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恒 投 證 券

HENGTOU SECURITIES

(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English))

(the “Company”)
(Stock Code: 01476)

INTERIM RESULTS ANNOUNCEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the “**Board**”) of the Company hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2019. This announcement, containing the full text of the 2019 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 announcement of interim results and has been reviewed by the audit committee of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement will be published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.cnht.com.cn). The 2019 interim report of the Company will be dispatched to the shareholders of the Company and published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course but no later than the end of September 2019.

By order of the Board
Pang Jiemin
Chairman

Beijing, the PRC
23 August 2019

As at the date of this announcement, the Board comprises Mr. Pang Jiemin and Mr. Wu Yigang as executive directors; Mr. Zhang Tao, Mr. Sun Chao, Ms. Dong Hong and Ms. Gao Liang as non-executive directors; Ms. Zhou Jianjun, Dr. Lam Sek Kong and Mr. Lv Wendong as independent non-executive directors.

Contents

Important Notice	2
Section I Definitions	3
Section II Company Profile	7
Section III Summary of Accounting Data and Financial Indexes	10
Section IV Management Discussion and Analysis	14
Section V Other Material Particulars	35
Section VI Changes in Shareholdings and Particulars about Shareholders	41
Section VII Directors, Supervisors, Senior Management and Employees	45
Independent Review Report	47
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	49
Condensed Consolidated Statement of Financial Position	51
Condensed Consolidated Statement of Changes in Equity	53
Condensed Consolidated Statement of Cash Flows	54
Notes to the Condensed Consolidated Financial Statements	55

Important Notice

The Board, Supervisory Committee, Directors, Supervisors and senior management of the Company warrant that the contents of this report are true, accurate and complete without any false representation misleading statement or material omission, and assume several and joint liability in respect thereof.

This report has been considered and approved at the fifth meeting of the fourth session of the Board and the fifth meeting of the fourth session of the Supervisory Committee where all the Directors and Supervisors were present, respectively. None of the Directors, Supervisors or senior management of the Company has declared that they could not guarantee or had any objection to the truthfulness, accuracy and completeness of this report.

The interim financial information for the six months ended 30 June 2019 is prepared by the Company in accordance with the International Financial Reporting Standards, and has been reviewed by RSM Hong Kong in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. All amounts set out in this report are stated in RMB unless otherwise stated.

Mr. Pang Jiemin (the chairman of the Board), Mr. Niu Zhuang (the president) and Ms. Yang Shufei (the chief financial officer) declared that they warrant the truthfulness, accuracy and completeness of the interim financial information contained in this report.

The forward-looking statements including future plans and development strategies set out in this report do not constitute the Company's substantive commitment to investors. The investors are advised to pay attention to investment risks.

Section I Definitions

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

Articles of Association	the articles of association of the Company, as amended from time to time
Baotou Huazi	Baotou Huazi Industry Co., Ltd. (包頭華資實業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600191) and a substantial shareholder of the Company
Board	the board of directors of the Company
Company or Hengtou Securities	a company established as a limited liability company in the PRC on 28 December 1998 and converted into a joint stock company with limited liability under the PRC laws on 3 November 2008 under the corporate name “恒泰证券股份有限公司” (Hengtai Securities Co., Ltd), and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES”(in English) as approved by and registered with the Hong Kong Companies Registry on 27 April 2015, and whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange
Corporate Governance Code	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Director(s)	director(s) of the Company
Domestic Share(s)	ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid-up in RMB
end of Reporting Period	30 June 2019
Finance Street Capital	Beijing Finance Street Capital Management Centre (北京金融街資本運營中心), which holds 100% equity interest in Huarong Infrastructure
Finance Street Investment	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司), formerly known as Beijing Finance Street Construction Group Co., Ltd. (北京金融街建設集團), a subsidiary of SASAC Xicheng District and a shareholder of the Company
Finance Street Xihuan Properties	Beijing Finance Street Xihuan Properties Co., Ltd. (北京金融街西環置業有限公司), formerly known as Beijing Xihuan Properties Co., Ltd. (北京西環置業有限公司), a subsidiary of SASAC Xicheng District and a shareholder of the Company
GDP	Gross Domestic Product
Group	the Company and its subsidiaries

Section I Definitions

H Share(s)	overseas listed foreign ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Hong Kong Stock Exchange
Hangzhou Ruisi	Hangzhou Ruisi Industrial Co., Ltd. (杭州瑞思實業有限公司), which holds 98.67% equity interest in Shaanxi Tianchen
Hengtai Capital	Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司), the 100% equity interest of which is held by the Company
Hengtai Changcai	Hengtai Changcai Securities Co., Ltd. (恒泰長財證券有限責任公司), the 100% equity interest of which is held by the Company
Hengtai Futures	Hengtai Futures Co., Ltd. (恒泰期貨股份有限公司), 80% and 20% equity interest of which are held by the Company and Hengtai Capital, respectively
Hengtai Pioneer	Hengtai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司), the 100% equity interest of which is held by the Company
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hongzhi Huitong	Beijing Hongzhi Huitong Industrial Co., Ltd. (北京鴻智慧通實業有限公司), a shareholder of the Company
Huarong Infrastructure	Beijing Huarong Infrastructure Investment Co., Ltd. (北京華融基礎設施投資有限責任公司), a subsidiary of SASAC Xicheng District and a shareholder of the Company
Huarong Investment	Beijing Huarong Comprehensive Investment Company (北京華融綜合投資公司), which holds 90% equity interest in Finance Street Xihuan Properties
Huifa Investment	Tibet Dazi Huifa Investment Co., Ltd. (西藏達孜匯發投資有限公司), formerly known as Shenzhen City Huifa Investment Co., Ltd. (深圳市匯發投資有限公司), and a shareholder of the Company
Huijin Jiaye	Beijing Huijin Jiaye Investment Co., Ltd. (北京匯金嘉業投資有限公司), a shareholder of the Company
IPO	Initial Public Offering
Listing	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange on 15 October 2015

Section I Definitions

Listing Date	15 October 2015
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
margin financing and securities lending	a collateral-backed operating activity in which securities firms provide clients with monies to buy listed securities or with listed securities for sale
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
NEEQ	National Equities Exchange and Quotations
New China Fund	New China Fund Management Co., Ltd. (新華基金管理股份有限公司), 58.62% equity interest of which is held by the Company
Ningbo Shike	Ningbo Shike Trading Co., Ltd. (寧波實科商貿有限公司), which holds 70% equity interest in Qingyun Intercontinental
PRC or China	for the purpose of this report, the People's Republic of China (excluding Hong Kong, Macau Special Administration Region of the PRC and Taiwan)
Prospectus	the H Shares prospectus of the Company dated 30 September 2015
Qingyun Intercontinental	Beijing Qingyun Intercontinental Technology Co., Ltd. (北京慶雲洲際科技有限公司), a substantial shareholder of the Company
Reporting Period	the six months ended 30 June 2019
RMB	Renminbi, the lawful currency of China, the basic unit of which is Yuan
SASAC Xicheng District	The State-owned Assets Supervision and Administration Commission of Xicheng District People's Government of Beijing Municipality (北京市西城區人民政府國有資產監督管理委員會), which holds 100% equity interest in each of Huarong Investment, Finance Street Capital and Finance Street Investment
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shaanxi Hongya	Shaanxi Hongya Ruijiu Trading Co., Ltd. (陝西弘雅瑞久商貿有限公司), which holds 99.60% equity interest in Ningbo Shike
Shaanxi Tianchen	Shaanxi Tianchen Technology Trading Co., Ltd. (陝西天宸科貿有限公司), which holds 97.08% equity interest in Hongzhi Huitong
Shanghai Julu	Shanghai Julu Information Technology Co., Ltd. (上海巨祿信息科技有限公司), which holds 99.47% equity interest in Shenzhen Zhongxin

Section I Definitions

Shanghai Xishida	Shanghai Xishida Electronic Technology Co., Ltd. (上海喜仕達電子技術有限公司), which holds 99.99% equity interest in Huijin Jiaye
Shanghai Yida	Shanghai Yida Technology Investment Co., Ltd. (上海怡達科技投資有限責任公司), a substantial shareholder of the Company
Shenzhen Zhongxin	Shenzhen Zhongxin Tuoye Technology Co., Ltd. (深圳中新拓業科技有限公司), which holds 95% equity interest in Shanghai Xishida
stock pledged repurchase transaction	a transaction in which a qualified borrower pledges his shares or other securities held as collaterals to obtain financing funds from a qualified lender, and agrees to repay the funds on a future date to release the pledge
substantial shareholder(s)	has the meaning ascribed thereto under the Listing Rules
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Suzhou Bingtai	Suzhou Bingtai Trading Co., Ltd. (蘇州秉泰貿易有限公司), which holds 94% equity interest in Hangzhou Ruisi
this report	the 2019 interim report of the Company
Tomorrow Holding	Tomorrow Holding Limited Company (明天控股有限公司), which holds approximately 54% equity interest in Baotou Huazi, one of the substantial shareholders of the Company
Wind Info	Wind Info Co., Ltd. (上海萬得信息技術股份有限公司), a joint stock company incorporated in the PRC with limited liability and a service provider of financial data, information and software, being a third party independent of the Company
Zhongchang Hengyuan	Zhongchang Hengyuan Holdings Limited (中昌恒遠控股有限公司), a substantial shareholder of the Company

Section II Company Profile

1. NAME OF COMPANY

Chinese name: 恒泰证券股份有限公司, being the corporate name in the PRC (carrying on business in Hong Kong as “恒投證券”)

English name: HENGTAI SECURITIES CO., LTD, being English translation of the corporate name in the PRC (carrying on business in Hong Kong as “HENGTOU SECURITIES”)

2. LEGAL REPRESENTATIVE OF THE COMPANY

Mr. Pang Jiemin

3. BOARD OF DIRECTORS

Executive Directors

Mr. Pang Jiemin (*Chairman*)

Mr. Wu Yigang (*Vice Chairman*)

Non-executive Directors

Mr. Zhang Tao

Mr. Sun Chao

Ms. Dong Hong

Ms. Gao Liang

Independent Non-executive Directors

Ms. Zhou Jianjun

Dr. Lam Sek Kong

Mr. Lv Wendong

Special Committees of the Board

Strategy and Investment Committee

Mr. Pang Jiemin (*Chairman of the Committee*)

Mr. Sun Chao

Dr. Lam Sek Kong

Risk Control and Supervisory Committee

Mr. Pang Jiemin (*Chairman of the Committee*)

Mr. Wu Yigang

Mr. Zhang Tao

Section II Company Profile

3. BOARD OF DIRECTORS (CONTINUED)

Audit Committee

Ms. Zhou Jianjun (*Chairman of the Committee*)

Mr. Zhang Tao

Dr. Lam Sek Kong

Remuneration and Nomination Committee

Ms. Zhou Jianjun (*Chairman of the Committee*)

Mr. Pang Jiemin

Dr. Lam Sek Kong

4. SUPERVISORY COMMITTEE

Mr. Guo Liwen (*Chairman of the Supervisory Committee*)

Ms. Pei Jingjing

Mr. Wang Hui

5. SECRETARY OF THE BOARD

Mr. Zhang Wei

Tel: +86 10 5667 3898

Fax: +86 10 5667 3777

Email: zhangwei@cnht.com.cn

Correspondence address: Room 509, Block C, Tongtai Building, No. 33 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)

6. JOINT COMPANY SECRETARIES

Mr. Zhang Wei, Ms. Leung Wing Han Sharon

7. AUTHORIZED REPRESENTATIVES

Mr. Pang Jiemin, Ms. Leung Wing Han Sharon

8. HEAD OFFICE IN CHINA

Registered address: Manshishangdu Office and Commercial Complex, Hailaer East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region, the PRC (post code : 010051)
Head office address: 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)
Website: www.cnht.com.cn
Email: dongban@cnht.com.cn

9. PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong

10. AUDITORS

International accounting firm: RSM Hong Kong
Domestic accounting firm: Ruihua Certified Public Accountants LLP

11. HONG KONG LEGAL ADVISOR

Luk & Partners
In Association with
Morgan, Lewis & Bockius

12. H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

13. STOCK CODE (H SHARES)

01476

Section III Summary of Accounting Data and Financial Indexes

I. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEXES

(Accounting data and financial indexes set out in this report are prepared in accordance with the International Financial Reporting Standards)

Item	1 January 2019 to 30 June 2019	1 January 2018 to 30 June 2018	Increase/ (decrease) from last period
Operating results (RMB'000)			
Total revenue and other income	2,193,730	995,862	120.28%
Profit/(loss) before tax	806,613	(362,966)	322.23%
Profit/(loss) for the period – attributable to ordinary shareholders of the Company	590,235	(303,912)	294.21%
Net cash generated from/(used in) operating activities	860,150	952,918	(9.74%)
Earnings per share (RMB/share)			
Basic earnings/(loss) per share ¹	0.21	(0.14)	250.00%
Diluted earnings/(loss) per share ¹	0.21	(0.14)	250.00%
Profitability index			
Weighted average rate of return on net assets (%) ²	6.54	(4.00)	Increased by 10.54 percentage points
Item	30 June 2019	31 December 2018	Increase/ (decrease) from the end of last year
Scale indicators (RMB'000)			
Total assets	31,377,897	29,915,079	4.89%
Total liabilities	20,941,793	19,970,258	4.86%
Accounts payable to brokerage clients	10,998,540	7,691,497	43.00%
Equity attributable to ordinary shareholders and holders of perpetual capital securities	10,024,644	9,536,409	5.12%
Total share capital ('000 shares)	2,604,567	2,604,567	0.00%
Net assets per share attributable to ordinary shareholders³ (RMB/share)	3.27	3.09	5.83%
Gearing ratio (%)⁴	48.79	55.25	Decreased by 6.46 percentage points

Section III Summary of Accounting Data and Financial Indexes

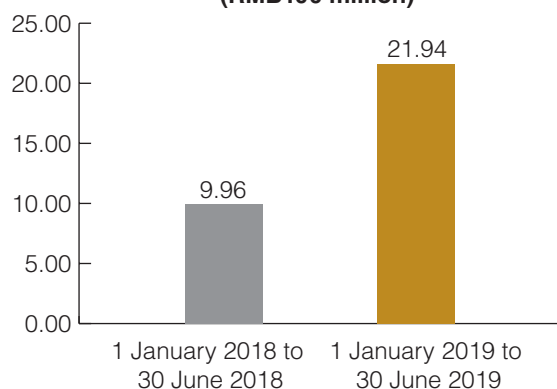
I. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEXES (CONTINUED)

Notes:

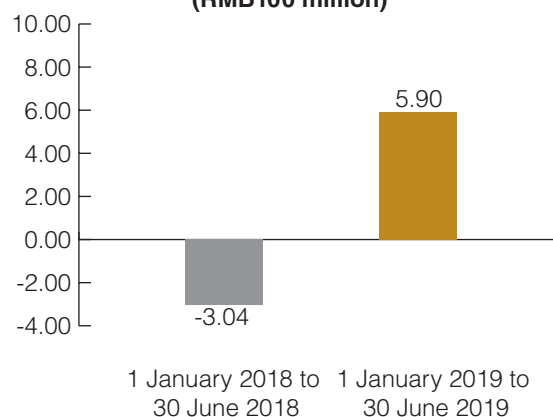
1. The index is calculated based on the assumption of deducting the dividends of the holders of cumulative perpetual capital securities.
2. Weighted average rate of return on net assets (%) = $P / (E_o + P \div 2 + E_i \times M_i \div M_o - E_j \times M_j \div M_o)$, in which P represents net profit attributable to ordinary shareholders of the Company during the Reporting Period; E_o represents net assets attributable to ordinary shareholders of the Company at the beginning of the period; E_i represents additional net assets from issuance of new shares or from debt to equity attributable to ordinary shareholders of the Company during the Reporting Period; E_j represents reduced net assets from repurchase or from cash dividend attributable to ordinary shareholders of the Company during the Reporting Period; M_o represents the number of months of the Reporting Period; M_i represents the accumulative number of months calculated from the month following the additional net assets to the end of the Reporting Period; M_j represents the accumulative number of months calculated from the month following the reduced net assets to the end of the Reporting Period.
3. Net assets per share attributable to ordinary shareholders = (equity attributable to ordinary shareholders and holders of perpetual capital securities – perpetual capital securities) \div total share capital
4. Gearing ratio (%) = (total liabilities – account payables to brokerage clients)/(total assets – account payables to brokerage clients)

Section III Summary of Accounting Data and Financial Indexes

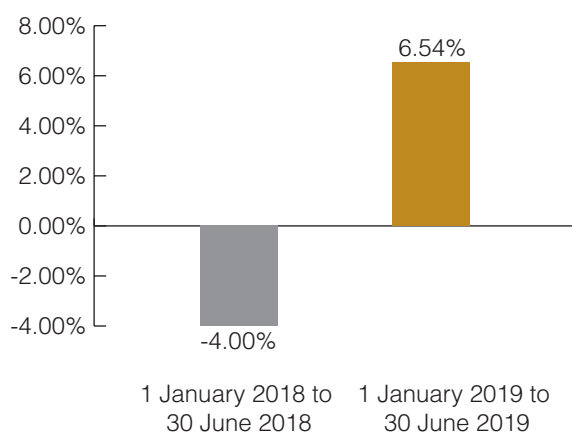
**Revenue and other income
(RMB100 million)**



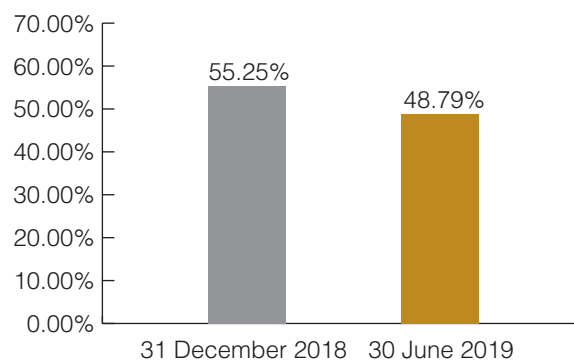
**Profit/(loss) for the period – attributable to
ordinary shareholders of the Company
(RMB100 million)**



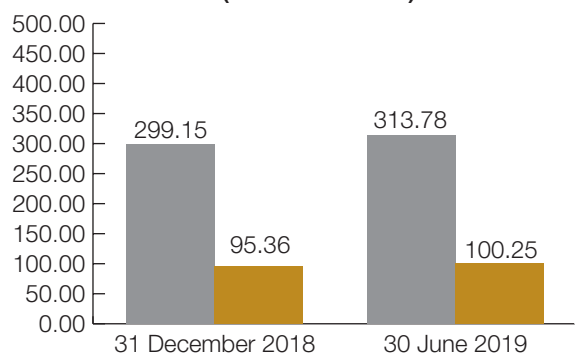
**Weighted average
return on net assets**



Gearing ratio



**Scale indicators
(RMB100 million)**



■ Total assets
■ Equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities

Section III Summary of Accounting Data and Financial Indexes

II. NET CAPITAL AND OTHER RISK CONTROL INDEXES OF THE COMPANY

As at 30 June 2019, the Company's net capital amounted to RMB6,248.60 million, representing an increase of RMB143.74 million as compared with RMB6,104.86 million as at the end of 2018. During the Reporting Period, the net capital and related risk control indexes of the Company met the regulatory requirements.

Unit: in RMB'000

Item	30 June 2019	31 December 2018	Regulatory standard
Net capital	6,248,604	6,104,858	N/A
Including: Net core capital	5,498,604	4,604,858	N/A
Net supplement capital	750,000	1,500,000	N/A
Net assets	9,379,336	9,008,517	N/A
Total risk capital provision	2,171,287	2,389,348	N/A
Total assets on and off statement of financial position	17,727,496	19,804,395	N/A
Risk coverage ratio	287.78%	255.50%	≥100%
Capital leverage ratio	31.02%	23.25%	≥8%
Liquidity coverage ratio	301.83%	244.24%	≥100%
Net stable funding ratio	183.75%	162.58%	≥100%
Net capital/net assets	66.62%	67.77%	≥20%
Net capital/liabilities	76.04%	57.62%	≥8%
Net assets/liabilities	114.13%	85.02%	≥10%
Proprietary equity securities and securities derivatives/net capital	30.09%	42.61%	≤100%
Proprietary non-equity securities and securities derivatives/net capital	89.69%	112.80%	≤500%

Section IV Management Discussion and Analysis

I. ECONOMIC AND MARKET ENVIRONMENT DURING THE REPORTING PERIOD

During the Reporting Period, China's macro-economy maintained generally stable operation, and various indicators were kept within an appropriate range. In the first half of 2019, China's GDP grew by 6.3% year-on-year, at a growth rate 0.5 percentage point lower than that of the same period in 2018, and 0.3 percentage point lower than that for the entire year of 2018. The economy was running within a reasonable range on the whole. Fixed asset investment and consumption growth slowed down to a certain extent as compared to the same period in 2018, export growth picked up as compared to the same period in 2018, and emerging industries have been gaining momentum and exerted economic development vitalities. In the first half of 2019, China's fixed asset investment grew by 5.8% year-on-year, representing a decrease of 0.2 percentage point as compared with the same period in 2018; total retail sales of consumer goods grew by 8.4% year-on-year, representing a decrease of 1 percentage point as compared with the same period in 2018; RMB-denominated export volume grew by 6.1%, representing an increase of 1.4 percentage points as compared with the same period in 2018. In the first half of 2019, the added value of emerging industries above designated size with industrially strategic significance increased by 7.7% year-on-year and the added value of hi-tech manufacturing business above designated size increased by 9.0% year-on-year, each growing faster than the total added value of industries above designated value by 1.7 percentage points and 3.0 percentage points, respectively, which manifested the continuous vigor of emerging industries. During the Reporting Period, broad money growth increased by 8.5% year-on-year, 0.5 percentage point higher than of the same period in 2018. The growth of the size of social financing rose to 10.9% year-on-year, showing reasonable and sufficient domestic liquidity. During the Reporting Period, the global economy was running under a more intricate and complicated circumstance. The global economy suffered from greater downturn pressure at the reluctant recovery pace on one hand; and was faced with great uncertainties caused by trade friction, geopolitics, etc., on the other hand.

During the Reporting Period, China's securities market went upward in choppy trading with considerably increased trading volumes in the market. In the first half of 2019, Shanghai Composite Index and Shenzhen Component Index increased by 19.45% and 26.78%, respectively. At the same time, the turnover of stocks and funds on both stock exchanges totaled RMB73,819,761 million, representing an increase of 28.31% as compared with the same period in 2018. In particular, the total turnover of stocks and funds on Shanghai Stock Exchange amounted to RMB34,169,873 million, representing an increase of 24.84% as compared with the same period in 2018; the total turnover of stocks and funds on Shenzhen Stock Exchange was RMB39,649,888 million, representing an increase of 31.47% as compared with the same period in 2018. (Sources: websites of National Bureau of Statistics, The People's Bank of China, General Administration of Customs, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, Wind Info)

II. ANALYSIS OF PRINCIPAL BUSINESSES

During the Reporting Period, the Group recorded revenue and other income of RMB2,193.73 million and a net profit of RMB612.83 million, representing an increase of 120.28% and 318.97% as compared with the same period of 2018, respectively.

(I) Brokerage and Wealth Management Business

During the Reporting Period, the revenue and other income from brokerage and wealth management business amounted to RMB702.11 million, representing a decrease of 5.83% as compared with the same period of 2018.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(I) Brokerage and Wealth Management Business (Continued)

1. Securities brokerage

During the Reporting Period, the Company kept abreast of the development of the securities industry and continuously enhanced follow-up research on quantitative products that have been rapidly growing in recent years, thus steadily advancing its quantitative business in this year. Leveraging on quantitative products, the Company explored the business model with “quantitative business brokerage + institutional cooperation (量化業務代銷+機構間撮合)” at the core and achieved satisfactory results by offering professional services for professional institutions and underlying assets, thus increasing its market share of stocks and funds.

During the Reporting Period, the number of new accounts opened reached 31,500, and total number of clients reached 2,363,300, representing an increase of 1.04% as compared with the end of 2018. The total assets under custody for clients reached RMB119,035 million, representing an increase of 10.06% as compared with the end of 2018. The turnover of stocks and funds reached RMB950,568 million, representing an increase of 36.11% as compared with the same period of 2018, while the market share of stocks and funds was 0.6446%, representing an increase of 5.43% as compared with the same period of 2018.

2. Futures brokerage

During the Reporting Period, guided by the principles of “institution-orientation, production development and professional operation” in business transformation, Hengtai Futures continuously improved its mechanisms and enriched its business portfolio. Based on its brokerage business, it further expanded asset management business and branched out to risk management business and overseas operations to enhance its full-fledged derivative platform systems. Thus, Hengtai Futures has seen a continuous improved customer structure and an increase in the proportion of institutional clients. During the Reporting Period, the number of newly-added clients of Hengtai Futures was 434.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(I) Brokerage and Wealth Management Business (Continued)

3. Wealth management

During the Reporting Period, the Company quickly adapted to market changes, displayed its own advantages, focused on the transformation of the wealth management business and changed the model of allocating debuted short-term products to customers under the customer-centric principle. With publicly-raised funds as the basic allocation, it highlighted broad-based and industry indexes to develop regular and long-term investment concepts. It strategically invested in private funds, further explored outstanding managers and focused on advanced investment strategies. Meanwhile, it diversified low-risk products and continuously improved the quantity and quality of research instruments on wealth management to promote the rapid development of the wealth management business. The Company further improved various rules and systems on wealth management business, strengthened risk control measures and enhanced risk awareness to provide guarantee to the increasingly diversified wealth management services. During the Reporting Period, the Company sold 55 financial products and recorded sales of RMB3,233.67 million. As at the end of the Reporting Period, the existing size of its financial products is RMB5,512.90 million.

4. Capital-based intermediary business

During the Reporting Period, China's securities market improved. The size of the margin financing and securities lending business of the Company increased from the end of 2018. Meanwhile, to control margin financing and securities lending business risks, the Company further enhanced the selection of customers with high credit and the routine management of customers with larger financing size. As at the end of the Reporting Period, the balance of the margin financing and securities lending business amounted to RMB4,080.24 million, and the balance of stock pledged repurchase transaction amounted to RMB745.12 million.

5. Asset custody business

During the Reporting Period, the Company continued updating its business systems, optimized customer service processes and strengthened market development efforts, thereby achieving steady growth in asset custody business. As at the end of the Reporting Period, the Company provided custody services for 870 funds, fund services for 384 funds and fund raising supervision services for 263 funds. The total size of asset custody, fund services and fund raising supervision amounted to RMB135,858 million, representing an increase of RMB15,828 million as compared with the end of 2018.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(II) Investment Banking Business

During the Reporting Period, the revenue and other income from investment banking business amounted to RMB167.89 million, representing an increase of 178.29% as compared with the same period of 2018.

1. Equity financing

During the Reporting Period, Hengtai Changcai, by maintaining and consolidating core customers, gradually formed a strong customer retention and a stable business scale in mergers and acquisitions, refinancing and IPO business.

2. Debt financing

During the Reporting Period, through deepening the core regional markets and expanding the comprehensive ability and capitalizing on its existing advantages and making use of selected experience to promote its entire work, Hengtai Changcai gradually generated scale effect for its businesses and actively expanded its new business coverage. Hengtai Changcai, serving as the lead underwriter, completed 12 bond projects with a financing amount of RMB6,964 million.

3. Business of listing on the NEEQ

During the Reporting Period, the NEEQ market continued to shrink amid increasingly fiercer competition. There were 153 NEEQ listing projects in total, declining by 52.19% as compared with the same period in 2018 (data source: NEEQ). Under such fierce competition, the Company concentrated on the development and exploration of quality projects, followed the policy preference of serving the real economy with finance, and actively served the capital market demands of the NEEQ listing companies. During the Reporting Period, it completed 5 listing recommendation projects, completed 4 projects for private placements and mergers and reorganizations, and provided continuous steering services for 130 listed companies, representing an increase of 10 as compared with the same period of 2018.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(III) Investment Management Business

During the Reporting Period, the revenue and other income from investment management business amounted to RMB510.62 million, representing an increase of 15.10% as compared with the same period of 2018.

1. Assets management

During the Reporting Period, China's securities market outperformed 2018, which boosted the assets management sector. The performance of the Company's collective management schemes with fixed returns ranked high among similar products in the industry during the same period and the equity-focused collective management schemes managed by the Company also recorded outstanding performance. According to relevant requirements of regulatory authorities, the Company continuously scaled down passive management products and scaled up active management business. The size of the collective asset management business expanded as compared with the end of 2018. During the Reporting Period, the Company and fund.eastmoney.com established a stable cooperation mechanism. The sales through the online platform exceeded RMB100 million in the second quarter of 2019, preliminarily creating a solid foundation for platform-based operations.

As at the end of the Reporting Period, the total size of asset management business was RMB52,571.70 million, of which the size of collective asset management schemes amounted to RMB2,338.65 million, the size of targeted asset management schemes amounted to RMB25,710.45 million, the size of the asset-backed securities special schemes amounted to RMB24,522.60 million.

As at the end of the Reporting Period, the numbers of subsisting products of the collective, targeted asset management schemes and the asset-backed securities special schemes were 40, 26 and 16, respectively.

2. Fund management

During the Reporting Period, New China Fund kept enhancing its investment research capacity and increased its efforts in building an investment research team. The performance of its fixed income funds reached industry-leading level and a number of equity fund products also ranked high. Further, it completed the issuance of 3 fund products. It continued to enhance compliance management to level up risk control standard and strengthened the management of middle and back offices to promote business development.

As at the end of the Reporting Period, New China Fund had 44 publicly-raised funds with total management size amounting to RMB26,481 million, representing a decrease of RMB13,570 million or 33.88% as compared to the end of 2018, primarily attributable to the relative significant amount of net redemption of monetary fund. The size of asset management with special accounts reached RMB55,846 million, representing an increase of RMB5,102 million or 10.05% as compared to the end of 2018.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(III) Investment Management Business (Continued)

3. Private equity investment business

During the Reporting Period, as required by the Management Measures for Private Asset Management Business of Securities and Futures Institutions (《證券期貨經營機構私募資產管理業務管理辦法》) promulgated by the CSRC and the Management Standards for Private Investment Fund Subsidiary of Securities Company (《證券公司私募投資基金子公司管理規範》) promulgated by the Securities Association of China, Hengtai Capital continued to carry out comprehensive rectification of subsidiaries and fund products, cancelling 2 subsidiaries and completing rectification and change for 6 private funds. Moreover, Hengtai Capital strengthened the post-investment management and exit of the existing business on the one hand and identified a number of pipeline projects on the other hands.

As at the end of the Reporting Period, Hengtai Capital invested in 10 direct investment projects with its own funds for an investment size of RMB719.92 million, and managed 9 private equity funds with a total size of RMB9,696.56 million.

4. Alternative investment

During the Reporting Period, Hengtai Pioneer successfully exited from 2 equity investment projects and proactively explored new investment opportunities. It kept a close eye on film and television projects, strengthened research and analysis on film and television industry and funds and conducted research and made preparation for private investment fund programs of film and television funds.

As at the end of the Reporting Period, Hengtai Pioneer invested in 8 direct investment projects with its own funds for an investment size of RMB88 million.

(IV) Proprietary Trading Business

During the Reporting Period, the revenue and other income from the proprietary trading business amounted to RMB717.62 million, representing an increase of 346.09% as compared with the same period of 2018.

During the Reporting Period, affected by escalating international trade frictions and other factors, the securities market in the PRC fell in choppy trading after the recovery at the beginning of the year. For stock investment, the Company adjusted its positions, optimized position structure and took other measures in a prompt manner to keep the overall risks under control. Despite the fluctuation of the securities market, the proprietary trading business still recorded satisfactory income. In the second half of the 2019, the Company will strengthen prospective study on the market, control investment pace and seize policy bonus and continue to increase its overall income.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) Proprietary Trading Business (Continued)

In terms of the stock investment business, by adhering to the principle of prudent operation and the concept of value investment, the Company highlighted performance as the mainstream line and paid attention to innovation growth and periodical blue-chip stocks, which turned out relatively effective in the avoidance of non-systemic risks in the market and achieved relatively outstanding results.

In terms of fixed income investment business, under the background of slight recovery of the macro fundamentals, the slightly tightened loose monetary policies and the increasing tightened policies on financial regulation, the bonds market showed differentiated fluctuations. In response to the complex and volatile domestic and overseas market environment, the Company strengthened its research on the bond market, adjusted its investment strategies in a timely manner, and accurately understood the structured performance of the bond market in the first half of 2019, resulting in results superior to the market performance. In addition, the Company actively conducted hedge trading based on interest rate derivatives, and achieved substantial progress in terms of interest rate swap, dealer-quoted bond repurchase and other innovative businesses.

In terms of the share transfer market-making business, despite the recovery of the NEEQ market, the liquidity of the market was still limited. The Company continued to reduce its holdings of stocks with worse fundamentals amid tight liquidity and the overall size of its holdings reduced to certain extent.

(V) International Business

During the Reporting Period, the Company continued to grow its international operations by proactively approaching potential business partners for establishing cooperation with them. Further, it selected and recruited individuals well-versed in foreign affairs, worked out overseas training program for senior management, and maintained communication and contact with the regulatory authorities.

Section IV Management Discussion and Analysis

III. PROSPECTS AND FUTURE PLANS

(I) Development Prospect of the Industry

Regulations over the industry will be concentrated on preventing and resolving financial risks, especially on warding off systemic financial risk, the fundamental task of finance. The regulatory authorities will maintain comprehensive and strict control over the securities industry in the PRC in accordance with laws, and improve capabilities of compliance operation and overall risk control of the industry. In terms of capital market construction, the establishment of science and technology innovation board marks a progressive step of multi-layered capital market construction, will help improve market investment atmosphere, boost the long-term and healthy development of capital market, and will bring along new business opportunities for the development of China's securities industry. In addition, China will continue to broaden the opening-up of financial business. In the first half of 2019, a number of foreign securities companies were approved for incorporation. Notwithstanding fiercer competition to come along in the securities industry, the introduction of foreign investments will boost competitiveness improvement of domestic securities companies, advance the transformation and internationalized development of domestic securities company, and consummate the development landscape of the industry in the long run.

In the second half of 2019, in respect of operation in the industry, brokerage business and margin financing and securities lending businesses are expected to benefit from the improvement of market vitality; while the proprietary business had better take hold of periodical investment opportunities in an effective manner. The establishment of science and technology innovation board will generate new development chances for brokerage business and investment banking business. As for assets management business, securities companies with an edge in active business management are expected to gain further advantages under the new asset management requirements.

Section IV Management Discussion and Analysis

III. PROSPECTS AND FUTURE PLANS (CONTINUED)

(II) Development Plan of the Company

The Company will further enhance the internal risk control and compliance management, continue to promote the business development of the Company and strengthen competitiveness while seeking guarantee from system design.

The Company will emphatically analyze the evolved demand develop orientation and path under the situation of changing regulatory policies and market, focus on the establishment of characteristic and differentiated business advantages by cementing the strength and bolstering the weak points, and promote the transformation and reform of business mode through design of assessment system. In reliance on the construction of a professional and integrated back-office service system, the Company will intensify the construction of the talents and information technology back-office systems, enhance the synergy effect of the front and back office, and devote greater efforts to innovation and business progress, thereby fully improving the Company's operating results and management level. In terms of brokerage business, the Company will continue to underline wealth management. It will optimize the wealth management system and steer benign development of business by working out a wealth management study system, improving study quality and ensuring effective implementation of each task. Besides, it will further underpin institutional business by enhancing the construction of relevant information systems, taking full advantage of the Company's asset custody business, and establishing an integrated service system that combines trading, custody and settlement, thereby improving the industrial competitiveness of the Company. In terms of investment banking business, the Company will promote the steady progress of each line by capitalizing on the drivers of debenture and acquisition business, taking the foothold of quality control, risk prevention and effective management, and making breakthroughs in respect of innovative business and fixed-price underwriting. In terms of asset management business, the Company strives to level up the active management capability while strengthening the capability of risk control and management. To this end, it will make overall arrangements and fully utilize the internal research system to further replenish and consummate its product lines, satisfy various demands of different customers and improve its product design capacity. In terms of proprietary business, the Company will take effective hold of the periodical investment opportunities, carry out thorough researches on investment strategy for the science and technology innovation board, and exploit quantitative investment, Shanghai/Shenzhen-Hong Kong Connect, bulk commodity transaction and other investment approaches to expand profit channels.

Section IV Management Discussion and Analysis

IV. FINANCIAL STATEMENTS ANALYSIS

(I) Analysis on Profitability during the Reporting Period

During the Reporting Period, the Group recorded revenue and other income of RMB2,193.73 million in aggregate, representing an increase of 120.28% as compared with the same period of 2018. Net profit attributable to shareholders of the Company amounted to RMB590.24 million, representing an increase of 294.21% as compared with the same period of 2018. Earnings per share amounted to RMB0.21, representing an increase of 250.00% as compared with the same period of 2018. Weighted average return on net assets was 6.54%, representing an increase of 10.54 percentage points as compared with the same period of 2018.

(II) Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB31,377.90 million, increased by 4.89% as compared to RMB29,915.08 million as at the end of 2018. Total liabilities amounted to RMB20,941.79 million, increased by 4.86% as compared to RMB19,970.26 million as at the end of 2018. Equity attributable to ordinary shareholders and holders of perpetual capital securities of the Company amounted to RMB10,024.64 million, increased by 5.12% as compared with RMB9,536.41 million as at the end of 2018.

The Group's asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, the total assets of the Group comprised of: cash assets, which primarily included cash and bank balances (including cash held on behalf of brokerage clients), clearing settlement funds and refundable deposits, amounted to RMB14,200.31 million, representing 45% of the Group's total assets; margin assets, which primarily included margin accounts receivable and financial asset held under resale agreements, amounted to RMB5,311.26 million, representing 17% of the Group's total assets; financial investment assets, which primarily included investment in associates and investment in financial assets, amounted to RMB10,252.76 million, representing 33% of the Group's total assets; and property, equipment and other operating assets, which primarily included property, equipment, investment properties, intangible assets, rights-of-use assets, amounted to RMB1,613.57 million, representing 5% of the Group's total assets.

The Group's gearing ratio and financial leverage ratio remained relatively stable. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients amounted to RMB9,943.25 million, representing a decrease of RMB2,335.51 million or 19.02% as compared with that at the end of 2018. The gearing ratio of the Group was 48.79%, decreased by 6.46 percentage points from 55.25% as at the end of 2018 (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Financial leverage ratio was 2.03 folds, decreased by 12.88% from 2.33 folds as at the end of 2018 (Note: financial leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to ordinary shareholders and holders of perpetual capital securities of the Company).

Section IV Management Discussion and Analysis

IV. FINANCIAL STATEMENTS ANALYSIS (CONTINUED)

(III) Financing Channels and Financing Ability

During the Reporting Period, the Company met its operating capital requirement through debt financing. Debt financing of the Company included the issuance of beneficiary certificates, and margin and securities refinancing.

During the Reporting Period, the Company raised accumulated proceeds of RMB756.62 million from issuance of beneficiary certificates. Meanwhile, the Company received comprehensive credit line with greater limit granted by several banks.

(IV) Liquidity Management

The Company focuses on its liquidity management. It has established a specific department responsible for liquidity management. The Company's liquidity management focused on the organic combination of the security, liquidity and profitability of capital. As requested by the CSRC, the Company established sound management system and contingency measure for liquidity risk. The Company has prepared monthly liquidity monitor statement. The liquidity monitor index of the Company in each month throughout the Reporting Period complied with the regulatory requirements.

(V) Cash Flow

During the Reporting Period, net cash flow arising from operating activities amounted to RMB860.15 million, decreased by RMB92.77 million from RMB952.92 million in the corresponding period of 2018; net cash flow arising from investment activities amounted to RMB-451.92 million, decreased by RMB224.19 million from RMB-227.73 million in the corresponding period of 2018; net cash flow arising from financing activities amounted to RMB-1,797.90 million, decreased by RMB1,212.02 million from RMB-585.88 million in the corresponding period of 2018. Cash and cash equivalents at the end of the Reporting Period amounted to RMB2,609.04 million, decreased by RMB1,163.23 million from RMB3,772.27 million in the corresponding period in 2018.

(VI) Changes in Significant Accounting Policies

During the Reporting Period, changes in the accounting policies have been made due to the adoption of new Accounting Standards for Business Enterprises by the Company.

On 7 December 2018, the Ministry of Finance of the PRC promulgated the "Accounting Standards for Business Enterprises No. 21 – Leasing (revised in 2018)" (Cai Kuai [2018] No. 35) ("New Lease Standards"), requiring companies that are listed on both domestic and overseas stock markets, and those that are listed on overseas stock markets and adopt the International Financial Reporting Standards or Accounting Standards for Business Enterprises for statement preparation to adopt the aforesaid standards from 1 January 2019. The Company has started adopting the New Lease Standards from 1 January 2019 as prescribed by the Ministry of Finance of the PRC, and made corresponding changes in relevant accounting policies in accordance with the New Lease Standards.

Section IV Management Discussion and Analysis

V. BRANCHES AND SUBSIDIARIES

(I) Branch Offices and Securities Branches

As at the end of the Reporting Period, the Company had 2 branch offices and 144 securities branches.

1. Newly-established securities branches

None in the Reporting Period.

2. Relocation of securities branches

During the Reporting Period, 9 securities branches of the Company were relocated, details of which are as follows:

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
1	Hengtai Securities Co., Ltd Beijing Guang'an Road Securities Branch (恒泰证 券股份有限公司北京廣安路 證券營業部)	Hengtai Securities Co., Ltd Beijing Guang'an Road Securities Branch (恒泰证 券股份有限公司北京廣安路 證券營業部) ¹	Room 404, 4/F, Building 6, No. 9 Guang'an Road, Fengtai District, Beijing (北京市豐台區 廣安路9號院6號樓4層404)
2	Hengtai Securities Co., Ltd Manchuria Shulin Road Securities Branch (恒泰证 券股份有限公司滿洲里樹林 路證券營業部)	Hengtai Securities Co., Ltd Manchuria Wenming Road Securities Branch (恒泰证 券股份有限公司滿洲里文明 路證券營業部)	Shop -1, Xinmao Building, Manchuria, Inner Mongolia (內 蒙古自治區滿洲里市鑫貿樓門 市-1)
3	Hengtai Securities Co., Ltd Xianyou 825 Street Securities Branch (恒泰证 券股份有限公司仙遊八二五 大街證券營業部)	Hengtai Securities Co., Ltd Xianyou Xuefu East Road Securities Branch (恒泰证 券股份有限公司仙遊學府東 路證券營業部)	No. 2068 and 2072, Xuefu East Road, Balong Community Neighborhood Committee, Licheng Sub-district, Xianyou County, Putian, Fujian (福建省 莆田市仙遊縣鯉城街道壩壠社區 居委會學府東路2068號、2072 號)
4	Hengtai Securities Co., Ltd Beijing Qingnian Road Securities Branch (恒泰证 券股份有限公司北京青年路 證券營業部)	Hengtai Securities Co., Ltd Beijing Guangqu Road Securities Branch (恒泰证 券股份有限公司北京廣渠路 證券營業部)	A302, Room 301, 3/F, Building 1, No. 1 Courtyard, No. 11 Guangqu Road, Chaoyang District, Beijing (北京市朝陽區 廣渠路11號院1號樓3層301內 A302)

Section IV Management Discussion and Analysis

V. BRANCHES AND SUBSIDIARIES (CONTINUED)

(I) Branch Offices and Securities Branches (Continued)

2. Relocation of securities branches (Continued)

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
5	Hengtai Securities Co., Ltd Taizhou Shifu Avenue Securities Branch (恒泰证券股份有限公司台州市府大道證券營業部)	Hengtai Securities Co., Ltd Taizhou Baiyunshan West Road Securities Branch (恒泰证券股份有限公司台州白云山西路證券營業部)	No. 1306, Baiyunshan West Road, Jiaojiang District, Taizhou, Zhejiang (浙江省台州市椒江區白雲山西路1306號)
6	Hengtai Securities Co., Ltd Wuhan Xibei Road Securities Branch (恒泰证券股份有限公司武漢西北湖路證券營業部)	Hengtai Securities Co., Ltd Wuhan Xinhua Road Securities Branch (恒泰证券股份有限公司武漢新華路證券營業部)	Room 2, 13/F, No. 218 (SPDB Building), Xinhua Road, Jiangnan District, Wuhan, Hubei (湖北省武漢市江漢區新華路218號(浦發銀行大廈)13層2室)
7	Hengtai Securities Co., Ltd Hangzhou Fuchun Road Securities Branch (恒泰证券股份有限公司杭州富春路證券營業部)	Hengtai Securities Co., Ltd Hangzhou Fuchun Road Securities Branch (恒泰证券股份有限公司杭州富春路證券營業部) ¹	Room 2605, Building 2, Qianjiang International Times Square, Jianggan District, Hangzhou, Zhejiang (浙江省杭州市江幹區錢江國際時代廣場2幢2605室)
8	Hengtai Securities Co., Ltd Huizhou Bailuhu Securities Branch (恒泰证券股份有限公司惠州白鷺湖證券營業部)	Hengtai Securities Co., Ltd Huizhou Huiyang Kaicheng Avenue Securities Branch (恒泰证券股份有限公司惠州惠陽開城大道證券營業部)	Room 04, 9/F, No. 1 Office Building, Jinbilanwan Phase I, Shangyang Village Section, Danshui Kaicheng Avenue, Huiyang District, Huizhou, Guangdong (廣東省惠州市惠陽區淡水開城大道上楊村地段金碧藍灣一期寫字樓9層04號房)
9	Hengtai Securities Co., Ltd Tongliao Central Avenue Securities Branch (恒泰证券股份有限公司通遼中心大街證券營業部)	Hengtai Securities Co., Ltd Tongliao Mingren Avenue Securities Branch (恒泰证券股份有限公司通遼明仁大街證券營業部)	(Room 2-/-103, Xinxin Garden, Shijie Sub-district Office Fifth Committee) Mingren Avenue East Section, Khorchin District, Tongliao, Inner Mongolia (內蒙古自治區通遼市科爾沁區明仁大街東段(施介辦事處五委新新花園小區2-/-103))

Section IV Management Discussion and Analysis

V. BRANCHES AND SUBSIDIARIES (CONTINUED)

(I) Branch Offices and Securities Branches (Continued)

2. Relocation of securities branches (Continued)

Note:

1. Name of the securities branch remained unchanged after relocation.

3. Deregistration of securities branches

None in the Reporting Period.

(II) Subsidiaries of the Company

During the Reporting Period, changes in the Company's major subsidiaries are as follows:

1. On 16 May 2018, the proposal regarding Reduction of Registered Capital of Hengtai Capital Investment Co., Ltd., a wholly-owned subsidiary of the Company was considered and approved at the 5th extraordinary meeting of the fourth session of the Board, pursuant to which it was approved to reduce the registered capital of Hengtai Capital to RMB0.6 billion in steps. On 22 August 2018, Hengtai Capital completed the industrial and commercial registration for the change of registered capital from RMB1.5 billion to RMB1.2 billion. On 11 March 2019, Hengtai Capital completed the industrial and commercial registration for the change of registered capital from RMB1.2 billion to RMB0.8 billion.
2. In accordance with the regulatory requirements including the Management Standards for Private Investment Fund Subsidiary of Securities Company (《證券公司私募投資基金子公司管理規範》) promulgated by the Securities Association of China, Hengtai Capital determined to cancel its wholly-owned subsidiary Shanghai Hongdian Investment Management Co., Ltd. (上海泓典投資管理有限公司). The industrial and commercial registration for the cancellation of Shanghai Hongdian Investment Management Co., Ltd. (上海泓典投資管理有限公司) was completed on 6 May 2019.
3. In accordance with the regulatory requirements including the Management Standards for Private Investment Fund Subsidiary of Securities Company (《證券公司私募投資基金子公司管理規範》) promulgated by the Securities Association of China, Hengtai Capital determined to cancel its wholly-owned subsidiary Shanghai Yingwo Investment Management Co., Ltd. (上海盈沃投資管理有限公司). The industrial and commercial registration for the cancellation of Shanghai Yingwo Investment Management Co., Ltd. (上海盈沃投資管理有限公司) was completed on 4 June 2019.

Section IV Management Discussion and Analysis

VI. MAJOR FINANCING

(I) Equity Financing

None in the Reporting Period.

(II) Major Debt Financing

During the Reporting Period, the Company issued six tranches of beneficiary certificates, raising approximately RMB756 million in aggregate, particulars of which are as follows:

Abbreviation	Size of the Issuance (RMB'00 million)	Interest rate	Term (day)	Issue date	Expiry date
Hengchuangtaifu No. 20	2.00	5.00%	364	1 March 2019	28 February 2020
Hengchuangtaifu No. 21	2.00	5.20%	551	19 April 2019	21 October 2020
Hengfu No. 22	0.40	4.40%	90	29 May 2019	27 August 2019
Hengfu No. 23	0.40	4.60%	180	30 May 2019	26 November 2019
Hengfu No. 24	1.60	4.80%	369	12 June 2019	15 June 2020
Hengfu No. 25	1.16	4.80%	369	13 June 2019	16 June 2020

VII. MAJOR INVESTMENT

None in the Reporting Period.

VIII. USE OF PROCEEDS

On 15 October 2015, the Company raised total proceeds of HK\$1,767,316,320 through public issue of 450,846,000 H Shares on the Hong Kong Stock Exchange. The actual proceeds finally received by the Company (deducting the Listing related expenses and the amount directly transferred into the national treasury pool due to share selling by the selling shareholders (namely reduction of state-owned shares)) was RMB1,306,244,936.55 due to the impact arising from foreign exchange gains or losses, interest and other related fees.

The funds raised as specified in the Prospectus shall be used as the following purposes:

1. about 50% of the funds will be used for the Company's capital-based intermediary business, including margin financing and securities lending and stock pledged repurchase transaction business and for the development of online margin financing and securities lending and stock pledged repurchase transaction services.
2. about 30% of the funds will be used for the development of the NEEQ market-making business.
3. about 20% of the funds will be used for the development and enhancement of the internet-based finance business of the Company.

Section IV Management Discussion and Analysis

VIII. USE OF PROCEEDS (CONTINUED)

On 22 December 2017, the resolution in relation to “Change of the Use of Proceeds of the Company” was considered and approved at the 2017 first extraordinary general meeting of the Company to change the use of the remaining available proceeds for NEEQ market-making business and use RMB320 million thereof for the Company’s capital-based intermediary business and replenishing working capital.

The use of the proceeds of the Company was detailed in the table below:

Use of proceeds as specified in the Prospectus	50% of the funds being used for the capital-based intermediary business	30% of the funds being used for the NEEQ market-making business	20% of the funds being used for the internet-based finance business	Total
Amount of proceeds available for use before change (<i>RMB</i>)	653,122,468.27	391,873,480.97	261,248,987.31	1,306,244,936.55
Use of proceeds upon change on 22 December 2017	For the capital-based intermediary business and replenishing working capital	For the NEEQ market-making business	For the internet-based finance business	Total
Amount of proceeds available for use upon change (<i>RMB</i>)	973,122,468.27	71,873,480.97	261,248,987.31	1,306,244,936.55
Accumulated amount of proceeds used as of 30 June 2019 (<i>RMB</i>)	970,902,777.78	50,000,000.00	139,049,131.61	1,159,951,909.39
Remaining amount of proceeds available for use (<i>RMB</i>)	2,219,690.49	21,873,480.97	122,199,855.70	146,293,027.16
Expected timeline for use of the remaining proceeds available for use	Rational use based on actual business needs	Rational use based on actual business needs	Rational use based on actual business needs	–

The proceeds were used and are proposed to be used according to the intentions previously disclosed.

IX. ACQUISITION OR DISPOSAL OF MATERIAL ASSETS, EXTERNAL GUARANTEE, MORTGAGE, PLEDGE AND MATERIAL CONTINGENT LIABILITIES

During the Reporting Period, there was no acquisition and disposal of the Company’s material assets and business merger, nor any major external guarantee, mortgage, pledge, material contingent liabilities that may affect the Company’s financial position and operating results.

Section IV Management Discussion and Analysis

X. RISK MANAGEMENT

(I) Major Risks and Countermeasures relating to Operation of the Company

1. Credit Risk

Credit risk is the possibility of loss caused by our counterparty's failure to perform a contract or a change in its credit rating or ability to perform. Credit risk of the Company is mainly generated from two aspects: (i) financing business such as margin financing and securities lending and stock pledged repurchase transaction; and (ii) proprietary credit bond investment business.

Credit risk from financing activities can be controlled by (i) determination of reasonable credit line which is managed through client suitability management, daily mark to market, risk reminders and forced liquidation of client's positions upon credit investigation via the internal credit rating system; and (ii) conducting sufficient due diligence on the financier and analysis on the fundamentals of pledge target prior to the implementation of securities pledged projects to reasonably determine key risk factors including pledge rate and performance guarantee proportion, and maintaining constant risk monitoring over projects in performance to address problems once detected. Investment credit risks can be controlled by establishing securities pool, internal rating, risk indicator limit and other measures.

2. Market Risk

Market risk refers to risk of unexpected potential value losses of the financial assets held by the Company resulting from adverse changes in securities price, interest rate and exchange rate. In particular, risk of adverse price fluctuations refers to the risk that the stock market may fluctuate and cause the prices of stocks and other securities products to change, which may incur losses for the Company. Interest rate risk refers to the risk arising from changes in market interest rates and credit spread that could result in changes in the prices of bonds and other fixed-income securities. Exchange rate risk refers to possibility that the Company may incur losses due to changes in exchange rates during operating activities involving possession or use of foreign exchanges. Market risk of the Company mainly derives from proprietary businesses including equity securities investment, fixed income securities investment, financial derivatives investment and NEEQ market making business.

Market risk is mainly managed by the Company through implementation of limit management, securities pool system, daily mark to market, stress test, monitoring and warning, stop-loss and stop-profit, risk hedge, risk report and other systems and measures. Based on risk tolerance preferences, the Company sets the annual overall limits of market risk for proprietary businesses which are decomposed and assigned to the respective business departments level by level. The Company has established a market risk indicator system including Value at Risk (VaR), Basis Point Value (DV01) and Max Drawdown. The risk management department conducts a daily monitoring over the proprietary position risk and regularly carries out stress test to estimate the losses under extreme circumstances and timely make risk warning and urge relevant business department to handle it when the risk control indicator exceeds the warning threshold.

Section IV Management Discussion and Analysis

X. RISK MANAGEMENT (CONTINUED)

(I) Major Risks and Countermeasures relating to Operation of the Company (Continued)

3. Liquidity Risk

Liquidity risk refers to risk where the Company fails to obtain sufficient funds in time at reasonable costs in order to repay mature debts, fulfill other payment obligations and satisfy the funding needs for carrying on normal business. The planning and financing department of the Company is responsible for liquidity risk management. The Company constantly monitors Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and other liquidity risk control indicators and conducts semi-annual liquidity risk stress tests through which its liquidity risk level under the extreme circumstance is evaluated and the risk emergency plans are established. The Company has set threshold values for liquidity risk control indicators, and a risk warning will be sent to the relevant responsible person of the Company once such threshold values are exceeded. The Company monitors and analyzes the matching of the Company's assets and liabilities from various time periods under both normal and stressed situations, the diversification and stability of the Company's capital resources, the cashability of high-quality liquid assets and market liquidity and at the same time strengthens the management of the Company's liquidity during operating hours and makes reasonable arrangements for financing activities to maintain adequate intraday liquidity position.

4. Compliance Risk

Compliance risk refers to risk of a securities company being subject to legal sanctions, regulatory measures and self-discipline penalties due to violations of laws, regulations or rules in its business activities or employee conducts. The Company has established an effective and sound compliance management system and compliance management framework. The compliance management department of the Company manages compliance risk through compliance review, compliance monitoring, compliance examination, compliance supervision and compliance training.

5. Operational Risk

Operational risk is possibility of losses caused by the failures of internal systems and procedures, improper employee behaviors, information system defect and the influence of external events. The Company has formulated operational risk management system and internal management system of various businesses and regulated its business activities. It has established an identification, assessment and control system for operational risk that fully covers the Company's business activities. The Company mainly managed operational risks through self-appraisal of risks and control (RCSA), loss data collection (LDC), key risk indicator (KRI) monitoring, and other measures.

Section IV Management Discussion and Analysis

X. RISK MANAGEMENT (CONTINUED)

(I) Major Risks and Countermeasures relating to Operation of the Company (Continued)

6. Reputational Risk

Reputational risk is the risk of negative assessment or comments on the Company from stakeholders as a result of its operation, management and other companies or external events. Reputational risk management refers to the process and method for ensuring the achievement of the overall objective of reputational risk management based on the reputational risk management objective and planning, through the establishment and improvement of the reputational risk management system and through daily reputational risk management and proper handling of reputational events. The Company has established a sound reputation risk management system and workflow, to provide guarantee for the improvement of the all-round risk management system, the enhancement of the reputation risk management capability and the maintenance and promotion of the reputation and image of the Company.

(II) Construction of Risk Management System and Comprehensive Risk Management Implementation of the Company

During the Reporting Period, the Company actively implemented various requirements of the Norms for the All-round Risk Management of Securities Companies (《證券公司全面風險管理規範》), conducted routine risk management and various key projects based on the requirements of full coverage, monitorability, measurability, analysis and risk-response ability on risk management and continuously improved the comprehensive risk management system.

1. Management System

The Company established the Measures for All-round Risk Management of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司全面風險管理辦法》) and special risk management systems on liquidity risks, market risks, credit risks, operation risks, reputation risks and other risks to clarify the risk management requirements on various businesses.

During the Reporting Period, the Company amended the Measures for All-round Risk Management of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司全面風險管理辦法》) by inclusion of the anti-money laundering risk into the all-round risk management system.

Section IV Management Discussion and Analysis

X. RISK MANAGEMENT (CONTINUED)

(II) Construction of Risk Management System and Comprehensive Risk Management Implementation of the Company (Continued)

2. Framework

The Company established a four-level risk management system including the Board, the management, the risk management department and business departments. It specified the responsibilities of the Board, the Supervisory Committee, the management, all departments, branches and subsidiaries in performing the comprehensive risk management and established a multi-layered and inter-connected operation mechanism with effective balances. Meanwhile, the Company has gradually incorporated all subsidiaries into the comprehensive risk management system and guided subsidiaries in establishing and improving the governance structure, setting risk preference and perfecting the risk monitoring, reporting and response mechanism. It specified the responsible person for the risk management of subsidiaries and the chief risk officer of the Company conducts appraisal on the responsible person.

3. Information Technology

The Company has established a securities risk monitoring and management platform with the integration of dynamic risks monitoring on net capitals, market risk management, credit risk management, operation risk management, liquidity risk management, abnormal transaction monitoring and other functions. It supports the collection, identification, measurement, appraisal, monitoring and reporting of various risk information and can meet the demands of the Company in risk management and decision-making.

During the Reporting Period, the Company upgraded the system for dynamic risks monitoring on net capitals and the abnormal transaction monitoring system.

4. Indicator System

The Company has established a risk preference indicator system with net capital and liquidity as the core covering concentration risks, market risks, credit risks and operation risks. The risk preference of the Company can cover all business line, including proprietary investment business, asset management business, securities brokerage business and investment banking business. Based on the development strategy, operation targets and financial conditions of the Company, it set management and control quota on major risks, including but not limited to risk quota, business size, value at risk, sensitivity indicator, concentration, stop-loss and stop-profit. It also regularly appraises the risk tolerance through stress test and other methods and guides resources allocation.

Section IV Management Discussion and Analysis

X. RISK MANAGEMENT (CONTINUED)

(II) Construction of Risk Management System and Comprehensive Risk Management Implementation of the Company (Continued)

5. Talent Team

The risk management department of the Company has established four professional teams on net capital and market risk, credit risk, operation risk and comprehensive risks. The planning and financial department and the board office designate special persons to be responsible for the management of liquidity risks and reputation risks. Currently, risk management staff with over three years of relevant working experience account for over 2% of the total staff at the head office of the Company, which provided talent guarantees to effectively conducting the comprehensive risk management work. In addition, all business and functional departments of the Company have set business risk management positions as an integral part of the risk management system. They accept the business guidance of the risk management department and serve as the bridge link.

6. Response Mechanism

The Company established a working mechanism on regular reporting and stress test to identify significant potential risks in the business process in a timely manner and actively take prevention and response measures. The Company also has risk emergency plans on significant risks and emergencies, specified the emergency triggering conditions, the organizational system, measures, methods and procedures in risk disposal and continuously improved them through emergency exercises. The Company has established a performance appraisal and accountability mechanism linked to risk management results. It regularly appraises the risk management performance of all business departments and branches and the appraisal results are included in the performance appraisal system. Meanwhile, the audit department regularly appraises the comprehensive risk management system to guarantee the effectiveness of the comprehensive risk management.

Section V Other Material Particulars

I. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PLAN

(I) Implementation of the 2018 Profit Distribution Plan

The Company held the 2018 annual general meeting on 22 May 2019 to consider and approve the resolution in relation to the 2018 Profit Distribution Plan, pursuant to which, the Company did not conduct profit distribution for the year ended 31 December 2018.

(II) The 2019 Interim Profit Distribution Plan

The Company did not have any profit distribution plan for the first half of 2019.

II. SHARE OPTION SCHEME OR EQUITY INCENTIVE SCHEME

During the Reporting Period, the Company did not adopt nor implement any share option scheme or equity incentive scheme.

III. SIGNIFICANT LAWSUITS AND ARBITRATIONS

(I) New Significant Lawsuits and Arbitration Cases in the Year

1. The dispute with regard to the Qinghui Leasing asset-backed special scheme Phase I under the management of the Company

For details of the case, please refer to II. Significant Lawsuits and Arbitrations in Section 7 Other Material Particulars of the 2018 annual report of the Company.

On 1 March 2019, the Company received a notice of response to action from the People's Court of Futian District of Shenzhen, according to which, China Resources SZITIC Trust Co., Ltd. (華潤深國投信託有限公司) ("SZITIC"), a preferential holder of Qinghui Leasing asset-backed special scheme Phase I (the "Special Scheme"), filed a lawsuit against the Company, alleging that the Company failed to perform its duties as the manager of the Special Scheme in accordance with the provisions of laws and regulations as well as the requirements specified in certain agreements and documents in respect of the Special Scheme. Therefore, it requested the Company to assume the compensation obligation for the principal amount of RMB30 million, plus accrued interest and related expenses.

On 31 March 2019, the Company submitted the Applications on Jurisdictional Objection to the People's Court of Futian District of Shenzhen, claiming that the case be transferred to the People's Court of Xicheng District, Beijing. On 20 May 2019, the People's Court of Futian District of Shenzhen issued the Civil Ruling Paper and ruled that the lawsuit filed by SZITIC against the Company be transferred to the People's Court of Xicheng District, Beijing for handling. On 31 May 2019, SZITIC submitted the Appeal Petition on Jurisdictional Objection to the Intermediate People's Court of Shenzhen, claiming recall of the civil ruling by the People's Court of Futian District of Shenzhen and a ruling that the case be handled by the People's Court of Futian District of Shenzhen.

Section V Other Material Particulars

III. SIGNIFICANT LAWSUITS AND ARBITRATIONS (CONTINUED)

(I) New Significant Lawsuits and Arbitration Cases in the Year (Continued)

2. The arbitration with regard to the asset custody business in which the Company was involved as the second respondent

Beijing Han Fu Rongxin Asset Management Partnership (Limited Partnership) (北京漢富融信資產管理合夥企業(有限合夥)), as the manager, set up the fund product Zhaoyang Zengli No. 8 private investment fund (the "No. 8 Private Investment Fund") on 28 June 2017, the fund product Zhaoyang Zengli No. 10 private investment fund (the "No. 10 Private Investment Fund") on 24 October 2017 and the fund product Zhaoyang Zengli No. 11 private investment fund (the "No. 11 Private Investment Fund") on 5 December 2017. The Company was the custodian of the No. 8 Private Investment Fund, No. 10 Private Investment Fund and No. 11 Private Investment Fund. As the investment targets of the abovementioned three funds failed to achieve full realization, the three funds failed to be fully settled on time upon expiry.

On 27 May 2019, Beijing Arbitration Commission issued a notice to the Company on its acceptance of the application in relation to three arbitration cases filed by Mr. Liu Chaoyang, an investor of the No. 8 Private Investment Fund, No. 10 Private Investment Fund and No. 11 Private Investment Fund, claiming joint repayment investment principal of RMB50 million and relevant income by Beijing Han Fu Rongxin Asset Management Partnership (Limited Partnership), as the first respondent, and the Company, as the second respondent. Currently, Beijing Arbitration Commission has notified that it will open a court session for the three arbitration cases on 28 August 2019 and the Company will make a defense according to arrangements of the court.

(II) Subsequent Progress of the Significant Lawsuits and Arbitration Cases in the Previous Year

1. The lawsuit filed by the Company against Shenwu Environmental in relation to bond transactions

For details of the case, please refer to II. Significant Lawsuits and Arbitrations in Section 7 Other Material Particulars of the 2018 annual report of the Company.

On 10 May 2018, the Company filed a lawsuit with the Beijing No.3 Intermediate People's Court, demanding that Shenwu Environmental Technology Co., Ltd. (神霧環保技術股份有限公司) ("Shenwu Environmental") pay the principal of the corporate bonds issued by Shenwu Environmental Technology Co., Ltd. by way of non-public issuance in 2016 ("16 Shenwu Bonds", bond code:118579). and the interest accrued thereon, the relevant legal fees and fees for property preservation in the aggregate sum of RMB76,853,911.01, and requesting that the guarantors assume joint and several liabilities for such payments. Further, the Company also files an application for property preservation to freeze the equivalent cash deposits of Shenwu Environmental and the guarantors. Beijing No. 3 Intermediate People's Court issued the judgment on 28 August 2018, ruling that Shenwu Environmental shall pay the principal of 16 Shenwu Bonds and the interest accrued thereon, the relevant legal fees and fees for property preservation to the Company. On 15 October 2018, Shenwu Environmental appealed to People's High Court of Beijing, claiming that the legal fees are excessively high and it lacks legal ground to support fees for property preservation. On 22 May 2019, the People's High Court of Beijing issued the judgment, ruling that Shenwu Environmental shall pay the principal of 16 Shenwu Bonds and the interest accrued thereon, the relevant legal fees and fees for property preservation to the Company and the judgment shall be final. Currently, the judgment is in execution.

III. SIGNIFICANT LAWSUITS AND ARBITRATIONS (CONTINUED)

(II) Subsequent Progress of the Significant Lawsuits and Arbitration Cases in the Previous Year (Continued)

2. The arbitration with regard to the Pingyin Kaidi electricity on-grid tariff asset-backed specialized scheme (Phase II) under the management of the Company

For details of the case, please refer to II. Significant Lawsuits and Arbitrations in Section 7 Other Material Particulars of the 2018 annual report of the Company.

On 10 August 2018, the Company, as the manager and on behalf of the Pingyin Kaidi electricity on-grid tariff asset-backed specialized scheme (Phase II) (the “Special Scheme”), submitted the arbitration application on five cases and the application for property preservation to China International Economic and Trade Arbitration Commission the (“Arbitration Commission”), requiring the respondents repaying the outstanding principal and expected return of the Special Scheme with an aggregate sum of RMB1,215 million as well as default interest losses. The first respondents are Chongyang Kaidi Green Energy Development Co., Ltd. (崇陽縣凱迪綠色能源開發有限公司), Laifeng Kaidi Green Energy Development Co., Ltd. (來鳳縣凱迪綠色能源開發有限公司), Jiangling Kaidi Green Energy Development Co., Ltd. (江陵縣凱迪綠色能源開發有限公司), Chibi Kaidi Green Energy Development Co., Ltd. (赤壁縣凱迪綠色能源開發有限公司) and Gucheng Kaidi Green Energy Development Co., Ltd. (谷城縣凱迪綠色能源開發有限公司). The second respondent is Kaidi Ecological and Environmental Technology Co., Ltd. (凱迪生態環境科技股份有限公司). The five arbitration cases filed by the Company on behalf of the Special Scheme, were heard on 10 January 2019. On 19 July 2019, the Company received the arbitration award in relation to the five cases from the Arbitration Commission. Other than the priority of compensation for the real estate mortgage right which was not supported by the Arbitration Commission due to failure of completing relevant mortgage registration, the arbitration claims in relation to the Special Scheme were supported.

IV. SIGNIFICANT CONTRACTS AND CONTRACT FULFILLMENT

The Company entered into a property lease contract with China Life Real Estate Co., Limited on 1 March 2016, pursuant to which the Company leased from China Life Real Estate Co., Limited the space of the Unit 1101, 11/F, China Life Centre, Financial Street, Xicheng District, Beijing, China for a term of 3 years commencing from 1 March 2016. The property lease contract was renewed on 1 March 2019 for a term of 3 three years commencing from 1 March 2019. The rental paid by the Company for the Reporting Period was approximately RMB11,134,900.

V. ENGAGEMENT OF AUDITORS

During the Reporting Period, the Company re-appointed Ruihua Certified Public Accountants LLP as its domestic auditor for the year 2019 for providing relevant audit service based on China Accounting Standards for Business Enterprises. The Company also re-appointed RSM Hong Kong as its international auditor for the year 2019 for providing relevant audit and review services based on the International Financial Reporting Standards.

Section V Other Material Particulars

VI. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company exerts its effort in maintaining high quality corporate governance in order to protect the interest of its shareholders and enhance its corporate value and accountability. During the Reporting Period, the Company has been in strict compliance with all the code provisions of Corporate Governance Code (if applicable). The Company will continue to review and enhance its corporate governance practice so as to ensure the compliance with the Corporate Governance Code.

VII. CORPORATE GOVERNANCE

(I) General Meeting

The Articles of Association and the Rules of Procedure for General Meetings of the Company have stipulated the rights and obligations of shareholders and the convocation, voting and proposal of general meetings. During the Reporting Period, the Company convened 2 general meetings.

(II) Operation of the Board and its Special Committees

The Board comprises 9 Directors, including 2 executive Directors (Mr. Pang Jiemin (*Chairman*) and Mr. Wu Yigang (*Vice Chairman*)), 4 non-executive Directors (Mr. Zhang Tao, Mr. Sun Chao, Ms. Dong Hong and Ms. Gao Liang) and 3 independent non-executive Directors (Ms. Zhou Jianjun, Dr. Lam Sek Kong and Mr. Lv Wendong).

The Board consists of 4 special committees, including Strategy and Investment Committee, Risk Control and Supervisory Committee, Audit Committee and Remuneration and Nomination Committee. The special committees of the Board shall, within their terms of reference specified in the rules of respective procedures, conduct work and be accountable to the Board.

Composition of special committees of the Board:

Strategy and Investment Committee:	Mr. Pang Jiemin (<i>Chairman</i>), Mr. Sun Chao and Dr. Lam Sek Kong
Risk Control and Supervisory Committee:	Mr. Pang Jiemin (<i>Chairman</i>), Mr. Wu Yigang and Mr. Zhang Tao
Audit Committee:	Ms. Zhou Jianjun (<i>Chairman</i>), Mr. Zhang Tao and Dr. Lam Sek Kong
Remuneration and Nomination Committee:	Ms. Zhou Jianjun (<i>Chairman</i>), Mr. Pang Jiemin and Dr. Lam Sek Kong

During the Reporting Period, the Board convened 9 meetings to consider 33 proposals; each of the Risk Control and Supervisory Committee and the Audit Committee convened 1 meeting.

The Audit Committee has reviewed and confirmed this report.

VII. CORPORATE GOVERNANCE (CONTINUED)

(III) Operation of the Supervisory Committee

Supervisory Committee consists of 3 members, namely, Mr. Guo Liwen, the chairman, Ms. Pei Jingjing, the shareholder representative Supervisor, and Mr. Wang Hui, the employee representative Supervisor. During the Reporting Period, the Supervisory Committee convened 2 meetings to consider 9 proposals. The Supervisors performed their duties diligently and supervised the operation of the Company in accordance with relevant laws and regulations and the relevant requirements of the Articles of Association, so as to protect the legitimate interests of the Company, shareholders and investors.

VIII. COMPLIANCE WITH MODEL CODE

The Company has also adopted the Model Code as its code of conduct regarding securities transactions by the Directors and Supervisors. The Company has made specific enquiry with all Directors and Supervisors, and all Directors and Supervisors confirmed that they had complied with the required standards set out in the Model Code during the Reporting Period.

IX. DIRECTOR AND SUPERVISOR SERVICE CONTRACT

No Directors or Supervisors entered into any service contract with the Company or its subsidiaries which shall be compensated (except for statutory compensation) upon termination within one year.

X. DIRECTORS' AND SUPERVISORS' RIGHT TO PURCHASE SHARES OR DEBENTURES

During the Reporting Period, no Directors, Supervisors of the Company or their respective spouse or children under the age of 18 purchased the shares or debentures of the Company to obtain rights, or such persons exercised any such right; or no arrangements have been made by the Company or any of its subsidiaries to entitle such right to the Company's Directors, Supervisors or their respective spouse or children under the age of 18 in any other body corporate.

XI. EVALUATION RESULTS OF THE COMPANY BY SECURITIES REGULATORY AUTHORITY

In the evaluation of securities companies of 2019 carried out by the CSRC, the Company was assigned CCC rating in class C.

Section V Other Material Particulars

XII. MAJOR PUNISHMENT AND RECTIFICATION

On 3 April 2019, the Company received from Liaoning Bureau of CSRC the Decision on Issuance of A Warning Letter to Hengtai Securities Co., Ltd (Notice on Administrative Regulatory Measures [2019] No. 10) (《關於對恒泰證券股份有限公司採取出具警示函措施的決定》(行政監管措施決定書[2019]10號)), pursuant to which, the supervisory and administrative measure of issuing a warning letter was imposed on the Company for its failure in implementing thorough due diligence with regard to the underlying assets under the specialized scheme to which the Company was accountable as the manager of Qinghui Leasing asset-backed special scheme Phase I. In terms of the due diligence, certain aspects were believed to be not in strict compliance with relevant procedures and the interview manuscript was incomplete.

The Company paid high attention to the problems revealed in the notices and conducted overall rectification in respect of them. The Company strengthened project quality control and compliance risk management, further enhanced employees' awareness of compliance risk control, and sorted out and standardized the relevant procedures. In addition, it will strictly implement relevant procedures to resolutely prevent such problems.

XIII. OTHER SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

1. Completion of Industrial and Commercial Registration for Change of the Company's Registered Address and Amendments to the Articles of Association

On 26 February 2019, the resolution in relation to the change of the Company's registered address and amendments to the Articles of Association was considered and approved at the 2019 first extraordinary general meeting of the Company. In order to meet the needs of business development, the Company proposed to change its registered address from "14-18/F, Everbright Bank Building, Oriental Junzuo Block D, Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region" to "Manshishangdu Office and Commercial Complex, Hailaer East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region". In addition, amendments were proposed to be made to the corresponding provision in the Articles of Association in light of the change of the Company's registered address. The change of the Company's registered address and the amendments to the Articles of Association took effect after being approved by relevant regulatory authorities in the PRC.

On 1 July 2019, the Company completed the industrial and commercial registration for the change of the Company's registered address and the amendments to the Articles of Association. Therefore, the registered address of the Company has been changed to "Manshishangdu Office and Commercial Complex, Hailaer East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region" since 1 July 2019, and the Articles of Association setting forth the corresponding amended clause have also taken effect since the same day.

Section VI Changes in Shareholdings and Particulars about Shareholders

I. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2019, to the knowledge of the Directors after having made reasonable enquiries, the following persons (excluding the Directors, Supervisors or chief executives of the Company) had interests or short positions in shares or underlying shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, as 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 (shares)	Approximate percentage of total number of issued shares of the Company ¹ (%)	Approximate percentage of the Company's total issued Domestic Shares/ H Shares ¹ (%)	Long position/ short position/ shares available for lending
Huarong Infrastructure ²	Domestic Shares	Beneficial owner	155,079,698	5.95	7.20	Long position
Finance Street Capital ²	Domestic Shares	Interests of controlled corporation	155,079,698	5.95	7.20	Long position
Finance Street Investment ³	Domestic Shares	Beneficial owner	165,418,345	6.35	7.68	Long position
Finance Street Xihuan Properties ⁴	Domestic Shares	Beneficial owner	211,472,315	8.12	9.82	Long position
Huarong Investment ⁴	Domestic Shares	Interests of controlled corporation	211,472,315	8.12	9.82	Long position
SASAC Xicheng District ^{2, 3, 4}	Domestic Shares	Interests of controlled corporation	531,970,358	20.42	24.70	Long position
Baotou Huazi ⁵	Domestic Shares	Beneficial owner/parties acting in concert	443,868,000	17.04	20.61	Long position
Tomorrow Holding ⁵	Domestic Shares	Interests of controlled corporation/parties acting in concert	443,868,000	17.04	20.61	Long position
Zhongchang Hengyuan ^{5, 11}	Domestic Shares	Beneficial owner/parties acting in concert	443,868,000	17.04	20.61	Long position
Shanghai Yida ^{5, 11}	Domestic Shares	Beneficial owner/parties acting in concert	443,868,000	17.04	20.61	Long position
Huifa Investment ⁶	Domestic Shares	Beneficial owner	154,000,000	5.91	7.15	Long position
Ms. Chen Shan ⁶	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long position
Mr. Shen Weimin ⁶	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long position
Huijin Jiaye ^{7, 11}	Domestic Shares	Beneficial owner	206,182,000	7.92	9.57	Long position
Shanghai Xishida ^{7, 11}	Domestic Shares	Interests of controlled corporation	206,182,000	7.92	9.57	Long position

Section VI Changes in Shareholdings and Particulars about Shareholders

I. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

Name of substantial shareholders	Class of shares	Nature of interest	Number of shares held (shares)	Approximate percentage of total number of issued shares of the Company ¹ (%)	Approximate percentage of the Company's total issued Domestic Shares/ H Shares ¹ (%)	Long position/ short position/ shares available for lending
Shenzhen Zhongxin ^{7, 11}	Domestic Shares	Interests of controlled corporation	206,182,000	7.92	9.57	Long position
Shanghai Julu ^{7, 11}	Domestic Shares	Interests of controlled corporation	206,182,000	7.92	9.57	Long position
Mr. Ci Penghui ^{7, 11}	Domestic Shares	Interests of controlled corporation	206,182,000	7.92	9.57	Long position
Qingyun Intercontinental ^{8, 11}	Domestic Shares	Beneficial owner	226,961,315	8.71	10.54	Long position
Ningbo Shike ^{8, 11}	Domestic Shares	Interests of controlled corporation	226,961,315	8.71	10.54	Long position
Shaanxi Hongya ^{8, 11}	Domestic Shares	Interests of controlled corporation	226,961,315	8.71	10.54	Long position
Mr. Duan Shuai ^{8, 11}	Domestic Shares	Interests of controlled corporation	226,961,315	8.71	10.54	Long position
Mr. Sun Yuanlin ^{8, 11}	Domestic Shares	Interests of controlled corporation	226,961,315	8.71	10.54	Long position
Hongzhi Huitong ^{9, 11}	Domestic Shares	Beneficial owner	154,000,000	5.91	7.15	Long position
Shaanxi Tianchen ^{9, 11}	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long position
Hangzhou Ruisi ^{9, 11}	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long position
Suzhou Bingtai ^{9, 11}	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long position
Mr. Zhang Li ^{9, 11}	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long position
Guotai Fund Management Co., Ltd. (國泰基金管理有限公 司)	H Shares	Investment manager	63,319,000	2.43	14.04	Long position
Pohua JT Private Equity Fund L.P. ¹⁰	H Shares	Beneficial owner	67,880,000	2.61	15.05	Long position
Pohua JT Capital Partners Limited ¹⁰	H Shares	Interests of controlled corporation	67,880,000	2.61	15.05	Long position
Tianfeng Securities Co., Ltd. ¹¹	Domestic Shares	Beneficial owner	781,365,375	29.99	36.28	Long position

Section VI Changes in Shareholdings and Particulars about Shareholders

I. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

Notes:

1. As at 30 June 2019, the Company has issued a total of 2,604,567,412 shares, including 2,153,721,412 Domestic Shares and 450,846,000 H Shares.
2. Huarong Infrastructure is wholly-owned by Finance Street Capital, which is in turn wholly-owned by SASAC Xicheng District. Therefore, each of Finance Street Capital and SASAC Xicheng District is deemed to be interested in 155,079,698 Domestic Shares held by Huarong Infrastructure.
3. Finance Street Investment is wholly-owned by SASAC Xicheng District. Therefore, SASAC Xicheng District is deemed to be interested in 165,418,345 Domestic Shares held by Finance Street Investment.
4. 90.00% of the equity interest in Finance Street Xihuan Properties is held by Huarong Investment, which is in turn wholly-owned by SASAC Xicheng District. Therefore, each of Huarong Investment and SASAC Xicheng District is deemed to be interested in 211,472,315 Domestic Shares held by Finance Street Xihuan Properties.
5. Tomorrow Holding, Zhongchang Hengyuan and Shanghai Yida have entered into an agreement to act in concert in respect of their shareholding in the Company. Therefore, each of Tomorrow Holding, Baotou Huazi (which is held by Tomorrow Holding as to approximately 54.32%), Zhongchang Hengyuan and Shanghai Yida are deemed to be interested in 443,868,000 Domestic Shares (being an aggregate of 308,000,000, 75,100,000 and 60,768,000 Domestic Shares held by Baotou Huazi, Zhongchang Hengyuan and Shanghai Yida, respectively).
6. 53.33% and 46.67% of the equity interest in Huifa Investment are held by Mr. Shen Weimin and Ms. Chen Shan, respectively. Therefore, each of Mr. Shen Weimin and Ms. Chen Shan is deemed to be interested in 154,000,000 Domestic Shares held by Huifa Investment.
7. 99.99% of the equity interest in Huijin Jiaye is held by Shanghai Xishida. 95.00% of the equity interest in Shanghai Xishida is held by Shenzhen Zhongxin. 99.47% of the equity interest in Shenzhen Zhongxin is held by Shanghai Julu. 35.00% of the equity interest in Shanghai Julu is held by Mr. Ci Penghui. Therefore, each of Shanghai Xishida, Shenzhen Zhongxin, Shanghai Julu, and Mr. Ci Penghui is deemed to be interested in 206,182,000 Domestic Shares held by Huijin Jiaye.
8. 70.00% of the equity interest in Qingyun Intercontinental is held by Ningbo Shike, which is in turn held by Shaanxi Hongya as to 99.60%. Shaanxi Hongya is held by Mr. Duan Shuai and Mr. Sun Yuanlin as to 49.00% and 51.00%, respectively. Moreover, 0.40% of the equity interest in Ningbo Shike is held by Mr. Sun Yuanlin. Therefore, each of Ningbo Shike, Shaanxi Hongya, Mr. Duan Shuai and Mr. Sun Yuanlin is deemed to be interested in 226,961,315 Domestic Shares held by Qingyun Intercontinental.
9. 97.08% of the equity interest in Hongzhi Huitong is held by Shaanxi Tianchen. 98.67% of the equity interest in Shaanxi Tianchen is held by Hangzhou Ruisi. 94.00% of the equity interest in Hangzhou Ruisi is held by Suzhou Bingtai. 81.82% of the equity interest in Suzhou Bingtai is held by Mr. Zhang Li. Therefore, each of Shaanxi Tianchen, Hangzhou Ruisi, Suzhou Bingtai and Mr. Zhang Li is deemed to be interested in 154,000,000 Domestic Shares held by Hongzhi Huitong.
10. Pohua JT Private Equity Fund L.P. is wholly-owned by Pohua JT Capital Partners Limited. Therefore, Pohua JT Capital Partners Limited is deemed to be interested in 67,880,000 H Shares held by Pohua JT Private Equity Fund L.P.
11. On 17 June 2019, Qingyun Intercontinental, Huijin Jiaye, Hongzhi Huitong, Jinan Bojie Narong Information Technology Co., Ltd., Zhongchang Hengyuan, Shanghai Yida, Weifang Keyu Technology Co., Ltd., Beijing Huacheng Hongtai Industrial Co., Ltd. and Beijing Huifutong International Investment Co., Ltd. (collectively, the "Domestic Shares Sellers") entered into an equity transfer agreement (股權轉讓協議書) (the "Equity Transfer Agreement") with Tianfeng Securities Co., Ltd. ("Tianfeng Securities"), pursuant to which the Domestic Shares Sellers agreed to sell, and Tianfeng Securities agreed to purchase a total of 781,365,375 Domestic Shares, representing approximately 29.99% of the issued share capital of the Company. The Equity Transfer Agreement is subject to approval by shareholders of Tianfeng Securities and the relevant regulatory approvals including but not limited to the approval from the CSRC. For details, please refer to the Company's announcements dated 29 May 2019 and 17 June 2019. As at the date of this report, the above equity transfer has not been completed.

Save as disclosed above, as at 30 June 2019, the Company is not aware of any other persons (excluding the Directors, Supervisors and chief executives of the Company) having the interests or short positions in the Shares or underlying Shares required to be recorded in the register under Section 336 of the SFO.

Section VI Changes in Shareholdings and Particulars about Shareholders

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

As at 30 June 2019, based on the information acquired by the Company and to the knowledge of the Directors, the Directors, Supervisors and chief executives of the Company have no (i) interests and short positions (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Sections 7 and 8 of Part XV under the SFO, or (ii) interests or short positions which shall be recorded in the interests register in accordance with section 352 of the SFO, or (iii) interest and short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), save as disclosed as follows:

Name	Class of shares	Nature of interest	Number of shares held (Shares)	Approximate percentage of total number of issued shares of the Company ¹ (%)	Approximate percentage of the Company's issued Domestic Shares/ H Shares ¹ (%)	Long position/short positions/ shares available for lending
Supervisor						
Ms. Pei Jingjing ^{2,3}	Domestic Shares	Interests of controlled corporation	206,182,000	7.92	9.57	Long position

Notes:

- As at 30 June 2019, the Company has issued a total of 2,604,567,412 shares, including 2,153,721,412 Domestic Shares and 450,846,000 H Shares.
- 99.99% and 0.01% of the equity interest in Huijin Jiaye are held by Shanghai Xishida and Ms. Pei Jingjing who is a Supervisor of the Company, respectively. 95.00% and 2.00% of the equity interest in Shanghai Xishida are held by Shenzhen Zhongxin and Ms. Pei Jingjing, respectively. Approximately 99.47% of the equity interest in Shenzhen Zhongxin is held by Shanghai Julu. Each of Ms. Pei Jingjing and Mr. Ci Penghui holds 35.00% of equity interest in Shanghai Julu. Therefore, Ms. Pei Jingjing is deemed to be interested in 206,182,000 Domestic Shares held by Huijin Jiaye.
- On 17 June 2019, the Domestic Shares Sellers (including Huijin Jiaye) entered into the Equity Transfer Agreement with Tianfeng Securities, pursuant to which the Sellers agreed to sell, and Tianfeng Securities agreed to purchase a total of 781,365,375 Domestic Shares, representing approximately 29.99% of the issued share capital of the Company. The Equity Transfer Agreement is subject to approval by shareholders of Tianfeng Securities and the relevant regulatory approvals including but not limited to the approval from the CSRC. For details, please refer to the Company's announcements dated 29 May 2019 and 17 June 2019. As at the date of this report, the above equity transfer has not been completed.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

Section VII Directors, Supervisors, Senior Management and Employees

I. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save for the followings, there was no change in details of Directors and Supervisors which are required to be disclosed pursuant to Rule 13.51B of the Listing Rules as compared with those disclosed in the 2018 annual report :

(I) Changes in Directors

None in the Reporting Period.

(II) Changes in Supervisors

None in the Reporting Period.

(III) Changes in Senior Management

1. At the 15th extraordinary meeting of the fourth session of the Board held on 6 May 2019, the resolution in relation to the resignation of Mr. Liu Quansheng as vice president of the Company was considered and approved. Mr. Liu Quansheng resigned as a vice president of the Company due to work rearrangement, and started to serve as the general manager of New China Fund on 6 June 2019.
2. At the 15th extraordinary meeting of the fourth session of the Board held on 6 May 2019, the resolution in relation to the resignation of Mr. Huang Weiguo as vice president of the Company was considered and approved. Mr. Huang Weiguo resigned as vice president of the Company for he wished to focus on his personal career development.

(IV) Change in Directors' information

1. Ms. Gao Liang, a non-executive Director, ceased to be a director of Finance Street Investment since July 2019.
2. Ms. Dong Hong, a non-executive Director, served as a director of Finance Street Investment since July 2019.

Section VII Directors, Supervisors, Senior Management and Employees

II. EMPLOYEES, REMUNERATION POLICY AND TRAINING

At the end of the Reporting Period, the Group had 2,008 employees in total, including 1,509 employees of the Company and 499 employees of its subsidiaries.

The remuneration of the Company's employees comprises of basic wage, allowances, benefits and others. The Company has made contributions to schemes such as social insurance and housing provident fund on behalf of employees in accordance with relevant requirements of the PRC. The Company has strictly observed the Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China and other external laws and regulations, and has established a sound human resources management system and process to bring its hiring under regulation, thus effectively protecting the rights and interests of the employees.

The Company has always paid special attention to staff training. The Company made surveys and analysis in respect of training needs at the beginning of the year and compiled the annual training plan upon consolidation, processing and analysis of the data collected. During the Reporting Period, 19 external trainings and 4 internal on-site trainings were organized, providing trainings for 28 employees and 310 employees, respectively. Online training courses were provided for 53 new employees. Furthermore, online and offline meetings were held on a regular basis for various departments to share business experiences.

Independent Review Report



TO THE BOARD OF DIRECTORS OF HENGTOU SECURITIES

(a joint stock company incorporated in the People's Republic of China with limited liabilities under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English))

INTRODUCTION

We have reviewed the interim financial information set out on pages 49 to 88 which comprises the condensed consolidated statement of financial position of the Group as at 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other 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 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 and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of 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 Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Review Report

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.

RSM Hong Kong

Certified Public Accountants

Hong Kong

23 August 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2019 (unaudited)	2018 (unaudited)
Fees and commission income	3	919,838	728,663
Interest income	4	324,600	424,102
Net investment income	5	419,134	(180,982)
Other income and gains	6	530,158	24,079
Total operating income		2,193,730	995,862
Fees and commission expenses	7	(100,071)	(69,142)
Interest expenses	8	(279,672)	(295,209)
Fair value losses from financial assets at fair value through profit or loss and derivative financial instruments		(36,877)	(219,944)
Staff costs	9	(530,490)	(397,002)
Depreciation and amortisation	10	(78,891)	(47,766)
Taxes and surcharges		(9,155)	(8,927)
Other operating expenses	11	(250,142)	(273,727)
Impairment losses	12	(102,193)	(45,374)
Total operating expenses		(1,387,491)	(1,357,091)
Operating profit/(loss)		806,239	(361,229)
Share of profits less losses of associates		374	(1,737)
Profit/(loss) before tax		806,613	(362,966)
Income tax	13	(193,782)	83,100
Profit/(loss) for the period		612,831	(279,866)
Attributable to:			
Ordinary shareholders of the Company		590,235	(303,912)
Non-controlling interests		22,596	24,046
		612,831	(279,866)
Earning/(loss) per share			
Basic and diluted	14	RMB0.21	(RMB0.14)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Profit/(loss) for the period	612,831	(279,866)
Other comprehensive income	—	—
Total comprehensive income for the period	612,831	(279,866)
Attributable to:		
Ordinary shareholders of the Company	590,235	(303,912)
Non-controlling interests	22,596	24,046
	612,831	(279,866)

Condensed Consolidated Statement of Financial Position

As at 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2019 (unaudited)	31 December 2018 (audited)
Non-current assets			
Property and equipment	16	524,177	521,781
Right-of-use assets	17	154,612	–
Investment properties		41,771	42,758
Goodwill		43,739	43,739
Intangible assets		105,749	115,268
Interest in associates		12,932	12,557
Refundable deposits		467,697	480,502
Deferred tax assets		139,029	231,103
Other non-current assets	18	36,356	41,033
Total non-current assets		1,526,062	1,488,741
Current assets			
Margin account receivables	19	4,064,299	3,237,924
Other current assets	20	568,142	559,242
Financial assets held under resale agreements	21	1,246,958	1,161,988
Financial assets at fair value through other comprehensive income	22	–	55,426
Financial assets at fair value through profit or loss	23	10,239,833	11,840,596
Cash held on behalf of brokerage clients	24	10,709,706	7,475,631
Clearing settlement funds		815,585	980,059
Cash and bank balances		2,207,312	3,115,472
Total current assets		29,851,835	28,426,338
Total assets		31,377,897	29,915,079
Current liabilities			
Debt instruments	26	2,408,369	3,853,082
Placements from a financial institution		500,000	500,000
Account payables to brokerage clients	27	10,998,540	7,691,497
Employee benefit payables		310,140	287,689
Contract liabilities		18,434	34,331
Lease liabilities		58,244	–
Other current liabilities	28	1,717,372	1,616,090
Current tax liabilities		19,643	10,280
Financial assets sold under repurchase agreements	29	2,615,160	3,742,325
Total current liabilities		18,645,902	17,735,294
Net current assets		11,205,933	10,691,044
Total assets less current liabilities		12,731,995	12,179,785

Condensed Consolidated Statement of Financial Position

As at 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2019 (unaudited)	31 December 2018 (audited)
Non-current liabilities			
Debt instruments	26	2,132,873	2,218,236
Lease liabilities		86,402	–
Deferred tax liabilities		76,616	16,728
Total non-current liabilities		2,295,891	2,234,964
NET ASSETS		10,436,104	9,944,821
Equity			
Share capital	30	2,604,567	2,604,567
Share premium		1,665,236	1,665,236
Perpetual capital securities	31	1,500,000	1,500,000
Reserves		4,254,841	3,766,606
Total equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities		10,024,644	9,536,409
Non-controlling interests		411,460	408,412
TOTAL EQUITY		10,436,104	9,944,821

Approved by the Board of Directors on 23 August 2019 and are signed on its behalf by:

Pang Jiemin
Chairman of Board of Directors

Wu Yigang
Vice Chairman of Board of Directors

Yang Shufei
Chief Financial Officer

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

(unaudited)

	Attributable to ordinary shareholders of the Company and holders of perpetual capital securities										Non-controlling interests	Total equity
	Share capital	Share premium	Perpetual capital securities	Surplus reserve	General risk reserve	Transactions risk reserve	Investment revaluation reserve	Retained profits	Total			
At 1 January 2018	2,604,567	1,665,236	1,500,000	508,906	709,241	609,999	390,307	2,583,021	10,571,277	371,155		10,942,432
Adjustments on initial application of IFRS 9 (Note 2)	-	-	-	224	251	221	(390,307)	390,646	1,035	(209)		826
Restated balance at 1 January 2018	2,604,567	1,665,236	1,500,000	509,130	709,492	610,220	-	2,973,667	10,572,312	370,946		10,943,258
Total comprehensive income for the period	-	-	-	-	-	-	-	(303,912)	(303,912)	24,046		(279,866)
Dividend paid (Note 15)	-	-	-	-	-	-	-	(362,457)	(362,457)	-		(362,457)
Change in equity for the period	-	-	-	-	-	-	-	(666,369)	(666,369)	24,046		(642,323)
At 30 June 2018	2,604,567	1,665,236	1,500,000	509,130	709,492	610,220	-	2,307,298	9,905,943	394,992		10,300,935
At 1 January 2019	2,604,567	1,665,236	1,500,000	509,130	734,385	611,124	-	1,911,967	9,536,409	408,412		9,944,821
Total comprehensive income for the period	-	-	-	-	-	-	-	590,235	590,235	22,596		612,831
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(19,548)		(19,548)
Dividend paid (Note 15)	-	-	-	-	-	-	-	(102,000)	(102,000)	-		(102,000)
Change in equity for the period	-	-	-	-	-	-	-	488,235	488,235	3,048		491,283
At 30 June 2019	2,604,567	1,665,236	1,500,000	509,130	734,385	611,124	-	2,400,202	10,024,644	411,460		10,436,104

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2019 (unaudited)	2018 (unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES		860,150	952,918
Proceeds from disposal of property and equipment and intangible assets		1,156	101
Disposal of an associate		—	204
Dividend income received from an associate		—	1,593
Purchases of property and equipment, intangible assets and other non-current assets		(43,975)	(36,332)
Other investing cash flows (net)		(409,100)	(193,300)
NET CASH USED IN INVESTING ACTIVITIES		(451,919)	(227,734)
Proceeds from issuance of debt instruments		756,620	841,210
Repayments of debt instruments		(2,301,070)	(1,200,000)
Interest paid for financing activities		(104,838)	(120,768)
Dividends paid to non-controlling interests		(19,548)	—
Dividends paid to ordinary shareholders of the Company		(102,000)	(102,000)
Principal elements of lease payments		(25,347)	—
Other financing cash flows (net)		(1,715)	(4,325)
NET CASH USED IN FINANCING ACTIVITIES		(1,797,898)	(585,883)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,389,667)	139,301
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		3,998,650	3,632,644
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		61	323
CASH AND CASH EQUIVALENTS AT END OF PERIOD	25	2,609,044	3,772,268

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2018 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2018 except as stated below.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised International Financial Reporting Standards

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. IFRSs comprise International Financial Reporting Standards (“IFRS”); International Accounting Standards (“IAS”); and Interpretations.

The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group’s condensed consolidated financial statements.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained profits at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(a) Application of new and revised International Financial Reporting Standards (Continued)

IFRS 16 Leases (Continued)

(i) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Group leases mainly properties.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(a) Application of new and revised International Financial Reporting Standards (Continued)

IFRS 16 Leases (Continued)

(ii) As a lessee (Continued)

The recognised right-of-use assets relate to the following types of assets:

	Balance as at	
	30 June 2019 RMB	1 January 2019 RMB
Properties	154,612	166,000

Significant accounting policies

The Group recognises a right-of-use assets and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(a) Application of new and revised International Financial Reporting Standards (Continued)

IFRS 16 Leases (Continued)

(ii) As a lessee (Continued)

Transition

Previously, the Group classified property leases as operating leases under IAS 17. These include premises for office usage. The leases typically run for a period from 1 to 6 years. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(iii) As a lessor

The Group leases out its investment property, including right-of-use assets. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(a) Application of new and revised International Financial Reporting Standards (Continued)

IFRS 16 Leases (Continued)

(iv) Impacts of financial statements

Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained profits. The change in accounting policy affected the following items on the consolidated statement of financial position (increase/(decrease)) as at 1 January 2019 is summarised below.

	1 January 2019 RMB
Assets	
Right-of-use assets	166,000
Prepayments	(5,735)
Total assets	160,265
Liabilities	
Lease liabilities	161,377
Other current liabilities	(1,112)
Total liabilities	160,265
Equity	
Retained profits	—
Non-controlling interests	—
Total equity	—

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(a) Application of new and revised International Financial Reporting Standards (Continued)

IFRS 16 Leases (Continued)

(iv) Impacts of financial statements (Continued)

Impact on transition (Continued)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 5.79%.

	1 January 2019 RMB
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	220,753
Discounted using the incremental borrowing rate at 1 January 2019	208,902
Less: Recognition exemption for leases with less than 12 months of leases term at transition	47,525
Lease liabilities recognised as at 1 January 2019	161,377
Of which are:	
Current lease liabilities	58,749
Non-current lease liabilities	102,628
	161,377

Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RMB154.6 million of right-of-use assets and RMB144.6 million of lease liabilities as at 30 June 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised RMB25.6 million of depreciation charges and RMB3.7 million of finance costs from these leases.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) New and revised IFRSs in issue but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted. The Group has not early adopted any new or amended standards that has been issued but is not yet effective.

The Group is still assessing the impact of these new and revised IFRSs and there are no significant updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's condensed consolidated financial statements.

3. FEES AND COMMISSION INCOME

	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Fees and commission income arising from:		
– Securities brokerage business	466,977	361,159
– Assets management business	247,298	262,073
– Underwriting and sponsoring business	63,860	31,331
– Future brokerage business	21,150	30,208
– Financial advisory business	96,919	18,463
– Investment advisory business	3,290	2,375
– Custody business	20,344	23,054
	919,838	728,663

4. INTEREST INCOME

	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Interest income arising from:		
– Margin financing and securities lending	149,068	216,500
– Deposits in financial institutions	143,423	170,171
– Financial assets held under resale agreements	32,109	37,431
	324,600	424,102

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

5. NET INVESTMENT INCOME

	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Dividend income from financial instruments at FVTPL and derivative financial instruments	182,354	335,478
Net realised gains/(losses) from disposal of financial instruments at FVTPL and derivative financial instruments	236,866	(518,021)
Net losses on disposal of financial assets at FVTOCI	(85)	–
Interest income from investments classified as receivables	–	984
Loss on disposal of an associate	–	(79)
Others	(1)	656
	419,134	(180,982)

6. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Foreign exchange gains	61	323
Rental income	875	1,502
Government grants	4,659	5,581
Gain on disposal of property and equipment and intangible assets	651	4
Gains from financial instruments at FVTPL and derivative financial instruments	523,750	14,891
Others	162	1,778
	530,158	24,079

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

7. FEES AND COMMISSION EXPENSES

	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Expenses arising from:		
– Securities brokerage business	90,637	69,142
– Investment advisory business	9,434	–
	100,071	69,142

8. INTEREST EXPENSES

	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Interest expenses arising from:		
– Account payables to brokerage clients	17,568	18,962
– Placements from a financial institution	11,664	14,466
– Financial assets sold under repurchase agreements	54,893	149,340
– Debts instruments	127,029	119,645
– Other investors under the assets management schemes	59,274	(6,221)
– Limited partners under limited partnerships	4,812	(983)
– Lease liabilities	3,647	–
– Others	785	–
	279,672	295,209

9. STAFF COSTS

	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Short-term benefits	492,581	367,283
Defined contribution plan	37,909	29,719
	530,490	397,002

The Group is required to participate in pension schemes in the People's Republic of China ("PRC") whereby the Group is required to pay annual contributions for its employees at certain rates of the wages of employees. The Group has no other material obligations for payment of retirement benefits to its employees beyond the contributions described above.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

10. DEPRECIATION AND AMORTISATION

	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Depreciation of:		
– property and equipment	23,083	19,195
– investment properties	987	413
– Right-of-use assets	25,597	–
Amortisation of:		
– intangible assets	21,222	19,536
– leasehold improvements and long-term prepaid expenses	8,002	8,622
	78,891	47,766

11. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Auditors' remuneration	5,580	5,261
Business entertainment expenses	10,413	11,483
Business travel expenses	13,802	18,549
Consulting fees	21,848	38,625
Electronic equipment operating expenses	34,065	15,768
Miscellaneous office expenses	2,898	4,766
Other commission expenses	30,721	33,895
Postal and communication expenses	5,938	6,921
Rental expenses	27,812	58,957
Securities investor protection funds	33,651	1,637
Utilities and building management fees	7,240	5,738
Others	56,174	72,127
	250,142	273,727

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

12. IMPAIRMENT LOSSES

	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Impairment losses on:		
– margin financing and securities lending	5,184	3,891
– financial assets held under resale agreements	29,973	5,267
– other current assets	67,036	36,216
	102,193	45,374

13. INCOME TAX

	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Current tax	41,820	28,363
Deferred tax	151,962	(111,463)
	193,782	(83,100)

The provision for the PRC corporate income tax is calculated based on the statutory income tax rate of 25%.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

14. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue.

	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Profit/(loss)		
Profit/(loss) for the period attributable to ordinary shareholders of the Company	590,235	(303,912)
Less: Dividends for cumulative perpetual capital securities required	(50,581)	(50,581)
	<u>539,654</u>	<u>(354,493)</u>
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	<u>2,604,567</u>	<u>2,604,567</u>

For the six months ended 30 June 2019, there were no dilutive potential ordinary shares (six months ended 30 June 2018: Nil), so the diluted earnings/(loss) per share were the same as the basic earnings/(loss) per share.

15. DIVIDENDS

	Six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Final dividend in respective of the financial year ended 31 December 2017 of RMB0.10 per ordinary share	—	260,457
Dividend paid to holders of perpetual capital securities	102,000	102,000
	<u>102,000</u>	<u>362,457</u>

- (i) The dividend paid during the six months ended 30 June 2019 was RMB102 million being dividend calculated at 6.80% p.a. on the nominal value of perpetual capital securities.
- (ii) The dividend paid during the six months ended 30 June 2018 were (i) approximately RMB260.457 million being final dividend of RMB1 per ten shares in respect of the year ended 31 December 2017; and (ii) RMB102 million being dividend calculated at 6.80% p.a. on the nominal value of perpetual capital securities.

The directors do not recommend the payment of dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

16. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property and equipment of approximately RMB34.727 million (unaudited) (six months ended 30 June 2018: RMB27.048 million (unaudited)).

17. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2019, the Group entered into 16 new lease agreement for properties for 2 to 10 years. The Group makes fixed payments and additional variable payments depending on the usage of the asset during the contract period. On lease commencement, the Group recognised RMB14.209 million of right-of-use asset and lease liabilities.

18. OTHER NON-CURRENT ASSETS

	30 June 2019 (unaudited)	31 December 2018 (audited)
Leasehold improvements and long-term prepaid expenses (<i>note</i>)	29,594	32,710
Long-term receivables	6,762	8,323
	36,356	41,033

Note:

The movements of leasehold improvements and long-term prepaid expenses are as below:

	30 June 2019 (unaudited)	31 December 2018 (audited)
At beginning of the period/year	32,710	38,954
Additions	4,886	10,703
Amortisation	(8,002)	(16,947)
At the end of the period/year	29,594	32,710

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

19. MARGIN ACCOUNT RECEIVABLES

	30 June 2019 (unaudited)	31 December 2018 (audited)
Individual receivables	3,748,693	3,227,675
Institution receivables	331,546	21,005
Less: Impairment losses	(15,940)	(10,756)
	4,064,299	3,237,924

The fair value of collaterals for margin financing and securities lending business is analysed as follows:

	30 June 2019 (unaudited)	31 December 2018 (audited)
Equity securities	11,241,180	8,070,585
Cash	837,705	567,343
	12,078,885	8,637,928

The Group evaluates the collectability of receivables from margin clients based on management's assessment on the credit rating, collateral value and the past collection history of each margin clients.

20. OTHER CURRENT ASSETS

	30 June 2019 (unaudited)	31 December 2018 (audited)
Fees and commission receivables (note a)	160,887	209,215
Interest receivables (note b)	264,222	222,056
Prepaid expenses	16,242	13,130
Other receivables (note c)	126,791	114,841
	568,142	559,242

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

20. OTHER CURRENT ASSETS (CONTINUED)

Notes:

(a) Fees and commission receivables

As at the end of the reporting period, the ageing analysis of fees and commission receivables, based on the invoice date, is as follows:

	30 June 2019 (unaudited)	31 December 2018 (audited)
Within one year	331,472	324,820
Over one year	773	865
Less: Impairment losses	(171,358)	(116,470)
	<u>160,887</u>	<u>209,215</u>

(b) Interest receivables

	30 June 2019 (unaudited)	31 December 2018 (audited)
Interest receivables arising from:		
– Financial assets at fair value through profit or loss	175,233	179,273
– Margin financing and securities lending	57,934	48,299
– Bank deposits	64,138	8,505
– Financial assets held under resale agreements	2,716	9,678
Less: Impairment losses	(35,799)	(23,699)
	<u>264,222</u>	<u>222,056</u>

(c) Other receivables

	30 June 2019 (unaudited)	31 December 2018 (audited)
Other receivables	151,615	139,617
Less: Impairment losses	(24,824)	(24,776)
	<u>126,791</u>	<u>114,841</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30 June 2019 (unaudited)	31 December 2018 (audited)
Analysis by collateral type:		
Current		
– Equity securities	745,122	753,157
– Debt securities	566,078	443,100
Less: Impairment losses	(64,242)	(34,269)
	1,246,958	1,161,988
Analysis by market:		
Current		
– Shenzhen Stock Exchange	830,324	753,157
– Shanghai Stock Exchange	336,500	341,100
– Interbank	144,376	102,000
Less: Impairment losses	(64,242)	(34,269)
	1,246,958	1,161,988

As at 30 June 2019, the Group did not hold any collateral under resale agreements for which the Group was permitted to sell or re-pledge in the absence of default for the transactions (31 December 2018: Nil).

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2019 (unaudited)	31 December 2018 (audited)
Current:		
– Debt securities	–	55,426
Analysis into:		
– Listed outside Hong Kong	–	55,426

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 (unaudited)	31 December 2018 (audited)
Held for trading:		
– Debt securities	6,284,134	6,398,431
– Equity securities	3,191,473	3,617,252
– Investment funds	681,185	1,228,268
– Assets management schemes	83,041	596,645
	10,239,833	11,840,596
Analysis into:		
– Listed in Hong Kong	100,246	75,805
– Listed outside Hong Kong	5,505,333	6,390,496
– Unlisted	4,634,254	5,374,295
	10,239,833	11,840,596

24. CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified their brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the condensed consolidated statement of financial position, and recognised the corresponding account payables to the respective brokerage clients on the grounds that the Group is liable for any loss or misappropriation of their brokerage clients' monies. Cash held for brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions in accordance with China Securities Regulatory Commission ("CSRC") regulations.

25. CASH AND CASH EQUIVALENTS

	30 June 2019 (unaudited)	30 June 2018 (unaudited)
Cash on hand	61	76
Bank balances with original maturity within three months	1,482,451	1,763,672
Clearing settlement funds	815,585	944,734
Financial assets held under resale agreements with original maturity within three months	566,200	1,269,120
Less: restricted bank deposits	(255,253)	(205,334)
	2,609,044	3,772,268

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

26. DEBT INSTRUMENTS

	30 June 2019 (unaudited)	31 December 2018 (audited)
Beneficiary certificates	3,041,242	3,071,318
Subordinated bonds	1,500,000	1,500,000
Long-term corporate bond	—	1,500,000
	4,541,242	6,071,318
Analysis by remaining maturity:		
Current		
Within one year	2,408,369	3,853,082
Non-current		
Between one year and two years	632,873	718,236
Between two years and five years	1,500,000	1,500,000
	2,132,873	2,218,236
	4,541,242	6,071,318

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

26. DEBT INSTRUMENTS (CONTINUED)

Beneficiary certificates:

Name	Par value	Issuance date	Due date	Interest rate	30.6.2019 (unaudited)					
					Par value				Accrued Interest	Book value as at 30 June 2019
					As at 1 January 2019	Issuance	Redemption	As at 30 June 2019		
恒創泰富No. 6	100,000	24.02.2017	22.02.2019	5.70%	104,857	-	(104,857)	-	-	-
恒創泰富No. 13	500,000	14.03.2018	14.03.2019	6.20%	500,000	-	(500,000)	-	-	-
恒創泰富No. 14	500,000	04.07.2018	04.07.2019	5.85%	500,000	-	-	500,000	-	500,000
恒創泰富No. 15	500,000	25.07.2018	25.07.2019	5.50%	500,000	-	-	500,000	-	500,000
恒創泰富No. 16	80,000	31.08.2018	28.11.2019	5.40%	80,000	-	-	80,000	3,598	83,598
恒創泰富No. 17	300,000	27.09.2018	26.09.2019	5.40%	300,000	-	-	300,000	-	300,000
恒創泰富No. 19	300,000	16.11.2018	16.11.2020	5.75%	300,000	-	-	300,000	10,728	310,728
恒富No. 14	60,130	18.01.2018	17.01.2019	5.50%	60,130	-	(60,130)	-	-	-
恒富No. 16	140,140	11.04.2018	13.04.2020	6.20%	140,140	-	-	140,140	10,616	150,756
恒富No. 17	140,940	27.06.2018	26.06.2019	5.60%	140,940	-	(140,940)	-	-	-
恒富No. 18	148,350	11.07.2018	08.01.2020	5.80%	148,350	-	-	148,350	8,369	156,719
恒富No. 19	160,000	25.07.2018	24.07.2019	5.60%	160,000	-	-	160,000	-	160,000
恒富No. 20	85,090	26.12.2018	21.12.2020	5.00%	85,090	-	-	85,090	2,180	87,270
恒富No. 21	31,980	27.12.2018	22.12.2020	5.00%	31,980	-	-	31,980	815	32,795
恒創泰富No. 20	200,000	01.03.2019	28.02.2020	5.00%	-	200,000	-	200,000	-	200,000
恒創泰富No. 21	200,000	19.04.2019	21.10.2020	5.20%	-	200,000	-	200,000	2,080	202,080
恒富No. 22	39,990	29.05.2019	27.08.2019	4.40%	-	39,990	-	39,990	-	39,990
恒富No. 23	39,970	30.05.2019	26.11.2019	4.60%	-	39,970	-	39,970	-	39,970
恒富No. 24	160,420	12.06.2019	15.06.2020	4.80%	-	160,420	-	160,420	401	160,821
恒富No. 25	116,240	13.06.2019	16.06.2020	4.80%	-	116,240	-	116,240	275	116,515
					3,051,487	756,620	(805,927)	3,002,180	39,062	3,041,242

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

26. DEBT INSTRUMENTS (CONTINUED)

Beneficiary certificates: (Continued)

Name	Par value	Issuance date	Due date	Interest rate	31.12.2018 (audited)					
					Par value			Accrued Interest	Book value as at 31 December	
					As at 1 January 2018	Issuance	Redemption			
					2018		2018			
恒創泰富No. 6	100,000	24.02.2017	22.02.2019	5.70%	104,857	–	–	104,857	5,700	110,557
恒創泰富No. 8	300,000	08.03.2017	08.03.2018	5.20%	300,000	–	(300,000)	–	–	–
恒創泰富No. 9	200,000	10.03.2017	09.03.2018	5.20%	200,000	–	(200,000)	–	–	–
恒創泰富No. 11	500,000	27.06.2017	27.06.2018	5.78%	500,000	–	(500,000)	–	–	–
恒創泰富No. 12	500,000	21.07.2017	20.07.2018	5.45%	500,000	–	(500,000)	–	–	–
恒創泰富No. 13	500,000	14.03.2018	14.03.2019	6.20%	–	500,000	–	500,000	–	500,000
恒創泰富No. 14	500,000	04.07.2018	04.07.2019	5.85%	–	500,000	–	500,000	–	500,000
恒創泰富No. 15	500,000	25.07.2018	25.07.2019	5.50%	–	500,000	–	500,000	–	500,000
恒創泰富No. 16	80,000	31.08.2018	28.11.2019	5.40%	–	80,000	–	80,000	1,456	81,456
恒創泰富No. 17	300,000	27.09.2018	26.09.2019	5.40%	–	300,000	–	300,000	–	300,000
恒創泰富No. 19	300,000	16.11.2018	16.11.2020	5.75%	–	300,000	–	300,000	2,174	302,174
恒富No. 14	60,130	18.01.2018	17.01.2019	5.50%	–	60,130	–	60,130	–	60,130
恒富No. 16	140,140	11.04.2018	13.04.2020	6.20%	–	140,140	–	140,140	6,308	146,448
恒富No. 17	140,940	27.06.2018	26.06.2019	5.60%	–	140,940	–	140,940	–	140,940
恒富No. 18	148,350	11.07.2018	08.01.2020	5.80%	–	148,350	–	148,350	4,102	152,452
恒富No. 19	160,000	25.07.2018	24.07.2019	5.60%	–	160,000	–	160,000	–	160,000
恒富No. 20	85,090	26.12.2018	21.12.2020	5.00%	–	85,090	–	85,090	70	85,160
恒富No. 21	31,980	27.12.2018	22.12.2020	5.00%	–	31,980	–	31,980	21	32,001
					<u>1,604,857</u>	<u>2,946,630</u>	<u>(1,500,000)</u>	<u>3,051,487</u>	<u>19,831</u>	<u>3,071,318</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

26. DEBT INSTRUMENTS (CONTINUED)

Subordinated bonds:

Name	Par value	Issuance date	Due date	Nominal interest rate	30.6.2019 (unaudited)			
					Book value as at 1 January 2019	Issuance	Redemption	Book value as at 30 June 2019
恒泰证券股份有限公司 2017次級債	1,500,000	01.11.2017 (with early redemption option on 01.11.2020)	01.11.2022	5.90%	1,500,000	–	–	1,500,000
					31.12.2018 (audited)			
Name	Par value	Issuance date	Due date	Nominal interest rate	Book value as at 1 January 2018	Issuance	Redemption	Book value as at 31 December 2018
14 恒泰債(123262)	200,000	30.01.2015 (with early redemption option on 30.01.2018)	30.01.2020	6.70%	200,000	–	(200,000)	–
恒泰证券股份有限公司 2017次級債	1,500,000	01.11.2017 (with early redemption option on 01.11.2020)	01.11.2022	5.90%	1,500,000	–	–	1,500,000
恒泰期貨股份有限公司次級債	40,000	15.08.2016 (with early redemption option on 15.08.2018)	15.08.2020	6.00%	40,000	–	(40,000)	–
					1,740,000	–	(240,000)	1,500,000

As approved by CSRC, the Company issued 5-year subordinated bonds with RMB200 million on 30 January 2015. These subordinated bonds were listed at Shanghai Stock Exchange. In addition, as approved by CSRC, the Group had also issued 4-year subordinated bond with nominal value of RMB40 million on 15 August 2016 and RMB1.5 billion on 1 November 2017. This subordinated bond was unlisted.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

26. DEBT INSTRUMENTS (CONTINUED)

Long-term corporate bond:

Name	Issuance date	Due date	Nominal interest rate	At 30 June 2019 (unaudited)		
				Book value as at 1 January 2019	Redemption	Book value as at 30 June 2019
14恒泰05(136215)	29.01.2016	29.01.2019	3.42%	1,500,000	(1,500,000)	–
At 31 December 2018 (audited)						
Name	Issuance date	Due date	Nominal interest rate	Book value as at 1 January 2018	Issuance	Book value as at 31 December 2018
14恒泰05(136215)	29.01.2016	29.01.2019	3.42%	1,500,000	–	1,500,000

27. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

	30 June 2019 (unaudited)	31 December 2018 (audited)
Clients' deposits for:		
– margin financing and securities lending	786,628	574,109
– other brokerage business	10,211,912	7,117,388
	10,998,540	7,691,497

Account payables to brokerage clients represent the monies received from and repayable to brokerage clients. Account payables to brokerage clients are interest bearing at the prevailing interest rate.

The majority of the account payables balances are repayable on demand except where certain account payables to brokerage clients represent monies received from clients for their margin financing activities under normal course of business, such as margin financing and securities lending. Only the amounts in excess of the required amount of margin deposits and cash collateral are repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

28. OTHER CURRENT LIABILITIES

	30 June 2019 (unaudited)	31 December 2018 (audited)
Payables to:		
– other investors of consolidated structural entities	1,323,924	1,196,788
– limited partners of consolidated limited partnerships	11,531	8,434
Other payables	219,267	212,343
Interest payables	139,946	175,252
Tax and surcharges payables	22,704	23,273
	1,717,372	1,616,090

29. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2019 (unaudited)	31 December 2018 (audited)
Analysis by collateral type		
Current:		
– Equity securities	2,615,160	3,197,325
– Debt securities	–	45,000
– Rights and interests in margin financing	–	500,000
	2,615,160	3,742,325
Analysis by market		
Current:		
– Bank and other financial institutions	983,860	968,825
– Shanghai Stock Exchange	1,366,300	1,783,000
– Shenzhen Stock Exchange	265,000	347,500
– Inter-bank market	–	643,000
	2,615,160	3,742,325
Analysis by transaction type		
Pledged	2,615,160	3,538,750
Sold	–	203,575
	2,615,160	3,742,325

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

29. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (CONTINUED)

As at 30 June 2019, the carrying amount of the financial assets at fair value through profit or loss and margin account receivables that had been placed as financial assets sold under repurchase agreements are as below:

	30 June 2019 (unaudited)	31 December 2018 (audited)
Financial assets at fair value through profit or loss	3,100,111	4,016,882
Margin account receivables	—	559,372
	3,100,111	4,576,254

30. SHARE CAPITAL

All shares issued by the Company are fully paid ordinary shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

At 1 January 2018, 31 December 2018 and 30 June 2019	2,604,567
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31. PERPETUAL CAPITAL SECURITIES

The Group issued a perpetual subordinated debt (the "Debt") with nominal value of RMB1,500 million on 29 June 2015. The Debt is undated and will carry a 6.80% coupon rate until the first redemption date on 29 June 2020. The coupon rate will be reset every five years if the Debt is not redeemed.

The Group does not have any contractual obligation to deliver cash or other financial assets to redeem the Debt. The redemption of the Debt is solely at the discretion of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

32. COMMITMENTS

Capital commitments

Capital commitments outstanding at 30 June 2019 not provided for in the financial statements are as follows:

	30 June 2019 (unaudited)	31 December 2018 (audited)
Acquisition of property and equipment	368,036	369,396
Acquisition of intangible assets	168,808	146,400
	536,844	515,796

Lease commitments – the Group as lessee

Prior to the adoption of IFRS 16 Lease, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2017 (audited)
Within 1 year (inclusive)	94,937
1 – 2 years (inclusive)	62,240
2 – 3 years (inclusive)	42,231
After 3 years	21,345
	220,753

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

33. CONTINGENT LIABILITIES

As at 31 December 2018 and 30 June 2019, the Group involved in the following legal, arbitration or administrative proceedings:

Since June 2018, the Company has successively received the civil indictments brought by Xinyuan Fund Management Limited (鑫元基金管理有限公司), Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司), Goldstate Capital Fund Management Co., Ltd. (金元順安基金管理有限公司), Bank of Nanjing Co., Ltd. (南京銀行股份有限公司), Chuangjin Hexin Fund Management Limited (創金合信基金管理有限公司) and Tianhong Asset Management Co., Ltd. (天弘基金管理有限公司), the preferential holders of the Qinghui Leasing asset-backed specialized schemes Phase I (collectively the "Plaintiffs"), claiming for the repayment of the outstanding principals (i.e., RMB20 million, RMB60 million, RMB130 million, RMB100 million, RMB40 million and RMB35 million, respectively), and the interest payable and relevant charges by the Company. The Plaintiffs claimed that the Company, as the manager of the Special Scheme, had failed to perform its responsibilities in accordance with the laws and regulations as well as the requirements under the agreements and documents in relation to the Special Scheme, and therefore shall be liable for compensation to the Plaintiffs. Since August 2018, the Company has made counterplea against the Plaintiffs at the competent courts according to the time schedule of the competent courts in succession.

The first instance court ruled and rejected the lawsuit filed by of Galaxy Jinhui Securities Asset Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. The three companies have filed an appeal and the second trial has yet to fix a hearing date. The plaintiff's trial of the case of Xinyuan Fund Management Co., Ltd., Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd. was ended and the court of first instance has yet to make a judgment.

In addition, the Company also received a lawsuit brought by China Resources SZITIC Trust Co., Ltd, another holder of the Qinghui Leasing asset-backed specialized schemes Phase I, claiming for the repayment of the outstanding principals of RMB30.0 million and the interest payable and relevant charges by the Company. The Company has filed a jurisdictional objection to the People's Court of Futian District of Shenzhen. The People's Court of Futian District of Shenzhen has ruled that the case will be transferred to the People's Court of Xicheng District, Beijing. China Resources SZITIC Trust Co., Ltd. has filed an appeal to the Intermediate People's Court of Shenzhen and the Intermediate People's Court of Shenzhen has not yet made relevant rulings.

The Group considers the above case to be probable that the judgement will be in its favour and has therefore not recognised a provision in relation to these claims.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

34. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Transactions/balances between the Group and major shareholders:

	30 June 2019 (unaudited)	31 December 2018 (audited)
Balances at the end of the period/year		
– Account payables to brokerage clients	33,959	8,754
	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Transactions during the period		
– Fees and commission income	25	3
– Interest expenses	19	23
– Rental expenses	4,343	3,592

(ii) Key management personnel remuneration

Key management personnel are those persons who have the power to, directly or indirectly, plan, direct and control the activities of the Group, including members of the board of directors, board of supervisors and other members of the senior management.

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Short-term benefits		
– Fees, salaries, allowance and bonus	5,903	6,268
Post-employment benefit		
– Contributions to pension scheme	333	284
	6,236	6,552

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

35. SEGMENT REPORTING

	Brokerage and wealth management	Investment banking	Proprietary trading	Investment management	Others	Total
6 months ended 30 June 2019 (unaudited):						
Operating income						
– External	699,695	167,779	351,426	353,934	90,738	1,663,572
– Inter-segment	(3)	–	3	–	–	–
Other income and gains	2,422	107	366,193	156,684	4,752	530,158
Segment operating income	702,114	167,886	717,622	510,618	95,490	2,193,730
Segment expenses	(586,140)	(123,174)	(238,505)	(291,926)	(147,746)	(1,387,491)
Segment operating profit/ (loss)	115,974	44,712	479,117	218,692	(52,256)	806,239
Share of profits less losses of associates	–	–	–	–	374	374
Profit/(loss) before tax	115,974	44,712	479,117	218,692	(51,882)	806,613
Other segment information:						
Interest income	211,394	7,001	4,682	10,785	90,738	324,600
Interest expenses	(95,355)	(414)	(110,454)	(72,143)	(1,306)	(279,672)
Depreciation and amortisation	(48,412)	(1,868)	(91)	(13,844)	(14,676)	(78,891)
Impairment losses	(36,356)	(92)	(65,745)	–	–	(102,193)
Capital expenditure	24,366	973	55	4,390	15,887	45,671
As at 30 June 2019 (unaudited):						
Segment assets	12,683,494	561,142	7,595,498	4,047,739	6,350,995	31,238,868
Deferred tax assets						139,029
Total assets						31,377,897
Segment liabilities	13,982,761	111,570	4,769,747	1,734,487	266,612	20,865,177
Deferred tax liabilities						76,616
Total liabilities						20,941,793

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

	Brokerage and wealth management	Investment banking	Proprietary trading	Investment management	Others	Total
6 months ended						
30 June 2018 (unaudited):						
Operating income						
– External	745,086	59,698	(291,609)	428,584	30,024	971,783
– Inter-segment	(1)	–	1	–	–	–
Other income and gains	497	636	–	15,054	7,892	24,079
	<u>745,583</u>	<u>60,334</u>	<u>(291,609)</u>	<u>443,638</u>	<u>37,916</u>	<u>995,862</u>
Segment operating income	745,583	60,334	(291,609)	443,638	37,916	995,862
Segment expenses	(610,557)	(42,656)	(290,439)	(318,691)	(94,748)	(1,357,091)
	<u>135,026</u>	<u>17,678</u>	<u>(582,048)</u>	<u>124,947</u>	<u>(56,832)</u>	<u>(361,229)</u>
Segment operating profit/(loss)	135,026	17,678	(582,048)	124,947	(56,832)	(361,229)
Share of profits less losses of associates	–	–	–	–	(1,737)	(1,737)
	<u>135,026</u>	<u>17,678</u>	<u>(582,048)</u>	<u>124,947</u>	<u>(58,569)</u>	<u>(362,966)</u>
Profit/(loss) before tax	135,026	17,678	(582,048)	124,947	(58,569)	(362,966)
Other segment information:						
Interest income	360,794	9,904	8,388	14,992	30,024	424,102
Interest expenses	(158,426)	–	(126,108)	(10,675)	–	(295,209)
Depreciation and amortisation	(33,873)	(1,150)	(105)	(9,129)	(3,509)	(47,766)
Impairment losses	(9,334)	–	(36,040)	–	–	(45,374)
Capital expenditure	16,959	91	–	7,671	10,928	35,649
As at 30 June 2018 (unaudited):						
Segment assets	17,366,435	459,798	7,251,480	4,907,770	1,399,980	31,385,463
Deferred tax assets						148,229
						<u>31,533,692</u>
Total assets						<u>31,533,692</u>
Segment liabilities	14,109,163	41,947	4,483,074	2,165,685	386,206	21,186,075
Deferred tax liabilities						46,682
						<u>21,232,757</u>
Total liabilities						<u>21,232,757</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

36. FAIR VALUE MEASUREMENTS

The carrying amount and fair value of debt instruments which are not presented at fair value are as below:

	30 June 2019 (unaudited)	31 December 2018 (audited)
Carrying amount of financial liabilities		
– Subordinated bonds	1,500,000	1,500,000
– Long-term corporate bond	–	1,500,000
	1,500,000	3,000,000

	At 30 June 2019 (unaudited)			
	Level 1	Level 2	Level 3	Total
Fair value of financial liabilities				
– Subordinated bonds	–	1,518,480	–	1,518,480

	At 31 December 2018 (audited)			
	Level 1	Level 2	Level 3	Total
Fair value of financial liabilities				
– Subordinated bonds	–	1,509,325	–	1,509,325
– Long-term corporate bonds	–	1,498,827	–	1,498,827
	–	3,008,152	–	3,008,152

Except as disclosed above, the directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

36. FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 30 June 2019:

30 June 2019 (unaudited)				
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:				
Assets				
Financial assets at fair value through profit or loss:				
– Debt securities	1,032,123	5,173,606	78,405	6,284,134
– Equity securities	1,982,899	1,082,485	126,089	3,191,473
– Investment funds	260,615	359,947	60,623	681,185
– Assets management schemes	–	83,041	–	83,041
	<u>3,275,637</u>	<u>6,699,079</u>	<u>265,117</u>	<u>10,239,883</u>
31 December 2018 (audited)				
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:				
Assets				
Financial assets at fair value through profit or loss:				
– Debt securities	1,024,180	5,255,130	119,121	6,398,431
– Equity securities	2,495,734	1,002,593	118,925	3,617,252
– Investment funds	765,467	337,173	125,628	1,228,268
– Assets management schemes	–	596,645	–	596,645
	<u>4,285,381</u>	<u>7,191,541</u>	<u>363,674</u>	<u>11,840,596</u>
Financial assets at fair value through other comprehensive income				
– Debt securities	–	55,426	–	55,426
	<u>4,285,381</u>	<u>7,246,967</u>	<u>363,674</u>	<u>11,896,022</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

36. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Disclosures of level in fair value hierarchy at 30 June 2019: (Continued)

There were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy except for:

As at 30 June 2019

One equity security with fair value of RMB46.082 million was transferred from level 2 to level 1 upon the expiry of lock-up period.

As at 31 December 2018

Two equity securities with fair value of RMB877.214 million which were successfully listed during the period was transferred from Level 3 to Level 2 and two equity securities with fair value of RMB5.348 million were transferred from level 3 to level 1 due to resumption of trading listed.

(b) Reconciliation of financial assets measured at fair value based on Level 3:

	Financial assets at fair value through profit or loss
At 1 January 2019	363,674
Gains for the period	502
Changes in fair value recognised in profit or loss	(57,176)
Purchases	64,335
Sales and settlements	(106,218)
At 30 June 2019	265,117
Total gains or losses included in profit or loss for financial assets during the period	(56,674)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

36. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Reconciliation of financial assets measured at fair value based on Level 3: (Continued)

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
At 1 January 2018	1,060,756	–	1,060,756
Reclassification on initial application of IFRS 9			
– from financial assets at FVTPL to financial assets at FVTOCI	(37,000)	37,000	–
– from other non-current assets to financial assets at FVTPL	20,300	–	20,300
Losses for the year	(1,752)	–	(1,752)
Changes in fair value recognised in profit or loss	(52,612)	–	(52,612)
Purchases	111,050	–	111,050
Transfer	(705,973)	–	(705,973)
Sales and settlements	(31,095)	(37,000)	(68,095)
At 31 December 2018	<u>363,674</u>	<u>–</u>	<u>363,674</u>
Total gains or losses included in profit or loss for financial assets during the year	<u>(54,364)</u>	<u>–</u>	<u>(54,364)</u>

The total gains or losses recognised in profit or loss including the financial assets held during the year are presented in net investment income in the condensed consolidated statement of profit or loss.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2019:

The Group's financial market department is responsible for the fair value measurements of financial assets and liabilities required for financial reporting purposes, including Level 3 fair value measurements. The financial market department reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial market department and the Board of Directors periodically.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019 (Expressed in thousands of Renminbi, unless otherwise stated)

36. FAIR VALUE MEASUREMENTS (CONTINUED)

- (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2019: (Continued)

Certain of the financial assets at fair value through profit or loss classified as Level 2 consist of debt securities and bond investments trading in the inter-bank bond market and the over-the-counter market. Fair values are determined based on recent transaction prices in inactive markets and using valuation techniques. The remaining of the financial assets through profit or loss classified as Level 2 consist of restricted shares, close-end funds and collective assets management schemes. Fair values of restricted shares are determined by the quoted market prices of the shares with an adjustment of discount for lack of marketability. Fair values of close-end funds are determined by trading price which is based on the net asset value as at the reporting date. Fair values of collective assets management schemes are determined based on the fair value of the underlying investments in each portfolio.

For financial instruments in Level 3, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement.

Description	30 June 2019 (unaudited)		
	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs
Unlisted equity investments	Market comparable companies Net assets value	Discount rate for lack of marketability N/A	Decrease N/A
Debt securities	Discounted cash flow	Risk adjusted discount rate	Decrease

Description	31 December 2018 (audited)		
	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs
Unlisted equity investments	Market comparable companies Net assets value	Discount rate for lack of marketability N/A	Decrease N/A
Debt securities	Discounted cash flow	Risk adjusted discount rate	Decrease

There were no changes in the valuation techniques used.

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 23 August 2019.