,356,562	1,963,383,218	2,796,739,780
Funds and others	33,307,915	–	33,307,915
Total	3,933,884,126	22,636,434,728	26,570,318,854

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

36. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at 30 June 2020	As at 31 December 2019
Client deposits for brokerage trading	58,758,815,396	43,942,755,339
Client deposits for margin financing and securities lending	5,754,250,307	4,387,247,232
Subtotal	64,513,065,703	48,330,002,571
Accrued interests	9,299,169	7,869,600
Total	64,522,364,872	48,337,872,171

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and clearing houses. Accounts payable to brokerage clients are interest-bearing at the prevailing interest rate.

The balance of the accounts payable includes certain margin deposits and cash collaterals received from clients for their margin financing and securities lending activities under ordinary course of business. Only the amounts in excess of the required amount of margin deposits and cash collaterals are repayable on demand.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

37. PLACEMENTS FROM FINANCIAL INSTITUTIONS

(a) Analysed by funding source:

	As at 30 June 2020	As at 31 December 2019
Placements from banks	26,374,596,064	21,025,216,615
Placements from China Securities Finance Co., Ltd	400,000,000	1,800,000,000
Others	200,000,000	1,000,000,000
Subtotal	26,974,596,064	23,825,216,615
Accrued interests	115,692,599	257,165,515
Total	27,090,288,663	24,082,382,130

(b) Analysed by residual maturity:

	As at 30 June 2020		As at 31 December 2019	
	Book value	Range of interest rate	Book value	Range of interest rate
Within 1 month (inclusive)	15,935,003,537	0.35% – 3.85%	15,439,958,880	1.90% – 4.68%
1 – 3 months (inclusive)	101,191,667	3.30%	3,238,835,702	2.82% – 3.65%
3 months – 1 year (inclusive)	11,054,093,459	1.91% – 3.37%	5,403,587,548	2.96% – 3.44%
Total	27,090,288,663		24,082,382,130	

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

38. SHORT-TERM DEBT SECURITIES ISSUED

	Notes	As at 30 June 2020	As at 31 December 2019
Beneficiary certificates	(a)	13,525,454,842	14,502,136,485
Structured notes	(b)	6,684,847,728	6,581,778,922
Subtotal		20,210,302,570	21,083,915,407
Accrued interests:			
Beneficiary certificates		55,522,089	88,681,587
Structured notes		66,624,012	67,737,875
Total		20,332,448,671	21,240,334,869

(a) Beneficiary certificates:

Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Transferred out	Book value as at 30 June 2020
0.00% - 10.30%	14,590,818,072	27,033,495,769	(31,724,046)	(27,852,177,412)	(159,435,452)	13,580,976,931

Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Transferred out	Book value as at 31 December 2019
0.00% - 10.30%	12,089,983,604	62,644,473,418	27,683,983	(60,171,322,933)	-	14,590,818,072

The Group has issued beneficiary certificates bearing nominal interest with:

- fixed rates, ranging from 1.20% to 8.10% per annum;
- a fixed rate plus a floating rate; or
- a floating rate.

The floating interest rate is calculated based on Shanghai & Shenzhen 300 Index, China Securities Index (CSI) 500 and other indexes, individual stocks, prices of commodity products or USD index.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

38. SHORT-TERM DEBT SECURITIES ISSUED (continued)

(b) Structured notes :

Name	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 30 June 2020
Structured notes (i)	6,649,516,797	3,917,432,008	(1,113,863)	(3,906,825,898)	92,462,696	6,751,471,740

Name	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
Structured notes (i)	1,971,394,181	10,350,739,565	41,197,753	(5,822,951,719)	109,137,017	6,649,516,797

- (i) The notes were issued bearing nominal interest rates ranging from 0.00% to 4.85% per annum. The notes are for maturities of 11 days to 365 days.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

39. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (“REPOs”)

(a) Analysed by collateral type:

	As at 30 June 2020	As at 31 December 2019
Debt securities	35,677,628,636	17,549,727,759
Others	8,360,086,454	7,111,147,291
Subtotal	44,037,715,090	24,660,875,050
Accrued interests	24,523,013	47,382,181
Total	44,062,238,103	24,708,257,231

(b) Analysed by market:

	As at 30 June 2020	As at 31 December 2019
Inter-bank market	25,324,175,578	8,173,286,607
Stock exchanges	6,406,099,624	6,312,160,573
Over-the-counter market	12,331,962,901	10,222,810,051
Total	44,062,238,103	24,708,257,231

As at 30 June 2020, the Group's pledged collateral in connection with its repurchase financing business amounted to RMB46,866,211,227 (31 December 2019: RMB27,941,583,967).

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

40. LONG-TERM DEBT SECURITIES ISSUED

	Notes	As at 30 June 2020	As at 31 December 2019
Due within one year			
– Beneficiary certificates	(a)	2,774,000,000	1,251,000,000
– Subordinated bonds	(b)	–	999,902,118
– Corporate bonds	(c)	15,709,548,410	19,135,896,495
– MTNs	(d)	4,243,262,899	–
Subtotal		22,726,811,309	21,386,798,613
Due after one year			
– Beneficiary certificates	(a)	–	1,000,000,000
– Subordinated bonds	(b)	24,626,271,889	21,053,581,502
– Corporate bonds	(c)	34,313,337,599	18,362,873,397
– MTNs	(d)	16,948,993,636	13,915,473,546
– Financial bonds	(e)	2,500,000,000	2,500,000,000
Subtotal		78,388,603,124	56,831,928,445
Accrued interests:			
– Beneficiary certificates		91,771,859	48,034,692
– Subordinated bonds		424,478,682	354,549,037
– Corporate bonds		802,129,393	675,145,404
– MTNs		55,743,707	64,248,884
– Financial bonds		72,908,219	30,649,315
Subtotal		1,447,031,860	1,172,627,332
Total		102,562,446,293	79,391,354,390
Fair value		102,938,647,026	80,280,847,248

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

40. LONG-TERM DEBT SECURITIES ISSUED (continued)

(a) Beneficiary certificates:

Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Transferred in	Redemption	Book value as at 30 June 2020
0.00% - 10.25%	2,299,034,692	700,000,000	42,301,715	159,435,452	(335,000,000)	2,865,771,859

Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Transferred in	Redemption	Book value as at 31 December 2019
0.00% - 10.25%	1,605,858,806	1,835,000,000	(40,024,114)	-	(1,101,800,000)	2,299,034,692

The Group has issued beneficiary certificates bearing nominal interest with:

- fixed rates, ranging from 2.35% to 5.05% per annum;
- a fixed rate plus a floating rate; or
- a floating rate.

The floating interest rate is calculated based on the index market or the credit situation of certain assets. An investor put or issuer call is applicable on certain beneficiary certificates.

The beneficiary certificates are for maturities of 1 year to 3 years.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

40. LONG-TERM DEBT SECURITIES ISSUED (continued)

(b) Subordinated bonds:

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 30 June 2020
16 CICC C2	15/12/2016	15/12/2021	Annually	4.60%	3,406,855,890	-	77,557,260	-	-	3,484,413,150
16 CICC Futures (i)	16/12/2016	16/12/2024	Annually	1st - 5th year, 5.00%; 6th - 8th year, 8.00%	100,219,178	-	2,486,339	-	-	102,705,517
17 CICC C1	22/05/2017	22/05/2022	Annually	5.39%	632,674,900	-	(20,226,930)	-	(435,345)	612,012,625
17 CICC C2	24/07/2017	24/07/2022	Annually	4.98%	1,559,390,549	-	27,694,257	-	22,829,557	1,609,914,363
17 CICC C3	16/11/2017	16/11/2022	Annually	5.50%	1,540,393,113	-	31,467,720	-	26,361,730	1,598,222,563
18 CICC C1	20/04/2018	20/04/2023	Annually	5.30%	1,058,803,374	-	(32,030,774)	-	9,107,350	1,035,879,950
18 CICC C2	29/08/2018	29/08/2021	Annually	4.70%	1,529,206,314	-	29,086,128	-	14,479,543	1,572,771,985
19 CICC C1	19/04/2019	19/04/2022	Annually	4.20%	1,544,186,301	-	(31,586,301)	-	-	1,512,600,000
19 CICC C3	14/10/2019	14/10/2024	Annually	4.09%	1,512,942,329	-	30,590,959	-	-	1,543,533,288
19 CICC C4	11/11/2019	11/11/2024	Annually	4.12%	1,508,296,438	-	30,815,341	-	-	1,539,111,779
19 CICC C5	05/12/2019	05/12/2024	Annually	4.20%	2,005,753,425	-	41,884,931	-	-	2,047,638,356
20 CICC C1	17/02/2020	17/02/2025	Annually	3.85%	-	1,500,000,000	21,043,150	-	-	1,521,043,150
17 CISC 01 (iii)	23/02/2017	23/02/2020	Annually	4.85%	1,041,359,653	-	(41,457,534)	(1,000,000,000)	97,881	-
17 CISC 02	23/02/2017	23/02/2022	Annually	5.00%	1,875,369,227	-	(45,210,194)	-	347,553	1,830,506,586
19 CISC C1	25/04/2019	25/04/2022	Annually	4.50%	3,092,581,966	-	(67,801,145)	-	-	3,024,780,821
20 CICC WMS C1	17/04/2020	17/04/2025	Annually	3.80%	-	2,000,000,000	15,616,438	-	-	2,015,616,438
Total					22,408,032,657	3,500,000,000	69,929,645	(1,000,000,000)	72,788,269	25,050,750,571

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For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

40. LONG-TERM DEBT SECURITIES ISSUED (continued)

(b) Subordinated bonds: (continued)

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
16 CICC C2	15/12/2016	15/12/2021	Annually	4.60%	3,406,855,890	-	-	-	-	3,406,855,890
16 CICC Futures (i)	16/12/2016	16/12/2024	Annually	1st - 5th year, 5.00%; 6th - 8th year, 8.00%	100,219,178	-	-	-	-	100,219,178
17 CICC C1	22/05/2017	22/05/2022	Annually	5.39%	642,495,998	-	(5,641,929)	-	(4,179,169)	632,674,900
17 CICC C2	24/07/2017	24/07/2022	Annually	4.98%	1,578,638,729	-	(11,495,672)	-	(7,752,508)	1,559,390,549
17 CICC C3	16/11/2017	16/11/2022	Annually	5.50%	1,566,077,566	-	(14,668,115)	-	(11,016,338)	1,540,393,113
18 CICC C1	20/04/2018	20/04/2023	Annually	5.30%	1,067,546,988	-	(6,180,844)	-	(2,562,770)	1,058,803,374
18 CICC C2	29/08/2018	29/08/2021	Annually	4.70%	1,534,886,625	-	(3,872,002)	-	(1,808,309)	1,529,206,314
19 CICC C1	19/04/2019	19/04/2022	Annually	4.20%	-	1,500,000,000	44,186,301	-	-	1,544,186,301
19 CICC C3	14/10/2019	14/10/2024	Annually	4.09%	-	1,500,000,000	12,942,329	-	-	1,512,942,329
19 CICC C4	11/11/2019	11/11/2024	Annually	4.12%	-	1,500,000,000	8,296,438	-	-	1,508,296,438
19 CICC C5	05/12/2019	05/12/2024	Annually	4.20%	-	2,000,000,000	5,753,425	-	-	2,005,753,425
16 CISC 01 (ii)	07/12/2016	07/12/2019	Annually	4.00%	2,204,683,981	-	(6,027,397)	(2,200,000,000)	1,343,416	-
17 CISC 01 (iii)	23/02/2017	23/02/2020	Annually	4.85%	1,040,704,314	-	-	-	655,339	1,041,359,653
17 CISC 02	23/02/2017	23/02/2022	Annually	5.00%	1,874,696,638	-	-	-	672,589	1,875,369,227
19 CISC C1	25/04/2019	25/04/2022	Annually	4.50%	-	3,000,000,000	92,581,966	-	-	3,092,581,966
Total					15,016,805,907	9,500,000,000	115,874,500	(2,200,000,000)	(24,647,750)	22,408,032,657

(i) CICC Futures Co., Ltd. has an option to redeem the bonds on 16 December 2021.

(ii) CICC Wealth Management has redeemed the bonds on 9 December 2019.

(iii) CICC Wealth Management has redeemed the bonds on 24 February 2020.

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For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

40. LONG-TERM DEBT SECURITIES ISSUED (continued)

(c) Corporate bonds:

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 30 June 2020
16 CICC 01 (i)	18/07/2016	18/07/2021	Annually	3.58%	2,922,826,008	-	51,339,358	-	-	2,974,165,366
16 CICC 02 (ii)	18/07/2016	18/07/2023	Annually	3.29%	1,015,052,877	-	16,314,795	-	-	1,031,367,672
16 CICC 04 (iv)	27/10/2016	27/10/2023	Annually	3.13%	905,093,753	-	13,969,233	-	-	919,062,986
17 CICC 01 (vi)	20/01/2017	20/01/2020	Annually	4.35%	4,165,686,653	-	(165,686,653)	(4,000,000,000)	-	-
17 CICC 02 (vii)	08/05/2017	08/05/2020	Annually	4.97%	1,032,496,932	-	(34,288,277)	(1,000,000,000)	1,791,345	-
17 CICC 03	08/05/2017	08/05/2022	Annually	5.19%	1,055,402,156	-	(32,980,527)	-	(1,773,009)	1,020,648,620
17 CICC 04	27/07/2017	27/07/2020	Annually	4.78%	2,042,623,536	-	40,227,090	-	6,045,523	2,088,896,149
17 CICC 05	20/10/2017	20/10/2020	Annually	5.13%	2,019,150,296	-	45,586,699	-	9,627,131	2,074,364,126
17 CICC 06	21/11/2017	21/11/2020	Annually	5.45%	2,512,752,752	-	62,165,297	-	11,763,131	2,586,681,180
18 CICC 01 (viii)	26/01/2018	26/01/2020	Annually	5.58%	1,052,245,432	-	(52,245,432)	(1,000,000,000)	-	-
18 CICC 02	26/01/2018	26/01/2021	Annually	5.70%	1,062,144,259	-	(31,120,662)	-	(5,327,007)	1,025,696,590
18 CICC 03 (ix)	24/04/2018	24/04/2020	Annually	4.80%	517,057,151	-	(17,579,730)	(500,000,000)	522,579	-
18 CICC 04	24/04/2018	24/04/2021	Annually	4.94%	1,041,603,234	-	(28,875,845)	-	(1,129,774)	1,011,597,615
18 CICC 05 (x)	28/06/2018	28/06/2020	Annually	5.20%	1,027,609,961	-	(30,151,585)	(1,000,000,000)	2,541,624	-
18 CICC 06	28/06/2018	28/06/2021	Annually	5.30%	1,032,202,027	-	(31,040,974)	-	4,648,903	1,005,809,956
19 CICC 04 (xi)	21/11/2019	21/11/2025	Annually	3.52%	1,505,786,301	-	26,327,671	-	-	1,532,113,972
20 CICC F1 (xii)	26/02/2020	26/02/2025	Annually	3.20%	-	4,000,000,000	43,835,616	-	-	4,043,835,616
20 CICC G1 (xiii)	03/04/2020	03/04/2026	Annually	2.89%	-	1,500,000,000	10,451,507	-	-	1,510,451,507
20 CICC G2 (xiv)	03/04/2020	03/04/2027	Annually	3.25%	-	1,000,000,000	7,835,616	-	-	1,007,835,616
20 CICC G3 (xv)	06/05/2020	06/05/2026	Annually	2.37%	-	3,300,000,000	11,785,069	-	-	3,311,785,069
20 CICC G4 (xvi)	06/05/2020	06/05/2027	Annually	2.88%	-	700,000,000	3,037,808	-	-	703,037,808
20 CICC F2 (xvii)	28/05/2020	28/05/2025	Annually	2.95%	-	3,000,000,000	8,001,370	-	-	3,008,001,370
20 CICC G5 (xviii)	22/06/2020	22/06/2026	Annually	3.10%	-	1,500,000,000	1,019,178	-	-	1,501,019,178
17 CISC F1	18/07/2017	18/07/2020	Annually	4.95%	3,067,758,196	-	73,844,262	-	-	3,141,602,458
17 CISC F2	18/07/2017	18/07/2022	Annually	5.10%	1,023,270,492	-	25,360,656	-	-	1,048,631,148
18 CISC 01	23/03/2018	23/03/2021	Annually	5.95%	1,046,088,333	-	(29,868,029)	-	32,272	1,016,252,576
18 CISC 02	03/09/2018	03/09/2020	Annually	4.72%	2,032,396,587	-	50,868,807	-	(4,719,010)	2,078,546,384
18 CISC 03	21/09/2018	21/09/2021	Annually	4.99%	1,013,794,862	-	24,813,661	-	31,289	1,038,639,812
19 CISC 01	22/04/2019	22/04/2022	Annually	4.22%	2,058,278,417	-	(42,386,376)	-	61,120	2,015,953,161
19 CICC WMS 01	16/10/2019	16/10/2024	Annually	3.58%	3,022,595,081	-	53,406,557	-	-	3,076,001,638
20 CICC WMS G1	16/01/2020	16/01/2025	Annually	3.44%	-	2,000,000,000	31,392,350	-	-	2,031,392,350
20 CICC WMS F1	09/04/2020	09/04/2025	Annually	3.17%	-	3,000,000,000	21,625,479	-	-	3,021,625,479
Total					38,173,915,296	20,000,000,000	126,983,989	(7,500,000,000)	24,116,117	50,825,015,402

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40. LONG-TERM DEBT SECURITIES ISSUED (continued)

(c) Corporate bonds: (continued)

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
16 CICC 01 (i)	18/07/2016	18/07/2021	Annually	3.58%	3,041,040,822	-	5,785,186	(124,000,000)	-	2,922,826,008
16 CICC 02 (ii)	18/07/2016	18/07/2023	Annually	3.29%	1,015,052,877	-	-	-	-	1,015,052,877
16 CICC 03 (iii)	27/10/2016	27/10/2019	Annually	2.95%	1,105,867,671	-	(5,867,671)	(1,100,000,000)	-	-
16 CICC 04 (iv)	27/10/2016	27/10/2023	Annually	3.13%	905,093,753	-	-	-	-	905,093,753
16 CICC 05 (v)	26/12/2016	26/12/2019	Annually	4.50%	2,001,232,877	-	(1,232,877)	(2,000,000,000)	-	-
17 CICC 01 (vi)	20/01/2017	20/01/2020	Annually	4.35%	4,208,384,842	-	(18,749,670)	-	(23,948,519)	4,165,686,653
17 CICC 02(vii)	08/05/2017	08/05/2020	Annually	4.97%	1,048,723,409	-	(4,359,391)	-	(11,867,086)	1,032,496,932
17 CICC 03	08/05/2017	08/05/2022	Annually	5.19%	1,074,650,503	-	(9,890,186)	-	(9,358,161)	1,055,402,156
17 CICC 04	27/07/2017	27/07/2020	Annually	4.78%	2,069,448,958	-	(10,236,244)	-	(16,589,178)	2,042,623,536
17 CICC 05	20/10/2017	20/10/2020	Annually	5.13%	2,050,793,969	-	(13,625,576)	-	(18,018,097)	2,019,150,296
17 CICC 06	21/11/2017	21/11/2020	Annually	5.45%	2,553,722,772	-	(18,368,472)	-	(22,601,548)	2,512,752,752
18 CICC 01 (viii)	26/01/2018	26/01/2020	Annually	5.58%	1,065,390,775	-	(5,525,618)	-	(7,619,725)	1,052,245,432
18 CICC 02	26/01/2018	26/01/2021	Annually	5.70%	1,077,396,945	-	(7,678,786)	-	(7,573,900)	1,062,144,259
18 CICC 03 (ix)	24/04/2018	24/04/2020	Annually	4.80%	522,384,546	-	(2,072,183)	-	(3,255,212)	517,057,151
18 CICC 04	24/04/2018	24/04/2021	Annually	4.94%	1,051,641,949	-	(5,853,981)	-	(4,184,734)	1,041,603,234
18 CICC 05 (x)	28/06/2018	28/06/2020	Annually	5.20%	1,033,134,856	-	(2,831,105)	-	(2,693,790)	1,027,609,961
18 CICC 06	28/06/2018	28/06/2021	Annually	5.30%	1,038,182,162	-	(3,669,400)	-	(2,310,735)	1,032,202,027
19 CICC 04 (xi)	21/11/2019	21/11/2025	Annually	3.52%	-	1,500,000,000	5,786,301	-	-	1,505,786,301
17 CISC F1	18/07/2017	18/07/2020	Annually	4.95%	3,067,943,835	-	(185,639)	-	-	3,067,758,196
17 CISC F2	18/07/2017	18/07/2022	Annually	5.10%	1,023,334,247	-	(63,755)	-	-	1,023,270,492
18 CISC 01	23/03/2018	23/03/2021	Annually	5.95%	1,046,152,966	-	(126,491)	-	61,858	1,046,088,333
18 CISC 02	03/09/2018	03/09/2020	Annually	4.72%	2,040,024,557	-	(4,011,525)	-	(3,616,445)	2,032,396,587
18 CISC 03	21/09/2018	21/09/2021	Annually	4.99%	1,013,772,388	-	(38,100)	-	60,574	1,013,794,862
19 CISC 01	22/04/2019	22/04/2022	Annually	4.22%	-	2,000,000,000	58,572,678	-	(294,261)	2,058,278,417
19 CICC WMS 01	16/10/2019	16/10/2024	Annually	3.58%	-	3,000,000,000	22,595,081	-	-	3,022,595,081
Total					35,053,371,679	6,500,000,000	(21,647,424)	(3,224,000,000)	(133,808,959)	38,173,915,296

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

40. LONG-TERM DEBT SECURITIES ISSUED (continued)

(c) Corporate bonds: (continued)

- (i) The Company had an option to redeem the bonds on 18 July 2019. If the early-redemption option was not exercised, the Company would have an option to increase the nominal interest rate and an obligation to redeem the bonds when requested by the investors. According to the Company's announcement dated on 28 June 2019, the Company announced to waive the early-redemption option, and opted to increase the nominal interest rate from 2.99% to 3.58% for the rest two years of the tenure of such bond.
- (ii) The Company has an option to redeem the bonds on 18 July 2021. If the early-redemption option is not exercised, the Company will have an option to increase the nominal interest rate and an obligation to redeem the bonds when requested by the investors.
- (iii) The Company has an option to redeem the bonds on 27 October 2019. If the early-redemption option is not exercised, the Company will have an option to increase the nominal interest rate and an obligation to redeem the bonds when requested by the investors. The Company has redeemed the bonds on 28 October 2019.
- (iv) The Company has an option to redeem the bonds on 27 October 2021. If the early-redemption option is not exercised, the Company will have an option to increase the nominal interest rate and an obligation to redeem the bonds when requested by the investors.
- (v) The Company has redeemed the bonds on 26 December 2019.
- (vi) The Company has redeemed the bonds on 20 January 2020.
- (vii) The Company has redeemed the bonds on 8 May 2020.
- (viii) The Company has redeemed the bonds on 3 February 2020.
- (ix) The Company has redeemed the bonds on 24 April 2020.
- (x) The Company has redeemed the bonds on 29 June 2020.
- (xi) The Company has an option to adjust the nominal interest rate on 21 November 2022 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xii) The Company has an option to adjust the nominal interest rate on 26 February 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xiii) The Company has an option to adjust the nominal interest rate on 3 April 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xiv) The Company has an option to adjust the nominal interest rate on 3 April 2025 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xv) The Company has an option to adjust the nominal interest rate on 6 May 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xvi) The Company has an option to adjust the nominal interest rate on 6 May 2025 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xvii) The Company has an option to adjust the nominal interest rate on 28 May 2023 and an obligation to redeem the bonds when requested by the investors accordingly.
- (xviii) The Company has an option to adjust the nominal interest rate on 22 June 2023 and an obligation to redeem the bonds when requested by the investors accordingly.

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For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

40. LONG-TERM DEBT SECURITIES ISSUED (continued)

(d) MTNs:

Name	Interest commencement date	Maturity date	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 30 June 2020
MTN (vi)	18/02/2020	18/02/2023	3M LIBOR plus 0.9%	-	6,982,600,000	10,919,360	-	78,595,920	7,072,115,280
MTN (ii)	25/04/2018	25/04/2021	3M LIBOR plus 1.2%	4,203,319,129	-	(6,640,286)	-	64,391,104	4,261,069,947
MTN (iii)	11/09/2018	11/09/2021	3M LIBOR plus 1.2%	2,789,214,903	-	(2,569,620)	-	43,047,832	2,829,693,115
MTN (iv)	03/05/2019	03/05/2022	3M LIBOR plus 1.2%	4,892,001,713	-	(10,380,234)	-	75,370,099	4,956,991,578
MTN (v)	03/05/2019	03/05/2022	3.38%	2,095,186,685	-	165,603	-	32,778,034	2,128,130,322
Total				13,979,722,430	6,982,600,000	(8,505,177)	-	294,182,989	21,248,000,242

Name	Interest commencement date	Maturity date	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
MTN (i)	18/05/2016	18/05/2019	2.75%	3,439,874,674	-	(11,537,818)	(3,449,400,000)	21,063,144	-
MTN (ii)	25/04/2018	25/04/2021	3M LIBOR plus 1.2%	4,134,978,441	-	(3,880,840)	-	72,221,528	4,203,319,129
MTN (iii)	11/09/2018	11/09/2021	3M LIBOR plus 1.2%	2,741,792,361	-	(1,258,424)	-	48,680,966	2,789,214,903
MTN (iv)	03/05/2019	03/05/2022	3M LIBOR plus 1.2%	-	4,714,080,000	23,828,016	-	154,093,697	4,892,001,713
MTN (v)	03/05/2019	03/05/2022	3.38%	-	2,020,320,000	11,183,721	-	63,682,964	2,095,186,685
Total				10,316,645,476	6,734,400,000	18,334,655	(3,449,400,000)	359,742,299	13,979,722,430

- (i) The principal of the notes amounts to USD500 million. The Group has redeemed the notes on 20 May 2019.
- (ii) The principal of the notes amounts to USD600 million. The interest payment is made quarterly.
- (iii) The principal of the notes amounts to USD400 million. The interest payment is made quarterly.
- (iv) The principal of the notes amounts to USD700 million. The interest payment is made quarterly.
- (v) The principal of the notes amounts to USD300 million. The interest payment is made semi-annually.
- (vi) The principal of the notes amounts to USD1,000 million. The interest payment is made quarterly.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

40. LONG-TERM DEBT SECURITIES ISSUED (continued)

(e) Financial bonds:

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2020	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 30 June 2020
19 CICC Financial Bond 01	22/08/2019	22/08/2022	Annually	3.39%	2,530,649,315	-	42,258,904	-	-	2,572,908,219

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
19 CICC Financial Bond 01	22/08/2019	22/08/2022	Annually	3.39%	-	2,500,000,000	30,649,315	-	-	2,530,649,315

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For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

41. CONTRACT LIABILITIES

	As at 30 June 2020	As at 31 December 2019
Asset and fund management services	388,618,127	268,698,457
Investment banking services	75,765,584	70,790,978
Others	1,422,955	-
Total	465,806,666	339,489,435

Contract liabilities mainly included advanced receipts from clients for assets and fund management services and investment banking services. Related revenue would be recognised when the Group fulfilled its obligations. The Group anticipated to meet most of the obligations within the next 12 months.

42. OTHER CURRENT LIABILITIES

	As at 30 June 2020	As at 31 December 2019
Trade payable	60,838,921,739	43,701,363,379
Payables to the investors of consolidated structured entities (Note 1)	5,188,593,090	5,083,484,895
Accounts payable to underwriting clients	810,606,250	4,477,482,000
Sundry tax payable	580,572,152	557,257,075
Accrued expenses	645,680,220	570,545,312
Others (Note 2)	2,559,335,910	2,567,002,962
Total	70,623,709,361	56,957,135,623

Note 1: For each reporting period, the scope of consolidation of structured entities varies due to addition and liquidation of the consolidated structured entities, and changes in the Group's interests therein.

Note 2: Others mainly include the payment amounted to RMB1.9 billion that the Group was obligated to make to other investors regarding the securitisation vehicle (see Note 29(a)). The maturity date of the securitisation vehicle is 21 November 2020.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

43. CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

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

	As at 30 June 2020	As at 31 December 2019
Ordinary shares of RMB1 each, issued and fully paid		
Domestic shares	2,464,953,440	2,464,953,440
H shares	1,903,714,428	1,903,714,428
Total	4,368,667,868	4,368,667,868
Share capital		
Domestic shares	2,464,953,440	2,464,953,440
H shares	1,903,714,428	1,903,714,428
Total	4,368,667,868	4,368,667,868

In October 2019, the Company issued 176,000,000 new H shares with par value of RMB1.00 at a price of HKD14.40 per share. Accordingly, the registered capital and share capital of the Company increased to RMB4,368,667,868.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares in issue confer identical right in respect of the Company's residual assets.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

43. CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Reserves

(i) Capital reserve

	As at 30 June 2020	As at 31 December 2019
Share premium (Note)	26,884,912,147	26,884,912,147
Others	46,734,828	46,734,828
Total	26,931,646,975	26,931,646,975

Note: The premium arising from the Company's H share offering and domestic share issuance (see Note 43(a)) was recorded in share premium.

(ii) Surplus reserve

The surplus reserve represents statutory surplus reserve. According to the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC ("MOF") and other relevant requirements, the Company is required to appropriate 10% of its net profit, after offsetting prior year's accumulated losses, to 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, or converted into capital of the Company provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

The Company makes the appropriation to surplus reserve at the end of each year.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

43. CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Reserves (continued)

(iii) General reserves

General reserves include general risk reserve and trading risk reserve.

In accordance with the Financial Rules for Financial Enterprises (Order of the MOF No. 42) and the application guidance (Caijin [2007] No. 23) issued by the MOF, and the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the general risk reserves.

In addition, the Company as the mutual fund custodian shall accrue general risk reserve at a proportion of no less than 2.5% of custodian fee income. The accrument could be suspended on condition that the ending balance of risk reserve reached 0.25% of the aggregate of net asset values of the mutual funds under custody at the end of last quarter.

In accordance with the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the trading risk reserve.

In accordance with the Guidelines for the Large Collective Asset Management Business of Securities Companies on implementing the Guiding Opinions for Regulating the Asset Management Business of Financial Institutions, securities companies shall be analogically governed by relevant laws and requirements of public offering funds. Accordingly, the Company and CICC Wealth Management appropriate an amount equivalent to 10% of management fee income of Large Collective Asset Management business to the risk reserves.

General reserves for the Company's subsidiaries are appropriated if relevant requirements are in place.

(iv) Investment revaluation reserve

The investment revaluation reserve represents cumulative gains and losses arising on the revaluation of financial assets at fair value through other comprehensive income, net of amounts reclassified to profit or loss when those financial assets are disposed of or are determined to be impaired.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from translation of the financial statements of the Group entities from their respective reporting currencies to RMB.

(c) Dividends

The Company did not declare any final dividends for 2019 in accordance with the 2019 profit distribution plan approved by the Annual General Meeting on 28 May 2020.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

44. OTHER EQUITY INSTRUMENTS

The Company issued its 2015 perpetual subordinated bonds with a total principal amount of RMB1 billion on 29 May 2015. The interest rate of the perpetual subordinated bond is determined as the following:

- The bond bears at a fixed interest rate;
- The nominal interest rate of the first five interest-bearing years is determined by inquiry and will remain unchanged. The nominal interest rate resets every five years since the sixth interest-bearing year.

The Company does not have any contractual obligation to deliver cash or other financial assets to redeem the perpetual subordinated bonds. The redemption of the perpetual subordinated bonds is solely at the discretion of the Company.

On 15 May 2020, the Company exercised the issuer call option for the 2015 perpetual subordinated bonds to redeem all of the perpetual subordinated bonds that had been registered as at the redemption registration date.

A total principal of the perpetual subordinated bonds to be redeemed this time amounted to RMB1,000,000,000, with a total interest of RMB57,000,000 payable on the 5th interest-bearing year. The redemption proceeds were issued on 29 May 2020.

45. COMMITMENT

(a) Capital commitments

As at 30 June 2020 and 31 December 2019, the capital commitments contracted but not provided for in the financial statements were as follows:

	As at 30 June 2020	As at 31 December 2019
Contracted, but not provided for	2,596,435,206	2,756,949,559

(b) Underwriting commitments

According to the relevant tendering documents, the underwriting commitments taken but not provided for at 30 June 2020 was RMB7,005,972,488 for the Group (31 December 2019: nil).

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Largest shareholder of the Company – Huijin

As at 30 June 2020, Huijin owned 44.38% of the equity interest of the Company (31 December 2019: 44.38%) directly and indirectly.

On 6 June 2018, Huijin and Haier Group (Qingdao) Financial Holdings Ltd. (“Haier”) entered into a share transfer agreement, and agreed to sell Huijin’s 398,500,000 domestic shares in the Company (representing approximately 9.51% of the total share capital of the Company) (the “Share Transfer”) to Haier. After obtaining the approval from the CSRC, the Share Transfer was completed on 11 March 2019, and on completion of the Share Transfer, Huijin directly holds 1,936,155,680 domestic shares in the Company, representing approximately 46.18% of the total share capital of the Company.

In October 2019, the Company issued 176,000,000 new H shares. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,368,667,868 (see Note 43(a)). Accordingly, the equity interest held directly by Huijin decreased to 44.32%.

(i) Related party transactions with Huijin and Huijin’s affiliates

	Six months ended 30 June	
	2020	2019
Brokerage commission income	3,250,598	2,194,111
Underwriting and sponsoring fees	22,746,131	28,847,226
Asset management fees	17,084,612	16,047,596
Investment advisory fees	394,472	418,219
Interest income	367,882,181	314,246,707
Net gains from financial instruments at fair value through profit or loss	42,026,928	56,389,265
Net gains from derivative financial instruments	1,893,406	9,475,582
Other income, net	–	985
Brokerage commission expenses	26,629,171	23,109,224
Asset management expenses	21,027,920	13,881,003
Interest expenses	145,997,090	186,972,983
Other operating expenses and costs	393,635	1,868,211

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For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(a) Largest shareholder of the Company – Huijin (continued)

(ii) The balances of transactions with Huijin and Huijin's affiliates

	As at 30 June 2020	As at 31 December 2019
Accounts receivable	111,379,674	94,564,564
Financial assets at fair value through other comprehensive income	2,977,576,262	760,381,815
Financial assets at fair value through profit or loss	2,766,010,900	3,211,657,414
Refundable deposits	2,626,681	2,618,691
Derivative financial assets	70,640,314	71,099,866
Cash and bank balances (Note 1)	42,103,918,468	35,688,717,007
Financial liabilities at fair value through profit or loss	150,570,816	–
Derivative financial liabilities	71,417,762	26,301,154
Accounts payable to brokerage clients	108,006,376	8,026,660
Placements from financial institutions	10,688,257,687	5,563,531,463
REPOs	7,231,512,512	–
Long-term debt securities issued	2,261,684,529	2,534,768,818
Other current liabilities	152,912,107	65,755,852

Note 1: Balances of deposits at Huijin's affiliates includes self-owned cash and bank balances and cash held on behalf of clients.

Note 2: As at 30 June 2020, besides of the transactions disclosed above, the interests held by Huijin and Huijin's affiliates in the segregated asset management schemes managed by the Group amounted to RMB13,479,935,789 (31 December 2019: RMB13,232,176,702).

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(b) Related party transactions with key management personnel

The key management personnel are those who have the authority and responsibility to plan, direct and control directly or indirectly, the activities of the Group, including members of the Board of Directors and the supervisory board, and other senior executives.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors, is as follows:

	Six months ended 30 June	
	2020	2019
Salaries, allowances and benefits in kind	17,260,530	16,432,384
Discretionary bonuses (Note)	–	–
Retirement scheme contributions	450,644	486,501
Total	17,711,174	16,918,885

Note: The discretionary bonuses of the Group's management personnel for the six months ended 30 June 2020 and ended 30 June 2019 have not yet been finalised.

(c) Related party transactions with other shareholders

(i) Related party transactions with other shareholders and their affiliates

	Six months ended 30 June	
	2020	2019
Asset management fees	12,997,783	8,193,487
Brokerage commission income	110	41,570
Underwriting and sponsoring fees	–	5,127,236
Interest expenses	40,813	160,645

(ii) The balances of transactions with other shareholders and their affiliates

	As at	As at
	30 June 2020	31 December 2019
Accounts payable to brokerage clients	10,363	579,180

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(d) Related party transactions with the Group's associates and joint ventures

(i) Related party transactions with associates and joint ventures and their affiliates

	Six months ended 30 June	
	2020	2019
Brokerage commission income	3,147,677	85,607
Asset management fees	6,237,755	4,639,748
Investment advisory fees	10,204,206	2,917,624
Interest income	4,257,782	6,605,306
Asset management expenses	–	82,731
Interest expenses	3,063	22,512

(ii) The balances of transactions with associates and joint ventures and their affiliates

	As at	As at 31
	30 June 2020	December 2019
Accounts receivable	21,481,381	16,226,219
Other non-current assets	190,389,598	310,264,313
Accounts payable to brokerage clients	12,068,203	892
Contract liabilities	1,138,262	–
Other current liabilities	–	664,792

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

47. FAIR VALUE INFORMATION

The Group adopts the following methods and assumptions when evaluating fair values:

- (i) Financial assets including cash and bank balances, cash held on behalf of clients and reverse REPOs and financial liabilities including short-term placements from financial institutions and REPOs, are mainly instruments with floating interest rates or for short-term financing. Accordingly, the carrying amounts approximate their fair values.
- (ii) Financial instruments at fair value through profit or loss or through other comprehensive income and derivatives are stated at fair value. For financial instruments traded in active markets, the Group uses market prices as the best estimate for their fair values. For financial instruments without any market price, the Group determines their fair values using discounted cash flows or other valuation techniques.
- (iii) The fair values of short-term and long-term debt securities issued are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group estimates the fair values using discounted cash flows or other valuation techniques with reference to the yields of financial instruments with similar characteristics such as similar credit risk and maturity. The fair values of long-term debt securities issued are disclosed in Note 40. The carrying amounts of short-term debt securities issued approximate their fair values.
- (iv) Accounts receivable and accounts payable to brokerage clients are due mainly within one year. Accordingly, the carrying amounts approximate their fair values.

(a) *Financial assets and liabilities measured at fair value*

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level I: Fair value measured using only Level I inputs (i.e. unadjusted quoted prices in active markets for identical assets or liabilities) at the measurement date.
- Level II: Fair value measured using Level II inputs (i.e. observable inputs which are unqualified as Level I inputs), and no significant unobservable inputs. Unobservable inputs are the inputs for which market data are not available.
- Level III: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for a financial instrument, the fair value of the financial instrument is measured based on quoted market price. If a reliable quoted market price is not available, the fair value of the financial instrument is estimated using valuation techniques. For the fair value of financial instruments categorised within Level II, the valuation techniques applied include discounted cash flow analysis and option pricing models. The significant observable inputs used in valuation techniques include future cash flows estimated based on contractual terms, risk-free and benchmark interest rates, credit spreads and foreign exchange rates. For the fair value of financial instruments categorised within Level III, the valuation techniques and significant unobservable inputs are disclosed in Note 47(a)(ii).

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

47. FAIR VALUE INFORMATION (continued)

(a) Financial assets and liabilities measured at fair value (continued)

The following table presents the analysis of financial instruments measured at fair value at the end of the reporting periods by the level in the fair value hierarchy into which the fair value measurement is categorised:

	As at 30 June 2020			Total
	Level I	Level II	Level III	
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	86,464,281,981	772,064,169	5,687,749,837	92,924,095,987
– Debt securities	2,889,949,978	82,035,476,853	146,169,455	85,071,596,286
– Funds and other investments	4,032,583,328	34,284,856,741	–	38,317,440,069
Derivative financial assets	320,407,769	7,964,251,542	–	8,284,659,311
Financial assets at fair value through other comprehensive income				
– Debt securities	319,951,921	37,397,245,999	–	37,717,197,920
Total	94,027,174,977	162,453,895,304	5,833,919,292	262,314,989,573
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
– Equity securities	(4,795,635,721)	–	–	(4,795,635,721)
– Debt securities	–	(896,065,620)	–	(896,065,620)
– Funds and others	(197,145,098)	–	–	(197,145,098)
Financial liabilities designated as at fair value through profit or loss				
– Equity securities	–	(29,321,865,958)	–	(29,321,865,958)
– Debt securities	–	(1,868,195,819)	–	(1,868,195,819)
Derivatives financial liabilities	(171,105,783)	(12,711,055,622)	–	(12,882,161,405)
Total	(5,163,886,602)	(44,797,183,019)	–	(49,961,069,621)

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For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

47. FAIR VALUE INFORMATION (continued)

(a) Financial assets and liabilities measured at fair value (continued)

	As at 31 December 2019			Total
	Level I	Level II	Level III	
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	64,404,093,954	757,142,771	4,528,289,761	69,689,526,486
– Debt securities	2,579,599,611	73,222,018,204	329,221,497	76,130,839,312
– Funds and other investments	2,467,332,952	19,904,195,371	–	22,371,528,323
Derivative financial assets	86,093,900	4,416,110,358	–	4,502,204,258
Financial assets at fair value through other comprehensive income				
– Debt securities	–	28,985,823,339	–	28,985,823,339
Total	69,537,120,417	127,285,290,043	4,857,511,258	201,679,921,718
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
– Equity securities	(3,067,219,649)	–	–	(3,067,219,649)
– Debt securities	–	(833,356,562)	–	(833,356,562)
– Funds and others	(33,307,915)	–	–	(33,307,915)
Financial liabilities designated as at fair value through profit or loss				
– Equity securities	–	(20,673,051,510)	–	(20,673,051,510)
– Debt securities	–	(1,963,383,218)	–	(1,963,383,218)
Derivative financial liabilities	(43,120,510)	(6,319,071,491)	–	(6,362,192,001)
Total	(3,143,648,074)	(29,788,862,781)	–	(32,932,510,855)

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For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

47. FAIR VALUE INFORMATION (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(i) Transfer between levels

The Group's investment in certain suspended stocks were transferred from Level I to Level II as the quoted prices of these stocks were no longer regularly available:

	As at 30 June 2020	As at 31 December 2019
Financial assets at fair value through profit or loss	41,358,050	11,254,310

As of 30 June 2020, the Group's equity securities of RMB15 million (31 December 2019: RMB249 million) were transferred from Level I or II to Level III, as the fair values of these securities were determined with the use of valuation techniques instead of quoted prices, due to events such as delisting.

As of 30 June 2020, the Group's debt securities of RMB91 million (31 December 2019: RMB121 million) were transferred from Level II to Level III as the fair values of these investments were determined with the use of valuation techniques instead of quoted prices, due to the credit risk in existence.

As of 30 June 2020, the Group's equity securities of RMB68 million (31 December 2019: RMB208 million) were transferred from Level III to Level I or II, as the fair values of these securities were determined with quoted prices instead of the use of valuation techniques, due to events such as listing or re-listing.

Apart from the transfer above, for the six months ended 30 June 2020 and the year ended 31 December 2019, there was no other significant transfer among Level I, Level II and Level III for the Group's assets and liabilities measured at fair value. In accordance with its accounting policies, the Group recognises transfers among the levels as at the end of the reporting period in which they occur.

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For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

47. FAIR VALUE INFORMATION (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(ii) Information about Level III fair value measurements

As at 30 June 2020 and 31 December 2019, it is estimated that the sensitivity of the Group's profit or loss and other comprehensive income to the fluctuation of parameters used in Level III fair value measurements is not significant.

The following table presents a reconciliation from the beginning balances to the ending balances of financial assets measured at Level III fair value through profit or loss:

	Financial assets at fair value through profit or loss
As at 1 January 2020	4,857,511,258
Gains for the period	705,653,352
Purchases	732,019,814
Sales and settlements	(499,940,616)
Transfer into Level III	106,366,342
Transfer out of Level III	(67,690,858)
As at 30 June 2020	5,833,919,292
Total gains for the period included in profit or loss for assets held at the end of the reporting period	657,441,027

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For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

47. FAIR VALUE INFORMATION (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(ii) Information about Level III fair value measurements (continued)

	Financial assets at fair value through profit or loss
As at 1 January 2019	2,833,294,686
Gains for the period	24,059,784
Purchases	2,247,281,576
Sales and settlements	(408,734,066)
Transfer into Level III	369,770,128
Transfer out of Level III	(208,160,850)
As at 31 December 2019	4,857,511,258
Total gains for the period included in profit or loss for assets held at the end of the reporting period	21,235,787

For financial instruments in Level III, prices are determined using valuation methods such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Debt securities	Level III	Discounted cash flow models	Discount rate	The higher the discount, the lower the fair value
Unlisted equity securities	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value

(b) Fair value of financial assets and liabilities carried at other than fair value

The fair values of long-term debt securities issued have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of the Group. The fair values of long-term debt securities issued are classified as Level II and disclosed in Note 40.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the Group's condensed consolidated statement of financial position approximate their fair values.

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For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT

The Group's risk management aims to effectively allocate risk-based capital, limit risks to a controllable level, maximize the corporate value and constantly solidify the foundation for the steady and sustainable development of the Group. The Group monitors and controls key exposures to the credit risk, liquidity risk and market risk by using financial instruments.

(a) *Credit risk*

Credit risk refers to the risk resulting from defaults or deterioration in creditworthiness of counterparties, borrowers and security issuers.

The exposure to credit risk of the Group arises mainly from: (1) Credit risk from debtors' default or bankruptcy, including the loss due to intermediary institutions (such as brokers or custodian banks). The risk exposure is the total value of outstanding debts; (2) Credit risk from counterparty's default on the over-the-counter ("OTC") derivative transactions (such as swaps or forward transactions). The risk exposure is determined by the changes in the market value of the derivatives; (3) Credit risk from the defaults or deterioration in creditworthiness of bond issuers.

At the end of the reporting period, the Group's maximum credit risk exposure is the net carrying amount of financial assets without taking account of any collateral or other credit enhancements.

Measurement of expected credit losses

The Group recognises loss allowance for financial assets measured at amortised cost (including receivable from margin clients, reverse REPOs, etc.) and debt securities not measured at fair value through profit or loss via ECL model. The measurement of the ECL is based on the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD").

A default is that a client or a financier or issuer of investment products fails to fulfil the contract. PD is an estimate of the likelihood of default over a given time horizon. The Group estimates the PD based on its internal rating model, integrating factors such as external rating information, macroeconomic environment and changes in quantitative and qualitative indicators of the counterparties or bonds issuers. LGD is an estimate of the loss bore by the Group on the exposure at default. In the determination of LGD, the Group estimates the recoverable cash flow from disposing underlying assets and collaterals by taking their liquidity and relevant historical market data into full consideration, and estimates LGD based on the difference between the recoverable and the contracted cash flows. EAD is the amount that shall be repaid to the Group when a default occurs within a given period of time. When measuring the ECL, the Group classifies the assets into different risk stages based on whether the credit risk of each asset has increased significantly since the initial recognition. Accordingly, the Group measures loss allowance on either a 12-month or the lifetime basis for the investments at different risk stages.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Provision method of ECL

The Group recognises impairment provision of debt securities investment and margin financing business based on ECL. For the financial instruments for which the ECL measurement is used, the Group classifies these financial instruments into different risk stages based on whether the credit risk of each instrument has increased significantly since the initial recognition. The financial instruments with lower credit risk on the balance sheet date or of which the credit risk has not increased significantly since the initial recognition will be classified into “Stage 1”; the financial instruments of which the credit risk has increased significantly since the initial recognition will be classified into “Stage 2”; and the financial instruments that has been credit-impaired will be transferred into “Stage 3”. The Group measures ECL based on the parameters such as PD, LGD and EAD.

The criteria of significant increase in credit risk (“SICR”)

The Group considers a financial instrument experiencing SICR when one or more of the following quantitative and qualitative criteria have been met: (1) for debt securities investment business: the latest external or internal ratings of a bond issuers or the debt securities per se decline substantially compared with their ratings on the initial recognition, or there are adverse changes in business, financial or external conditions and these adverse changes are expected to cause a significant decrease in the debtor’s ability to meet its obligations; or (2) for margin financing business: the performance guarantee ratio is lower than the agreed prior-warning line, collaterals are suspended continuously or have adverse changes in their conditions, assets held by the debtors have significant deterioration in the qualities, or a debt is approaching its maturity with a risk of default.

Definition criteria of credit-impaired assets

The Group considers that a financial instrument has been credit-impaired when (1) for debt securities: the bond issuer is unable to perform the payment obligations as agreed, has other default bonds or is in a circumstance that can be determined as in default, e.g. having significant financial difficulties; (2) for margin financing business: the margin financing client violates the business agreement, e.g. the client fails to remargin in a timely manner when the margin ratio is below the agreed level, the client fails to fully repay the debt when a margin call is triggered, the margin is unable to be closed out due to the suspension of trading of the collaterals, the client fails to fully repay the debt when the contract expires, or the shares used as pledge/guarantee are frozen by judicial system.

Forward-looking information

The Group uses reasonable and supportable forward-looking macro information that is available without undue cost or effort in its assessment of SICR as well as in its measurement of ECL. The information includes a base-case scenario of future forecast of relevant economic variables, along with a series of other representative possible forecast scenarios.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Debt securities (including debt securities measured at fair value through profit or loss (“FVTPL”) and at FVTOCI)

The Group focuses on diversifying investments in credit-type fixed income securities which are mainly high-credit rating products. The Group controls the exposure of the market risk and credit risk by setting investment position limit and by classifying the sub-investment varieties, sub-credit rating limits and concentration limits. Moreover, the Group continuously tracks the bond issuer’s business conditions and credit rating changes through monitoring, pre-warning, risk detecting, etc.

The carrying amount of the Group’s debt securities are as follows:

	As at 30 June 2020	As at 31 December 2019
Financial assets at fair value through profit or loss	85,071,596,286	76,130,839,312
Financial assets at fair value through other comprehensive income	37,717,197,920	28,985,823,339
Total	122,788,794,206	105,116,662,651

(i) The exposure to credit risk for debt securities at FVTPL and FVTOCI by geographic region was as follows.

	As at 30 June 2020	As at 31 December 2019
Mainland China	122,399,096,978	104,620,412,929
Outside mainland China	389,697,228	496,249,722
Total	122,788,794,206	105,116,662,651

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Debt securities (including debt securities measured at fair value through profit or loss (“FVTPL”) and at FVTOCI) (continued)

(ii) The following table presents an analysis of the credit quality of debt securities at FVTPL and FVTOCI.

Credit rating	As at 30 June 2020		As at 31 December 2019	
	FVTPL	FVTOCI 12-month ECL	FVTPL	FVTOCI 12-month ECL
Outside mainland China (by international rating agencies)				
– AAA	35,324,455	–	13,636	–
– From AA- to AA+	–	–	–	–
– From A- to A+	1,229,589,484	1,956,614,779	1,351,421,066	1,707,571,481
– Below A-	11,259,918,082	3,272,793,803	12,495,297,861	3,048,454,944
Subtotal	12,524,832,021	5,229,408,582	13,846,732,563	4,756,026,425
Mainland China (by domestic rating agencies)				
– AAA	48,197,071,672	28,964,166,984	35,190,458,884	23,966,979,878
– From AA- to AA+	5,458,694,310	200,656,227	6,177,409,481	61,144,700
– From A- to A+	1,090,382,946	–	1,016,894,182	–
– Below A-	536,056,355	–	281,753,183	–
Subtotal	55,282,205,283	29,164,823,211	42,666,515,730	24,028,124,578
Non-rated I (Note 1)	3,885,258,417	3,322,966,127	1,304,072,061	201,672,336
Non-rated II (Note 2)	13,379,300,565	–	18,313,518,958	–
Total	85,071,596,286	37,717,197,920	76,130,839,312	28,985,823,339
Loss allowance		(20,768,897)		(17,043,688)

Note 1: These non-rated financial assets mainly include government bonds, central bank bills, policy financial bonds and Special Drawing Rights (“SDR”) denominated bonds.

Note 2: These non-rated financial assets are mainly other debt securities and trading securities with no ratings provided by independent rating agencies.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Debt securities (including debt securities measured at fair value through profit or loss (“FVTPL”) and at FVTOCI) (continued)

The Group did not have any debt securities that were past due but not impaired at 30 June 2020 and 31 December 2019.

Other non-derivative financial investments (other than debt securities)

The Group has adopted the following measures to manage credit risk in capital businesses including margin financing and stock-based lending businesses: vetting counterparties, and assigning credit ratings and lending limits to the counterparties; managing collaterals (via haircut rates, liquidity and concentration) and closely monitoring margin ratios and/or collateral ratios, and establishing and implementing margin call and mandatory liquidation policy.

The exposure to credit risk for financial assets other than debt securities at the reporting date by geographic region was as follows.

	As at 30 June 2020	As at 31 December 2019
Mainland China	133,187,234,211	112,313,223,169
Outside mainland China	34,931,846,888	23,169,562,246
Total	168,119,081,099	135,482,785,415

Derivatives

Regarding the counterparty credit risk of the OTC derivatives business, the Group has established a counterparty credit rating system. Through a combination of qualitative and quantitative methods, it comprehensively evaluates counterparty qualifications and assigns credit ratings accordingly. On the basis of credit ratings, the Group sets corresponding credit risk exposure limits for counterparties, and manages counterparty credit risk by signing OTC derivatives trading master agreements and performance guarantee agreements, and requiring performance guarantees. The Group calculates the minimum amount required as OTC counterparty's performance collateral and credit risk exposure through the establishment of a dynamic scenario combined with stress test, and performs daily measurement and monitoring through the system. In view of this, the Group maintains the credit risk exposure of derivatives transactions within an acceptable range.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk

Liquidity risk refers to the risks arising from the Group's inability to obtain sufficient funds in a timely manner or inability to obtain sufficient funds at reasonable costs in a timely manner to respond to asset growth, settle debts due and satisfy the funding needs in conducting ordinary business operations.

The Group implements vertical and centralised management on liquidity risks of all domestic and overseas branches and subsidiaries. The Group has adopted the following measures to manage liquidity risk: closely monitoring balance sheets of the Group and its branches and subsidiaries, and managing liquidity gaps between assets and liabilities; setting liquidity risk limits based on the Group's overall situation and regulatory requirement; conducting cash flow forecast and liquidity risk stress test on a regular and irregular basis to analyse and assess the Group's liquidity risk exposure; maintaining adequate high-quality liquid assets and establishing liquidity contingency plan for potential liquidity emergencies.

The following tables show the undiscounted contractual cash flows of the Group's non-derivative and derivative financial liabilities (including interest payments computed using contractual rates or, if floating, rates prevailing at the end of the year) calculated based on the earliest date the Group can be required to pay, by the remaining contractual maturities of these liabilities at the end of the year:

	As at 30 June 2020					Total
	Overdue/ repayable on demand	Within 1 year (inclusive)	1 - 5 years (inclusive)	More than 5 years	Undated	
Financial liabilities						
Accounts payable to brokerage clients	64,522,364,872	-	-	-	-	64,522,364,872
Placements from financial institutions	-	27,277,345,565	-	-	-	27,277,345,565
Financial liabilities at fair value through profit or loss	-	36,984,870,205	94,188,694	-	-	37,079,058,899
Derivative financial liabilities	-	12,333,161,688	548,999,717	-	-	12,882,161,405
REPOs	-	44,075,698,334	-	-	-	44,075,698,334
Short-term debt securities issued	-	19,726,971,742	752,479,399	-	-	20,479,451,141
Long-term debt securities issued	-	26,157,367,594	75,249,414,763	9,826,180,000	-	111,232,962,357
Lease liabilities	-	572,300,884	797,390,828	92,234,927	-	1,461,926,639
Others	39,942,782,638	30,353,793,133	17,472,432	-	-	70,314,048,203
Total	104,465,147,510	197,481,509,145	77,459,945,833	9,918,414,927	-	389,325,017,415

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

	As at 31 December 2019				Undated	Total
	Overdue/ repayable on demand	Within 1 year (inclusive)	1 – 5 years (inclusive)	More than 5 years		
Financial liabilities						
Accounts payable to brokerage clients	48,337,872,171	-	-	-	-	48,337,872,171
Placements from financial institutions	-	24,336,819,054	-	-	-	24,336,819,054
Financial liabilities at fair value						
through profit or loss	-	26,362,724,129	207,594,725	-	-	26,570,318,854
Derivative financial liabilities	-	6,096,910,786	265,278,058	3,157	-	6,362,192,001
REPOs	-	24,713,038,178	-	-	-	24,713,038,178
Short-term debt securities issued	-	20,788,452,951	689,966,100	-	-	21,478,419,051
Long-term debt securities issued	-	24,639,949,705	61,089,800,034	-	-	85,729,749,739
Lease liabilities	-	542,975,636	953,370,780	90,777,171	-	1,587,123,587
Others	32,768,536,091	23,409,982,773	15,941,337	-	-	56,194,460,201
Total	81,106,408,262	150,890,853,212	63,221,951,034	90,780,328	-	295,309,992,836

(c) Market risk

Market risk is the risk of loss of the Group's income and value of financial instruments arising from the adverse market movements such as unfavourable changes in interest rates, stock prices, foreign exchange rates, etc. The objectives of market risk management are to monitor the market risk and control it within the acceptable range and to maximise the risk adjusted return. Stress testing is conducted regularly, and the risk control indicators and operating indicators in a variety of scenarios are calculated. The Group monitors the market risk for investment portfolios and non-trading portfolios separately.

(i) Market risk of investment portfolios

Investment portfolio includes 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. The risk exposures are measured and monitored in terms of principal, stop loss limit, etc., and are maintained within the limits set up by management. The Group adopts various kinds of methods (such as Value-at-Risk ("VaR"), sensitivity limit, investment concentration limit, scenario analysis, stress test, etc.) to manage market risk. The VaR analysis is a major tool used by the Group to measure and monitor market risk of the investment portfolios.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Market risk of investment portfolios (continued)

VaR is a technique which estimates the potential losses that could incur on risk positions taken, due to the adverse market movements, such as unfavourable changes in interest rates, stock prices, foreign exchange rates and so on over a specified time horizon and at a given level of confidence. The independent risk management personnel of the Group computes VaR by using a historical simulation method and implements relevant control measurements over the market risk. The historical simulation method is used to simulate future profit or loss based on the historical fluctuation of the key market risk factors and on the sensitivity of current investment portfolio in respect of such risk factors.

The Group has adopted the historical simulation method and set 95% as its confidence level to compute its daily VaR based on historical data of the previous three years, i.e. there is 95% chance that the expected loss based on historical data will not exceed the VaR value regarding the Group's investment portfolio. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do have some limitations, including the following:

- When there is severe market illiquidity for a prolonged period, the realisable value of the Group's investment portfolio in a trade day may vary from the expected value due to a 1-day time horizon for VaR;
- The assigned confidence level of 95% does not reflect losses that may occur beyond this level. Even within the model used there is a probability of 5% that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect intraday exposures; and
- The use of historical data as a basis for determining the possible distribution of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Market risk of investment portfolios (continued)

The following tables set forth the Group computed VaRs by risk categories as of the dates and for the periods:

	As at	Six months ended 30 June 2020		
	30 June 2020	Average	Highest	Lowest
Equity prices	167,616,763	97,024,038	167,616,763	32,843,887
Interest rates	48,358,237	39,760,261	48,673,718	29,775,232
Currency rates	38,664,329	36,155,988	43,489,561	30,771,028
Commodity prices	882,498	1,187,129	5,321,974	283,783
Diversification effect	(78,674,503)	(59,447,462)	(42,990,630)	(83,959,575)
Total portfolio	176,847,324	114,679,954	176,847,324	62,439,644

	As at 31	Year ended 31 December 2019		
	December 2019	Average	Highest	Lowest
Equity prices	30,936,433	27,295,314	63,327,778	8,266,060
Interest rates	36,577,675	53,170,545	63,897,038	35,413,961
Currency rates	33,886,625	31,963,024	43,034,370	10,516,056
Commodity prices	3,833,248	1,392,051	6,264,911	49,390
Diversification effect	(47,366,615)	(44,154,634)	(19,620,576)	(67,079,481)
Total portfolio	57,867,366	69,666,300	98,072,104	50,664,887

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Market risk of non-trading portfolios

(1) Interest rate risk

The non-trading portfolios of the Group are subject to the risk of interest rate fluctuations. Except for the financial assets and liabilities managed through VaR, the Group's major interest-earning assets in its non-trading portfolios include deposits at banks and in clearing houses, receivable from margin clients and reverse REPOs; and its interest-bearing liabilities mainly include short-term debt securities issued, placements from financial institutions, REPOs and long-term debt securities issued.

The Group adopts sensitivity analysis to measure the interest rate risk of non-trading portfolios. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit and equity	
	As at 30 June 2020	As at 31 December 2019
Changes in basis points		
Increase by 50 basis points	(306,383,452)	(213,876,502)
Decrease by 50 basis points or decrease to 0	308,233,946	224,548,089

The sensitivity analysis is based on the static rate risk profile of the Group's assets and liabilities. The sensitivity analysis measures the impact of changes in interest rates within one year and shows how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions that:

- The 50 basis points of changes in interest rates at the end of the reporting periods apply to all of the Group's non-trading financial instruments in the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rate;
- There are no changes to the assets and liabilities portfolios;
- Other variables (including exchange rates) remain unchanged; and
- Risk management measures undertaken by the Group are not considered.

Due to the above assumptions, the actual changes of interest rate and their impact on the Group's net profit and equity might vary from the estimated results of the sensitivity analysis.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (continued)

(c) **Market risk** (continued)

(ii) **Market risk of non-trading portfolios** (continued)

(2) **Currency risk**

Currency risk is the risk arising from the fluctuation of foreign exchange rates. The Group's currency risk regarding the non-trading portfolio primarily relates to business activities denominated in foreign currencies different from the Group's functional currency and is considered not material. As the proportion of the non-trading portfolios denominated in foreign currencies is relatively small, the Group believes that its foreign exchange rate risk has an insignificant impact on its current operations.

49. CONTINGENCIES

As of 30 June 2020, CICC Wealth Management, a subsidiary of the Company, held one piece of land for which CICC Wealth Management had obtained the corresponding land use right certificates and construction permits in accordance with PRC laws. By relevant laws and regulations, in the event of delay in commencement of construction, CICC Wealth Management may be subject to an idle land fee of no more than RMB112.2 million (equivalent to 20% of the land transfer fee) and/or to forfeiture of the land use rights. However, if the delay is caused by government actions or other force majeure events, CICC Wealth Management may negotiate with relevant government authorities for postponing the construction and extending the construction period. Up to the date of approving the Group's interim financial report, CICC Wealth Management is still in the negotiation with the relevant government authorities. Whether to pay the idle land fee and the amount of the fee is subject to the decision of the government authorities, and CICC Wealth Management is of the view that the probability of the economic benefit outflow caused by the event is uncertain. As a result, no relevant accrued liabilities were recognised as of 30 June 2020. Up to the date of approving the Group's interim financial report, the construction of the land has not commenced, and the Group has completed the bidding for the constructor and for the building designer of this project and will actively carry forward the construction work thereof.

Except for the above, the Group had no other outstanding matters which had a material impact on its consolidated financial position as at 30 June 2020.

Notes to the Unaudited Interim Financial Report (Continued)

For the six months ended 30 June 2020 (Expressed in RMB, unless otherwise stated)

50. OTHER EVENTS

Since the outbreak of COVID-19 in January 2020, strict precautions have been taken by the PRC government and caused business interruption in various sectors. The Group has taken certain measures, including work-from-home arrangements for its staff, to mitigate the negative impacts of the business interruption. The directors of the Company consider that the impact of COVID-19 is immaterial to the Group's financial position as at 30 June 2020 and the results for the period then ended. The Group also actively responded to the requirements of "Notice on Further Strengthening Financial Support for Prevention and Control of New Coronavirus Infectious Pneumonia" issued by the People's Bank of China, the Ministry of Finance, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission and the State Administration of Foreign Exchange by resolutely implementing all required measures and enhancing the financial supports for COVID-19 prevention and control, including underwriting certain bonds issued for the event. The directors of the Company will continuously monitor the development of COVID-19 and assess any significant impacts of COVID-19 on impairments or fair value changes of the Group's financial assets.

51. SUBSEQUENT EVENTS

(a) Corporate bonds

The Group issued 20 CICC F3 with an aggregate principal amount of RMB3.00 billion on 24 July 2020 and 20 CICC WMS F2 with an aggregate principal amount of RMB2.00 billion on 28 July 2020.

The Group redeemed 17 CISC F1 with an aggregate principal amount of RMB3.00 billion on 20 July 2020 and 17 CICC 04 with an aggregate principal amount of RMB2.00 billion on 27 July 2020.

(b) MTNs

The Group issued MTNs with an aggregate principal amount of USD500 million on 10 August 2020.

(c) Capital injection in significant joint ventures

The Company and Tencent Technology (Shenzhen) Co., Ltd. ("Tencent Technology") jointly established Jinteng Technology Information (Shenzhen) Co., Ltd. ("Jinteng Technology") on 24 June 2020, of which the registered capital amounted to RMB500 million. Jinteng Technology is principally engaged in information technology services. The Company and Tencent Technology hold 51% and 49% of equity interests in Jinteng Technology, respectively. On 8 July 2020, the Company made the first tranche of capital injection in cash of RMB102 million to Jinteng Technology.

52. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current period's presentation.

