

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors of China Galaxy Securities Co., Ltd. (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2022. This announcement, containing the full text of the 2022 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results. The printed version of the Company's 2022 interim report will be dispatched to the holders of H Shares of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.chinastock.com.cn by the end of September 2022.

By order of the Board
China Galaxy Securities Co., Ltd.
CHEN Liang
Chairman and Executive Director

Beijing, the PRC
30 August 2022

As at the date of this announcement, the executive directors of the Company are Mr. CHEN Liang (Chairman) and Mr. WANG Sheng (Vice Chairman and President); the non-executive directors are Mr. LIU Dingping, Mr. YANG Tijun, Ms. LIU Chang, Mr. LIU Zhihong and Mr. JIANG Yuesheng; and the independent non-executive directors are Mr. LIU Ruizhong, Mr. WANG Zhenjun, Ms. LIU Chun and Mr. LAW Cheuk Kin Stephen.



CONTENTS

Definitions	2
Company Information	5
Financial Highlights	6
Company Business Overview	8
Management Discussion and Analysis	13
Changes in Ordinary Shares and Other Situation	52
Other Information	55
Report on Review of Interim Condensed Consolidated Financial Information	64
Interim Condensed Consolidated Statement of Profit or Loss and Comprehensive Income	65
Interim Condensed Consolidated Statement of Financial Position	67
Interim Condensed Consolidated Statement of Changes in Equity	69
Interim Condensed Consolidated Statement of Cash Flows	71
Notes to the Interim Condensed Consolidated Financial Statements	73



DEFINITIONS

“A Share(s)”	domestic share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the SSE and subscribed for and traded in Renminbi
“CSRC Beijing Bureau”	China Securities Regulatory Commission Beijing Bureau
“BSE”	the Beijing Stock Exchange
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“Board” or “Board of Directors”	the board of Directors of the Company
“CG Code”	Corporate Governance Code set out in Appendix 14 to the Stock Exchange Listing Rules
“Company”	China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司), a joint stock limited company incorporated in the PRC on 26 January 2007, the H Shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 06881), and the A Shares of which are listed on the SSE (Stock Code: 601881)
“Company Law”	the Company Law of the People’s Republic of China
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“CFFE”	China Financial Futures Exchange
“Director(s)”	director(s) of the Company
“End of the Reporting Period”	30 June 2022
“FICC”	fixed income, foreign currencies and commodities
“Futures IB Business”	the business activities in which securities firms, as commissioned by futures companies, introduce clients to the futures companies to provide futures brokerage and other related services
“Galaxy Capital”	Galaxy Capital Management Company Limited (銀河創新資本管理有限公司), owned as to 100% by the Company
“Galaxy Yuanhui”	Galaxy Yuanhui Investment Co., Ltd. (銀河源匯投資有限公司), owned as to 100% by the Company
“Galaxy Financial Holdings”	China Galaxy Financial Holdings Company Limited (中國銀河金融控股有限責任公司), the controlling shareholder of the Company, holding 51.16% of the issued share capital of the Company as at the End of the Reporting Period
“Galaxy Fund Management”	Galaxy Fund Management Company Limited (銀河基金管理有限公司), owned as to 50% by Galaxy Financial Holdings
“Galaxy Futures”	Galaxy Futures Company Limited (銀河期貨有限公司), owned as to 100% by the Company



“Galaxy International Holdings”	China Galaxy International Financial Holdings Company Limited (中國銀河國際金融控股有限公司), owned as to 100% by the Company
“Galaxy Jinhui”	Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司), owned as to 100% by the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huijin”	Central Huijin Investment Ltd. (中央匯金投資有限責任公司), holding 69.07% equity interest of Galaxy Financial Holdings as at the End of the Reporting Period
“IPO”	initial public offering
“Stock Exchange Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“margin and securities refinancing”	a business in which securities firms can act as intermediaries to borrow funds or securities from the China Securities Finance Corporation Limited and on-lend such funds and securities to their clients
“market share”	the portion of a market under control
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Stock Exchange Listing Rules
“New OTC Board”	the National Equities Exchange and Quotations for small and medium-sized enterprises
“Reporting Period”	the period from 1 January 2022 to 30 June 2022
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“Securities Law”	the Securities Law of the People's Republic of China
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)



DEFINITIONS

“SHCI”	the Shanghai Composite Index
“SSE”	the Shanghai Stock Exchange (上海證券交易所)
“SSE Listing Rules”	the Rules Governing the Listing of Securities on the Shanghai Stock Exchange (as amended from time to time)
“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZCI”	the Shenzhen Component Index
“CSRC Shenzhen Bureau”	China Securities Regulatory Commission Shenzhen Bureau
“SZSE”	the Shenzhen Stock Exchange (深圳證券交易所)
“VaR”	Value at Risk (VAR), means the maximum possible loss of a financial asset or portfolio of securities in a given future period at a certain confidence level
“CIC”	China Investment Corporation (中國投資有限責任公司)
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“US\$” or “U.S. dollars” or “USD”	United States dollars, the lawful currency of the United States
“S\$” or “Singapore dollar”	Singapore dollars, the lawful currency of Singapore

Note:

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



COMPANY INFORMATION

NAME OF THE COMPANY

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

BOARD SECRETARY

Mr. Du Pengfei

COMPANY SECRETARY

Ms. Ng Ka Man

AUTHORIZED REPRESENTATIVES

Mr. Liu Dingping, Ms. Ng Ka Man

HEADQUARTERS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITORS

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

HONG KONG LEGAL ADVISOR

Latham & Watkins LLP

STOCK CODE

Hong Kong Stock Exchange
H Share Stock Code: 06881

SSE
A Share Stock Code: 601881

SHARE REGISTRARS

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



FINANCIAL HIGHLIGHTS

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

MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

Items	January-June 2022	January-June 2021	Increase/decrease from the same period of last year
Operating results (RMB'000)			
Revenue and other income	23,148,616	19,457,793	18.97%
Profit before income tax	4,998,454	5,349,340	-6.56%
Profit for the period – attributable to owners of the Company	4,326,223	4,254,888	1.68%
Cash flow from/(used in) operating activities	48,674,843	14,266,803	241.18%
Earnings per share (RMB per share)			
Basic earnings per share	0.39	0.40	-2.50%
Diluted earnings per share	0.38	0.40	-5.00%
Profitability ratio			
Weighted average return on net assets	4.20%	5.11%	decreased by 0.91 percentage point

Items	As at 30 June 2022	As at 31 December 2021	Increase/decrease from the end of last year
Scale indicators (RMB'000)			
Total assets	615,580,677	560,135,033	9.90%
Total liabilities	514,811,197	461,156,982	11.63%
Accounts payable to brokerage clients	135,981,101	128,400,821	5.90%
Equity attributable to owners of the Company	100,746,555	98,955,798	1.81%
Total share capital (in thousand shares)	10,137,259	10,137,259	0.00%
Net assets value per share attributable to owners of the Company (RMB per share) ^{Note 1}	9.94	9.76	1.84%
Gearing ratio (%) ^{Note 2}	78.98%	77.07%	increased by 1.91 percentage points

Notes:

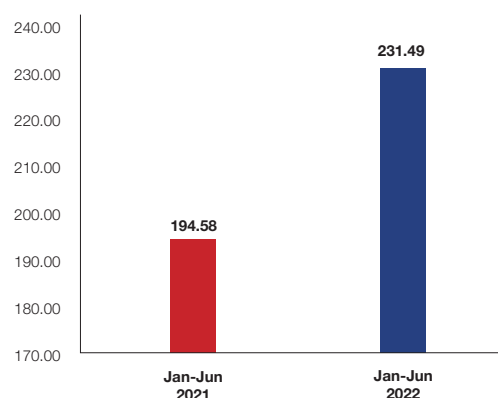
- 1 Net assets value per share attributable to owners of the Company as at 30 June 2022 and 31 December 2021 presented in the table above include other equity instruments issued by the Company. After deducting such effect, net assets value per share attributable to owners of the Company as at the End of the Reporting Period and the end of last year amounted to RMB8.37 and RMB8.29, respectively.
- 2 Gearing ratio = (total liabilities – accounts payable to brokerage clients – funds payable to securities issuers)/(total assets – accounts payable to brokerage clients – funds payable to securities issuers)

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

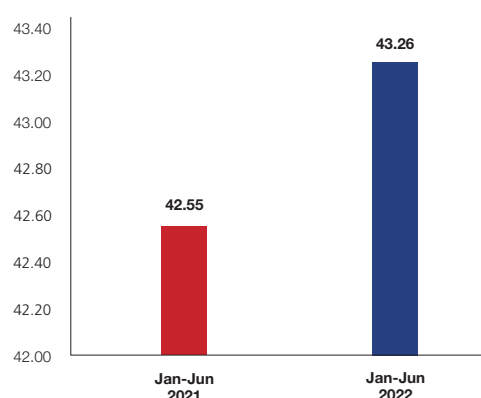
There was no difference between the Company's net profits and net assets shown in the consolidated financial statements prepared under the International Financial Reporting Standards and those shown in the consolidated financial statements prepared under the China Accounting Standards for Business Enterprises.



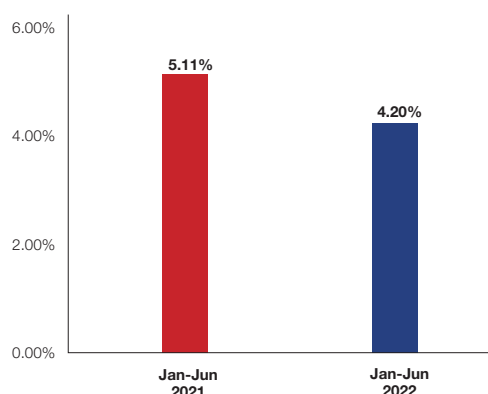
**Revenue and other income
(RMB100 million)**



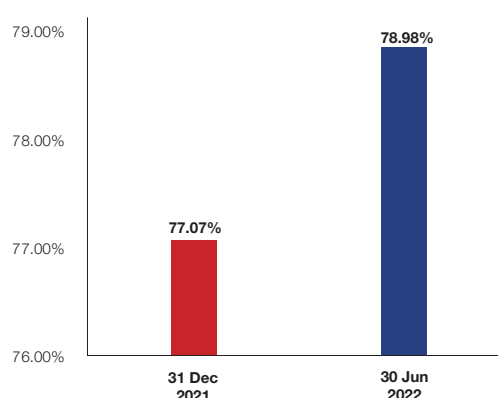
**Profit for the period – attributable to owners
of the Company
(RMB100 million)**



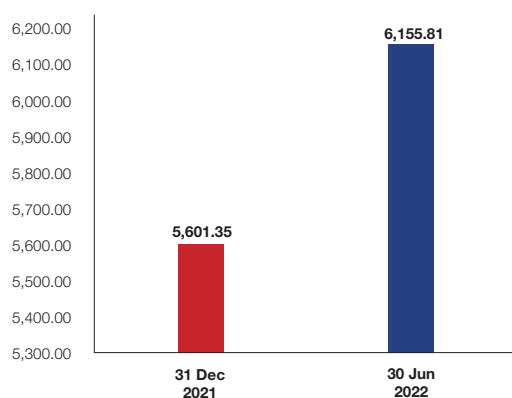
Weighted average return on net assets (%)



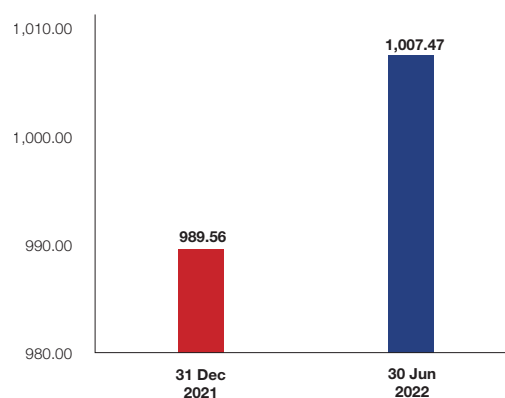
Gearing ratio (%)



**Total assets
(RMB100 million)**



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





COMPANY BUSINESS OVERVIEW

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

(I) Types of principal businesses in which the Group operates

The Group is committed to becoming a leading investment bank in the Asian capital market and a systematically important financial institution in the securities industry, and provides comprehensive securities services, including brokerage, sales and trading, investment banking and investment management.

The principal businesses of the Group include:

Brokerage, Sales and Trading	Investment Banking	Investment Management	Overseas Business
Brokerage and wealth management	Equity financing	Proprietary trading and other securities trading services	Brokerage and sales
Institutional sales and investment research	Debt financing	Private equity investment	Investment banking
Margin financing and securities lending and stocks pledge	Financial advisory	Alternative investment	Investment management
Asset management			Asset management

Brokerage, Sales and Trading

1. Brokerage and wealth management: Wealth management of the Company comprises various business lines offering diversified and comprehensive products including the provision of holistic business chain securities brokerage services to its customers including Expert Advisor, Hong Kong Stock Connect, BSE, equity option, IB, etc.; the provision of “customer-centric” investment advisory service; and the provision of various financial products’ sales services such as public offering, private equity fund, fixed income, cash, etc.
2. Institutional sales and investment research: The Group is engaged in the provision of marketing and sales of securities services and products to institutional investor clients, and the provision of a diversified services on professional strategic transaction and specialized research.
3. Margin financing and securities lending and stocks pledge: The Group is engaged in the provision of guaranteed and collateralized margin financing and securities lending services, enabling financial leverage to our clients in meeting their financing demands and vitalizing their equity assets.
4. Asset management: The Group is engaged in the provision of professional asset management services to institutional and individual clients in forms of collective asset management schemes, targeted asset management schemes and special asset management schemes.



Investment Banking

The Group is engaged in the provision of services of underwriting, sponsors and financial advisory.

Investment Management

The Group is engaged in proprietary trading and provides other securities trading services to enhance liquidity for clients and accommodates clients' personalized investment and financing needs. The Group also carries out private equity investment and alternative investment business.

Overseas Business

The Group provides brokerage and sales, investment banking, research and asset management services to global institutional clients, corporate clients and retail customers through Galaxy International Holdings, which is set up in Hong Kong as an overseas business platform.

(II) Operational Model of the Group

During the Reporting Period, the Company's business model was "Dual-wheel Drive and Coordinated Development". "Dual-wheel Drive": One wheel is wealth management, which represents the integration and development of big brokerage and big asset management business to provide customers with comprehensive wealth management services. The other wheel is investment and financing to support the real economy and serve enterprises in financing. "Coordinated Development": In accordance with the Company's new management system of "centralized planning + line supervision + hierarchical management", the Company strengthened its centralized planning and management, improved the development of its products, customer, transaction, data and service center, and strengthened the comprehensive business and management coordination mechanism in order to transform its branches into regional comprehensive financial service centers in full efforts.

To conform to the requirement of the opening up and development of the industry, the Company has timely adjusted its business development model and supporting management system to promote the coordination of its dual-wheel businesses, step up its overseas business development, and reshape the market position and public image of the Company, striving to achieve the strategic objective of "building a carrier securities broker and a modern investment bank" and become a leading comprehensive financial service provider in the securities industry in China.



COMPANY BUSINESS OVERVIEW

(III) Development Characteristics of the Industry of the Group

1. Economic Environment

During the Reporting Period, the global economy as a whole showed growth, with rising inflation as the global focus and global monetary tightening officially starting in the second quarter. In China, the first half of 2022 was dominated by monetary policy easing, while growth stabilization policies were gradually stepped up to help reduce the burden on the real economy.

2. Market Environment

During the Reporting Period, the A-share market was volatile to the downside before rebounding and recovering. During the Reporting Period, SHCI, SZCI, ChiNext Index and STAR 50 Index slipped 6.63%, 13.20%, 15.41% and 20.92% respectively. Market trading activity declined. As at the End of the Reporting Period, the average daily turnover of the A-share market was RMB0.98 trillion and the average daily turnover rate was 1.3%, a slight decrease year-on-year. As at the End of the Reporting Period, the balance of financing of the Shanghai and Shenzhen markets amounted to RMB1,603.331 billion, representing a decline of 12.49% compared with the beginning of 2022. During the Reporting Period, the aggregated scale of equity financing businesses such as IPOs, issue of new shares, placements and preference shares was RMB551.5 billion, representing a year-on-year decrease of 8.4%.

3. Industry Landscape

During the Reporting Period, the overall performance of the securities industry was under pressure, with the investment business being the core variable affecting the results performance of securities firms, as multiple factors such as the international situation and the resurgence of the pandemic in the country led to heightened risk aversion and volatility in the capital markets. In the long run, the capital market had further solidified its position as a hub to propel technological innovation and transformation and upgrade of real economy. The securities industry continued to reap the benefit of the dividends of in-depth reform system of capital market. The ecological changes in the capital market and the expansion of supply and demand provide support for the development of fee-based business of securities companies. The transformation of capital-heavy business is differentiated and demand-based businesses help securities companies to enhance their anti-cyclical ability. According to the unaudited data in the financial statements of the parent companies of securities firms published by the Securities Association of China, as at the End of the Reporting Period, the total assets and net assets of 140 securities companies stood at RMB11.2 trillion and RMB2.7 trillion, respectively, achieving an operating revenue amounting to RMB205.9 billion and net profits amounting RMB81.2 billion, representing a year-on-year decrease of 11.6% and 10.2%, respectively.

(IV) Position of the Group in the industry

The Group is committed to becoming a leading investment bank and a systematically important securities financial institution in the Asian capital market, and its mission is to focus on the implementation of national strategies, support the development of the real economy, serve the people in wealth management, practise corporate social responsibilities, and achieve the organic combination of corporate value, shareholder returns, employee benefits as well as social responsibilities. Since its establishment, the Group has continued to maintain a strong comprehensive competitiveness. The Company's capital scale, profitability, business strength and risk management capabilities have always been at the forefront of the industry. According to the unaudited data in the financial statements of the parent companies of securities firms for the first half of 2022 published by the Securities Association of China, the Company ranked tenth and eighth in the industry in terms of revenue and net profit, respectively, and ranked fifth and seventh in the industry in terms of total assets and net assets, respectively.



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

As at the End of the Reporting Period, the total assets of the Group amounted to RMB615.581 billion, representing an increase of 9.90% as compared with the end of last year. Among them, the items with greater changes were: monetary funds amounted to RMB124.508 billion, representing an increase of 9.28% as compared with the end of last year, which was mainly due to an increase in the size of clients' and proprietary funds; clearing settlement funds amounted to RMB34.909 billion, representing an increase of 8.10% as compared with the end of last year, which was mainly due to an increase in clients' and proprietary clearing settlement funds; advances to customers amounted to RMB88.833 billion, representing a decrease of 9.53% as compared with the end of last year, which was mainly due to the decrease of the business scale of advances to customers; trading financial assets amounted to RMB138.593 billion, representing an increase of 2.17% as compared with the end of last year, which was mainly due to the expansion of the investment scale of bonds; debt investments were RMB3.064 billion, representing a decrease of 41.84% as compared with the end of last year, which was mainly due to a decrease in the investment scale; other debt investments amounted to RMB125.481 billion, representing an increase of 54.47% as compared with the end of last year, which was mainly due to the expansion of the investment scale; other equity instruments investments amounted to RMB39.834 billion, representing an increase of 14.85% as compared with the end of last year, which was mainly due to the expansion of the investment scale.

Among them: overseas assets equivalent to RMB34.233 billion, representing 5.56% of the total assets.

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

1. Leading Position in Terms of Comprehensive Strength

According to the unaudited data of securities companies published by Securities Association of China, as at the End of the Reporting Period, the Company ranked fifth, seventh, and fifth in the industry in terms of total assets, net assets and net capital, respectively, solidifying its leading position in the industry in terms of comprehensive strength.

2. Leading Position in Terms of Traditional Brokerage Business

The Company has established long-term brand influence for its traditional brokerage business with a leading market position in terms of revenue. During the Reporting Period, according to the unaudited data of securities companies published by Securities Association of China, the net income of the Company from the securities brokerage business ranked fifth in the industry in terms of individual securities companies with a market share of 4.55%; the net interest of the Company from the sale of financial products as an agency ranked sixth in the industry in terms of individual securities companies with a market share of 6.21%; and the interest income of the Company from the financing business ranked fourth in the industry in terms of individual securities companies with a market share of 5.43%. The huge client base and client assets of the Company provide a sound foundation for its business development, and become a powerful driver for the development and innovation of its businesses such as margin financing and securities lending, institutional sales and cash management.

3. Well Established Brand Recognition

The Company was a wholly state-owned securities company with the largest registered capital in China at the time of establishment, and enjoyed a high recognition and reputation in China's capital market.



COMPANY BUSINESS OVERVIEW

4. Large and Stable Client Base

As at the End of the Reporting Period, the Company had 13.80 million brokerage clients, and ranked sixth in the industry in terms of aggregate market value of securities in its client accounts, which amounted to RMB3.45 trillion and represented a market share of 5.06%. The Company ranked sixth in the industry in terms of the balance of clients' deposit margin account, which amounted to RMB88.4 billion and represented a market share of 4.16%. Benefitted from its sound client base, the Company has significant potential for synergistic sales growth among its business lines.

5. Strong Channel Network of Reasonable Strategic Layout

As at the End of the Reporting Period, the Company had 5 subsidiaries, 37 branches and 495 securities brokerage branches in 31 provinces, autonomous regions and municipalities across China. It is the securities company with the largest number of branches in China. With 1 subsidiary outside China, and leveraging on the platform of Galaxy International Holdings in Hong Kong and the business network of CGS-CIMB (short for CGS-CIMB Securities International Pte. Ltd. and CGS-CIMB Holdings Sdn. Bhd.) in the ASEAN region, the Company has expanded its business to various countries and regions around the world, along the "Belt and Road", and well into Guangdong-Hong Kong-Macau Greater Bay Area and the Free Trade Zones, Galaxy International Holdings and CGS-CIMB will leverage on the synergy of the company as a whole, based in Asia and focusing on the world, so as to closely integrate funds and assets in Mainland China with those across the globe, and strive to become "Asia's financial gateway".

6. Unique Advantages from Shareholders

The de facto controller of the Company is Huijin. Huijin is authorized by the State Council to make equity investments in major state-owned financial enterprises to preserve and increase the value of state-owned assets. As an important securities finance platform under Huijin, the Company can grasp the national development policy in a timely manner and enjoy the synergy of resources.



I. OVERALL BUSINESS SITUATION

In the first half of 2022, the Company continued to unswervingly hold on to the Party's building in leading its business, focused on serving the national strategy, implemented the "Six Stabilities and Six Guarantees" policy to enhance its ability to serve the real economy. In view of the rapid changes in the market environment, the Company actively and prudently promoted the optimization of its business layout, strengthened its domestic and external risk management with more stringent measures, effectively withstood the impact of capital market fluctuations on the Company, maintained and enhanced its sustainable profitability, and demonstrated good development momentum in various businesses and achieved breakthroughs in important work. In particular, the wealth management business continued its steady and in-depth restructuring; the investment banking business built up its base and expanded its client base; the investment business made steady progress; the innovative business layout showed initial results; the asset management business deepened its product layout with the core of strengthening its independent management capability; and the international business effectively withstood the market impact and actively expanded its cross-border business. The Company successfully issued A Share convertible bonds with an aggregate amount of RMB7.8 billion, becoming the second leading brokerage firm to complete the issuance of convertible bonds, effectively enhancing its capital strength. As at the End of the Reporting Period, the Group's total assets amounted to RMB615.581 billion, and equity attributable to owners of the Company amounted to RMB100.747 billion. During the Reporting Period, the Group achieved revenue and other income of RMB23.149 billion, representing a year-on-year increase of 18.97%, net profit attributable to owners of the Company amounted to RMB4.326 billion, representing a year-on-year increase of 1.68%, and the weighted average return on net assets was 4.20%, representing a year-on-year decrease of 0.91 percentage point.

II. ANALYSIS OF PRINCIPAL BUSINESSES

The Group's businesses include the brokerage, sales and trading business, investment banking business, investment management business and overseas business.

1. Brokerage, sales and trading business

Guided by its strategy of "Dual-wheel Drive and Coordinated Development", the Company continued to optimize and integrate its business resources, and also developed service models, profit models, organizational models and synergistic cooperation models with innovation for its brokerage, sales and trading business. The Company will create a flattened, agile, innovative, professional and collaborative "advanced organization" and accelerate the promotion of wealth management transformation to further release its development efficiency. As at the End of the Reporting Period, the Group's brokerage, sales and trading business achieved revenue and other income of RMB16.855 billion, representing a year-on-year increase of 23.29%.

(1) Securities brokerage

During the Reporting Period, the Company continued to explore and build up its "Internet+" customer acquisition model, enhance the effectiveness of channel attraction and new media promotion, build up three institutional service eco-chains, namely "peers, private equity and enterprises", accelerate the process of institutionalization, co-ordinate and promote exchanges and cooperation with core public funds, develop its own strategy service system and build up its own brand and professional strategy trading system. The Company has also developed its own branded and proprietary professional strategic trading service system. As at the End of the Reporting Period, the Company had 13.80 million brokerage clients. During the Reporting Period, due to the decline in market trading volume and commission rate, the Company's securities brokerage business achieved net income (including trading rights) of RMB2.281 billion, representing a year-on-year decrease of 7.7%.



MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Company continued to consolidate and deepen the reform on the supply side of products and improve the research system of its products business, resulting in a more complete supply of quality products. The Company improved the adherence to the “client-centric” principle, practiced the “Buy-side Investment Advisory” concept, deepened the reshaping of client relationships, and continued to enhance its comprehensive wealth management services capability. For the third consecutive year, the Company was awarded the “New Wealth Best Investment Advisory Team”, building up the professional brand image of Galaxy Investment Advisory. The Company focused on high-net-worth clients, improved the closed-loop service system from understanding clients to asset allocation, provided scenario-based, differentiated and customized asset allocation solutions to meet clients’ individual needs, established a standardized reception process for high-net-worth clients, and explored the establishment of a private banking account manager system focusing on the attracting and management of high-net-worth clients. The Company strengthened its Internet mindset and promoted the integration of its online marketing and service system to further optimize the service experience of its customers. As at the End of the Reporting Period, the retainment size of financial products held by the Company’s clients was RMB193.391 billion, representing an increase of 4.78% from the end of last year. During the Reporting Period, the sales scale of products of the Company was RMB42.651 billion, representing a year-on-year decrease of 37.96% subject to the market influence. During the Reporting Period, the net income of the agency sales business amounted to RMB480 million, representing a year-on-year decrease of 4.59%. Income of agency sale revenue remained relatively stable in a difficult market environment.

(2) Futures brokerage

During the Reporting Period, Galaxy Futures vigorously promoted its work in pursuing national strategies, fully fulfilling its responsibility as a financial enterprise in preserving prices and stabilizing supply, serving small and micro enterprises and actively participating in rural revitalization. Galaxy Futures continued to adhere to the direction of “professional development for commodity futures and scale development for financial futures”, taking industrial clients, financial institutions, trading clients and the Internet business as the focus to increase the size of clients, strengthen the foundation for development and ensure the leading position of futures brokerage business in the market. In addition, it enhanced the scale and revenue share of the derivatives business by leveraging on its professional service capacity to fully implement the strategic requirement of transforming Galaxy Futures into a comprehensive derivatives service provider. Galaxy Futures seized favorable opportunities by organizing a series of marketing activities such as “To Grasp Opportunities and Promote Volume Growth” and “To Generate Income by Increasing Volume on the CFFE”, to explore more target customers such as customers from key regions, financial institutions and various industries as well as high-net-worth customers, thereby achieving a rapid growth in the number of customers and interests of customers. According to the evaluation results of the “Insurance + Futures” business of futures companies for the year 2021-2022 released by the China Futures Association, Galaxy Futures ranked the first in the industry in terms of the “Insurance + Futures” business, up one place from the ranking in 2020-2021. As at the End of the Reporting Period, Galaxy Futures recorded daily average customer equity of RMB58.277 billion, representing a year-on-year increase of 60.42%, and total trading volume (one-side) of 85 million lots from clients and total trading amount (one-side) of RMB6.68 trillion, representing a year-on-year decrease of 6.87% and 6.99%, respectively. During the Reporting Period, Galaxy Futures achieved consolidated revenue and other income of RMB9.641 billion, representing a year-on-year increase of 58.04%. At the End of the Reporting Period, Galaxy Derivatives Financial Service Co., Ltd., a subsidiary of Galaxy Futures, gave full play to its role of serving as the derivatives trading platform in the business transformation, and achieved operating income of RMB8.761 billion and net profit of RMB0.188 billion during the Reporting Period, representing a year-on-year increase of 61.60% and 26.10%, respectively.

As at the End of the Reporting Period, Galaxy Futures had a total of 48 branches, the same as at the beginning of 2022.



(3) Margin financing and securities lending and stocks pledge

For the credit business, the Company closely followed the direction of regulatory policies, grasping the general trend of industry development, actively implemented the major strategic deployment of “Three New Development and One High Quality”, focused on serving the national strategy of technological self-improvement, industry optimization and upgrading, fully utilized credit business tools to serve the real economy, and helped promote financial inclusion and common prosperity. The Company took various measures to enhance our core competitiveness. In particular, it adhered to the customer-oriented approach, and strengthened the application of financial technology to optimize the internal control flow management. It also actively explored various sources to raise proceeds from bonds and focused on the exploitation of professional investors and institutional customers to constantly optimize its customer structure. Meanwhile, it continued to establish a sound and comprehensive risk prevention and control system to enhance its risk management and prevention ability. The Company continued to track and explore market hotspot opportunities and innovative business models, and actively promoted the growth of new businesses, such as exercise of share options. It built a competitive “equity pledge + X” business cluster to provide diversified and comprehensive financial services to listed companies and their shareholders. As at the End of the Reporting Period, the balance of the Company’s margin financing and securities lending financing amounted to RMB83.4 billion, with a market share of 5.20%, up from 5.12% at the beginning of 2022, outperforming the overall market level. Its average guarantee ratio was maintained at 281%. The size of stocks pledge reached RMB16.8 billion and the average performance guarantee ratio was 302%, suggesting that the overall risks are kept at a manageable level.

(4) Asset management

During the Reporting Period, Galaxy Jinhui strove to overcome adverse factors such as the COVID-19 pandemic and capital market fluctuations, continuously improve its governance mechanism and investment and research system, and further optimize its product structure. It continued to increase its investment support for green bonds, innovate its business model, focus on small, micro and medium-sized enterprises and key areas, actively serve national strategies with its characteristics and advantages, and help enterprises develop in a high quality manner. It will increase its efforts to develop new strategies and products based on different asset types, promote the development of equity products and enrich product types while enhancing its product creation capabilities. It optimized its marketing system and mechanism, increased customer service coverage, studied and developed a list of services for state-owned enterprises and listed companies, and carried out focused expansion and exploration. At the same time, it focused on the needs of banks and wealth management subsidiaries, cooperated deeply in channels and increased the issue scale of third-party channels year-on-year so that the marketing system and mechanism was optimised. During the Reporting Period, Galaxy Jinhui achieved revenue and other income of RMB0.251 billion, representing a year-on-year growth of 0.27%. As at the End of the Reporting Period, the assets under management of Galaxy Jinhui amounted to RMB120.840 billion, of which the size of collective asset management product amounted to RMB47.650 billion; the size of single (targeted) asset management products amounted to RMB68.879 billion; the size of special asset management products amounted to RMB4.310 billion. As at the End of the Reporting Period, there were 265 products under management (including 98 collective products, 163 targeted products and 4 special products).



MANAGEMENT DISCUSSION AND ANALYSIS

2. Investment banking business

During the Reporting Period, the Company's investment banking business, after the first phase of reform, continued to improve with growth in both scale and revenue. During the Reporting Period, the Group's investment banking business achieved revenue and other income of RMB0.197 billion, representing a year-on-year increase of 4.48%.

(1) Equity financing and financial advisory

With the steady implementation of the comprehensive reform of capital market and the continuous improvement of the basic system, the securities industry showed a trend of "strict supervision" in accordance with the policy of "system establishment, non-intervention, and zero tolerance". According to statistics of WIND Data, the amount of equity financing in China's capital market was RMB737.777 billion in the first half of 2022, a decrease of 6.68% compared to 2021. Among which, RMB311.937 billion was raised by IPO financing, up 45.77% year-on-year. The Company's investment banking business actively implemented the national strategy to serve the real economy, and consistently implemented the Company's five-year strategic development plan to transform to high quality development with the gradual establishment of a long-term effective development model of "thematic funds + foundational services". According to statistics of WIND Data, during the Reporting Period, the equity underwriting of the Company as the lead underwriter amounted to RMB8,344 million, representing a year-on-year increase of 177.58%, and ranked twentieth in the market, up 15 places from the same period in 2021. Among which, the underwriting amount of share placement was RMB3,199 million, ranking sixth in the market while the underwriting amount of deliverable bonds was RMB1.0 billion, ranking seventh in the market.

(2) Bond financing

According to the statistics from WIND Data, the total principal amount of bonds issued in the PRC market in the first half of 2022 was RMB31.50 trillion, representing a year-on-year increase of 6.53%. While strengthening synergistic business cooperation, the Company further explored business opportunities in relation to bonds issued by financial institutions, bonds issued by local governments and asset securitization. During the Reporting Period, the Company underwrote bonds with an amount of RMB156.315 billion, representing a year-on-year increase of 59.16%, ranking ninth in the market, up 5 places from the same period in 2021. Of which, the underwriting amount of local bonds was RMB96.915 billion, ranking seventh in the market; the underwriting amount of short-term commercial papers was RMB4.400 billion, ranking the sixth in the market; the underwriting amount of non-policy financial bonds was RMB31.488 billion, ranking twelfth in the market; and the underwriting amount of the asset backed securities products under regulation of the China Banking and Insurance Regulatory Commission was RMB1.442 billion, ranking tenth in the market.

(3) New OTC Board

According to the statistics from WIND Data, as at the End of the Reporting Period, the number of enterprises recommended to be listed on the New OTC Board was 6,728, excluding the effect of the transfer of selected tier companies to the BSE, representing a decrease of 9.29% as compared to the same period in 2021. During the Reporting Period, the Company completed 1 public offering project of a New OTC Board company on the BSE and 3 projects in relation to the non-public offering of shares on the New OTC Board. As at the End of the Reporting Period, the Company maintained 43 projects which were under constant monitoring, including 17 projects at the innovative layer and 26 projects at the basic layer.



3. Investment management business

(1) Proprietary trading and other securities trading services

During the Reporting Period, the investment business lines closely focused on the “Four Services”, implemented the “Six Stabilities and Six Guarantees” tasks, and adhered to the general keynote of “stability first and seeking progress in stability”. The Group calmly responded to the complex international and domestic market environment, effectively prevented and controlled investment risks, continued to expand its investment scale, implemented its annual operation plan and efficiently completed the reform of its investment business lines. During the Reporting Period, the Group achieved revenue and other income of RMB4.463 billion from proprietary and other securities trading services, representing a year-on-year increase of 14.92%.

① *Equity investment*

During the Reporting Period, the Company continued to strengthen its equity investment management, re-established a professional equity investment department, adhered to its value investment philosophy, strengthened its investment management capabilities, enriched its equity investment tools and expanded its investment model and investment areas. The Company continued to diversify its investment portfolio, expand the scale of its businesses including quantitative investment, fund investment, directional additional issuance investment, convertible bonds and private placement of deliverable bonds, etc. The Company also invested in various markets, including A shares and Hong Kong stocks, and flexibly adopted futures hedging measures to effectively control drawdowns in the highly volatile market.

② *Fixed income investment*

For the business of fixed income investment, the Company has actively transformed and upgraded from traditional bond business to FICC business, has gradually expanded its investment scope to cover the whole range of domestic and overseas FICC business, and has established an integrated business model of proprietary investment, product creation, sales and trading, and fixed income market making, with many businesses in the industry leading position. In the first half of 2022, the Company was qualified as one of the first batch of the lead treasury bond futures market makers by CFFE and one of the first batch of market makers for the Fund Access Platform of the Shanghai and Shenzhen Stock Exchanges. The Company's FICC market-making business has continued to grow rapidly in terms of scale and profit, and the Company has been awarded the Gold Award for Outstanding Market Maker in Treasury Bonds by the CFFE for two consecutive years. The Company has leveraged its professional value and market-making functions to provide liquidity support to the market and contribute to the stability of the capital market. At present, the Company has successfully launched the relevant businesses, which enables highly efficient automated market-making among banks, and its trading volume has reached RMB297.4 billion during the Reporting Period. In addition, the Company actively participated in the market-making transactions of local government special bonds, commercial banks' small and micro bonds and other special bonds, providing efficient liquidity support to the market. During the Reporting Period, the Company created the first credit protection certificate and the first credit protection instrument linked to corporate bonds, further promoting the development of the integrated investment and financing business system, which is an important initiative for the Company to serve the real economy and national strategies.



MANAGEMENT DISCUSSION AND ANALYSIS

③ ***Derivatives investment***

During the Reporting Period, the Company actively and effectively addressed the volatility of the capital markets by expanding our multi-strategy approach. The over-the-counter options and equity swap business of the Company continued to maintain rapid growth. The Company developed new trading structures to further enrich its product offering and provide investors with additional investment and risk management tools. As at the End of the Reporting Period, the nominal principal size of OTC derivatives stock exceeded RMB60.0 billion, representing a year-on-year increase of approximately 110%.

④ ***New OTC Board market making business***

During the Reporting Period, the Company insisted on the combination of serving national strategies, serving small, micro and medium-sized enterprises and improving the core competitiveness of its business. It explored opportunities from “specialized and new” enterprises of a small or medium size to list on the New OTC Board and the BSE, continued to improve the quality of market-making quotations and actively prepared for mixed trading market-making on the BSE. As at the End of the Reporting Period, the Company provided market-making quotation services for 17 stocks. The Company steadily expanded its fund market-making business and established business ties with key core institutional clients, gradually enhancing the Company’s comprehensive financial services capabilities across the entire business and value chains.

(2) **Private equity investment**

During the Reporting Period, Galaxy Capital, based on its main responsibilities and principal businesses, gave full play to the unique advantages of its “thematic funds + foundational services” business model, insisted on guiding its operation and development by major national strategies and integrating its operation and development into major national strategies, increased its financial supply to support the high-quality development of the region, and actively promoted the construction of a diversified fund-raising system. The foundation for the leapfrog development of thematic funds has been strengthened. At the same time, Galaxy Capital focused on key regions such as Beijing, Tianjin and Hebei, the Yangtze River Delta, Guangdong – Hong Kong – Macao Greater Bay Area and Hainan Free Trade Port, supporting the transformation and upgrading of the regions and promoting high-quality development. It enhanced the role of thematic funds in supporting technology-based small, micro and medium-sized enterprises and innovate the mechanism of industry funds for assistance. During the Reporting Period, Galaxy Capital filed five new private equity funds with a size of RMB11.589 billion, ranking among the top in the industry in terms of both the number and size of new private equity funds filed. During the Reporting Period, Galaxy Capital achieved operating income of RMB107 million, representing an increase of 98.24% year-on-year.

(3) **Alternative asset investment**

During the Reporting Period, Galaxy Yuanhui focused on the strategic objectives of “synergy” and “income generation”, based on equity investments, focused on strategic key regions and made stable investment layouts, which have greatly enhanced the capital strength, profitability and management level of the Company. Galaxy Yuanhui focused on serving the national strategy of technological self-improvement and financial inclusion, adhered to the direction of high-tech industrial investment, further optimized its team structure, actively laid out high-growth areas and diversified its financial products. During the Reporting Period, Galaxy Yuanhui’s two equity projects were listed and issued (or approved for issuance), and six projects were accepted for IPO by stock exchanges. Galaxy Yuanhui achieved solid growth in results by realizing gains from the timely reduction of listed projects. During the Reporting Period, Galaxy Yuanhui achieved operating income of RMB0.227 billion, representing an increase of 44.39% year-on-year.



4. Overseas Business

During the Reporting Period, both of the stock and bond markets of Hong Kong declined in price and volume. The Hang Seng Index closed at 21,860 points at the End of the Reporting Period, down 6.57% from the end of 2021, while the total market capitalization of Hong Kong stocks stood at HK\$39.06 trillion at the End of the Reporting Period, down 7.82% from the end of 2021. During the Reporting Period, trading in the Hong Kong stock market was sluggish, with average daily turnover of HK\$136.8 billion, down 28% year-on-year. The total amount of funds raised from Hong Kong stocks during the Reporting Period was HK\$114.0 billion, a decrease of 76% year-on-year. Galaxy International Holdings actively optimized its business structure and strived to overcome the impact of market volatility. Both its investment banking and asset management businesses grew against the trend, with the investment banking business completing 2 underwritings for listing on the Main Board of the Hong Kong Stock Exchange and 46 underwritings for bonds during the Reporting Period, resulting in a 49% year-on-year increase in the investment banking revenue. The asset management business saw its management fee income grow by 9% year-on-year, driven by the increasing scale of assets under management.

During the Reporting Period, the equities markets of the Southeast Asia experienced a downward swing, with volumes plummeting in most core markets. The average daily turnover fell by 40% year-on-year in Malaysia, 15% year-on-year in Thailand and 3% year-on-year in Singapore, while the average daily turnover rose by 21% year-on-year in Indonesia due to active IPO fund raising. During the Reporting Period, CGS-CIMB Securities International Pte. Ltd. ("CGS-CIMB Securities") and CGS-CIMB Holdings Sdn. Bhd. ("CGS-CIMB Holdings") continued to strengthen their market positions in the Southeast Asia, ranking No. 1 in Singapore, No. 2 in Malaysia as well as at the top of the market in Indonesia and Thailand for their stockbroking business.

During the Reporting Period, Galaxy International Holdings achieved consolidated revenue and other income of RMB1.477 billion and net profit of RMB41 million during the Reporting Period, representing a year-on-year decrease of 17.66% and 72.21%, respectively.

III. CHALLENGES AND PROSPECTS FOR THE SECOND HALF OF 2022

During the second half of 2022, the Company will continue to implement the spirit of the Central Financial Work Conference, fulfill the general mission of the "Six Stabilities and Six Guarantees" and fully support the development of the real economy, and will actively implement the business plan of this year, to welcome the convening of the 20th Party Congress with solid results. In particular:

Firstly, we will focus on our principal businesses to enhance our innovation and development capabilities and shape our core competitiveness for the quality development of the Company. The wealth management business will make use of the resources of the Company to actively promote the diversification of channels and build up the wealth management brand of the Company; deepen the scenario-based operation of its customer base to enhance its customer acquisition capability and service level; build up intelligent applications and services to create a linked online and offline traffic portal; and continue to promote customized training and exchange of practical experience to enhance the wealth management service capability and comprehensive competitiveness of the frontline staff. The credit business will bring incremental business through the promotion of online marketing; expand securities channels to achieve full coverage of public equity funds and the implementation of insurance fund lending; and grasp the opportunity to build a new development pattern of "equity pledging + X" as the pressure on the equity pledging industry comes to an end and the strategies of top brokerage firms diverge. The asset management business will continue to consolidate its advantages in fixed income products, expand the scale of its existing product lines, strengthen its marketing efforts by expanding its marketing team, establishing a direct sales system and leveraging the marketing effectiveness of its live-streaming platform, and strengthen cooperation with peer institutions and wealth management subsidiaries.

Secondly, we will accelerate the development of our "enterprise-focused" investment and financing business. By means of reform and innovation, the investment banking business will further enhance capacity building, refined management and overall market competitiveness. It will establish the development model of "thematic funds + foundational services", seize the opportunity to gradually liberalize the "sponsorship + direct investment" business model from the selected level and carry out in-depth integration of investment and financing. It will comprehensively enhance the research and pricing, institutional sales, cooperation and internal control capabilities to provide diversified and full-cycle integrated financial service solutions to our clients.



MANAGEMENT DISCUSSION AND ANALYSIS

Thirdly, we will accelerate the development of our “Asia-focused” international business. Looking ahead to the second half of 2022, Galaxy International Holdings will continue to focus on the general idea of “building a solid foundation for local businesses outside of China and a core of cross-border synergy business” to promote synergistic development both inside and outside of China and increase revenue from the international business.

Fourthly, we will continue to enhance the value-added capability of our own capital investment and the comprehensive service capability of our client-oriented businesses, strive to maintain the stability of the income contribution of our traditional advantaged businesses, actively expand the investment of new fixed income products, increase the investment of strategic equity investments, equity funds and neutral and low-exposure strategies, and leverage our client-oriented businesses to transform from a proprietary investment to an integrated financial service provider.

Fifthly, we will strengthen the breadth and depth of our research services, raise the overall level of research and aim to build a think-tank to provide comprehensive collaborative services internally and rapidly enhance our industry status and brand influence externally.

Sixthly, with a focus on “synergy” and “revenue generation”, we will fully implement market-oriented management principles, strengthen business synergy and resource matching between subsidiaries and the Company, strengthen the penetrating management system, match resources in terms of capital, manpower and assessment, and fully support subsidiaries to become bigger and stronger and increase their revenue and profit contribution.

On 26 August 2022, the Beijing Financial Services Leading Group issued the “Beijing Financial Industry Development Plan for the 14th Five-Year Plan Period”, pursuant to which Beijing will promote securities, funds and futures institutions in Beijing to enhance their innovation capabilities, enrich their investment products, strengthen their capital market services functions, and support securities companies in Beijing, including Galaxy Securities, to become comprehensive and all-round investment banks with market orientation, internationalisation and standardisation, and build top international brokerage firms. The Company will actively respond to this initiative and continue to enhance its comprehensive service capabilities, improve its competitiveness in the market and promote its sustainable and quality development.

IV. ANALYSIS OF FINANCIAL STATEMENTS

(I) Liquidity, financial resources and share capital structure

During the Reporting Period, the Group continuously maintained its profitability and realized capital preservation and appreciation. As at 30 June 2022, equity attributable to owners of the Company amounted to RMB100.747 billion, representing an increase of RMB1.791 billion or 1.81% as compared with RMB98.956 billion as at the end of 2021, which was mainly attributable to an increase of RMB1.050 billion from the issue of convertible bonds accounted as other equity instruments in the first half of 2022, an increase of RMB4.326 billion in realized profits, an increase of RMB0.241 billion in other comprehensive income, profit distribution of RMB3.143 billion in 2021 and provision of interest of perpetual bonds of RMB0.684 billion.

The asset structure was constantly improved and asset quality and liquidity remained satisfactory. As at 30 June 2022, the total assets of the Group, excluding clients’ funds, amounted to RMB479.420 billion, representing an increase of RMB47.686 billion or 11.05% as compared with the comparable data of total assets of RMB431.734 billion as at the end of 2021. In particular, cash and bank balances assets accounted for 7.91% of the total assets. Investment assets, which mainly consisted of investments in high liquidity financial assets, accounted for 64.45% of the total assets. Advances to customers accounted for 18.53% of the total assets. Financial assets held under resale agreements accounted for 4.13% of the total assets.

The gearing ratio increased slightly. As at 30 June 2022, the own gearing ratio of the Company was 78.98%, representing an increase of 1.91 percentage point as compared with 77.07% as at the end of 2021. The operating leverage (own asset/net assets) of the Company was 4.76 times, representing a increase of 9.17% as compared with 4.36 times as at the end of 2021. The increase in the leverage ratio was mainly attributable to the increase in the scale of its owned assets.

Currently, the Company is raising short-term capital by interbank lending, repurchase, issuing income certificates and short-term commercial papers, etc. Meanwhile, the Company is also raising long-term capital by various means approved by other competent authorities, including the issuance of long-term corporate bonds, long-term subordinated debts, perpetual subordinated bonds and convertible bonds, based on the market conditions and its own needs. At present, the Company has obtained comprehensive credit lines from various commercial banks and can use the above debt financing instruments to raise funds based on its business needs.

MANAGEMENT DISCUSSION AND ANALYSIS



Excluding the effect of changes in clients' funds, the net increase in cash and cash equivalents of the Company during the Reporting Period was RMB5.092 billion, representing an increase of RMB4.958 billion as compared with RMB0.134 billion for the same period of 2021, which was mainly due to the increase in the net cash from operating activities and financing activities.

The net cash flow from the operating activities of the Company during the Reporting Period was RMB48.675 billion, representing an increase of RMB34.408 billion as compared with RMB14.267 billion for the same period of 2021, which was mainly due to the increase in the net cash generated from financing customer money, financial instruments measured at fair value through profit or loss for the current period and derivative financial instruments.

The net cash flow from the investing activities of the Company during the Reporting Period was RMB-43.589 billion, representing a decrease of RMB38.771 billion as compared with RMB-4.818 billion for the same period of 2021, which was mainly due to the purchase of debt instruments measured at fair value through other comprehensive income, the disposal of debt instruments measured at fair value through other comprehensive income and the decrease in the net cash generated from the disposal of equity instruments measured at fair value through other comprehensive income.

The net cash flow from the financing activities of the Company during the Reporting Period was RMB6 million, representing an increase of RMB9.321 billion as compared with RMB-9.315 billion for the same period of 2021, which was mainly due to the decrease in the net cash outflow from repayment of financing instruments issued.

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

During the Reporting Period, the Group realized revenue and other income of RMB23.149 billion, representing an increase of 18.97% as compared to the same period of last year, of which securities brokerage business realized revenue and other income of RMB6.963 billion, representing a decrease of 4.88% as compared to the same period of last year; futures brokerage business realized revenue and other income of RMB9.641 billion, representing an increase of 58.04% as compared to the same period of last year, of which, revenue and other income from Galaxy Derivatives' commodity sales business amounted to RMB8,195 million, representing an increase of 57.35% as compared to the same period of last year; proprietary and other securities trading services realized revenue and other income of RMB4.463 billion, representing an increase of 14.92% as compared to the same period of last year; investment banking business realized revenue and other income of RMB197 million, representing an increase of 4.48% as compared to the same period of last year; asset management business realized revenue and other income of RMB251 million, representing an increase of 0.27% as compared to the same period of last year; private equity and alternative investment business realized revenue and other income of RMB336 million, representing an increase of 57.24% as compared to the same period of last year; overseas business realized revenue and other income of RMB1.477 billion, representing a decrease of 17.66% as compared to the same period of last year. During the Reporting Period, expenses paid by the Group amounted to RMB18.150 billion, representing an increase of 28.37% as compared to the same period of last year.

During the Reporting Period, the Group realized net profits attributable to owners of the Company of RMB4.326 billion, representing an increase of 1.68% as compared to the same period of last year. The Group realized basic earnings per share of RMB0.39, representing a decrease of 2.50% as compared to the same period of last year, and the weighted average return on net assets amounted to 4.20%, representing a decrease of 0.91 percentage point as compared to the same period of last year.

(III) Structure of assets and liabilities

As at 30 June 2022, the total assets of the Group amounted to RMB615.581 billion, representing an increase of 9.90% as compared to the end of 2021, of which monetary funds amounted to RMB124.508 billion, accounting for 20.23% of the total assets; clearing settlement funds amounted to RMB34.909 billion, accounting for 5.67% of the total assets; advances to customers amounted to RMB88.833 billion, accounting for 14.43% of the total assets; financial assets held for trading amounted to RMB138.593 billion, accounting for 22.51% of the total assets; other debt investments amounted to RMB125.481 billion, accounting for 20.38% of the total assets; and investment in other equity instruments amounted to RMB39.834 billion, accounting for 6.47% of the total asset. The Group's assets were highly liquid with reasonable structure. In addition, according to the requirements of its accounting policy, the Group made provision for corresponding impairment of financial instruments and confirmed loss reserves based on expected credit losses, and the asset quality was favorable.



MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the total liabilities of the Group amounted to RMB514.811 billion, and the Group's own liabilities, i.e. excluding securities brokerage services and funds payable to securities issuers, amounted to RMB378.651 billion, of which the Group's own current liabilities and non-current liabilities amounted to RMB301.137 billion and RMB77.514 billion, representing a share of 79.53% and 20.47%, respectively. The Group's own liabilities were mainly comprised of short-term loans of RMB8.389 billion, representing a share of 2.22%; short-term financing payables of RMB31.255 billion, representing a share of 8.25%; placements of RMB8.576 billion, representing a share of 2.26%; trading financial liabilities of RMB26.263 billion, representing a share of 6.94%; financial assets sold under repurchase agreements of RMB170.541 billion, representing a share of 45.04%; payables of RMB8.657 billion, representing a share of 2.29%; bond payables, including long-term subordinated bonds, long-term corporate bonds, convertible bonds and long-term income certificates, of RMB85.605 billion, representing a share of 22.61%; and other liabilities of RMB27.800 billion, representing a share of 7.34%. The gearing ratio of the Group was 78.98%, which represented a reasonable liabilities structure. The Group did not have any unpaid due debts, and its business was in sound conditions with strong profitability and good long-term and short-term solvency as well as favorable liquidity.

V. ESTABLISHMENT AND DISPOSAL OF SECURITIES BRANCHES AND BRANCH OFFICES

As at the End of the Reporting Period, the Company established 37 branch offices and 495 securities branches.

(1) Cancellation of Securities Branches

During the Reporting Period, the Company completed the cancellation of 6 securities branches in accordance with the "Announcement on the Cancellation or Adjustment of Certain Administrative Approval Items of Securities Companies" (《關於取消或調整證券公司部分行政審批項目等事項的公告》) of the CSRC and other requirements. The securities branches are Mudanjiang Dongyitiao Road Securities Branch, Zhongwei Gulou East Street Securities Branch, Xiyang Xiacheng Street Securities Branch, Chenzhou Renmin East Road Securities Branch, Lingshi Xiaohu South Road Securities Branch and Huai'an Hongze Dongshi Road Securities Branch.

(2) Relocation of branch offices and securities branches

The Company has constantly adjusted and optimized its branch layout. During the Reporting Period, the Company relocated 25 branches within the same city, including 2 branch offices and 23 securities branches.

① Relocation of branch offices

No.	Province/ autonomous region/ municipality	Branch office	Current address
1	Jiangsu Province	Jiangsu Branch	Room 1701-1, No. 179 Yanshan Road, Jianye District, Nanjing City
2	Beijing City	Beijing Branch	Rooms 1502/1503/1504, 15/F, Financial Street International Hotel, No. 11 Jinrong Street, Xicheng District, Beijing City



② Relocation of securities branches

No.	Province/ autonomous region/ municipality	Original name of securities branch	Current name of securities branch	Current address
1	Jiangsu Province	Nanjing Huashen Avenue Securities Branch	Nanjing Yanshan Road Securities Branch	Room 1701-1, No. 179 Yanshan Road, Jianye District, Nanjing City
2	Chongqing City	Chongqing Yinhua Road Securities Branch	Chongqing Liangjiang Securities Branch	No. 97 and 99 Qingfeng South Road, Yubei District, Chongqing City
3	Fujian Province	Sanming Liedong Street Securities Branch	Sanming Xinshi North Road Securities Branch	Shop 16, 1/F, Block 1, No. 999 Xinshi North Road, Sanyuan District, Sanming City
4	Fujian Province	Fuzhou Yeshan Road Securities Branch	Fuzhou Hudong Road Securities Branch	Portion of Unit 01 and Units 03 and 04, 6/F, Hengli Financial Center, Gulou District, Fuzhou City, Fujian Province
5	Beijing City	Beijing Fangzhuang South Avenue Securities Branch	Beijing Shuangjing Securities Branch	Unit 01, 1/F in 101, 1/F-7/F and 5/F Building No. 2, No. 39 Guangqu Road, Chaoyang District, Beijing City
6	Hunan Province	Changsha Jiefang Middle Road Securities Branch	Changsha Shaoshan North Road Securities Branch	Unit 302 Huifu Center, No. 254 Shaoshan North Road, Yuhua District, Changsha City, Hunan Province
7	Heilongjiang Province	Qiqihar Longhua Road Securities Branch	Qiqihar Longhua Road Securities Branch	2/F, No. 01, Level 01, Unit 00, No. 1 Military School Street, Tiefeng District, Qiqihar City, Heilongjiang Province
8	Gansu Province	Baiyin Hongxing Road Securities Branch	Baiyin Hongxing Road Securities Branch	Unit 1-01, Block 7, No. 280 Hongxing Road, Baiyin District, Baiyin City, Gansu Province
9	Jiangxi Province	Yudu Lianxi Road Securities Branch	Yudu Gongjiang Avenue Securities Branch	13#01 Fengye Jiangpan, Gongjiang Avenue, Gongjiang Town, Yudu County, Ganzhou City, Jiangxi Province
10	Guangdong Province	Jieyang Wangjiang North Street Securities Branch	Jieyang Linjiang North Road Securities Branch	No. 102, Block N, No. 101, 113, 115, 115-1 and 116, South District and No. A and E, Storage Room, Block 12, South District, Huacheng Garden (Phase II), Linjiang North Road, Rongcheng District, Jieyang City
11	Fujian Province	Xiamen Tapu East Road Securities Branch	Xiamen Tapu East Road Securities Branch	Unit 101-1, No. 165 Tapu East Road, Siming District, Xiamen City



MANAGEMENT DISCUSSION AND ANALYSIS

No.	Province/ autonomous region/ municipality	Original name of securities branch	Current name of securities branch	Current address
12	Zhejiang Province	Zhuji Dongyi Road Securities Branch	Zhuji Dongwang Road Securities Branch	No. 218 Dongwang Road, Huandong Street, Zhuji City, Shaoxing City, Zhejiang Province
13	Guangdong Province	Zhongshan Cuiling Road Securities Branch	Zhongshan Torch Development Zone Dezhong Securities Branch	One of 2 Units, 2/F, Block 1, Dezhong Plaza, No. 1 Huizhan East Road, Zhongshan Torch Development Zone
14	Guangdong Province	Zhaoqing Xinghu Avenue Securities Branch	Zhaoqing Xinghu Avenue Securities Branch	Units 205H and 205I, 2/F, Hengyu City, North of Xinghu Avenue, Duanzhou District 103, Zhaoqing City, Guangdong Province
15	Liaoning Province	Shenyang Changbai West Road Securities Branch	Shenyang Hekang Street Securities Branch	Units 13-16 (1/F and 3/F), No. 65-1 Hekang Street, Heping District, Shenyang City, Liaoning Province
16	Hunan Province	Huaihua Yingfeng West Road Securities Branch	Huaihua Yingfeng Central Road Securities Branch	Room 202, Blocks 1 and 2, Fengheyuan, Yingfeng Middle Road, Hecheng District, Huaihua City, Hunan Province
17	Guangdong Province	Shenzhen Longhua Securities Branch	Shenzhen Longhua Securities Branch	Units 2-15, 2-30 to 2-37, Block 2, Area 11, Yicheng Centre Garden, No. 3639 Long Hua Avenue, Jing Long Community, Longhua Street, Longhua District, Shenzhen City
18	Zhejiang Province	Hangzhou Jiangbin West Avenue Securities Branch	Hangzhou Jiangbin West Avenue Securities Branch	No. 170-23 to 170-25 Jiangbin West Avenue, Lushan Street, Fuyang District, Hangzhou City, Zhejiang Province
19	Beijing City	Beijing Culin Road Securities Branch	Beijing Culin Road Securities Branch	Units 1505 and 1506, 15/F in 101, – 5/F-16/F, No.1 Building, No.1 West Tieying Middle Road, Fengtai District, Beijing City
20	Liaoning Province	Zhuanghe Xiangyang Road Securities Branch	Zhuanghe Shiji Street Securities Branch	Shop 101, 1/F, Zhengtai International Building, No. 6, Section 1, Shiji Street, Zhuanghe City, Dalian City, Liaoning Province
21	Guangdong Province	Huizhou Danshui Securities Branch	Huizhou Danshui Securities Branch	No. 13, 14 and 15, 16/F, Block A, Chengjie International Commercial Center, Intersection of Donghua Avenue and Baiyun Road, Danshui Street, Huiyang District, Huizhou City



No.	Province/ autonomous region/ municipality	Original name of securities branch	Current name of securities branch	Current address
22	Guangdong Province	Shenzhen Longxiang Avenue Securities Branch	Shenzhen Universiade Centre Securities Branch	133-15, 301-8, No. 122 Huangge Road, Ailian Community, Longcheng Street, Longgang District, Shenzhen City
23	Guangdong Province	Shenzhen Minzhi Securities Branch	Shenzhen Shenzhen Bay Securities Branch	Units 03B and 04B, 24/F, Block 10A, Shenzhen Bay Technology Eco Park, No.10 Gaoxin South 9 Road, Gaoxin District Community, Yuehai Street, Nanshan District, Shenzhen City

VI. RELEVANT INFORMATION OF BONDS

(I) Status of the convertible corporate bonds

1. Issuance of Convertible Corporate Bonds

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

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

The issuance of the China Galaxy Convertible Bonds can strengthen the Company's capital base, promote the Company's comprehensive development of its “Trinity” business comprising wealth management, investment and financing, and international business, and further optimize the Company's business model of “Dual-wheel Drive and Coordinated Development”, thereby enhancing the Company's competitiveness to achieve high-quality development.



MANAGEMENT DISCUSSION AND ANALYSIS

No guarantee was provided for the Company's issuance of the China Galaxy Convertible Bonds. The net proceeds of issuance of the China Galaxy Convertible Bonds after deducting the issuance expenses amounted to approximately RMB7.735 billion, which are intended to be utilized for the development of investment trading business, capital intermediary business, capital increase in investment banking business and replenishment of other working capital of the Company, and will be used to replenish the capital of the Company in accordance with relevant regulatory requirements after the conversion of the China Galaxy Convertible Bonds.

2. Holders of convertible bonds and guarantors during the Reporting Period

Name of the convertible corporate bonds	China Galaxy Convertible Bonds
Number of convertible bond holders as at the End of the Reporting Period	436,378
Guarantors of convertible bonds of the Company	Not applicable
Significant changes in the guarantor's profitability, assets and creditworthiness	Not applicable

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

Name of Convertible Corporate Bond Holder	Amount of bonds held as at the end of the period (RMB)	Percentage of bonds held (%)
Bank of China Limited – GF Juxin Bond Securities Investment Fund (廣發聚鑫債券型證券投資基金)	335,000,000	4.29
Special accounts for bonds repurchase and pledge under the registration and settlement system (Industrial and Commercial Bank of China)	323,668,000	4.15
Special accounts for bonds repurchase and pledge under the registration and settlement system (Agricultural Bank of China)	308,451,000	3.95
Industrial and Commercial Bank of China Limited – China Universal Convertible Bond Securities Investment Fund (滙添富可轉換債券型證券投資基金)	229,500,000	2.94
Special accounts for bonds repurchase and pledge under the registration and settlement system (Bank of China)	202,111,000	2.59
Bank of Beijing Co., Ltd. – Invesco Great Wall Jingyi Dual Return Bond Securities Investment Fund (景順長城景頤雙利債券型證券投資基金)	189,099,000	2.42
Industrial and Commercial Bank of China Limited – E Fund Management Anxin Huibao Bond Securities Investment Fund (易方達安心回報債券型證券投資基金)	156,805,000	2.01
Special accounts for bonds repurchase and pledge under the registration and settlement system (China CITIC Bank)	130,738,000	1.68
Special accounts for bonds repurchase and pledge under the registration and settlement system (Bank of Communications)	129,606,000	1.66
China Merchants Bank Co., Ltd. – GF Zhaoxiang Hybrid Securities Investment Fund (廣發招享混合型證券投資基金)	114,000,000	1.46

MANAGEMENT DISCUSSION AND ANALYSIS



3. Changes in convertible bonds during the Reporting Period

Unit: 100 million Currency: RMB

Name of the convertible corporate bonds	Before this change	Increase or decrease of this change			After this change
		Conversion	Redemption	Resale	
China Galaxy Convertible Bonds	78	–	–	–	78

4. Cumulative conversion of convertible bonds during the Reporting Period

Name of the convertible corporate bonds	China Galaxy Convertible Bonds
Amount of shares converted during the Reporting Period (RMB)	–
Number of shares converted during the Reporting Period (Shares)	–
Cumulative number of shares converted (Shares)	–
Proportion of cumulative number of shares converted to the total number of shares of the Company in issue before conversion (%)	–
Amount of shares yet to be converted (RMB)	7,800,000,000
Proportion of unconverted convertible bonds to total number of convertible bonds issued (%)	100%

5. Adjustment to the conversion price of convertible bonds

Name of convertible corporate bonds		China Galaxy Convertible Bonds		
Date of adjustment to the conversion price	Adjusted conversion price	Date of disclosure	Media for disclosure	Explanation on adjustment of the conversion price
15 July 2022	RMB9.93 per share	11 July 2022	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	The Company paid an annual dividend of RMB0.31 per share for 2021
The latest conversion price as at the date of this report		RMB9.93 per share		

Note: On 15 July 2022, the conversion price of the Company's A Share convertible bonds was adjusted from RMB10.24 per share to RMB9.93 per share as the Company paid a cash dividend of RMB0.31 per share for 2021.

6. Liabilities, changes in credit rating and cash arrangement for debt repayment of the Company in the next year

As at the End of the Reporting Period, the Group had total assets of RMB615.581 billion with a gearing ratio of 78.98%. On 26 May 2022, China Lianhe Credit Rating Co., Ltd. issued the "Tracking Rating Report 2022" in respect of the China Galaxy Convertible Bonds issued by the Company, maintaining the corporate credit rating of the Company as AAA and the credit rating of the China Galaxy Convertible Bonds of this issue at AAA with a stable outlook.

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



MANAGEMENT DISCUSSION AND ANALYSIS

7. Utilization of the proceeds from convertible bonds

The net proceeds from the issuance of the China Galaxy Convertible Bonds (net of issuance expenses) amounted to approximately RMB7.735 billion, the utilization of which is as follows:

Unit: 100 million Currency: RMB

Investment projects of the proceeds	Proposed investment amounts (net proceeds)	Utilized amount as at the End of the Reporting Period	Unutilized amount as at the End of the Reporting Period	Expected timeline of full utilization of balance
Investment trading business	30	30	–	–
Capital intermediary business	30	30	–	–
Investment banking business	10	2.6	7.4	By 31 December 2022 ^(Note 1)
Replenishment of other working capital	7.35	7	0.35	– ^(Note 2)

The Company will utilize the proceeds in accordance with the planned applications. For details of the public issuance of the China Galaxy Convertible Bonds, please refer to the announcements and circular published by the Company on the websites of the SSE, the Hong Kong Stock Exchange and the Company, respectively.

Note 1: The portion of the proceeds from the China Galaxy Convertible Bonds utilized in the investment banking business was originally intended to be 70% utilized by 30 June 2022 and fully utilized by 30 September 2022. However, due to the contraction of credit bond issuance in China in the first half of 2022, coupled with the impact of the COVID-19, the investment banking business was affected to a certain extent. Therefore, the progress of the portion of the proceeds from the China Galaxy Convertible Bonds utilized in the investment banking business was delayed. With the normalization of the domestic pandemic control, the Company will accelerate the utilization of the remaining proceeds from the China Galaxy Convertible Bonds and it is expected to fully utilized by 31 December 2022.

Note 2: As at the disclosure date of this report, the part of proceeds of the China Galaxy Convertible Bonds used for the replenishment of other working capital has been fully utilized.

(II) Status of the corporate bonds

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

Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance (RMB100 million)	Interest rate (%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Usage of funding	Is there any risk of termination of listing and trading
2020 Non-public Issued Subordinated Bonds (Tranche 1) (Type 2) of China Galaxy Securities Co., Ltd.	20 Galaxy C2	162909.SH	2020/1/13	2020/1/14	2023/1/14	40	3.75	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for qualified investors.	Quotation, inquiry and agreed trading methods	Used to repay the Company's debt financing instruments at maturity or sold back by investors	No

MANAGEMENT DISCUSSION AND ANALYSIS



Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance (RMB100 million)	Interest rate (%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Usage of funding	Is there any risk of termination of listing and trading
2020 Non-public Issued Corporate Bonds (Tranche 1) (Type 2) of China Galaxy Securities Co., Ltd.	20 Galaxy F2	166074.SH	2020/2/14	2020/2/17	2023/2/17	18	3.25	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for qualified investors.	Quotation, inquiry and agreed trading methods	Used to repay the Company's debt financing instruments at maturity or sold back by investors	No
2020 Non-public Issued Corporate Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd.	20 Galaxy F4	166229.SH	2020/3/10	2020/3/11	2023/3/11	10	3.03	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for qualified investors.	Quotation, inquiry and agreed trading methods	Used to repay the Company's debt financing instruments at maturity or sold back by investors	No
2020 Non-public Issued Corporate Bonds (Tranche 4) (Type 2) of China Galaxy Securities Co., Ltd.	20 Galaxy F7	167316.SH	2020/7/28	2020/7/29	2023/7/29	30	3.72	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for qualified investors.	Quotation, inquiry and agreed trading methods	Used to repay the Company's debt financing instruments at maturity or sold back by investors	No
2020 Corporate Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	20 Galaxy G2	175272.SH	2020/10/21	2020/10/23	2023/10/23	30	3.7	The interest shall be calculated annually at a simple rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company	No



MANAGEMENT DISCUSSION AND ANALYSIS

Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance (RMB100 million)	Interest rate (%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Usage of funding	Is there any risk of termination of listing and trading
2020 Public Issued Perpetual Subordinated Bonds (Tranche 1) of China Galaxy Securities Co., Ltd.	20 Galaxy Y1	175196.SH	2020/11/23	2020/11/24	N/A (Note 1)	50	4.8	The interest shall be paid annually if the issuer does not exercise the right for deferred interest payment.	SSE	The bonds shall be issued and traded for professional institutional investors.	Bidding, quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company or repay the Company's debt financing instruments at maturity or sold back by investors	No
2020 Corporate Bonds (Tranche 3) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	20 Galaxy G3	175482.SH	2020/11/25	2020/11/27	2022/11/27	40	3.8	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company or repay the Company's debt financing instruments at maturity or sold back by investors	No
2021 Corporate Bonds (Tranche 1) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	21 Galaxy G1	175652.SH	2021/1/19	2021/1/21	2023/1/21	18	3.24	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company or repay the Company's debt financing instruments at maturity or sold back by investors	No
2021 Corporate Bonds (Tranche 1) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	21 Galaxy G2	175653.SH	2021/1/19	2021/1/21	2024/1/21	32	3.58	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company or repay the Company's debt financing instruments at maturity or sold back by investors	No
2021 Corporate Bonds (Tranche 2) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	21 Galaxy G3	175730.SH	2021/2/2	2021/2/4	2023/2/4	15	3.5	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company or repay the Company's debt financing instruments at maturity or sold back by investors	No

MANAGEMENT DISCUSSION AND ANALYSIS



Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance (RMB100 million)	Interest rate (%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Usage of funding	Is there any risk of termination of listing and trading
2021 Corporate Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	21 Galaxy G4	175731.SH	2021/2/2	2021/2/4	2024/2/4	25	3.67	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company or repay the Company's debt financing instruments at maturity or sold back by investors	No
2021 Public Issued Perpetual Subordinated Bonds (Tranche 1) of China Galaxy Securities Co., Ltd.	21 Galaxy Y1	175879.SH	2021/3/26	2021/3/29	N/A (Note 2)	50	4.57	The interest shall be paid annually if the issuer does not exercise the right for deferred interest payment.	SSE	The bonds shall be issued and traded for professional institutional investors.	Bidding, quotation, inquiry and agreed trading methods	Used to repay the Company's debt financing instruments at maturity or sold back by investors	No
2021 Public Issued Perpetual Subordinated Bonds (Tranche 2) of China Galaxy Securities Co., Ltd.	21 Galaxy Y2	188024.SH	2021/4/20	2021/4/21	N/A (Note 3)	50	4.3	The interest shall be paid annually if the issuer does not exercise the right for deferred interest payment.	SSE	The bonds shall be issued and traded for professional institutional investors.	Bidding, quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company	No
2021 Corporate Bonds (Tranche 3) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	21 Galaxy G5	188399.SH	2021/7/16	2021/7/20	2024/7/20	32	3.13	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company or repay the Company's debts that are due	No
2021 Corporate Bonds (Tranche 3) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	21 Galaxy G6	188400.SH	2021/7/16	2021/7/20	2026/7/20	18	3.45	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company or repay the Company's debts that are due	No
2021 Non-public Issued Corporate Bonds (Tranche 1) (Type 1) of China Galaxy Securities Co., Ltd.	21 Galaxy F1	178269.SH	2021/8/6	2021/8/9	2023/8/9	20	2.93	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Quotation, inquiry and agreed trading methods	Used to repay the Company's debts that are due	No



MANAGEMENT DISCUSSION AND ANALYSIS

Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance (RMB100 million)	Interest rate (%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Usage of funding	Is there any risk of termination of listing and trading
2021 Non-public Issued Corporate Bonds (Tranche 1) (Type 2) of China Galaxy Securities Co., Ltd.	21 Galaxy F2	178270.SH	2021/8/6	2021/8/9	2024/8/9	40	3.15	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Quotation, inquiry and agreed trading methods	Used to repay the Company's debts that are due	No
2021 Non-public Issued Corporate Bonds (Tranche 2) (Type 1) of China Galaxy Securities Co., Ltd.	21 Galaxy F3	197137.SH	2021/9/14	2021/9/15	2024/9/15	32	3.15	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Quotation, inquiry and agreed trading methods	Used to repay the Company's debts that are due	No
2021 Non-public Issued Corporate Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd.	21 Galaxy F4	197138.SH	2021/9/14	2021/9/15	2024/9/15	13.05	3.3	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Quotation, inquiry and agreed trading methods	Used to repay the Company's debts that are due	No
2021 Non-public Issued Corporate Bonds (Tranche 3) (Type 1) of China Galaxy Securities Co., Ltd.	21 Galaxy F5	197242.SH	2021/9/27	2021/9/28	2023/9/28	25	3.3	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company	No
2021 Non-public Issued Corporate Bonds (Tranche 3) (Type 2) of China Galaxy Securities Co., Ltd.	21 Galaxy F6	197243.SH	2021/9/27	2021/9/28	2024/9/28	10	3.4	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company	No

MANAGEMENT DISCUSSION AND ANALYSIS



Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance (RMB100 million)	Interest rate (%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Usage of funding	Is there any risk of termination of listing and trading
2021 Non-public Issued Corporate Bonds (Tranche 4) (Type 1) of China Galaxy Securities Co., Ltd.	21 Galaxy F7	197394.SH	2021/10/19	2021/10/20	2023/10/20	42	3.4	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Quotation, inquiry and agreed trading methods	Used to repay the Company's debts that are due	No
2021 Non-public Issued Corporate Bonds (Tranche 4) (Type 2) of China Galaxy Securities Co., Ltd.	21 Galaxy F8	197396.SH	2021/10/19	2021/10/20	2024/10/20	18	3.55	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Quotation, inquiry and agreed trading methods	Used to repay the Company's debts that are due	No
2021 Non-public Issued Corporate Bonds (Tranche 5) (Type 1) of China Galaxy Securities Co., Ltd.	21 Galaxy F9	197663.SH	2021/11/19	2021/11/22	2023/11/22	24	3.1	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Quotation, inquiry and agreed trading methods	Used to repay the Company's corporate bonds at maturity	No
2021 Non-public Issued Corporate Bonds (Tranche 5) (Type 2) of China Galaxy Securities Co., Ltd.	21 Galaxy 10	197664.SH	2021/11/19	2021/11/22	2024/11/22	36	3.35	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Quotation, inquiry and agreed trading methods	Used to repay the Company's corporate bonds at maturity	No
2021 Non-public Issued Corporate Bonds (Tranche 6) of China Galaxy Securities Co., Ltd.	21 Galaxy 11	197962.SH	2021/12/17	2021/12/20	2024/12/20	39.95	3.2	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Quotation, inquiry and agreed trading methods	Used to repay the Company's corporate bonds at maturity	No



MANAGEMENT DISCUSSION AND ANALYSIS

Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance (RMB100 million)	Interest rate (%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Usage of funding	Is there any risk of termination of listing and trading
2022 Subordinated Bonds (Tranche 1) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	22 Galaxy C1	185291.SH	2022/1/17	2022/1/18	2024/1/18	10	2.97	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional institutional investors.	Bidding, quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company or repay the debts that are due	No
2022 Subordinated Bonds (Tranche 1) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	22 Galaxy C2	185287.SH	2022/1/17	2022/1/18	2025/1/18	30	3.15	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional institutional investors.	Bidding, quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company or repay the debts that are due	No
2022 Subordinated Bonds (Tranche 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	22 Galaxy C3	185587.SH	2022/3/18	2022/3/21	2025/3/21	10.55	3.38	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional institutional investors.	Bidding, quotation, inquiry and agreed trading methods	Used to repay the Company's debts that are due	No
2022 Corporate Bonds (Tranche 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	22 Galaxy G1	185727.SH	2022/4/22	2022/4/26	2025/4/26	15	2.95	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional institutional investors.	Bidding, quotation, inquiry and agreed trading methods	Used to repay the Company's debts that are due	No
2022 Corporate Bonds (Tranche 1) of China Galaxy Securities Co., Ltd. Non-Publicly Issued to Professional Investors	22 Galaxy F1	194665.SH	2022/6/8	2022/6/9	2025/6/9	50	3.06	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional institutional investors.	Quotation, inquiry and agreed trading methods	Used to repay the Company's corporate bonds at maturity	No

MANAGEMENT DISCUSSION AND ANALYSIS



Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance (RMB100 million)	Interest rate (%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Trading mechanism	Usage of funding	Is there any risk of termination of listing and trading
2022 Corporate Bonds (Tranche 2) (Type 1) of China Galaxy Securities Co., Ltd. Non-publicly Issued to Professional Investors	22 Galaxy F2	182306.SH	2022/7/25	2022/7/26	2024/7/26	20	2.60	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company or repay the Company's corporate bonds at maturity	No
2022 Corporate Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd. Non-publicly Issued to Professional Investors	22 Galaxy F3	182307.SH	2022/7/25	2022/7/26	2025/7/26	20	2.83	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company or repay the Company's corporate bonds at maturity	No
2022 Subordinated Bonds (Tranche 2) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	22 Galaxy C4	137624.SH	2022/8/5	2022/8/8	2024/8/8	17	2.46	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company	No
2022 Subordinated Bonds (Tranche 3) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	22 Galaxy C5	137625.SH	2022/8/5	2022/8/8	2025/8/8	33	2.72	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company	No
2022 Corporate Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	22 Galaxy G3	137650.SH	2022/8/10	2022/8/11	2027/8/11	50	3.08	The interest shall be calculated annually at a simple rate rather than a compound rate. The interest shall be paid annually and the principal amount shall be repaid in full at the maturity date. The interest shall be paid together with the principal amount	SSE	The bonds shall be issued and traded for professional investors.	Bidding, quotation, inquiry and agreed trading methods	Used to replenish the working capital of the Company	No



MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

2. Use of proceeds during the Reporting Period

Unit: 100 million Currency: RMB

Name of bond	Total amount of proceeds	Utilized amount	Unutilized amount	Operation of the special account of proceeds	Whether it is consistent with the purposes, planned use and other agreements committed in the offering prospectus
2022 Corporate Bonds (Tranche 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	15	15	0	Normal	Yes
2022 Corporate Bonds (Tranche 1) of China Galaxy Securities Co., Ltd. Non-publicly Issued to Professional Investors	50	50	0	Normal	Yes
2022 Corporate Bonds (Tranche 2) (Type 1) of China Galaxy Securities Co., Ltd. Non-publicly Issued to Professional Investors	20	20	0	Normal	Yes
2022 Corporate Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd. Non-publicly Issued to Professional Investors	20	20	0	Normal	Yes
2022 Subordinated Bonds (Tranche 3) (Type 1) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	17	17	0	Normal	Yes
2022 Subordinated Bonds (Tranche 3) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	33	33	0	Normal	Yes
2022 Corporate Bonds (Tranche 2) (Type 2) of China Galaxy Securities Co., Ltd. Publicly Issued to Professional Investors	50	50	0	Normal	Yes

MANAGEMENT DISCUSSION AND ANALYSIS



(III) As of the date of this report, the issued and existing short-term commercial papers of the Company in the inter-bank market are detailed as follows:

The Company has not issued any non-financial corporate debt financing instruments. As of the date of this report, the issued and existing short-term commercial papers of the Company in the inter-bank market are detailed as follows:

Name of bond	Short name	Bond code	Date of issuance	Interest accrual date	Maturity date	Bond balance (RMB100 million)	Interest rate (%)	Ways of principal and interest repayment	Trading venues	Arrangement (if any) to ensure the suitability of investors	Is there any risk of termination of listing and trading
2021 Fourteenth Tranche of Short-term Commercial Paper	21 Galaxy Securities CP014	072110068	2021-11-17	2021-11-18	2022-11-18	40.00	2.76	The interest shall be paid together with the principal amount in full at the maturity date.	National Inter-bank Bond Market	Institutional investors of the National Inter-bank Bond Market	No
2021 Fifteenth Tranche of Short-term Commercial Paper	21 Galaxy Securities CP015	072110091	2021-12-8	2021-12-9	2022-12-9	30.00	2.70				
2021 Sixteenth Tranche of Short-term Commercial Paper	21 Galaxy Securities CP016	072110098	2021-12-15	2021-12-16	2022-9-16	20.00	2.70				
2022 Fourth Tranche of Short-term Commercial Paper	22 Galaxy Securities CP004	072210050	2022-3-23	2022-3-24	2022-9-22	30.00	2.53				
2022 Sixth Tranche of Short-term Commercial Paper	22 Galaxy Securities CP006	072210076	2022-5-20	2022-5-23	2023-5-23	40.00	2.29				
2022 Seventh Tranche of Short-term Commercial Paper	22 Galaxy Securities CP007	072210089	2022-6-21	2022-6-22	2023-6-22	35.00	2.37				
2022 Eighth Tranche of Short-term Commercial Paper	22 Galaxy Securities CP008	072210108	2022-7-11	2022-7-12	2022-10-12	30.00	1.95				
2022 Ninth Tranche of Short-term Commercial Paper	22 Galaxy Securities CP009	072210112	2022-7-18	2022-7-19	2023-7-19	40.00	2.25				

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

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

1. In August 2016 and August 2017, the Company successively provided net capital guarantee to its subsidiary, Galaxy Jinhui, of RMB1.0 billion and RMB2.0 billion to satisfy its business development requirements.
2. On 22 June 2017, the "Proposal for the Increase of Net Capital Guarantee to Galaxy Jinhui" was considered and approved at the 2016 annual general meeting of the Company, pursuant to which it was agreed that the Company would provide additional net capital guarantee for Galaxy Jinhui of RMB3,000 million to satisfy its business development requirements. As at the End of the Reporting Period, the guarantee had not been fulfilled.
3. On 30 August 2021, the "Resolution on the Increase in the Shareholdings in CGS-CIMB to Increase the Amount of Guarantees and Quasi-Guarantees by Galaxy International" was considered and approved at the second meeting (regular) of the fourth session of the Board of the Company. Based on the business development needs, it was agreed to increase the maximum amount of guarantees and quasi-guarantees authorized to be provided for CGS-CIMB Securities and CGS-CIMB Holdings ("CGS-CIMB") from RMB3,500 million to RMB7,000 million in phases. In particular, upon completion of exercising the option for the first time, which is upon obtaining 75% shareholding in CGS-CIMB by Galaxy International Holdings, the maximum amount of guarantees and quasi-guarantees provided by Galaxy International Holdings for CGS-CIMB shall be RMB5,500 million; and upon completion of exercising the option for the second time for the CIMB merger and acquisition project, which is upon obtaining 100% shareholding in CGS-CIMB by Galaxy International Holdings, the maximum amount of guarantees and quasi-guarantees provided by Galaxy International Holdings for CGS-CIMB shall be RMB7,000 million. As at 30 June 2022, the maximum amount of guarantees and quasi-guarantees provided by Galaxy International Holdings for CGS-CIMB were RMB5,500 million. Among which, Galaxy International Holdings provided guarantees and quasi-guarantees amounting to RMB4,834 million and the guarantees authorized but not granted yet amounted to RMB666 million.

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



MANAGEMENT DISCUSSION AND ANALYSIS

VIII. ANALYSIS ON MAJOR CONTROLLED COMPANIES AND INVESTEEES

1. Galaxy Futures has a registered capital of RMB4.5 billion, in which the Company holds an equity interest of 100%. Its major business scope is commodity futures brokerage, financial futures brokerage, futures investment consultancy, assets management and sale of funds. According to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises, as at 30 June 2022, the total assets and net assets of Galaxy Futures were RMB70.052 billion and RMB6.537 billion, respectively. In the first half of 2022, it achieved an operating income and a net profit of RMB9.372 billion and RMB406 million, respectively.
2. Galaxy Capital has a registered capital of RMB1.0 billion, in which the Company holds an equity interest of 100%. Its major business scope is assets management, project investment and investment management. According to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises, as at 30 June 2022, the total assets and net assets of Galaxy Capital were RMB1.514 billion and RMB1.183 billion, respectively. In the first half of 2022, it achieved an operating income and a net profit of RMB107 million and RMB35 million, respectively.
3. Galaxy International Holdings has a registered capital of HK\$7.0 billion (increasing from HK\$5.0 billion to HK\$7.0 billion in July 2022), in which the Company holds 100% equity interest. Its major business scope is to engage in securities and futures brokerage, research and analysis, investment banking, margin financing and securities lending, asset management, wealth management, foreign exchange trading and derivatives, proprietary trading etc. in regions and countries such as Hong Kong, Singapore, Malaysia, Indonesia, Thailand, India, South Korea, the United Kingdom, the United States and Mauritius through a number of wholly-owned subsidiaries and joint ventures, CGS-CIMB Securities and CGS-CIMB Holdings. According to the financial statements prepared in accordance with Chinese Accounting Standards for Business Enterprises, as at 30 June 2022, the total assets and net assets of Galaxy International Holdings were RMB34.172 billion and RMB4.507 billion, respectively. In the first half of 2022, it achieved an operating income and a net profit of RMB879 million and RMB41 million, respectively.
4. Galaxy Jinhui has a registered capital of RMB1.0 billion, in which the Company holds an equity interest of 100%. Its major business scope is securities assets management. According to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises, as at 30 June 2022, the total assets and net assets of Galaxy Jinhui were RMB1.664 billion and RMB1.356 billion, respectively. In the first half of 2022, it achieved an operating income and a net profit of RMB251 million and RMB19 million, respectively.
5. Galaxy Yuanhui has a registered capital of RMB3.0 billion, in which the Company holds an equity interest of 100%. Its major business scope is proprietary investment to enterprises business (including equity investment or bond investment), or to invest in other investment funds related to equity investment and bond investment. According to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises, as at 30 June 2022, the total assets and net assets of Galaxy Yuanhui were RMB3.588 billion and RMB3.373 billion, respectively. In the first half of 2022, it achieved an operating income and a net profit of RMB227 million and RMB146 million, respectively.

IX. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

As at the End of the Reporting Period, the Group consolidated 51 structured entities, including asset management schemes and partnerships. For asset management schemes with the Group as the manager and partnerships with the Group as a general partner or the investment manager, it identified the control right over certain asset management schemes and certain partnerships and incorporated them into the consolidation after considering its investment decision-making right on them, the exposure to variable returns and other factors. As at 30 June 2022, the equity of the above structured entities incorporated into the consolidation was RMB17.154 billion.



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

The Company maintains a long-term and stable financial policy, focusing on liquidity management of assets and guaranteeing a smooth financing channel. During the Reporting Period, the Company is raising short-term funding primarily by means of interbank lending, repurchases, short-term commercial papers, short-term income certificates and margin and securities refinancing. Meanwhile, the Company may also finance long-term capital through issuance of corporate bonds, subordinated bonds, perpetual subordinated bonds, convertible bonds and other ways approved by the competent authorities according to market environment and its own needs. At present, the Company has obtained consolidated credit line from several commercial banks and may employ the foregoing debt financing instruments in a comprehensive manner for raising funds according to its own business needs. As at the End of the Reporting Period, line of credit granted to the Company amounted to approximately RMB392.2 billion.

XI. NUMBER OF EMPLOYEES, REMUNERATION AND TRAINING PLAN

As at the End of the Reporting Period, the Group had 12,861 employees (including sales account managers), of which 9,555 were employees of the Company (including sales account managers).

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

In terms of trainings for employees, the Company has adhered to the management model that combines centralized planning and hierarchical management. The Company has reasonably distributed training resources and enhanced training efficiency, based on which put more efforts on training, especially those for frontline business personnel. During the Reporting Period, due to the outbreak of the COVID-19 pandemic, the Company organized 17 online training sessions which trained more than 2,000 employees. In order to improve the general quality, professionalism, implementation capability and innovation of the professional personnel of each business line, the content of the training involved patriotic ideals and beliefs training for overseas returnees, management training, business training, general skills training for employees, professional skills training, and training for new employees, etc.

XII. RISK MANAGEMENT

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



MANAGEMENT DISCUSSION AND ANALYSIS

1. Major risks affecting the operations of the Company

The risks faced by the Company in business activities mainly include, among others, market risk, credit risk, liquidity risk, operational risk and cyber security risk. During the Reporting Period, the Company adopted effective measures to actively address various risks and guaranteed the secure conduct of operating activities.

(1) Market risk

Market risk refers to the risk of the potential or actual loss incurred by the Company due to the fluctuation of the fair value or future cash flows in respect of financial instruments held or to be held by the Company resulting from the adverse changes in securities price, interest rate and currency rate, including securities price risk, interest rate risk and currency rate risk, etc. Market risk is mainly measured by professional indicators such as sensitivity and VaR, and dynamically managed through measuring and monitoring the limit indicators by setting risk limits such as risk exposure, scale, concentration level, limit of loss, sensitivity and VaR. As at the End of the Reporting Period, the VaR of the Group amounted to RMB124 million.

① Securities price risk

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

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

② Interest rate risk

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

③ Exchange rate risk

Exchange rate risk refers to the risk of the loss incurred by the Company's positions held due to the adverse fluctuation in exchange rates. Given that the Company settles most of its transactions in RMB, the exchange rate risk actually encountered by the Company is relatively insignificant. With the gradual expansion of our international business and cross-border business as well as the progress in the internationalization of RMB, the exchange rate risk of the Company will increase gradually. Currently, the Company mainly adopts reasonable and effective measures such as hedging with foreign exchange derivatives to manage its exchange rate risk.



(2) Credit risk

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

During the Reporting Period, the Company's credit risk preference for bond investment remained relatively stable. The investors of credit bonds were mainly central enterprises and state-owned enterprises, with AA+ level or above accounting for approximately 95.08%, and the credit rating was generally high and the default risk was low. As at the End of the Reporting Period, the Company maintained an average margin ratio of 281% for the its margin financing and securities lending clients with outstanding liabilities, and an average margin ratio of 302% for its stock pledged repurchase clients with outstanding liabilities. The overall credit risk of the Company was within the acceptable range.

(3) Liquidity risk

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

(4) Operational risk

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

In order to manage operational risk effectively, the Company established the sound operational risk management system, fully implemented the three management tools of operational risk and control self-assessment (RCSA), key risk index management (KRI) and loss data collection (LDC), and continuously promoted the construction and functional improvement of the operational risk management system. Through the in-depth application of the three management tools of operational risk as well as the establishment of the linkage mechanism among the three tools, closed-loop management was achieved before, during and after the evaluation. In addition, the operation of the risk identification, measurement, monitoring and reporting mechanism was established. The operational risk was managed in a hierarchical manner, and for processes with medium and higher level of operational risk incidents, critical risk indicators which exceed the threshold or processes with medium and higher level of residual risks, all relevant units were required to formulate action plans and rectify them in a practical manner. The Company promoted the improvement of the internal control system through the management of operational risk, and established a work coordination mechanism of internal control and monitoring departments to realize the sharing of data, results and system platforms, thereby improving the internal control linkage and work quality and efficiency. During the Reporting Period, the Company did not have any significant events in relation to operational risk.

(5) Cyber security risk

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

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



2. Countermeasures and measures the Company has taken or planned to take

The Company always attaches great importance to risk management, continues to improve the construction of the risk management system, strengthens the application of risk management methods and tools, continues to promote the construction of risk management information systems, implements risk management throughout the entire process, and further promotes risk management in a practical manner based on consolidated management, to ensure that the Company's sustainable and steady operation is in smooth progress.

(1) Deepening the construction of the Group's comprehensive risk management system

The Company's Board of Directors and operating management at all levels attach great importance to risk management, firmly establish a bottom-line thinking, practice the important mission of preventing and resolving financial risks, organize leaders to deepen the Group's comprehensive risk management tasks, continuously improve the risk management environment, and enhance risk management guarantees, to improve the level of risk management. The Company has established and implemented the Group's risk appetite, optimized the hierarchical risk limit system based on the needs for business development and risk management, continued to improve the process of risk management mechanism, strengthened the T+1 risk measuring and monitoring, constantly optimized the risk reporting system, strengthened risk management culture publicity and training, and practically implemented the vertical risk management of subsidiaries, to effectively deepen the construction of a risk management system of the Group.

(2) Strengthening the application of risk management methods and tools

The Company continued to invest more resources in strengthening risk assessment and measurement, enhancing the application of risk management methods and tools, thoroughly identifying risks in a timely manner, prudently assessing various types of risks, constantly monitoring risks, actively taking effective measures to deal with risks, and reporting risks in a timely and comprehensive manner. During the Reporting Period, the Company focused on optimizing the credit impairment model and economic capital model, applying algorithms like the GPU (parallel computing) and PDE (partial differential equation) in a combined manner to measure the valuation of complex over-the-counter derivatives, Greek alphabet and VaR, PFE (potential credit risk exposure) and stress tests, improving the accuracy and efficiency of risk measurement, continuously improving and optimizing the realization of current assets, cash flow gap and models such as liquidity stress tests, and constantly strengthening the standard for risk measurement; applied the model for macro scenario stress tests and the one for corresponding risk transmission, to enhance forward-looking risk research and judgement; promoted research and application of risk performance attribution and scientific evaluation of risk return levels; continued to facilitate the construction and promotion of the application of the internal credit rating system, optimize the risk warning model and system construction, deepen risk management of the same client and the same business, improve the negative list management mechanism and establish the asset risk level classification management system; as well as optimized loss databases, key risk indicators, risk control and self-assessment and other operational risk-based tools to further promote the application.



MANAGEMENT DISCUSSION AND ANALYSIS

(3) Strengthening the intelligence construction of risk management information system

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

(4) Implementing entire process risk management

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

(5) Deepening “full-coverage, penetrating” vertical risk management

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



3. Risk Control Indicators of the Company

The Company has a sound organizational system for risk control indicator management. The management and monitoring of risk control indicators, stress test, internal audit review and other related work are carried out by designated staff of related departments. In 2022, the Company has conducted dynamic monitoring of routine net capital and liquidity risk control indicators using the risk control indicator dynamic monitoring system, realizing real-time and dynamic monitoring and pre-warning of the Company's net capital and liquidity risk control indicators. In order to prevent any shock and impact on risk control indicators at the end of the period due to various factors, such as maturity of large debts, effective measures have been promptly taken, such as short-term borrowings and issuance of long-term bonds through earlier calculation and predicting net capital and liquidity risk control indicators at the end of the period, so as to prevent the possible risk of exceeding the limit of risk control indicators. The dynamic monitoring in the first half of 2022 showed that all of the Company's net capital and liquidity risk control indicators continued to conform to regulatory provisions. Based on the market and business development needs, the Company carried out stress test and sensitivity analysis on both regular and ad hoc basis to analyze the conditions which may appear in the future and their impact on the net capital and liquidity risk control indicator of the Company, and formulated the relevant response measures to ensure that all risk control indicators reached the target levels.

During the Reporting Period, the Company strengthened the matching management of assets and liabilities, so as to ensure the safety of the Company's liquidity, the reasonable pricing of assets and optimization of asset allocation for striving to enhance the Company's level of management of assets and liabilities. The Company established a dynamic top-up mechanism and made long-term top-up plans for net capital. The Company raised short-term capital to increase its liquidity coverage rate by issuing income certificates and short-term commercial papers, etc. It replenished the long-term available stable fund to increase the net stable funding rate through the issuance of long-term corporate bonds and perpetual subordinated bonds so as to ensure a dynamic balance between the business development and risk resistance capability of the Company. The Company made proper capital allocation and debt financing arrangements. When the capital adequacy target continued to fall or there were potentially significant adverse factors, the Company could initiate the financing plan at an appropriate time based on the market conditions to guarantee the level of capital adequacy. As at the End of the Reporting Period, the Company had 4 existing long-term subordinated debts and 3 existing perpetual subordinated debts to replenish net capital of subsidiaries with RMB18.339 billion.

During the Reporting Period, the Company's net capital and other risk control indicators continued to meet the relevant regulatory requirements. As at the End of the Reporting Period, the major risk control indicators of the Company were as follows:

Items	End of the Reporting Period	End of Last Year
Net capital (RMB)	78,743,229,038.06	79,650,478,914.72
Net assets (RMB)	97,373,159,786.87	96,220,995,859.41
Net capital/Sum of risk provisions (%)	201.08	219.03
Net capital/Net assets (%)	80.87	82.78
Net capital/Liabilities (%)	22.92	26.68
Net assets/Liabilities (%)	28.34	32.23
Proprietary equity securities and securities derivatives/Net capital (%)	25.59	16.45
Proprietary fixed-income securities/Net capital (%)	359.53	269.17
Capital leverage (%)	13.40	15.75
Liquidity coverage (%)	318.87	278.65
Net stable funding ratio (%)	145.19	138.29



MANAGEMENT DISCUSSION AND ANALYSIS

XIII. CONNECTED TRANSACTIONS

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

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

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

Unit: RMB million

	Period from 1 January to 30 June 2022	Annual cap
Income		
Securities brokerage services	2.51	
Sales agency services	2.67	
Leasing of exchange trading units	2.68	
Other related securities and finance services	0.26	
Sub-total	8.13	458
Expenses		
Interest expenses	0.22	25

Notes:

- Income from securities brokerage services is the income received from Galaxy Financial Holdings and Galaxy Capital Assets Management Co., Ltd. for securities brokerage business;
- Income from sales agency services is the income received from Galaxy Fund Management and Galaxy Capital Assets Management Co., Ltd. for agency sale of financial products;
- Income from leasing of exchange trading units is the commission received from the leasing of exchange trading units in respect of the funds managed by Galaxy Fund Management;
- Income from other related securities and financial services is the targeted asset management income, management fee, performance compensation received, etc. from Galaxy Capital Assets Management Co., Ltd.; and
- Interest expense is the interest expense for deposits payable to Galaxy Financial Holdings, Galaxy Fund Management and Galaxy Capital Assets Management Co., Ltd..



XIV. ADMINISTRATIVE SUPERVISION MEASURES AND RELATED MATTERS FACED BY THE COMPANY AND ITS SUBSIDIARIES AND SPONSOR REPRESENTATIVES DURING AND SUBSEQUENT TO THE REPORTING PERIOD

1. Galaxy Jinhui received the Decision on Taking Measures to Issue a Warning Letter to it from the CSRC Shenzhen Bureau

On 18 April 2022, Galaxy Jinhui received the Decision of the CSRC Shenzhen Bureau on Taking Measures to Issue a Warning Letter to Galaxy Jinhui Securities Assets Management Co., Ltd. ([2022] No. 61). The CSRC Shenzhen Bureau considered that in the course of engaging in the asset securitization business, the following problems existed in Galaxy Jinhui:

Firstly, the organizational structure, staffing and internal control mechanism were far from satisfactory. There was no dedicated quality control team. The internal audit function was not sufficiently independent. Individual contractors were involved in internal audit and voting. The issuance and underwriting of securities was not undertaken by a specialized functional department or team, and there was no sound system for the creation, underwriting and duration management.

Secondly, the due diligence of some asset securitization projects was based on the information provided by issuers and third parties while the verification was inadequate. The filing of working papers was not timely and incomplete; and the duration management was not sufficiently concerned about changes in the quality of the underlying assets and the ongoing operation of the original equity holders.

The Company attached great importance to the matter and immediately requested Galaxy Jinhui to conduct self-examination and rectification, and issued the Compliance Reminder Letter Regarding the Regulatory Authority on Taking Measures to Issue a Warning Letter in Respect of the Asset Securitisation Business of Galaxy Jinhui to remind Galaxy Jinhui of compliance. Upon receipt of the Decision of the CSRC Shenzhen Bureau on Taking Measures to Issue a Warning Letter to Galaxy Jinhui Securities Assets Management Co., Ltd., Galaxy Jinhui immediately commenced the verification and identification of responsibility for the incident in accordance with the provisions of the Rules Governing the Handling of Non-compliant Conduct of Employees of the Company. Up to now, Galaxy Jinhui has completed the investigation of the incident and completed the review procedures for the determination of responsibility in accordance with the system and procedures of the Company, and has conducted rectifications on the related matters.



MANAGEMENT DISCUSSION AND ANALYSIS

2. The Company received the Decision on Adoption of Administrative Regulatory Measures Ordering Correction from the CSRC Beijing Bureau

On 1 July 2022, the Company received the Decision on Adoption of Administrative Regulatory Measures Ordering Correction by China Galaxy Securities Co., Ltd. from the CSRC Beijing Bureau, in which the CSRC Beijing Bureau, during its inspection of the China Life AMP Guoshou Security-National Insurance New OTC Board No. 2 Asset Management Plan (the “New OTC Board No. 2 Plan”), found that the Company had violated the following rules in performing its duties as a custodian: Firstly, it had only passively accepted the advice of China Life AMP Asset Management Co., Ltd. (the “Manager”) on the repeated adjustment of the valuation techniques of the CSC Group held by New OTC Board No. 2 Plan, and did not raise any objection when it was found that the Manager had not conducted negotiations with the custodian as agreed under the product contract in advance but objectively acquiescing to the aforesaid non-compliance of the Manager. Secondly, after the net unit value of the New OTC Board No. 2 Plan unit fell below the stop-loss line, it failed to detect and alert the Manager of the breach of contractual provisions such as the active purchase of units of currency funds. The CSRC Beijing Bureau was of the view that the above issues reflected the Company’s failure to perform its custodian duties diligently and prudently, and its failure to strictly supervise the relevant investment restrictions in accordance with the fund contract, which was in breach of the requirements of Article 4 and Article 21(1) of the Administrative Measures on the Securities Investment Fund Custodianship Business (《證券投資基金託管業務管理辦法》) (CSRC Decree No. 92). In accordance with Article 38 of the Administrative Measures on the Securities Investment Fund Custodianship Business (CSRC Decree No. 92), the CSRC Beijing Bureau took administrative regulatory measures against the Company and ordered it to make corrections.

The Company attaches great importance to the matter and has immediately organized its staff to sort out the relevant issues and formulate subsequent rectification measures. The Company intends to submit a rectification plan as required and complete the rectification by the deadline, and at the same time commenced the investigation and identification of responsibility for the incident in accordance with the relevant system of the Company.

3. The sponsor representatives of the Company received the Decision of Beijing Stock Exchange on Taking Self-Regulatory Measures against them

On 18 July 2022, Li Xuebin and Liang Fen, the sponsor representatives of the Company, received the Decision of the BSE on Taking Self-Regulatory Measures against Li Xuebin and Liang Fen (CSRC Beijing Bureau Enforcement Letter [2022] No. 8). The BSE was of the view that Li Xuebin and Liang Fen, the signing sponsor representatives, were in breach of the followings in the public offering and listing project of Henan Silane Technology Development Co., Ltd. (“Silane Technology”): on the date when the application document for public offering of shares and listing of Silane Technology was accepted for examination on 29 December 2021 and during the period of its review, Silane Technology published the “Announcement on the Correction of Prior Accounting Errors” on 9 May 2022, which explained the accounting errors involved in the annual financial reports from 2018 to 2021 and retrospective adjustments were made to the financial data for 2018 to 2021. Li Xuebin and Liang Fen, as the signing sponsor representatives of the Silane Technology project, failed to conduct a comprehensive inspection and verification to identify and address the aforesaid accounting errors prior to the submission of the report, and failed to exercise due diligence, which were in breach of Article 22 of the Rules Governing the Examination and Approval of the Public Offering and Listing of Shares to Unspecified Qualified Investors (Trial) of the Beijing Stock Exchange (《北京證券交易所向不特定合格投資者公開發行股票並上市審核規則(試行)》) and Articles 4 and 5 of the Administrative Rules for Sponsoring the Listing of Securities on the Beijing Stock Exchange (《北京證券交易所證券發行上市保薦業務管理細則》), so they were held responsible for the relevant matters. In view of the above facts and circumstances, the Company is responsible for the relevant matters. In view of the above facts and circumstances of non-compliance, in accordance with the requirements of Article 16 of the Implementation Rules for Self-disciplinary Measures and Disciplinary Punishments of the Beijing Stock Exchange, self-disciplinary measures of issuing warning letters were taken against Li Xuebin and Liang Fen.



The Company attached great importance to the aforesaid problems and requested the investment banking department to take them seriously, rectify them as soon as possible, perform sponsorship duties in accordance with the relevant provisions of the Measures for the Administration of the Sponsorship Business of Securities Offering and Listing (《證券發行上市保薦業務管理辦法》), the Listing Audit Rules (《上市審核規則》) and the Sponsorship Business Rules (《保薦業務細則》), etc., be honest, trustworthy, diligent and responsible, conduct comprehensive inspection and verification of the issue and listing application documents and information disclosure materials, and prevent the recurrence of relevant problems. At the same time, the Company commenced the investigation and identification of responsibility for the incident in accordance with the relevant system.

XV. CAPITAL INCREASE OF A SUBSIDIARY

During and subsequent to the Reporting Period, the Company completed the capital increase to Galaxy Futures and Galaxy International Holdings respectively. In May 2022, the Company increased the registered capital of Galaxy Futures from RMB2.3 billion to RMB4.5 billion by injecting additional capital of RMB2.2 billion into Galaxy Futures. In July 2022, the Company increased the capital of Galaxy International Holdings from HK\$5.0 billion to HK\$7.0 billion by injecting additional capital of HK\$2.0 billion into Galaxy International.

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

The Company strictly complies with laws and regulations on environmental protection such as the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste. During the Reporting Period, the Company was not subject to any punishment for violating relevant laws and regulations on environmental protection. The Company's impact on the environment is mainly the consumption of energy and related emissions in its daily operation, and the impact is relatively small. The specific office emissions data and related management information will be disclosed in the Company's 2022 Social Responsibility Report.

Protecting the ecology, preventing pollution and fulfilling environmental responsibility

During the Reporting Period, the Company assisted Bank of Beijing Co., Ltd. and Bank of China Limited in issuing two tranches of green bonds with a total issue size of RMB39 billion, of which the actual underwriting size of the Company was RMB4.75 billion. At the research level, the Company has been the director institution and academic support institution of the Green Finance Cooperation Committee of the Asian Financial Cooperation Association for three consecutive years, and has established a green finance research team comprising post-doctoral researchers, researchers in coal, non-ferrous metals, building materials, environmental protection and other related industries. The topic "Research on the Relationship between ESG and High Quality Development of Listed Companies" led by the Company won the "2021 Outstanding Topic Award of the Securities Association of China". On the basis of this research, in 2022, the Company continued to lead ESG and dual carbon related topics, such as the "Study on the Development Path of Green Capital Market under the Dual Carbon Goal" by the Securities Association of China, the "Study on the Relationship among the ESG Practice, Social Responsibility Performance and Quality Improvement of Listed Companies" by the China Association for Public Companies, and the "Capital Market Support for the Realization of the Dual Carbon Goal" by the Finance Association. At the same time, the Company participated in the writing of the ESG theme in the Blue Book for Listed Companies of the Chinese Academy of Social Sciences. At the practice level, the Company has set up a Dual Carbon Innovation Centre in its Hong Kong subsidiary, Galaxy International Holdings, and collaborated with its Southeast Asia subsidiary, CGS-CIMB, to provide consultancy and other customized services to companies with a need for dual carbon transformation.



MANAGEMENT DISCUSSION AND ANALYSIS

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

The Company is a financial enterprise focusing on business office affairs and with low energy consumption and light pollution, and does not cause significant impact on the natural environment and natural resources. The routine resources consumption mainly includes office power, gasoline for official business vehicles, tap water and office paper. Major emissions are carbon emission from energy consumption, domestic sewage, office and domestic garbage from routine office operation and other harmless wastes.

The Company continued to implement paperless office and operations and encouraged online meetings instead of offline meetings. A total of 125 online meetings were held during the Reporting Period, effectively reducing carbon emissions while reducing corporate meeting costs and improving collaboration efficiency. Regarding the management of official vehicles, the Company continued to optimize and adjust the use and management of official vehicles, strengthen the management of official vehicles during holidays, and regulate the use of refuelling cards and fast passes to eliminate the risk of private use of official vehicles. The Company encourages employees to take public transportation and advocates low-carbon travel.

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

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

The year 2022 is the year of deepening the effective articulation in consolidation and extension of achievements in poverty alleviation and rural revitalisation. The Company studied and carried out the important remarks of General Secretary Xi Jinping on the revitalisation of rural areas, seriously implemented the decision and deployment of CIC on the assistance work of rural revitalisation, as well as the guiding opinions of CSRC and the Securities Association of China on the assistance work of rural revitalization. In accordance with the work concept of "consolidating the results on one hand and revitalising rural areas on the other", the Company continued to promote the implementation of the targeted assistance for rural revitalisation in Jingning County. During the Reporting Period, the Company invested RMB6.50 million in support funds, introduced RMB4.00 million in support funds, spent over RMB6.00 million in consumption support, assisted in sales with an aggregate amount of RMB3.75 million and trained more than 1,200 personnel in various fields.



During the Reporting Period, the Company achieved the following milestones in its assistance work:

1. Sticking to the goal of preventing the return to poverty. The Company took the lead in purchasing anti-poverty insurance for 35,000 villagers who fall into the “three categories of population” (unstable in escaping from poverty, borderline poverty and experiencing serious difficulties in basic living) and Rural Categories 1 and 2 low-income earners in Jingning County, Gansu Province, effectively helping Jingning County, Gansu Province, to guard the bottom line of not returning to poverty on a large scale.
2. Strengthening the foundation of industrial revitalisation. The Company helped Jingning County, Gansu Province, to successfully apply for “insurance + futures” county-wide coverage project of apples from the Zhengzhou Commodity Exchange again. Currently, Jingning County, Gansu Province, is the only county in China to have been approved for “insurance + futures” on apples by the Zhengzhou Commodity Exchange for five consecutive years, which has helped to revitalise the apple industry in Jingning County, Gansu Province.
3. Maintaining the strength of talent support. The Company has selected 9 cadres to hold temporary positions, and has kept 5 such cadres in place, and such positions are deputy county head of Jingning County, Gansu Province, deputy director of the Rural Revitalisation Bureau, deputy director of the Agriculture and Rural Bureau, deputy director of the Human Resources and Social Security Bureau and the first secretary in the village.
4. Launching party building activities. Relying on local resources, the Party Headquarters of Gansu Branch and Yangzui Village Party Branch launched a pair-building exercise to better realize the complementary advantages of grassroots party organizations, sharing of resources and mutual promotion.
5. Strengthening the supervision of support funds. An external accounting firm was engaged to strengthen the auditing of the Company’s support funds invested in Jingning County, Gansu Province, and to continuously follow up and supervise.



CHANGES IN ORDINARY SHARES AND OTHER SITUATION

I. CHANGE IN SHARE CAPITAL

During the Reporting Period, there was no change in the total number of shares and the share capital structure of the Company.

II. SHAREHOLDERS

(i) Total number of shareholders:

Total number of ordinary shareholders as at the End of the Reporting Period (person)	91,062
Total number of preference shareholders with voting rights restored as at the End of the Reporting Period (person)	0

Note: The total number of shareholders includes A Share ordinary shareholders and H Share registered shareholders. As at the End of the Reporting Period, there were 90,385 A Share shareholders and 677 H Share registered shareholders.



CHANGES IN ORDINARY SHARES AND OTHER SITUATION

(ii) Shareholdings of the top 10 shareholders and top 10 holders of circulating shares (or shareholders not subject to trading restriction) as at the End of the Reporting Period

Unit: Share(s)

Shareholdings of the top 10 shareholders

Name of shareholders (Full name)	Increase or decrease during Reporting Period	Number of shares held as at the End of the Reporting Period	Percentage (%)	Number of shares subject to trading restriction held	Pledged, marked or frozen		Nature of shareholders
					Status of shares	Number	
Galaxy Financial Holdings	0	5,186,538,364	51.16	0	Nil	0	State-owned legal person
HKSCC Nominees Limited (Note 1)	-23,000	3,688,339,546	36.38	0	Nil	0	Overseas legal person
Hong Kong Securities Clearing Company Limited (Note 2)	33,418,371	93,672,019	0.92	0	Nil	0	Overseas legal person
China Securities Finance Corporation Limited	0	84,078,210	0.83	0	Nil	0	State-owned legal person
Bank of Lanzhou Co., Ltd.	0	41,941,882	0.41	0	Nil	0	Domestic non-state-owned legal person
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	2,430,400	26,606,783	0.26	0	Nil	0	Other
China Construction Bank Corporation – Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	2,060,700	18,483,482	0.18	0	Nil	0	Other
The National Social Security Fund 412 Composition	14,992,782	14,992,782	0.15	0	Nil	0	Other
Zhongshan Financial Investment Holdings Co., Ltd.	12,229,100	14,241,213	0.14	0	Nil	0	State-owned legal person
Jiaxing Highway Investment Co., Ltd.	0	11,497,828	0.11	0	Nil	0	State-owned legal person



CHANGES IN ORDINARY SHARES AND OTHER SITUATION

Shareholdings of the top 10 shareholders not subject to trading restriction

Name of shareholders	Number of circulating shares not subject to trading restriction held	Type and number of shares	
		Type	Number
Galaxy Financial Holdings	5,186,538,364	Renminbi ordinary Shares	5,160,610,864
		Overseas-Listed Foreign-Invested Shares	25,927,500
HKSCC Nominees Limited (Note 1)	3,688,339,546	Overseas-Listed Foreign-Invested Shares	3,688,339,546
Hong Kong Securities Clearing Company Limited (Note 2)	93,672,019	Renminbi ordinary Shares	93,672,019
China Securities Finance Corporation Limited	84,078,210	Renminbi ordinary Shares	84,078,210
Bank of Lanzhou Co., Ltd.	41,941,882	Renminbi ordinary Shares	41,941,882
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	26,606,783	Renminbi ordinary Shares	26,606,783
China Construction Bank Corporation – Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	18,483,482	Renminbi ordinary Shares	18,483,482
The National Social Security Fund 412 Composition	14,992,782	Renminbi ordinary Shares	14,992,782
Zhongshan Financial Investment Holdings Co., Ltd.	14,241,213	Renminbi ordinary Shares	14,241,213
Jiaxing Highway Investment Co., Ltd.	11,497,828	Renminbi ordinary Shares	11,497,828
Description of repurchase accounts among the top ten shareholders	Nil		
Description of the voting rights exercised by proxy of the above shareholders, the voting rights exercised by the above shareholders as authorized by and on behalf of other shareholders, the voting rights the above shareholders abstained from	Nil		
Details of the connected relationship amongst, or parties acting-in-concert between, the above shareholders	The Company is not aware of any related-party/connected shareholders/ or any shareholders acting in concert. Shares held by HKSCC Nominees Limited are H Shares held by agents entrusted by overseas investors and shares held by Hong Kong Securities Clearing Company Limited are A Shares held by overseas investors through northbound trading of Shanghai-Hong Kong Stock Connect.		
Preference shareholders with voting rights restored and number of shares held	Nil		

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

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



I. INTERIM DIVIDEND

The Board does not recommend to declare the payment of interim dividend to the shareholders of the Company for the six months ended 30 June 2022.

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

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

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

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



OTHER INFORMATION

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

So far as Directors are aware after making all reasonable enquiries, as at the End of the Reporting Period, the following persons (other than the Directors, Supervisors or chief executive of the Company) held interests or short positions in shares or underlying shares which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and which are recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name of substantial shareholders	Class of shares	Nature of interest	Number of shares held (share) (Note 1)	Percentage of the total number of issued shares of the Company (%)	Percentage of the total number of issued A Shares/ H Shares of the Company (%)	Long positions/short positions/shares available for lending
Huijin (Note 2)	A Shares	Interests of controlled corporation	5,160,610,864	50.91	80.06	Long position
	H Shares	Interests of controlled corporation	25,927,500	0.26	0.70	Long position
Galaxy Financial Holdings (Note 2)	A Shares	Beneficial owner	5,160,610,864	50.91	80.06	Long position
	H Shares	Beneficial owner	25,927,500	0.26	0.70	Long position
Wenze International Investment Limited (Notes 3 & 4)	H Shares	Beneficial owner	219,524,000	2.17	5.95	Long position
Wang Yili (Note 3)	H Shares	Interests of controlled corporation	219,524,000	2.17	5.95	Long position
Yan Yuqing (Note 4)	H Shares	Interests of controlled corporation	219,524,000	2.17	5.95	Long position
BlackRock, Inc. (Note 5)	H Shares	Interests of controlled corporation	189,194,364	1.87	5.13	Long position
	H Shares	Interests of controlled corporation	1,431,500	0.01	0.04	Short position

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

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

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

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

Note 5: BlackRock, Inc. holds 189,194,364 H Shares in long position and 1,431,500 H Shares in short position through various entities under its control. Among which, 44,500 H Shares in long position and 1,431,500 H Shares in short position involve derivatives, of which the category is: unlisted derivatives – cash settled.

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

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

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

VI. COMPLIANCE WITH THE CG CODE

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

During the Reporting Period, the Company had been in strict compliance with the CG Code, complied with all code provisions other than the code provision F.2.2, and met the requirements of most of the recommended best practice provisions set out in the CG Code. Under the code provision F.2.2, the chairman of the Board should attend the annual general meeting. Mr. Chen Gongyan, the then Chairman of the Company, was unable to attend the 2021 annual general meeting of the Company due to other work commitments, and he entrusted Mr. Chen Liang, the then Vice Chairman, to chair the meeting and communicated effectively with the shareholders.

VII. COMPLIANCE WITH THE MODEL CODE

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

VIII. OPERATION OF THE BOARD AND ITS SPECIAL COMMITTEES

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



OTHER INFORMATION

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

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

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

During the Reporting Period, the Board convened 1 annual general meeting, and submitted 12 proposals for shareholders' consideration. The Board actively organized, supervised and followed up the implementation of the resolutions passed at general meetings. The Board convened 4 Board meetings to consider 35 proposals. The Strategy and Development Committee convened 3 meetings, the Compliance and Risk Management Committee convened 1 meeting, the Nomination and Remuneration Committee convened 4 meetings, and the Audit Committee convened 3 meetings. The special committees gave full play to their own professional strengths, provided strong support for the decision-making of the Board and further enhanced the efficiency and level of decision-making of the Board.

In particular, the Audit Committee and the management have reviewed the accounting policies adopted by the Company, discussed matters including the risk management, internal control and financial statements of the Company, and fully reviewed the consolidated interim financial information and interim report of the Company for the six months ended 30 June 2022. The external auditor of the Company has reviewed the interim financial information in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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

IX. OPERATION OF THE SUPERVISORY COMMITTEE

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

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

The Supervisors performed their duties diligently and supervised the operation of the Company in accordance with relevant laws and regulations, including the Company Law and the Securities Law of the PRC, and the relevant requirements of the Articles of Association, so as to protect the legitimate interests of the Company and its shareholders. During the Reporting Period, the Supervisory Committee convened 6 meetings. The Performance Monitoring Committee convened 2 meetings while the Financial Monitoring Committee convened 3 meetings.



X. MATERIAL LITIGATIONS

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

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

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

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

XII. DESCRIPTION OF OTHER MATTERS

In March 2022, the Company completed the issue of A Share convertible bonds with an aggregate amount of RMB7.8 billion. For details, please refer to “Relevant Information of Bonds” as set out in the section headed “Management Discussion and Analysis” contained in this report.

XIII. RELEVANT SUBSEQUENT EVENTS

1. Material equity investment

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

2. Issuance of bonds

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



OTHER INFORMATION

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

Name	Position	Changes
Chen Gongyan	Chairman of the Board, Executive Director, Chairman of the Strategy and Development Committee and Chairman of the Executive Committee	Resignation
Chen Liang	Chairman of the Board, Chairman of the Strategy and Development Committee and Chairman of the Executive Committee	Election
Qu Yanping	Chairperson of the Supervisory Committee	Election
Wei Guoqiang	Shareholder Supervisor	Election
Wang Sheng	President, Vice Chairman of the Executive Committee, Executive Director and Vice Chairman of the Board	Appointment
Luo Liming	Vice President	Appointment
Du Pengfei	Business Director, Member of the Executive Committee and Secretary of the Board	Appointment

1. On 27 January 2022, it was considered and approved at the 2022 second extraordinary meeting of the fourth session of the Supervisory Committee that Ms. Qu Yanping was appointed as the chairperson of the fourth session of the Supervisory Committee of the Company.
2. On 30 March 2022, it was considered and approved at the sixth meeting (regular) of the fourth session of the Board of the Company that Mr. Luo Liming was appointed as the Vice President and a member of the executive committee of the Company and ceased to be the business director of the Company.
3. On 30 March 2022, it was considered and approved at the sixth meeting (regular) of the fourth session of the Board of the Company that Mr. Du Pengfei was appointed as the business director and a member of the executive committee of the Company. On 29 April 2022, it was considered and approved at the seventh meeting (regular) of the fourth session of the Board of the Company and agreed that Mr. Du Pengfei was appointed as the Secretary of the Board of the Company and Mr. Chen Gongyan ceased to serve as the Acting Secretary of the Board.
4. On 29 June 2022, it was considered and approved at the 2021 annual general meeting that Mr. Wei Guoqiang was appointed as a Shareholder Supervisor of the fourth session of the Supervisory Committee of the Company.



5. On 13 July 2022, it was considered and approved at the ninth meeting (extraordinary) of the fourth session of the Board of the Company that Mr. Chen Liang was appointed as the Chairman of the Board and the Chairman of the Executive Committee, who shall also act as the legal representative of the Company and the Chairman of the Strategy and Development Committee of the Board in accordance with the Articles of Association and other policies, and cease to act as the Vice Chairman of the Board, the President and the Vice Chairman of the Executive Committee of the Company. On 27 July 2022, the Company completed the registration procedures for the change of legal representative and obtained the Business License issued by the Beijing Administration for Market Regulation. The current legal representative of the Company is Mr. Chen Liang.
6. On 13 July 2022, it was considered and approved at the ninth meeting (extraordinary) of the fourth session of the Board of the Company that Mr. Wang Sheng was appointed as the President and the Vice Chairman of the Executive Committee, and was nominated to be a candidate of Executive Director of the Company. The resolution on the nomination of Mr. Wang Sheng to be an Executive Director of the Company was considered and approved at the first 2022 extraordinary general meeting of the Company convened on 18 August 2022.
7. On 13 July 2022, it was considered and approved at the ninth meeting (extraordinary) of the fourth session of the Board of the Company that Mr. Chen Gongyan ceased to be the Chairman of the Board, an Executive Director, the Chairman of the Strategy and Development Committee of the Board and the Chairman of the Executive Committee of the Company because of retirement at age, and ceased to serve as any other positions of the Company. The resolution for Mr. Chen Gongyan ceasing to be an Executive Director was considered and approved at the first 2022 extraordinary general meeting of the Company convened on 18 August 2022.
8. On 18 August 2022, as considered and approved at the tenth meeting (extraordinary) of the fourth session of the Board of the Company, Mr. Wang Sheng was appointed as the Vice President of the fourth session of the Board of the Company.
9. On 18 August 2022, as considered and approved at the tenth meeting (extraordinary) of the fourth session of the Board of the Company, Mr. Wang Sheng was appointed as a member of the Strategy and Development Committee and Compliance and Risk Management Committee of the Board, and Mr. Chen Liang ceased to be a member of the Compliance and Risk Management Committee of the Board.

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

During the Reporting Period, there was no changes to the accounting policies, accounting estimates and audit methods of the Company.



OTHER INFORMATION

XVI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

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

Full Name of Partners of the Contracts	Date of the Contracts	Period and Expiration date of the Contracts	Summary of the Contracts	Amount of the Contracts (RMB10,000)	Notes
Shanghai Stock Exchange Technology Co., Ltd.	25 January 2021, 12 October 2021	The contract is valid from 1 June 2021 to 31 May 2025. If either party fails to submit a written notice to the other party to terminate the contract two months before the expiration date of this contract (including the expiration date of the extended contract), the period of the contract shall be automatically extended for one year as agreed in the fourth year of the contract, and so on. On 12 October 2021, the supplemental agreement was signed.	Shanghai Stock Exchange Technology Co., Ltd. shall provide the Company with services of the "Golden Bridge" Data Center, No. 399 Longhu Road, Pudong New Area, Shanghai, including technical services, operation support services and customized services of the data center. The supplemental agreement of the Golden Bridge Data Center specified that the fee standard shall be adjusted from 1 July 2021.	12,954.04	RMB26.9441 million in the first year of the contract; RMB27.3961 million in the second year of the contract; RMB28.3001 million in the third year of the contract; and RMB46.9001 million in the fourth year of contract. Pursuant to the supplemental agreement, adjustment was made to the fee standard for charges and settlement shall be made according to the adjusted standard for charges and based on the actual situation every year.
Digital China System Integration Service Co., Ltd.	9 December 2021	Until the date on which all obligations of both parties are fulfilled	The purchase of the Phase 1 server room infrastructure and domestic network equipment of the Golden Bridge Data Center	1,813.57	–
Beijing Anda Xintong System Integration Co., Ltd.	9 December 2021	Until the date on which all obligations of both parties are fulfilled	The purchase of the Phase 1 IT construction project for Arista switches of the Golden Bridge Data Center	1,890.00	–
Digital China (China) Limited	9 December 2021	Until the date on which all obligations of both parties are fulfilled	The purchase for the special servers for extremely fast trading with low latency for the Golden Bridge Data Center Phase I Construction	1,099.00	–



Full Name of Partners of the Contracts	Date of the Contracts	Period and Expiration date of the Contracts	Summary of the Contracts	Amount of the Contracts (RMB10,000)	Notes
Shenzhen Kingdom Sci-Tech Co., Ltd.	1 June 2022	Until the date on which all obligations of both parties are fulfilled	The purchase of 28 standardized software modules and 12 personalized development modules for our centralized trading and other systems to support the policy transformation of exchanges and the personalized requirements of the business departments	1,035.00	-
Shanghai Kafang Information Technology Co., Ltd.	30 May 2022	30 June 2022	Shanghai Kafang Information Technology Co., Ltd. shall provide Kafang's ATGO active algorithm services to the Company and be responsible for the installation, user training, technical support and maintenance of Kafang's ATGO active algorithm systems	1,200.00	-



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

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

INTRODUCTION

We have reviewed the accompanying interim financial information of China Galaxy Securities Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the interim condensed consolidated statement of financial position as at 30 June 2022 and the related interim condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standards Board.

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

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

30 August 2022



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

		Six months ended 30 June	
	Notes	2022 (Unaudited)	2021 (Unaudited)
CONTINUING OPERATIONS			
Revenue			
Commission and fee income	5	4,279,933	4,740,769
Interest income	6	7,096,372	6,350,441
Investment income and gains or losses	7	3,402,197	3,006,511
		14,778,502	14,097,721
Income from bulk commodity trading		8,194,686	5,208,027
Other income, gains and losses	8	175,428	152,045
Total revenue, gains and other income		23,148,616	19,457,793
Impairment losses, net of reversal	14	(83,155)	21,990
Depreciation and amortization	9	(453,123)	(408,329)
Staff costs	10	(3,365,646)	(3,252,002)
Commission and fee expenses	11	(503,860)	(646,079)
Interest expenses	12	(4,422,448)	(3,699,046)
Cost from bulk commodity trading		(8,189,100)	(5,088,243)
Other operating expenses	13	(1,132,652)	(1,066,626)
Total expenses		(18,149,984)	(14,138,335)
Share of result of associates and joint ventures		(178)	29,882
Profit before income tax		4,998,454	5,349,340
Income tax expense	15	(671,559)	(1,063,419)
Profit for the period		4,326,895	4,285,921
Profit for the period attributable to:			
Owners of the Company		4,326,223	4,254,888
Non-controlling interests		672	31,033
Earnings per share (Expressed in RMB per share)			
– Basic	16	0.39	0.40
– Diluted	16	0.38	0.40

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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Profit for the period	4,326,895	4,285,921
Other comprehensive income/(expense):		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value gains on investments in equity instruments measured at fair value through other comprehensive income	237,063	193,096
Income tax effect on changes in fair value	(46,027)	(47,670)
Subtotal	191,036	145,426
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	4,392	(79,196)
Debt instruments measured at fair value through other comprehensive income:		
Fair value changes arising during the period	(382,454)	229,030
Reclassification adjustments included in profit or loss	449,319	(55,720)
Income tax that may be reclassified subsequently	(16,830)	(43,327)
Fair value losses on hedging instruments designated in cash flow hedges	(4,747)	–
Share of other comprehensive income of a joint venture, net of related income tax	–	(15,891)
Subtotal	49,680	34,896
Other comprehensive income for the period (net of tax)	240,716	180,322
Total comprehensive income for the period (net of tax)	4,567,611	4,466,243
Total comprehensive income for the period attributable to:		
Owners of the Company	4,566,939	4,454,400
Non-controlling interests	672	11,843
	4,567,611	4,466,243

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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	18	549,139	547,112
Investment properties		7,543	7,641
Right-of-use assets	19	1,515,996	1,570,779
Goodwill	20	1,016,520	1,008,713
Other intangible assets	21	710,674	704,814
Interest in associates and joint ventures	22	39,252	30,250
Financial assets measured at fair value through profit or loss	23	26,089,763	37,250,558
Debt instruments measured at fair value through other comprehensive income	25	119,467	82,300
Equity instruments measured at fair value through other comprehensive income	26	39,834,011	34,684,603
Debt instruments measured at amortized cost	27	2,556,179	3,634,614
Financial assets held under resale agreements	24	9,618,711	8,732,973
Deposits with exchanges and non-bank financial institutions	29	826,384	792,435
Other receivables and prepayments	28	1,273,035	1,180,226
Advances to customers	31	72,277	70,736
Deferred tax assets	30	151,612	168,265
Bank balances – fixed deposits	35	200,000	200,000
Total non-current assets		84,580,563	90,666,019
Current assets			
Advances to customers	31	88,760,461	98,123,030
Accounts receivable	32	11,698,035	10,150,725
Tax recoverable		934,609	805,066
Other receivables and prepayments	28	5,949,568	7,068,252
Financial assets measured at fair value through profit or loss	23	112,503,213	98,392,349
Debt instruments measured at fair value through other comprehensive income	25	125,361,186	81,150,619
Debt instruments measured at amortized cost	27	508,275	1,634,835
Financial assets held under resale agreements	24	10,201,696	13,242,108
Derivative financial assets	33	2,009,800	1,945,907
Deposits with exchanges and non-bank financial institutions	29	13,857,153	10,923,755
Clearing settlement funds	34	34,908,583	32,294,040
Bank balances	35	124,307,535	113,738,328
Total current assets		531,000,114	469,469,014
Total assets		615,580,677	560,135,033
EQUITY AND LIABILITIES			
Equity			
Share capital	36	10,137,259	10,137,259
Other equity instruments	37	15,935,719	14,885,851
Reserves		47,381,926	47,182,587
Retained profits		27,291,651	26,750,101
Equity attributable to owners of the Company		100,746,555	98,955,798
Non-controlling interests		22,925	22,253
Total equity		100,769,480	98,978,051



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Liabilities			
Non-current liabilities			
Bonds payable	38	66,108,543	57,577,817
Debt instruments	39	106,434	198,436
Financial liabilities measured at fair value through profit or loss	40	8,241,439	7,395,174
Other payables and accruals	41	545,371	561,200
Lease liabilities	19	1,070,713	1,128,652
Deferred tax liabilities	30	1,441,524	1,138,784
Total non-current liabilities		77,514,024	68,000,063
Current liabilities			
Bonds payable	38	17,425,658	26,654,298
Due to banks and other financial institutions	42	16,964,290	24,054,185
Debt instruments	39	33,219,069	30,951,389
Accounts payable to brokerage clients	43	135,981,101	128,400,821
Accrued staff costs	44	5,084,023	4,906,773
Other payables and accruals	41	36,416,520	29,090,587
Lease liabilities	19	456,428	450,151
Current tax liabilities		115,086	208,762
Financial liabilities measured at fair value through profit or loss	40	18,021,664	9,188,761
Derivative financial liabilities	33	3,072,486	4,647,304
Financial assets sold under repurchase agreements	45	170,540,848	134,603,888
Total current liabilities		437,297,173	393,156,919
Total liabilities		514,811,197	461,156,982
Total equity and liabilities		615,580,677	560,135,033
Net current assets		93,702,941	76,312,095
Total assets less current liabilities		178,283,504	166,978,114

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

Approved and authorized for issue by the Board of Directors on 30 August 2022 and signed on its behalf by:

CHEN LIANG

DIRECTOR

WANG SHENG

DIRECTOR

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to owners of the Company											
	Share capital	Other equity instruments	Capital reserves	Reserves					Retained profits	Subtotal	Non-controlling interests	Total equity
				Investment revaluation reserve	Cash flow hedging reserve	Translation reserves	General reserves	Other reserves				
At 1 January 2022 (audited)	10,137,259	14,885,851	25,051,470	1,124,070	(814)	(270,263)	21,333,879	(55,755)	26,750,101	98,955,798	22,253	98,978,051
Profit for the period	-	-	-	-	-	-	-	-	4,326,223	4,326,223	672	4,326,895
Other comprehensive income for the period	-	-	-	241,071	(4,747)	4,392	-	-	-	240,716	-	240,716
Total comprehensive income for the period	-	-	-	241,071	(4,747)	4,392	-	-	4,326,223	4,566,939	672	4,567,611
Appropriation to general reserves	-	-	-	-	-	-	13,053	-	(13,053)	-	-	-
Issue of convertible bonds	-	1,049,868	-	-	-	-	-	-	-	1,049,868	-	1,049,868
Dividend declared (Note 17)	-	-	-	-	-	-	-	-	(3,142,550)	(3,142,550)	-	(3,142,550)
Distribution of interests to shareholders of perpetual bonds	-	-	-	-	-	-	-	-	(683,500)	(683,500)	-	(683,500)
Other comprehensive income that has been reclassified to retained profits	-	-	-	(54,430)	-	-	-	-	54,430	-	-	-
At 30 June 2022 (unaudited)	10,137,259	15,935,719	25,051,470	1,310,711	(5,561)	(265,871)	21,346,932	(55,755)	27,291,651	100,746,555	22,925	100,769,480

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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to owners of the Company											
	Reserves										Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserves	Investment revaluation reserve	Cash flow hedging reserve	Translation reserves	General reserves	Other reserves	Retained profits	Subtotal		
At 1 January 2021 (audited)	10,137,259	4,962,172	25,227,335	392,189	-	14,777	18,254,578	(34,636)	22,300,857	81,254,531	753,527	82,008,058
Profit for the period	-	-	-	-	-	-	-	-	4,254,888	4,254,888	31,033	4,285,921
Other comprehensive income for the period	-	-	-	275,409	-	(60,007)	-	(15,891)	-	199,511	(19,189)	180,322
Total comprehensive income for the period	-	-	-	275,409	-	(60,007)	-	(15,891)	4,254,888	4,454,399	11,844	4,466,243
Appropriation to general reserves	-	-	-	-	-	-	17,773	-	(17,773)	-	-	-
Issue of perpetual bonds	-	9,924,528	-	-	-	-	-	-	-	9,924,528	-	9,924,528
Dividend declared (Note 17)	-	-	-	-	-	-	-	-	(2,230,197)	(2,230,197)	-	(2,230,197)
Distribution of interests to shareholders of perpetual bonds	-	-	-	-	-	-	-	-	(683,500)	(683,500)	-	(683,500)
Other comprehensive income that has been reclassified to retained profits	-	-	-	(2,414)	-	-	-	-	2,414	-	-	-
At 30 June 2021 (unaudited)	10,137,259	14,886,700	25,227,335	665,184	-	(45,230)	18,272,351	(50,527)	23,626,689	92,719,761	765,371	93,485,132

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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

Notes	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	5,659,930	6,941,521
Decrease/(increase) in advances to customers	9,279,456	(10,157,664)
Increase in accounts receivable and other receivables and prepayments	(1,411,010)	(5,263,031)
Decrease in financial assets held under resale agreements	2,265,831	7,951,101
Increase in financial assets at fair value through profit or loss and derivative financial assets	(5,151,175)	(14,055,081)
(Increase)/decrease in deposits with exchanges and non-bank financial institutions	(2,918,253)	3,671,173
Increase in clearing settlement funds – clients	(856,940)	(5,773,098)
Increase in cash held on behalf of customers	(6,320,662)	(8,236,152)
Increase in accounts payable to brokerage clients, accrued staff costs and other payables and accruals	11,930,822	19,590,690
Increase in financial liabilities measured at fair value through profit or loss and derivative financial liabilities	11,703,931	579,254
Increase in financial assets sold under repurchase agreements	35,889,498	28,795,536
Decrease in amounts due to banks and other financial institutions	(7,534,000)	(7,205,000)
(Increase)/decrease in restricted bank deposits	898,052	358,028
Cash from operations	51,639,376	17,197,277
Income taxes paid	(638,242)	(1,074,117)
Interests paid	(2,326,291)	(1,856,357)
NET CASH FLOWS FROM OPERATING ACTIVITIES	48,674,843	14,266,803
INVESTING ACTIVITIES		
Dividends and interest received from investments	2,181,143	1,910,960
Purchases of property and equipment and other intangible assets	(242,231)	(205,980)
Proceeds from disposals of property and equipment and other intangible assets	357	1,155
Capital injection to associates and joint ventures	9,180	(106,853)
Purchases of debt instruments at fair value through other comprehensive income	(69,057,733)	(50,162,006)
Proceeds from disposals of debt instruments at fair value through other comprehensive income	25,846,693	39,619,899
Purchases of equity instruments at fair value through other comprehensive income	(9,108,767)	(8,162,849)
Proceeds from disposals of equity instruments at fair value through other comprehensive income	4,141,993	11,755,484
Purchases of debt instruments measured at amortized cost	(259,809)	(1,118,574)
Proceeds from disposals of debt instruments measured at amortized cost	2,469,790	1,403,965
Placement of bank deposits with original maturity of more than three months	(366,966)	(554,810)
Maturity of bank deposits with original maturity of more than three months	797,367	802,082
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(43,588,983)	(4,817,527)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
FINANCING ACTIVITIES			
Transaction costs paid on issuance of bonds		(99,380)	(16,981)
Proceeds from bonds issued		11,555,000	9,000,000
Repayment of bonds issued		(19,000,000)	(12,000,000)
Cash injection by third-party holders to consolidated structured entities		–	92,620
Proceeds from debt instrument payables issued		35,815,570	33,838,704
Repayment of debt instrument issued		(34,002,536)	(51,211,425)
Proceeds from amounts due to banks and other financial institutions		462,631	3,279,270
Cash repayment of third-party interests in consolidated structured entities		(35,781)	–
Interests paid in respect of bonds, borrowing and financial instrument payables		(1,765,529)	(2,026,123)
Dividends paid		(442,695)	–
Payment of lease liabilities		(225,039)	(195,689)
Proceeds from issuance of a convertible bond		7,744,224	–
Proceeds from issuance of a perpetual bond		–	9,924,528
NET CASH FLOWS FROM FINANCING ACTIVITIES		6,465	(9,315,096)
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,092,325	134,180
CASH AND CASH EQUIVALENTS AT 1 JANUARY		19,641,442	19,408,579
Effect of foreign exchange rate changes		61,309	(40,230)
CASH AND CASH EQUIVALENTS AT 30 JUNE	46	24,795,076	19,502,529
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		6,578,830	6,800,374

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

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

The registered office of the Company is located at 101, floors 7-18, building 1, yard 8, Xiyang street, Fengtai District, Beijing, the PRC.

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

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

The unaudited interim condensed consolidated financial information was approved by the Board of Directors (the “Board”) on 30 August 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2021.

2.2 Principal accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRSs	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying</i>
2018-2020 Cycle (issued in May 2020)	<i>IFRS 16, and IAS 41</i>

The application of the revised IFRSs has had no significant impact on the interim condensed consolidated financial statements of the Group.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2021.

4. SEGMENT REPORTING

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

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

- (a) Securities brokerage: This segment engages in the provision of securities dealing and broking, margin financing to margin clients and securities lending;
- (b) Futures brokerage: This segment engages in futures dealing and broking, futures information consulting and training;
- (c) Proprietary trading and other securities trading services: This segment engages in trading of equities, bonds, funds, derivatives and other financial products for the Group;
- (d) Investment banking: This segment engages in the provision of corporate finance services including underwriting of equity and debt securities and financial advisory services to institutional clients;
- (e) Asset management: This segment engages in the provision of portfolio management, investment advisory and transaction execution services;
- (f) Private equity and alternative investment: This segment makes equity investments in private companies and realizes capital gains by exiting from these private equity investments through initial public offerings or share sales, or receives dividends from these portfolio companies;
- (g) Overseas business: This segment mainly represents the business operations in securities brokerage, futures brokerage, securities research, investment banking, margin financing, money lending, asset management and insurance brokerage business that are carried out overseas; and
- (h) Others mainly represent head office operations, investment holding as well as interest income and interest expense arising from general working capital.

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

4. SEGMENT REPORTING (CONTINUED)

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

The Group operates in Mainland China, Hong Kong and other overseas areas, representing the locations of both income from external customers and assets of the Group. Segment revenue and all assets of the Group in respect of the overseas business segment are attributable to operations in Hong Kong and other overseas areas, while other segment revenue and assets of the Group are attributable to operations in Mainland China. No revenue from a single customer amounted to more than 10% to the Group's revenue for the six months 30 June 2022 and 2021.

The operating and reportable segment information provided to the CODM for the six months ended 30 June 2022 and 2021 is as follows:

	Securities brokerage	Futures brokerage	Proprietary trading and other securities trading services	Investment banking	Asset management	Private equity and alternative investments	Overseas business	Reportable segment total	Others	Eliminations	Consolidated total
For the six months ended 30 June 2022 (Unaudited)											
Segment revenue and results											
Revenue and net investment gains											
– External	6,757,863	1,411,271	4,463,809	196,818	250,814	331,075	1,399,155	14,810,805	94,404	(126,707)	14,778,502
– Inter-segment	169,193	26	-	-	252	-	-	169,471	-	(169,471)	-
Other income	36,055	8,229,485	(327)	-	289	4,646	77,978	8,348,126	21,988	-	8,370,114
Segment revenue and other income	6,963,111	9,640,782	4,463,482	196,818	251,355	335,721	1,477,133	23,328,402	116,392	(296,178)	23,148,616
Segment expenses	(4,085,683)	(9,097,534)	(2,747,239)	(144,338)	(226,118)	(103,998)	(1,394,075)	(17,798,985)	(679,172)	328,173	(18,149,984)
Segment result	2,877,428	543,248	1,716,243	52,480	25,237	231,723	83,058	5,529,417	(562,780)	31,995	4,998,632
Share of result of associates and joint ventures	-	-	-	-	-	(178)	-	(178)	-	-	(178)
Profit/(loss) before income tax	2,877,428	543,248	1,716,243	52,480	25,237	231,545	83,058	5,529,239	(562,780)	31,995	4,998,454
As at 30 June 2022 (Unaudited)											
Segment assets and liabilities											
Segment assets	191,519,923	69,995,544	327,656,051	400,108	1,608,847	5,102,379	34,135,960	630,418,812	201,397,053	(216,386,800)	615,429,065
Deferred tax assets											151,612
Group's total assets											615,580,677
Segment liabilities	184,601,159	63,446,921	306,522,374	248,153	308,516	435,383	29,649,485	585,211,991	128,031,350	(199,873,668)	513,369,673
Deferred tax liabilities											1,441,524
Group's total liabilities											514,811,197
Other segment information											
Depreciation and amortization	256,652	30,214	13,606	11,623	6,379	1,773	63,081	383,328	69,795	-	453,123
Impairment losses	(38,911)	56,176	9,562	(13,818)	14,649	-	53,996	81,654	1,501	-	83,155
Additions to non-current assets	26,715	8,674	-	-	74	127	29,857	65,447	137,949	-	203,396
Interest income from operations	4,027,830	540,927	105,315	43	7,811	1,340	534,740	5,218,006	97,842	(25,737)	5,290,111
Interest income from investments	-	-	1,806,261	-	-	-	-	1,806,261	-	-	1,806,261
Interest expenses	256,106	268,348	1,846,572	-	-	-	192,033	2,563,059	1,855,917	3,472	4,422,448



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

4. SEGMENT REPORTING (CONTINUED)

The operating and reportable segment information provided to the CODM for the six months ended 30 June 2022 and 2021 is as follows: (continued)

	Securities brokerage	Futures brokerage	Proprietary trading and other securities trading services	Investment banking	Asset management	Private equity and alternative investments	Overseas business	Reportable segment total	Others	Eliminations	Consolidated total
For the six months ended											
30 June 2021 (Unaudited)											
Segment revenue and results											
Revenue and net investment gains											
– External	7,108,718	849,829	3,883,903	188,385	248,408	211,851	1,737,428	14,228,522	90,786	(221,587)	14,097,721
– Inter-segment	171,938	312	–	–	1,929	–	–	174,179	–	(174,179)	–
Other income	39,679	5,249,886	–	–	352	1,651	56,575	5,348,143	11,929	–	5,360,072
Segment revenue and other income	7,320,335	6,100,027	3,883,903	188,385	250,689	213,502	1,794,003	19,750,844	102,715	(395,766)	19,457,793
Segment expenses	(3,996,474)	(5,614,651)	(1,978,297)	(213,595)	(234,601)	(56,792)	(1,617,727)	(13,712,137)	(603,467)	177,269	(14,138,335)
Segment result	3,323,861	485,376	1,905,606	(25,210)	16,088	156,710	176,276	6,038,707	(500,752)	(218,497)	5,319,458
Share of result of associates and joint ventures	–	–	–	–	–	–	29,882	29,882	–	–	29,882
Profit/(loss) before income tax	3,323,861	485,376	1,905,606	(25,210)	16,088	156,710	206,158	6,068,589	(500,752)	(218,497)	5,349,340
As at 31 December 2021 (Audited)											
Segment assets and liabilities											
Segment assets	195,825,186	67,744,423	270,652,176	46,492	1,561,380	4,847,651	33,629,204	574,306,512	202,315,616	(216,655,360)	559,966,768
Deferred tax assets	–	–	–	–	–	–	–	–	–	–	168,265
Group's total assets	–	–	–	–	–	–	–	–	–	–	560,135,033
Segment liabilities	194,700,979	63,800,831	256,275,030	176,922	280,271	390,692	29,162,499	544,787,224	119,028,757	(203,797,783)	460,018,198
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–	1,138,784
Group's total liabilities	–	–	–	–	–	–	–	–	–	–	461,156,982
Other segment information											
Depreciation and amortization	246,812	23,158	8,857	16,358	7,620	2,198	44,715	349,718	58,611	–	408,329
Impairment losses	1,978	6,746	(23,441)	(41,193)	15,356	–	18,556	(21,998)	8	–	(21,990)
Additions to non-current assets	93	–	9,083	–	–	–	–	9,176	131,886	–	141,062
Interest income from operations	3,715,164	242,323	78,636	11	74,892	3,243	904,908	5,019,177	89,395	4,725	5,113,297
Interest income from investments	–	4,325	1,213,041	–	19,778	–	–	1,237,144	–	–	1,237,144
Interest expenses	340,016	20,698	1,267,400	–	7,819	–	192,623	1,828,556	1,870,490	–	3,699,046



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

5. COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Commission on securities dealing and broking and handling fee income	3,461,935	3,881,343
Underwriting and sponsors' fees	206,138	179,329
Commission on futures and option contracts dealing and broking and handling fee income	285,856	332,376
Consultancy and financial advisory fee income	82,627	74,024
Asset management fee income	241,071	259,261
Others	2,306	14,436
	4,279,933	4,740,769

6. INTEREST INCOME

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Deposits with exchanges and non-bank financial institutions and bank balances	1,706,432	1,174,899
Advances to customers and securities lending	3,022,283	3,204,452
Financial assets held under resale agreements	542,553	684,831
Debt instruments measured at fair value through other comprehensive income	1,744,905	1,118,635
Debt instruments measured at amortized cost	62,248	118,502
Interest income from other financial assets	17,951	49,122
	7,096,372	6,350,441

7. INVESTMENT INCOME AND GAINS OR LOSSES

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Realized and unrealized gains/(losses) from		
– debt instruments measured at FVTOCI	440,623	96,212
– debt instruments measured at amortized cost	38,991	11,523
– financial assets measured at FVTPL	(904,132)	3,691,660
– financial liabilities designated at FVTPL	1,197,198	(313,766)
– derivatives	2,054,539	(1,146,817)
– financial liabilities held for trading	100,202	(57,948)
Dividend income from		
– equity instruments measured at FVTOCI	474,776	725,647
	3,402,197	3,006,511



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

8. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Government grants	21,470	9,664
Gains or loss on disposals of property and equipment and other intangible assets	337	1,090
Foreign exchange gains or losses	16,311	13,861
Gross rental income	1,681	3,314
Others	135,629	124,116
	175,428	152,045

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

9. DEPRECIATION AND AMORTIZATION

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Depreciation for right-of-use assets	260,375	266,223
Depreciation for property and equipment	121,766	93,886
Depreciation for investment properties	98	99
Amortization of other intangible assets	70,884	48,121
	453,123	408,329

10. STAFF COSTS

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Salaries, bonus and allowances	2,690,186	2,657,957
Social welfare	388,402	357,009
Contributions to annuity schemes	80,642	61,075
Supplementary retirement benefits	4,145	3,292
Others	202,271	172,669
	3,365,646	3,252,002



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

11. COMMISSION AND FEE EXPENSES

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Securities and futures dealing and broking expenses	453,897	618,184
Underwriting and sponsors' fee expenses	443	7,875
Other service expenses	49,520	20,020
	503,860	646,079

12. INTEREST EXPENSES

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Presented below are interest expenses on the following liabilities:		
– Bonds payable	1,412,904	1,254,997
– Financial assets sold under repurchase agreements	1,612,631	1,137,150
– Debt instruments	443,013	615,495
– Accounts payable to brokerage clients	530,291	243,777
– Due to banks and other financial institutions	302,194	382,523
– Third-party interests in consolidated structured entities and others	121,415	65,104
	4,422,448	3,699,046

13. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
General and administrative expenses	474,819	444,258
Value-added tax and surcharges	67,776	66,275
Minimum operating lease rentals in respect of rented premises	54,960	94,667
Data transmission expenses	143,047	109,090
Securities investor protection funds	39,523	40,652
Business travel expenses	13,855	27,251
Utilities expenses	16,177	17,912
Auditors' remuneration	4,714	6,470
Sundry expenses	317,781	260,051
	1,132,652	1,066,626

For the six months ended 30 June 2022, included in "Other operating expenses" were operating lease expenses related to lease liabilities of RMB27 million.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

14. IMPAIRMENT LOSSES, NET OF REVERSAL

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Impairment losses recognized/(reversed) on:		
– Financial assets held under resale agreements (Note 24)	(110,495)	14,709
– Advances to customers (Note 31)	78,780	2,645
– Accounts receivable (Note 32)	36,536	(28,192)
– Other receivables (Note 28)	36,965	16,339
– Debt instruments measured at FVTOCI (Note 25)	8,696	(1,879)
– Debt instruments measured at amortized cost (Note 27)	700	(32,162)
– Bank balances	(288)	33
– Inventories and others	32,261	6,517
	83,155	(21,990)

15. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Current income tax:		
PRC Enterprise Income Tax	343,565	627,270
Overseas Profits Tax	67,742	68,731
Underprovision in prior periods:		
PRC Enterprise Income Tax	5,444	14,646
Overseas Profits Tax	(1,728)	(3,827)
Subtotal	415,023	706,820
Deferred income tax (Note 30)	256,536	356,599
	671,559	1,063,419

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

16. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to equity holders of the Company	4,326,223	4,254,888
Less: Profit attributable to other equity holders of the Company ⁽¹⁾	337,068	244,668
Profit attributable to ordinary equity holders of the Company	3,989,155	4,010,220
Weighted average number of shares in issue (thousand)	10,137,259	10,137,259
Basic earnings per share (in RMB)	0.39	0.40

- (1) For the purpose of calculating basic earnings per ordinary share in respect for the six months period ended 30 June 2022, RMB337 million (six months period ended 30 June 2021: RMB245 million) attributable to perpetual subordinated bonds was deducted from profits attributable to equity holders of the Company.

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

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to ordinary equity holders of the Company	3,989,155	4,010,220
Add: interest expense on convertible bonds, net of tax for the six months ended 30 June	50,705	—
Net profit used to determine diluted earnings per share	4,039,860	4,010,220
Weighted average number of shares in issue (thousand)	10,137,259	10,137,259
Add: weighted average number of ordinary shares assuming conversion of all dilutive shares (thousand)	416,631	—
Weighted average number of ordinary shares for diluted earnings per share (thousand)	10,553,890	10,137,259
Diluted earnings per share (in RMB)	0.38	0.40



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

17. DIVIDENDS

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

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Dividends declared	3,142,550	2,230,197
Distribution to other equity instrument holders	683,500	683,500

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

A dividend in respect of 2020 of RMB2.2 per 10 shares (inclusive of tax), or a total of RMB2,230.20 million, based on a total of 10,137,258,757 shares in issue, was approved at the Annual General Meeting on 29 June 2021.

The dividend distributions by the Company triggered the mandatory interest payment event for perpetual subordinated bonds. As at 30 June 2022, the Company has recognized the dividend payable to other equity instrument holders of RMB683.5 million (31 December 2021: RMB443.5 million).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Electronic and communication equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
COST						
As at 1 January 2021 (Audited)	277,082	920,051	81,807	129,438	390,175	1,798,553
Additions	3,033	217,224	3,263	10,984	49,209	283,713
Acquisition of subsidiaries	–	25,215	527	16,015	4,763	46,520
Transfer or reclassification	27,600	753	–	(13,155)	12,402	27,600
Exchange gains or losses	(69)	(2,103)	(99)	3,861	2,504	4,094
Disposals/write-off	(27,600)	(115,621)	(6,856)	(1,733)	(63,774)	(215,584)
As at 31 December 2021 (Audited)	280,046	1,045,519	78,642	145,410	395,279	1,944,896
ACCUMULATED DEPRECIATION						
As at 1 January 2021 (Audited)	173,922	725,007	71,508	106,937	285,447	1,362,821
Charge for the year	11,696	117,565	2,298	10,801	61,630	203,990
Acquisition of subsidiaries	–	18,136	227	2,625	3,081	24,069
Transfer or reclassification	–	–	–	–	–	–
Disposals/write-off	–	(113,288)	(6,447)	(13,823)	(59,538)	(193,096)
As at 31 December 2021 (Audited)	185,618	747,420	67,586	106,540	290,620	1,397,784
CARRYING VALUE						
As at 31 December 2021 (Audited)	94,428	298,099	11,056	38,870	104,659	547,112
COST						
As at 1 January 2022 (Audited)	280,046	1,045,519	78,642	145,410	395,279	1,944,896
Additions	113	94,943	1,303	6,674	23,538	126,571
Transfer or reclassification	–	88	–	(88)	–	–
Exchange gains or losses	(209)	9,185	(63)	2,726	11,578	23,217
Disposals/write-off	–	(9,237)	(2,426)	(12,249)	(52,007)	(75,919)
As at 30 June 2022 (Unaudited)	279,950	1,140,498	77,456	142,473	378,388	2,018,765
ACCUMULATED DEPRECIATION						
As at 1 January 2022 (Audited)	185,618	747,420	67,586	106,540	290,620	1,397,784
Charge for the period	6,025	80,859	1,342	5,861	27,679	121,766
Exchange gains or losses	(209)	8,544	(61)	1,140	5,799	15,213
Disposals/write-off	–	(8,732)	(1,708)	(2,690)	(52,007)	(65,137)
As at 30 June 2022 (Unaudited)	191,434	828,091	67,159	110,851	272,091	1,469,626
CARRYING VALUE						
As at 30 June 2022 (Unaudited)	88,516	312,407	10,297	31,622	106,297	549,139



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

19. LEASES

(a) RIGHT-OF-USE ASSETS

	Buildings
Cost	
As at 1 January 2021(Audited)	1,686,953
Additions	1,147,077
Acquisition of subsidiaries	42,584
Deductions	(404,332)
Exchange gains or losses	(6,067)
As at 31 December 2021(Audited)	2,466,215
Accumulated depreciation	
As at 1 January 2021(Audited)	764,415
Charge for the year	514,497
Acquisition of subsidiaries	18,549
Deductions	(402,025)
As at 31 December 2021(Audited)	895,436
Net book value	
As at 1 January 2021(Audited)	922,538
As at 31 December 2021(Audited)	1,570,779
Cost	
As at 1 January 2022(Audited)	2,466,215
Additions	207,523
Deductions	(102,386)
Exchange gains or losses	8,527
As at 30 June 2022(Unaudited)	2,579,879
Accumulated depreciation	
As at 1 January 2022(Audited)	895,436
Charge for the period	260,375
Deductions	(96,572)
Exchange gains or losses	4,644
As at 30 June 2022(Unaudited)	1,063,883
Net book value	
As at 1 January 2022(Audited)	1,570,779
As at 30 June 2022(Unaudited)	1,515,996

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

19. LEASES (CONTINUED)

(b) LEASE LIABILITIES

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

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Less than 1 year	519,470	533,175
Over 1 year	1,124,693	1,136,732
Undiscounted lease liabilities	1,644,163	1,669,907
Lease liabilities	1,527,141	1,578,803

20. GOODWILL

	Goodwill
Gross carrying amount	
As at 1 January 2022 (Audited)	1,008,713
Exchange loss	7,807
As at 30 June 2022 (Unaudited)	1,016,520
Accumulated impairment losses	–
As at 1 January 2022 (Audited)	–
Impairment losses recognized during the reporting period	–
As at 30 June 2022 (Unaudited)	–
Net book value	
As at 1 January 2022 (Audited)	1,008,713
As at 30 June 2022 (Unaudited)	1,016,520

The Group acquired the securities brokerage business, investment banking business together with the relevant assets and liabilities, and the interest in Galaxy Futures Company Limited from China Galaxy Securities LLC. (the “former Galaxy”) in January 2007. The Group recognized the excess of acquisition cost over the fair value of the net identifiable assets acquired as the goodwill. As at 30 June 2022 and 31 December 2021, the gross carrying amount and net book value of goodwill were both RMB223 million.

The Group acquired the CGS-CIMB Securities International Pte. Ltd (“CGS-CIMB Securities”) in April 2019. The Group recognized the excess of acquisition cost over the fair value of the net identifiable assets acquired as the goodwill. As at 30 June 2022, the gross carrying amount and net book value of goodwill were RMB206 million (31 December 2021: RMB197 million).

The Group acquired the CGS-CIMB Holdings Sdn. Bhd (“CGS-CIMB Holdings”) in December 2021. The Group recognized the goodwill of 100% equity held by the original controller of the asset group after confirming the identifiable assets and liabilities of the acquired business. As at 30 June 2022, the gross carrying amount and net book value of goodwill were RMB587 million (31 December 2021: RMB588 million).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

21. OTHER INTANGIBLE ASSETS

	Trading rights	Trademark	Computer software and others	Total
COST				
As at 1 January 2021 (Audited)	305,054	4,905	567,907	877,866
Additions	-	-	211,826	211,826
Acquisition of subsidiaries	-	-	107,304	107,304
Exchange gains or losses	(146)	(15)	(4,191)	(4,352)
Disposals/write-off	-	-	(68,823)	(68,823)
As at 31 December 2021 (Audited)	304,908	4,890	814,023	1,123,821
ACCUMULATED AMORTIZATION				
As at 1 January 2021 (Audited)	-	3,849	348,916	352,765
Charge for the year	-	1,041	106,153	107,194
Acquisition of subsidiaries	-	-	27,835	27,835
Disposals/write-off	-	-	(68,787)	(68,787)
As at 31 December 2021 (Audited)	-	4,890	414,117	419,007
CARRYING VALUE				
As at 31 December 2021 (Audited)	304,908	-	399,906	704,814
COST				
As at 1 January 2022 (Audited)	304,908	4,890	814,023	1,123,821
Additions	-	-	76,913	76,913
Exchange gains or losses	3	225	6,043	6,271
Disposals/write-off	-	-	(2,506)	(2,506)
As at 30 June 2022 (Unaudited)	304,911	5,115	894,473	1,204,499
ACCUMULATED AMORTIZATION				
As at 1 January 2022 (Audited)	-	4,890	414,117	419,007
Charge for the period	-	-	70,884	70,884
Exchange gains or losses	-	225	3,343	3,568
Disposals/write-off	-	-	(167)	(167)
As at 30 June 2022 (Unaudited)	-	5,115	488,177	493,292
IMPAIRMENT				
As at 1 January 2022 (Audited)	-	-	-	-
Charge for the year	-	-	522	522
Exchange gains or losses	-	-	11	11
As at 30 June 2022 (Unaudited)	-	-	533	533
CARRYING VALUE3				
As at 30 June 2022 (Unaudited)	304,911	-	405,763	710,674

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

Impairment testing on intangible assets with indefinite useful lives

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

The respective recoverable amounts of these trading rights or CGUs where the trading rights are allocated to, using a value in use calculation, exceed their carrying amounts. Accordingly, there was no impairment of the trading rights as at 30 June 2022 and 31 December 2021.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

22. INTEREST IN ASSOCIATES AND JOINT VENTURES

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

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Investment in associates		
As at 1 January	–	–
Cost of investment in associates	500	–
Share of post-acquisition profits and other comprehensive income	1	–
	501	–
Investment in joint ventures		
As at 1 January	30,250	1,308,173
Cost of investment in a joint venture	8,680	97,162
Share of post-acquisition profits and other comprehensive income	(179)	46,595
Disposals (Note)	–	(1,297,821)
Exchange adjustments and others	–	(123,859)
	38,751	30,250
Total	39,252	30,250

Note: As at 7 December 2021, Galaxy International Holdings, a subsidiary of the Company, gained control of the CGS-CIMB Holdings. The Company indirectly held 75% of equity of CGS-CIMB Holdings and incorporated the CGS-CIMB Holdings into the scope of consolidation.

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

Name of entity	Country of registration	Principal place of business	Proportion of ownership interest held by the Group 30/6/2022	Proportion of voting rights held by the Group 31/12/2021	Principal activities
Associate:					
Gansu Jingning Galaxy Revitalization Fund Co., Ltd.*	PRC	China	33.33%	–	Equity investment and project investment
Joint ventures:					
China Securities Lize Real Estate (Beijing) Co., Ltd. *	PRC	China	34.16%	34.16%	Real estate development and property management
Gansu Jingning Galaxy Development Fund Co., Ltd.*	PRC	China	33.33%	33.33%	Equity investment and project investment
Zhongshan Xingzhong Galaxy green industry investment fund LLP*	PRC	China	50.00%	50.00%	Equity investment and project investment
Yinhe core kinetic energy No. 1 equity investment fund (Yantai) partnership LLP*	PRC	China	50.00%	50.00%	Equity investment and project investment
Haiyan Yinhe fashion smart manufacturing equity investment fund partnership LLP*	PRC	China	50.00%	50.00%	Equity investment and project investment
Hainan Galaxy Shipeng New Kinetic Energy Industry Investment Fund Partnership LLP*	PRC	China	50.00%	–	Equity investment and project investment
Gongqingcheng Galaxy Innovation No. 9 Equity Investment Partnership LLP*	PRC	China	33.33%	–	Equity investment and project investment
Zhaoyuan Galaxy Hongxu Equity Investment Fund Partnership LLP*	PRC	China	40.00%	–	Equity investment and project investment

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

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

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Non-current		
Debt securities	18,798,368	7,011,106
Funds	2,216,786	17,620,356
Trust schemes	7,034	—
Other investments ^(a)	5,067,575	12,619,096
	26,089,763	37,250,558
Current		
Debt securities	52,793,014	57,340,527
Equity securities	13,279,001	19,878,945
Funds	20,128,364	4,269,302
Structured deposits and wealth management products	2,386,234	1,213,724
Trust schemes	257,147	321,278
Other investments ^(a)	22,589,663	14,510,054
Add: Accrued interest	1,069,790	858,519
	112,503,213	98,392,349

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

24. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Non-current		
Analyzed by collateral type:		
Equity securities	9,634,540	8,966,480
Less: Impairment	(15,829)	(233,507)
	9,618,711	8,732,973
Analyzed by market of collateral:		
Stock exchanges	9,618,711	8,732,973
Current		
Analyzed by collateral type:		
Equity securities	7,512,544	10,207,737
Debt securities	2,907,872	3,132,992
Funds	–	23,900
Add: Accrued interest	67,581	67,249
Less: Impairment	(286,301)	(189,770)
	10,201,696	13,242,108
Analyzed by market of collateral:		
Stock exchanges	10,201,696	13,242,108

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

	Six months ended 30 June 2022 (Unaudited)	Year ended 31 December 2021 (Audited)
At the beginning of the period/year	423,277	584,246
Impairment losses recognized, net of reversal (Note 14)	(110,495)	(160,758)
Others	(10,652)	(211)
At the end of the period/year	302,130	423,277

As at 30 June 2022, the fair values of collateral received by the Group were approximately RMB52,752 million (31 December 2021: RMB66,542 million).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

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

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Non-current		
Debt securities	119,467	82,300
Current		
Debt securities	123,855,879	80,007,151
Add: Accrued interest	1,505,307	1,143,468
	125,361,186	81,150,619

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

	Six months ended 30 June 2022 (Unaudited)	Year ended 31 December 2021 (Audited)
At the beginning of the period/year	180,087	206,830
Impairment losses recognized, net of reversal (Note 14)	8,696	(26,743)
At the end of the period/year	188,783	180,087

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

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Non-current		
Perpetual bonds	37,001,621	34,684,475
Equity investments	2,832,390	128
	39,834,011	34,684,603

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

27. DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Non-current		
Debt securities ⁽¹⁾	2,609,370	3,733,800
Less: Impairment	(53,191)	(99,186)
	2,556,179	3,634,614
Current		
Debt securities ⁽¹⁾	262,849	1,273,161
Others	237,717	312,873
Add: Accrued interest	55,783	50,097
Less: Impairment	(48,074)	(1,296)
	508,275	1,634,835

(1) As at 30 June 2022, the interest rates on these debt securities were between 0.99% and 11.00% per annum (31 December 2021: 3.12% to 7.45% per annum).

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

	Six months ended 30 June 2022 (Unaudited)	Year ended 31 December 2021 (Audited)
At the beginning of the period/year	100,482	120,041
Impairment losses recognized, net of reversal (Note 14)	700	(19,455)
Exchange difference and others	83	(104)
At the end of the period/year	101,265	100,482



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

28. OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Non-current		
Prepayments	1,154,126	1,154,126
Others	118,909	26,100
	1,273,035	1,180,226
Current		
Prepaid taxes	24,488	15,016
Interest receivable	3,457	7,688
Prepayments	236,756	260,197
Margin financing clients receivable	202,712	202,264
Inventories	1,009,414	1,011,605
Customer trading deposits	3,638,714	4,245,396
Others	1,309,234	1,778,614
Subtotal	6,424,775	7,520,780
Less: Impairment	(475,207)	(452,528)
Total	5,949,568	7,068,252

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

	Six months ended 30 June 2022 (Unaudited)	Year ended 31 December 2021 (Audited)
At the beginning of the period/year	452,528	260,745
Impairment losses recognized, net of reversal (Note 14)	36,965	182,577
Amounts written off	–	(90)
Exchange difference and others	(14,286)	9,296
At the end of the period/year	475,207	452,528



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

29. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Non-current		
Deposits with stock exchanges	233,719	238,215
Deposits with futures and commodity exchanges	8,040	5,932
Guarantee fund paid to the Shenzhen Stock Exchange	164,348	170,707
Others	420,277	377,581
	826,384	792,435
Current		
Deposits with futures and commodity exchanges	13,471,905	10,427,211
Deposits with CSFCL	385,248	496,544
	13,857,153	10,923,755

30. DEFERRED TAXATION

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

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Deferred tax assets	151,612	168,265
Deferred tax liabilities	1,441,524	1,138,784
	(1,289,912)	(970,519)



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

30. DEFERRED TAXATION (CONTINUED)

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

	Changes in fair value of financial assets at fair value through profit or loss	Changes in fair value of financial assets at FVTOCI	Accrued staff costs	Allowance for impairment losses	Accrued interest expenses	Accrued expenses	Changes in fair value of derivative instruments	Accrued interest income	Others	Total
As at 1 January 2021(Audited)	(411,758)	(130,728)	236,361	341,690	537,260	46,313	265,734	(1,000,408)	(6,503)	(122,039)
(Charge)/credit to profit or loss	(439,367)	-	(90,037)	(25,986)	(35,920)	(14,554)	141,818	(159,711)	37,905	(585,852)
Credit to other comprehensive income	-	(243,961)	-	-	-	-	-	-	-	(243,961)
Deferred taxes acquired in business combinations	-	-	-	-	-	-	-	-	(18,667)	(18,667)
As at 31 December 2021 (Audited)	(851,125)	(374,689)	146,324	315,704	501,340	31,759	407,552	(1,160,119)	12,735	(970,519)
(Charge)/credit to profit or loss	185,223	-	109,692	12,824	46,509	60,096	(582,144)	(140,719)	51,983	(256,536)
Credit to other comprehensive income	-	(62,857)	-	-	-	-	-	-	-	(62,857)
As at 30 June 2022(Unaudited)	(665,902)	(437,546)	256,016	328,528	547,849	91,855	(174,592)	(1,300,838)	64,718	(1,289,912)

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

31. ADVANCES TO CUSTOMERS

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Non-current		
Other loans and advances	72,277	70,736
Current		
Loans to margin clients	86,030,729	95,296,017
Other loans and advances	394,668	394,900
Add: Interest receivable	2,617,781	2,633,258
Less: Impairment	(282,717)	(201,145)
	88,760,461	98,123,030

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

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

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

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

	Six months ended 30 June 2022 (Unaudited)	Year ended 31 December 2021 (Audited)
At the beginning of the period/year	201,145	192,304
Impairment losses recognized, net of reversal (Note 14)	78,780	1,689
Amounts written off	–	(2,064)
Exchange difference and others	2,792	9,216
At the end of the period/year	282,717	201,145

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

32. ACCOUNTS RECEIVABLE

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Accounts receivable of:		
Client securities settlement	4,281,489	2,694,274
Brokers and dealers	4,602,313	6,053,733
Clearing house	2,468,042	992,605
Underwriting and sponsors fee	69,601	65,355
Trading rights rental commission	92,209	146,868
Asset management and funds distribution handling fees	299,594	241,564
Others	39,216	46,804
Subtotal	11,852,464	10,241,203
Less: Impairment	(154,429)	(90,478)
Total	11,698,035	10,150,725

An aging analysis of accounts receivable is as follows:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Within 1 year	11,602,300	10,042,614
Between 1 and 2 years	52,575	47,006
Between 2 and 3 years	20,985	20,174
Over 3 years	22,175	40,931
	11,698,035	10,150,725

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

	Six months ended 30 June 2022 (Unaudited)	Year ended 31 December 2021 (Audited)
At the beginning of the period/year	90,478	130,831
Impact of acquisition of subsidiaries	–	26,299
Impairment losses recognized, net of reversal (Note 14)	36,536	(36,801)
Amounts written off	–	(17,842)
Exchange difference and others	27,415	(12,009)
At the end of the period/year	154,429	90,478



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

33. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2022 (Unaudited)			
	Nominal amounts	Assets	Liabilities
Hedging instruments:			
Currency forward	199,507	246	1,091
Commodity futures	25,416	–	–
Non-hedging instruments:			
Equity Derivatives	113,534,776	1,987,602	2,936,772
Interest Rate Derivatives	353,230,055	–	–
Other Derivatives	24,629,041	21,952	134,623
Total	491,618,795	2,009,800	3,072,486

As at 31 December 2021 (Audited)			
	Nominal amounts	Assets	Liabilities
Hedging instruments:			
Currency forward	423,019	1,000	–
Commodity futures	614,263	–	–
Non-hedging instruments:			
Equity Derivatives	67,160,780	1,382,556	3,792,072
Interest Rate Derivatives	391,263,367	12,276	3,442
Other Derivatives	41,172,893	550,075	851,790
Total	500,634,322	1,945,907	4,647,304

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

34. CLEARING SETTLEMENT FUNDS

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Clearing settlement funds held with clearing houses for:		
– House accounts	9,377,862	7,620,259
– Clients accounts	25,479,396	24,625,625
Add: Accrued interest	51,325	48,156
Total	34,908,583	32,294,040

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

35. BANK BALANCES

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
House accounts	17,231,255	13,106,128
Cash held on behalf of customers	106,808,608	100,487,946
Add: Accrued interest	467,672	344,254
	124,507,535	113,938,328

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

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

As at 30 June 2022, the expected credit losses ("ECLs") allowance for bank balances amounted to RMB1.58 million (31 December 2021: RMB1.82 million).

36. SHARE CAPITAL

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

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Issued and fully paid ordinary shares of RMB1 each (in thousands)		
Domestic shares	6,446,274	6,446,274
H shares	3,690,985	3,690,985
	10,137,259	10,137,259
Share capital (in RMB thousands)		
Domestic shares	6,446,274	6,446,274
H shares	3,690,985	3,690,985
	10,137,259	10,137,259

37. OTHER EQUITY INSTRUMENTS

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Perpetual subordinated bonds ⁽¹⁾	14,885,851	14,885,851
Equity of convertible bonds ⁽²⁾	1,049,868	—
	15,935,719	14,885,851



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

37. OTHER EQUITY INSTRUMENTS (CONTINUED)

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

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

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

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

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

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

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

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

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

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

38. BONDS PAYABLE

As at 30 June 2022 and 31 December 2021, bonds payable comprised subordinated bonds and corporate bonds.

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

Non-current

Issue date	Maturity date	Coupon rate	As at 30 June 2022 (Unaudited) Carrying amount	As at 31 December 2021 (Audited) Carrying amount
18 January 2022	18 January 2024	2.97%	1,003,911	—
18 January 2022	18 January 2025	3.15%	3,039,945	—
21 March 2022	21 March 2025	3.38%	1,061,426	—
29 July 2020	29 July 2023	3.72%	3,099,265	3,042,037
23 October 2020	23 October 2023	3.70%	3,073,973	3,017,986
21 January 2021	21 January 2024	3.58%	3,247,513	3,305,226
4 February 2021	4 February 2024	3.67%	2,534,462	2,579,928
20 July 2021	20 July 2024	3.13%	3,290,921	3,242,290
20 July 2021	20 July 2026	3.45%	1,856,150	1,821,574
9 August 2021	9 August 2023	2.93%	2,050,295	2,019,349
9 August 2021	9 August 2024	3.15%	4,107,296	4,048,378
15 September 2021	15 September 2023	3.15%	3,276,289	3,224,794
15 September 2021	15 September 2024	3.30%	1,337,320	1,315,554
28 September 2021	28 September 2023	3.30%	2,559,632	2,514,539
28 September 2021	28 September 2024	3.40%	1,024,347	1,005,736
20 October 2021	20 October 2023	3.40%	4,294,420	4,222,334
20 October 2021	20 October 2024	3.55%	1,841,920	1,803,157
22 November 2021	22 November 2023	3.10%	2,440,519	2,400,825
22 November 2021	22 November 2024	3.35%	3,665,096	3,611,518
20 December 2021	20 December 2024	3.20%	4,056,526	3,995,178
26 April 2022	26 April 2025	2.95%	1,502,813	—
9 June 2022	9 June 2025	3.06%	4,990,878	—
24 March 2022	23 March 2028	0.20%	6,753,626	—
14 March 2018	14 March 2021	3.75%	—	4,139,626
17 February 2020	17 February 2023	3.25%	—	1,848,514
11 March 2020	11 March 2023	3.03%	—	1,023,105
21 January 2021	21 January 2023	3.24%	—	1,850,093
4 February 2021	4 February 2023	3.50%	—	1,546,076
			66,108,543	57,577,817



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

38. BONDS PAYABLE (CONTINUED)

Current

Issue date	Maturity date	Coupon rate	As at 30 June 2022 (Unaudited) Carrying amount	As at 31 December 2021 (Audited) Carrying amount
29 January 2019	30 January 2022	4.05%	–	4,149,129
26 February 2019	27 February 2022	4.20%	–	3,520,143
7 March 2019	11 March 2022	4.25%	–	3,517,579
14 January 2020	14 January 2022	3.65%	–	1,034,487
14 January 2020	14 January 2023	3.75%	4,066,211	–
17 February 2020	17 February 2022	3.15%	–	3,287,317
17 February 2020	17 February 2023	3.25%	1,820,156	–
11 March 2020	11 March 2022	2.88%	–	4,092,165
11 March 2020	11 March 2023	3.03%	1,008,459	–
29 July 2020	29 July 2022	3.50%	3,096,945	3,042,047
27 November 2020	27 November 2022	3.80%	4,088,693	4,011,431
21 January 2021	21 January 2023	3.24%	1,824,876	–
4 February 2021	4 February 2023	3.50%	1,520,318	–
			17,425,658	26,654,298

All of these bonds are denominated in RMB.

39. DEBT INSTRUMENTS

	As at 30 June 2022 (Unaudited) Carrying Amount	As at 31 December 2021 (Audited) Carrying Amount
Non-current		
Structured notes ⁽²⁾	106,434	198,436
	106,434	198,436
Current		
Short-term financing bills ⁽¹⁾	26,149,258	21,484,199
Structured notes ⁽²⁾	7,069,811	9,467,190
Total	33,219,069	30,951,389



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

39. DEBT INSTRUMENTS (CONTINUED)

(1) Short-term financing bills

The details of short-term financing bills As at 30 June 2022 are as follows:

Name	Issue amount RMB'000	Value date	Maturity date	Coupon rate
21 CGS CP013	3,400,000	11 November 2021	11 August 2022	2.75%
21 CGS CP014	4,000,000	18 November 2021	18 November 2022	2.76%
21 CGS CP015	3,000,000	9 December 2021	9 December 2022	2.70%
21 CGS CP016	2,000,000	16 December 2021	16 September 2022	2.70%
22 CGS CP004	3,000,000	24 March 2022	22 September 2022	2.53%
22 CGS CP005	3,000,000	14 April 2022	14 July 2022	2.33%
22 CGS CP006	4,000,000	23 May 2022	23 May 2023	2.29%
22 CGS CP007	3,500,000	22 June 2022	22 June 2023	2.37%

(2) Structured notes

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

As at 30 June 2022, for Structured notes issued by the Company, their coupon rates were from 2.10% to 6.00% (31 December 2021: 2.55% to 6.00%).

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

(1) Financial liabilities held for trading:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Current		
Equity Securities	274,737	388,601
Debt Securities	5,830,319	1,087,689
	6,105,056	1,476,290



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

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

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

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Non-current		
Equity-linked Financing payables ⁽¹⁾	6,965,851	6,175,669
Contractual liabilities arising from the forward acquisitions of non-controlling interests ⁽²⁾	1,275,588	1,219,505
	8,241,439	7,395,174
Current		
Equity-linked Financing payables ⁽¹⁾	9,759,786	5,966,443
Gold-linked Financing payables	1,313,706	494,550
Structured products embedded with equity swaps ⁽³⁾	843,116	1,251,478
	11,916,608	7,712,471

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

41. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Non-current		
Third-party interests in consolidated structured entities	545,371	561,200
	545,371	561,200
Current		
Third-party interests in consolidated structured entities	–	19,952
Customer trading deposits	20,734,760	20,482,048
Other payables to trading clients	524,803	500,260
Settlement payable	8,394,564	5,250,979
Value-added tax and other taxes	325,810	558,364
Accrued expenses	1,013,331	948,393
Sundry payables	89,006	36,963
Payable for the securities investor protection fund	69,604	84,851
Proceeds from underwriting securities received on behalf of customers	179,382	–
Dividends payable	3,826,855	443,500
Others	1,258,405	765,277
	36,416,520	29,090,587



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

42. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Unsecured short-term bank loans ⁽¹⁾	16,950,935	17,022,304
Margin funds loans	–	7,000,000
Add: Interest payable	13,355	31,881
	16,964,290	24,054,185

- (1) As at 30 June 2022, the unsecured short-term bank loans bore interest at variable interest rates at 1.0% to 7.2% (As at 31 December 2021, the unsecured short-term bank loans bore interest at 0.70% to 5.10% per annum) and were repayable within 1 year (31 December 2021: within 6 months).

43. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

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

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

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

As at 30 June 2022, included in the Group's accounts payable to brokerage clients were approximately RMB12,440 million (31 December 2021: RMB10,184 million) received from clients for margin financing and securities lending arrangements.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

44. ACCRUED STAFF COSTS

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Salaries, bonus and allowances	4,505,614	4,242,008
Social welfare	17,341	18,881
Annuity schemes	15,263	23,414
Supplementary retirement benefits	399,250	405,480
Early retirement benefits	449	510
Others	146,106	216,480
	5,084,023	4,906,773

45. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Current		
Analyzed by collateral type:		
Debt securities	143,286,576	125,940,521
Shares	327,198	466,639
Golds	11,948,808	7,085,585
Others	14,746,381	926,719
Add: Interests payable	231,885	184,424
	170,540,848	134,603,888
Analyzed by market of collateral:		
Stock exchanges	85,484,663	71,312,708
Interbank bond market	59,473,039	54,195,609
Over the counter	25,351,261	8,911,147
Add: Interests payable	231,885	184,424
	170,540,848	134,603,888

Financial assets sold under repurchase agreements bear effective interest at 1.80% to 6.00% (31 December 2021: 2.00% to 6.40% per annum).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

46. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Bank balances – house accounts	15,417,214	12,021,183
Clearing settlement funds – house accounts	9,377,862	7,620,259
	24,795,076	19,641,442

Cash and cash equivalents do not include bank deposits held by the Group with original maturity of more than three months. As at 30 June 2022, bank deposits held by the Group with original maturity of more than three months were RMB21,315 million (31 December 2021: RMB23,037 million) and there were bank deposits restricted for use of RMB1,186 million (31 December 2021: RMB288 million).

47. INTERESTS IN STRUCTURED ENTITIES

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

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

As at 30 June 2022, the total assets of the consolidated structured entities were RMB18,111 million (31 December 2021: RMB14,102 million) and the total net assets of the consolidated structured entities were RMB17,699 million (31 December 2021: RMB13,843 million). The carrying amount of third party interests in the consolidated structured entities were RMB545 million (31 December 2021: RMB581 million), and these interests are presented in Note 41.

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

The amount of unconsolidated structured entities managed by the Group was RMB121,188 million as at 30 June 2022 (31 December 2021: RMB120,378 million). The Group's interests in these unconsolidated structured entities are equal to the maximum exposure to loss of interests held by the Group, which amounted to RMB1,475 million as at 30 June 2022 (31 December 2021: RMB381 million).

During the period, management fee income and investment gains from the unconsolidated asset management schemes managed by the Group amounted to RMB165 million (Six months ended 30 June 2021: RMB173 million).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

47. INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

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

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

The carrying amount of the related accounts in the consolidated statement of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities as at 30 June 2022 and 31 December 2021, which are listed below:

	As at 30 June 2022 (Unaudited) Financial assets measured at fair value through profit or loss	As at 31 December 2021 (Audited) Financial assets measured at fair value through profit or loss
Carrying amount of interests held by the Group		
– Funds	22,345,150	21,889,658
– Trust schemes and wealth management products	1,788,676	626,565
– Asset management schemes	1,475,311	381,280
– Others	8,814,661	12,414,431
Total	34,423,798	35,311,934

48. CAPITAL COMMITMENTS

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Contracted but not provided for		
Leasehold improvements	19,069	15,583
Property and equipment	332,104	259,592
Others	5,259	–
Total	356,432	275,175



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

49. RELATED PARTY TRANSACTIONS

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

(1) Immediate holding company and its fellow subsidiaries

Galaxy Financial Holdings is a financial holding company approved by the State Council of the PRC and was established in Beijing on 8 August 2005. Galaxy Financial Holdings owned 5,186,568,364 shares (31 December 2021: 5,186,568,364 shares), representing 51.16% of the entire equity interest of the Company as at 30 June 2022 (31 December 2021: 51.16%). The shareholders of Galaxy Financial Holdings are Central Huijin Investment Ltd. ("Central Huijin") with 69.07% equity interest, the Ministry of Finance (the "MOF") with 29.32% equity interest and the National Council for Social Security Fund (the "SSF") with 1.61% equity interest.

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

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

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

During the six months ended 30 June 2022 and 30 June 2021, the Group provided securities brokerage and asset management services to Galaxy Financial Holdings and its subsidiaries and details of the significant transactions and balances as at 30 June 2022 and 31 December 2021 are set out below.

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Accounts receivable	2,155	6,906
Accounts payable to brokerage clients	56,824	64,124
Other liabilities	–	11

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

49. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(1) Immediate holding company and its fellow subsidiaries (Continued)

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Commission and fee income	8,130	18,217
Interest expenses	217	263
Rental expenses paid or payable	7,306	39,624

As at 30 June 2022, accounts payable to brokerage clients from Galaxy Financial Holdings amounted to RMB0.31 million (31 December 2021: RMB0.02 million).

(2) Central Huijin Group

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

The Group's material transactions with the Central Huijin Group

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Commission and fee income	2,622	15,839
Interest income from banks and other financial institutions within the Central Huijin Group	444,055	444,120
Investment gains of equity and debt securities issued by banks and other financial institutions within the Central Huijin Group	186,394	79,959
Interest expenses to brokerage clients within the Central Huijin Group	33,906	22,557
Other operating expenses	34,516	33,529



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

49. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(2) Central Huijin Group (Continued)

The Group's material balances with the Central Huijin Group

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group classified as		
– financial assets measured at FVTOCI	6,927,985	4,262,202
– financial assets measured at FVTPL	4,072,471	2,386,273
Bank balances deposited with banks within the Central Huijin Group	59,782,915	48,920,582
Derivative financial assets	123,921	7,685
Right-of-use assets	4,534	2,119
Derivative financial liabilities	82,127	929,811
Accounts receivable	4,797	6,468
Due to banks and other financial institutions	1,949,670	4,076,284
Accounts payable to brokerage clients within the Central Huijin Group	1,225,962	894,091
Other payables and accruals	476	9,361
Financial assets sold under repurchase agreements	27,790,453	18,436,817
Lease liabilities	4,324	1,706

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)



49. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other related parties

(1) Other related parties which have transactions with the Group are as follows:

Name	Relationship
E-Capital Transfer Co., Ltd. ("E-Capital Transfer") 證通股份有限公司	Note 1
China Securities Lize Real Estate (Beijing) Co., Ltd. ("China Securities Lize Real Estate") 中證麗澤置業(北京)有限責任公司	Joint venture

Note 1: The Company is one of the shareholders of E-Capital Transfer with a 4.17% equity interest.

The Group's material transactions with other related parties

Expenses paid or payable to

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
E-Capital Transfer	396	107

Financial assets measured at fair value through profit or loss

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
E-Capital Transfer	43,789	36,638

Other receivables and prepayments

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
China Securities Lize Real Estate	1,154,126	1,154,126



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

49. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other related parties (Continued)

(2) Key management personnel compensations

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

The key management compensation for the six months ended 30 June 2022 and 2021 comprises:

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Salaries, allowances, bonuses, social welfare and annuity scheme contribution	17,531	19,148

The key management personnel's final compensation packages for the six months ended 30 June 2022 have not yet been finalized in accordance with regulations of the PRC relevant authorities. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the interim condensed consolidated financial statements of the Group.

50. FINANCIAL RISK MANAGEMENT

Overview

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

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

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management organizational structure

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

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

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

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

50.1 Credit risk

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

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

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

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.1 Credit risk (Continued)

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

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

As at 30 June 2022, other than those financial assets whose carrying amounts represent maximum exposure to credit risks, the Group is also exposed to credit risks arising from security lending and borrowing activities as clients may default on returning securities borrowed. Securities lent to clients may include securities collateral received from other clients under similar lending and borrowing arrangements. Therefore, these securities may not be recognized in the consolidated statement of financial position of the Group. As at 30 June 2022, the total amount of the securities (both the Group's own securities and securities borrowed by the Group) lent to clients was RMB2,467 million (31 December 2021: RMB3,019 million).

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

Impairment under the ECLs model

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

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

Significant increase in credit risk

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

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.1 Credit risk (Continued)

Impairment under the ECLs model (Continued)

Significant increase in credit risk (Continued)

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

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

Internal credit risk ratings

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

Incorporation of forward-looking information

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.1 Credit risk (Continued)

Impairment under the ECLs model (Continued)

Measurement of ECLs

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

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

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

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

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

Groupings based on shared risk characteristics

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.2 Market risk

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

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

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

Price risk

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

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.2 Market risk (Continued)

Price risk (Continued)

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

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

The Company	2022/6/30	Six months ended 30 June 2022		
		Average	Lowest	Highest
VaR of equity price	28,206	41,022	20,292	113,923
VaR of interest rate	70,085	102,665	57,773	160,190
VaR of commodity price	2,693	3,051	1,688	4,944
Total portfolio VaR	72,890	118,295	67,612	172,974

The Company	2021/12/31	Year ended 31 December 2021		
		Average	Lowest	Highest
VaR of equity price	80,610	90,072	37,202	189,492
VaR of interest rate	133,652	136,452	16,809	252,384
VaR of commodity price	2,640	1,490	134	8,140
Total portfolio VaR	101,646	127,726	76,086	229,319

Interest rate risk

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.2 Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis

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

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Profit before income tax for the period		
Increase by 100 basis points	(1,781,477)	(1,182,110)
Decrease by 100 basis points	1,781,477	1,182,110
	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Other comprehensive income before income tax		
Increase by 100 basis points	(5,812,669)	(3,410,074)
Decrease by 100 basis points	5,812,669	3,410,074

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

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

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

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

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (CONTINUED)

50.2 Market risk (Continued)

Currency risk

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

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

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

50.3 Liquidity risk

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

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

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

51. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The carrying amounts of the Group's financial assets and financial liabilities not measured at fair value approximated to their fair values as at 30 June 2022 and 31 December 2021 except for the following financial assets and financial liabilities, for which their carrying amounts including accrued interest and fair value are disclosed below:

	As at 30 June 2022	
	(Unaudited) Carrying amounts	Fair value
Non-current		
Bonds payable	66,108,543	67,382,145
Debt instruments	106,434	106,563
Financial assets held under resale agreements	9,618,711	9,753,736
Debt instruments measured at amortized cost	2,556,179	2,524,073
	As at 31 December 2021	
	(Audited) Carrying amounts	Fair value
Non-current		
Bonds payable	57,577,817	57,078,362
Debt instruments	198,436	179,062
Financial assets held under resale agreements	8,732,973	9,061,287
Debt instruments measured at amortized cost	3,634,614	3,790,659

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

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

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

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

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

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

As at 30 June 2022 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets:				
Debt instrument measured at FVTOCI:	30,649,007	94,831,646	–	125,480,653
– Debt securities	30,649,007	75,201,991	–	105,850,998
– Others	–	19,629,655	–	19,629,655
Equity instruments measured at FVTOCI:	24,856,478	14,977,406	127	39,834,011
– Perpetual bonds	22,024,215	14,977,406	–	37,001,621
– Equity investments	2,832,263	–	127	2,832,390
Financial assets measured at FVTPL:	39,219,994	93,176,815	6,196,167	138,592,976
– Debt securities	15,345,208	55,446,746	1,869,198	72,661,152
– Equity securities	10,963,168	8,415	2,307,418	13,279,001
– Funds	7,903,926	14,441,224	–	22,345,150
– Asset management plan	–	1,475,311	–	1,475,311
– Structured deposits and wealth management products	–	2,386,234	–	2,386,234
– Trust schemes	–	264,181	–	264,181
– Other investments	5,007,692	19,154,704	2,019,551	26,181,947
Derivative financial assets	307,222	760,191	942,387	2,009,800
Total	95,032,701	203,746,058	7,138,681	305,917,440
Financial liabilities:				
Financial liabilities held for trading:	274,737	5,830,319	–	6,105,056
– Debt securities	–	5,830,319	–	5,830,319
– Equity securities	274,737	–	–	274,737
Financial liabilities designated as at fair value through profit or loss:	1,362,119	17,520,340	1,275,588	20,158,047
– Structured products embedded with equity swaps	843,116	–	–	843,116
– Equity-linked Financing payables	519,003	16,206,634	–	16,725,637
– Gold-linked Financing payables	–	1,313,706	–	1,313,706
– Others	–	–	1,275,588	1,275,588
Derivative financial liabilities	918,782	570,935	1,582,769	3,072,486
Total	2,555,638	23,921,594	2,858,357	29,335,589

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

As at 31 December 2021 (Audited)	Level1	Level2	Level3	Total
Financial assets:				
Debt instrument measured at FVTOCI:	30,219,521	51,013,398	–	81,232,919
– Debt securities	30,219,521	49,869,137	–	80,088,658
– Others	–	1,144,261	–	1,144,261
Equity instruments measured at FVTOCI:	19,601,843	15,082,632	128	34,684,603
– Perpetual bonds	19,601,843	15,082,632	–	34,684,475
– Equity investments	–	–	128	128
Financial assets measured at FVTPL:	33,879,860	88,872,698	12,890,349	135,642,907
– Debt securities	14,190,731	50,062,929	956,492	65,210,152
– Equity securities	9,381,029	122,961	10,374,955	19,878,945
– Funds	5,380,602	16,509,056	–	21,889,658
– Asset management plan	–	1,213,724	–	1,213,724
– Structured deposits and wealth management products	–	381,280	–	381,280
– Trust schemes	–	321,278	–	321,278
– Other investments	4,927,498	20,261,470	1,558,902	26,747,870
Derivative financial assets	190,711	1,399,255	355,941	1,945,907
Total	83,891,935	156,367,983	13,246,418	253,506,336
Financial liabilities:				
Financial liabilities held for trading:	388,601	1,087,689	–	1,476,290
– Debt securities	–	1,087,689	–	1,087,689
– Equity securities	388,601	–	–	388,601
Financial liabilities designated as at fair value through profit or loss:	1,251,478	12,636,662	1,219,505	15,107,645
– Structured products embedded with equity swaps	1,251,478	–	–	1,251,478
– Equity-linked Financing payables	–	12,142,112	–	12,142,112
– Gold-linked Financing payables	–	494,550	–	494,550
– Others	–	–	1,219,505	1,219,505
Derivative financial liabilities	302,011	2,247,928	2,097,365	4,647,304
Total	1,942,090	15,972,279	3,316,870	21,231,239

There were no significant transfers between Level 1 and 2 during the six months ended 30 June 2022 and 2021.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

51.2.1 Basis for recurring fair value measurement categorised within Level 1

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

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

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

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

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

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

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

During the six months ended 30 June 2022, there were no significant changes of valuation techniques for Level 2.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial assets				
Financial assets measured at FVTPL:				
– Bonds	1,869,198	956,492	Discounted cash flows with future cash flows that are estimated based on contract terms, discounted at a rate that reflects the credit risk of underlying investments.	Discount rate (Note 2)
– Equity securities traded on National Equities Exchange and Quotations	92,541	269,476	Valuation using multiples, with an adjustment of discount for lack of marketability.	Marketability discount (Note 3)
– Equity securities traded on stock exchanges with lock-up periods	2,214,877	10,105,479	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by the option pricing model. The key input is the implied volatility of the share prices of the securities.	Implied volatility (Note 1)
– Other investments	486,925	332,664	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Implied volatility (Note 1)
– Other investments	1,404,603	1,166,442	Valuation using multiples, with an adjustment of discount for lack of marketability.	Marketability discount (Note 3)
– Other investments	128,023	59,796	Discounted cash flows with future cash flows that are estimated based on contract terms, discounted at a rate that reflects the credit risk of underlying investments.	Discount rate (Note 2)
Equity instruments measured at FVTOCI:				
– Equity investments	127	128	Valuation using multiples, with an adjustment of discount for lack of marketability.	Marketability discount (Note 3)
Derivative financial instruments:				
– Over-the-counter options – assets	920,755	309,168	Calculated based on the Black-Scholes option pricing model.	Implied volatility (Note 1)



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)	Valuation technique(s) and key input(s)	Significant unobservable input(s)
– Other forward contract – assets	21,632	46,773	Discounted cash flows with future cash flows that are estimated based on contractual amounts, discounted at a rate that reflects the credit risk of the counterparty.	Discount rate (Note 2)
Total	7,138,681	13,246,418		
Financial liabilities				
Derivative financial instruments:				
– Over-the-counter options – liabilities	1,453,634	1,975,477	Calculated based on the Black-Scholes option pricing model.	Implied volatility (Note 1)
– forward contract-liabilities	129,135	121,888	Discounted cash flows with future cash flows that are estimated based on contractual amounts, discounted at a rate that reflects the credit risk of the counterparty.	Discount rate (Note 2)
Financial liabilities measured at FVTPL:				
– Others	1,275,588	1,219,505	Discounted cash flows with future cash flows that are estimated based on contractual amounts, discounted at a rate that reflects the credit risk of the counterparty.	Discount rate (Note 2)
Total	2,858,357	3,316,870		

Notes:

- (1) The significant unobservable input to fair value measurement is the implied volatility of the underlying securities, which ranges from 0.1% to 212% (31 December 2021: 5% to 192%).
- (2) The unobservable input to fair value is the discount rate, determined by reference to the credit risk of underlying investments, ranging from 5% to 99.99% (31 December 2021: 2.50% to 100%). The higher is the discount rate, the lower is the fair value.
- (3) The unobservable input to fair value is the discount rate for lack of marketability, which ranges from 15% to 70% (31 December 2021: 20.70% to 88%). The higher is the discount rate for lack of marketability, the lower is the fair value.
- (4) As disclosed in Note 33, except for stock index futures and interest rate swap not under a daily mark-to-market and settlement arrangement are presented gross at the end of the reporting period, the other derivatives are under daily mark-to-market and settlement arrangements. Accordingly, the net position of the treasury bond futures, and commodity futures, stock index futures and interest rate swap was nil at the end of each reporting period. The above analysis only presents the fair value of derivative financial instruments.

There were no transfers between Level 1 and Level 2 fair value measurements during the six months ended 30 June 2022 and 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(Amounts in thousands of Renminbi, unless otherwise stated)

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

51.3 Reconciliation of Level 3 fair value measurements

	Financial assets measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income
As at 1 January 2022 (Audited)	12,890,349	128
Total losses:		
– in profit or loss	62,364	–
– in other comprehensive income	–	(1)
Purchases	3,080,207	–
Transfers out (Note)	(1,354,079)	–
Sell out	(8,482,674)	–
As at 30 June 2022 (Unaudited)	6,196,167	127
Total gains for assets held at 30 June 2022		
– unrealized gains recognized in profit or loss	(1,219,934)	–

	Financial assets measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income
As at 1 January 2021 (Audited)	7,197,732	–
Total losses:		
– in profit or loss	(3,850,706)	–
Purchases	9,623,143	128
Transfers out (Note)	(79,820)	–
As at 31 December 2021 (Audited)	12,890,349	128
Total losses for assets held at 31 December 2021		
– unrealized losses recognized in profit or loss	1,755,661	–

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

52. EVENTS AFTER THE END OF THE REPORTING PERIOD

Capital increase to Galaxy International

On 30 August 2021, the Second Meeting (Regular) of the Fourth Session of the Board of Directors of the Company deliberated and approved the Proposal to Call for Deliberation of Matters Regarding the Capital Increase to China Galaxy International Financial Holdings Limited. On 20 July 2022, the Company increased the capital of its subsidiary Galaxy International by HK\$2 billion, and upon completion of this capital increase, the share capital of Galaxy International was changed to HK\$7 billion.

Issuance of corporate bonds

In July 2022, the Company received the Approval for Public Issuance of Corporate Bonds to Professional Investors by China Galaxy Securities Co., Ltd. from China Securities Regulatory Commission (Zheng Jian Xu Ke [2022] No. 1487), approving the Company to publicly issue the corporate bonds to professional investors with a total face value of no more than RMB30 billion. The Approval is effective within 24 months from the date of approval. The Company may issue corporate bonds by installments within the effective period of registration. It completed the public issuance of 2022 corporate bonds (Tranche 2 of RMB5 billion) in August 2022. These bonds bear interest at the coupon rate of 3.08% per annum with the term of 5 years.