



国联证券股份有限公司

GUOLIAN SECURITIES CO., LTD.

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

Stock code: 1456

2019
Interim Report



Contents

Company Information	2
Financial Highlights	3
Management Discussion and Analysis	5
Other Information	27
Definitions	35
Report on Review of Condensed Consolidated Financial Statements	40
Condensed Consolidated Statement of Profit or Loss	41
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	42
Condensed Consolidated Statement of Financial Position	43
Condensed Consolidated Statement of Changes in Equity	45
Condensed Consolidated Statement of Cash Flows	46
Notes to the Condensed Consolidated Financial Statements	48

Company Information

COMPANY NAME

Chinese Name: 國聯證券股份有限公司

English Name: Guolian Securities Co., Ltd.

LEGAL REPRESENTATIVE

Mr. Yao Zhiyong

DIRECTORS

Executive Director

Mr. Peng Yanbao

Non-executive Directors

Mr. Yao Zhiyong (Chairman of the Board)

Mr. Hua Weirong

Mr. Zhou Weiping

Mr. Liu Hailin

Mr. Zhang Weigang

Independent Non-executive Directors

Mr. Lu Yuanzhu

Mr. Wu Xingyu

Mr. Chu, Howard Ho Hwa

SUPERVISORS

Mr. Jiang Zhiqiang (Chairman)

Mr. Zhou Weixing

Mr. Ren Jun

Ms. Shen Ying

Ms. Yu Lei

BOARD COMMITTEES

Strategy Committee

Mr. Yao Zhiyong (Chairman)

Mr. Peng Yanbao

Mr. Hua Weirong

Mr. Zhou Weiping

Mr. Chu, Howard Ho Hwa

Remuneration and Nomination Committee

Mr. Lu Yuanzhu (Chairman)

Mr. Wu Xingyu

Mr. Hua Weirong

Audit Committee

Mr. Wu Xingyu (Chairman)

Mr. Chu, Howard Ho Hwa

Mr. Lu Yuanzhu

Risk Control Committee

Mr. Yao Zhiyong (Chairman)

Mr. Hua Weirong

Mr. Zhou Weiping

Mr. Liu Hailin

Mr. Wu Xingyu

SECRETARY OF THE BOARD

Mr. Wangjie

COMPANY SECRETARY

Ms. Lin Fanyu

AUTHORIZED REPRESENTATIVES

Mr. Yao Zhiyong

Mr. Peng Yanbao

HEADQUARTERS IN THE PRC

Registered address of the Company:

No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC

Office address of the Company:

12th Floor, No. 8 Jinrong One Street,

Wuxi, Jiangsu Province, the PRC

Website of the Company: www.glsc.com.cn

E-mail: glsc-ir@glsc.com.cn

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Sunlight Tower, 248 Queen's Road East, Wanchai,

Hong Kong

ACCOUNTANTS

Domestic: Deloitte Touche Tohmatsu

Certified Public Accountants LLP

International: Deloitte Touche Tohmatsu

LEGAL ADVISOR AS TO HONG KONG LAW

Clifford Chance

STOCK CODE

Hong Kong Stock Exchange H Shares Stock Code: 01456

SHARE REGISTRAR

For Domestic Shares:

China Securities Depository and Clearing Corporation Limited

For H Shares:

Computershare Hong Kong Investor Services Limited

Financial Highlights

Accounting data and financial indicators set out herein are prepared in accordance with IFRS

PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

Items	Six months Ended 30 June 2019	Six months Ended 30 June 2018	Variance in comparison with the corresponding period of last year (%)
Operating results (RMB'000)			
Total revenue and other income	1,104,456	847,113	30.38
Profit before income tax	470,014	181,115	159.51
Interim profit-attributable to the Company's Shareholders	356,320	133,498	166.91
Net cash generated by operating activities	1,763,755	930,057	89.64
Earnings per share (RMB/share)			
Basic earnings per share	0.19	0.07	171.43
Diluted earnings per share	0.19	0.07	171.43
Profitability index			
– Return on equity ^(note 1) (%)	4.58	1.74	Increased by 2.84 percentage points

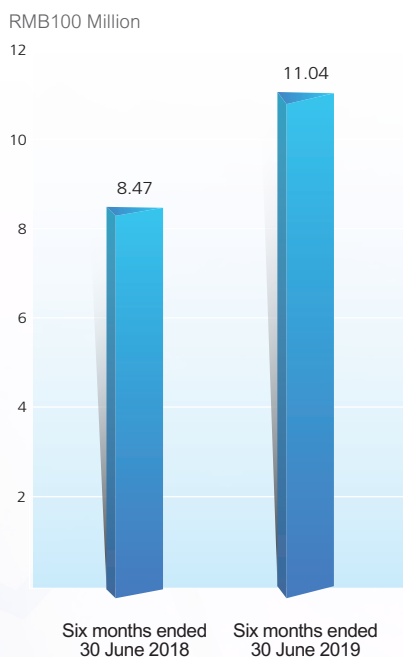
Items	As at 30 June 2019	As at 31 December 2018	Variance in comparison with the end of last year (%)
Scale indicators (RMB'000)			
Total assets	24,673,201	21,283,776	15.92
Total liabilities	16,770,898	13,634,592	23.00
Accounts payable to brokerage clients	8,096,713	5,594,621	44.72
Equity attributable to the Company's Shareholders	7,902,303	7,649,184	3.31
Share capital ('000 shares)	1,902,400	1,902,400	0.00
Net asset value per share attributable to the Company's Shareholders (RMB/share)	4.15	4.02	3.23
Liability-asset ratio ^(note 2) (%)	52.33	51.25	Increased by 1.08 percentage points

Notes:

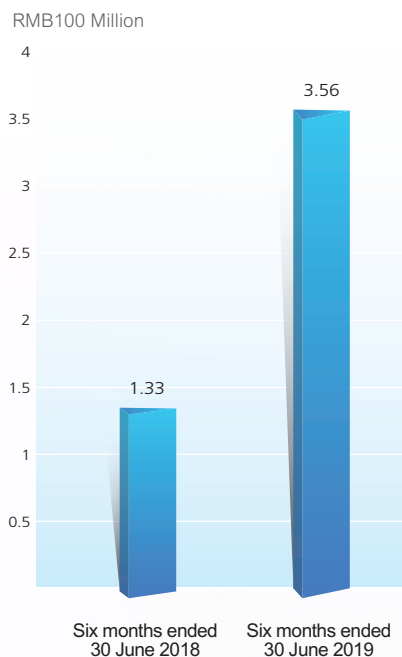
- Profit attributable to the Company's Shareholders divided by the average balance of the total equity attributable to the Company's Shareholders as at the beginning and as at the end of the period
- Liability-asset ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

Financial Highlights

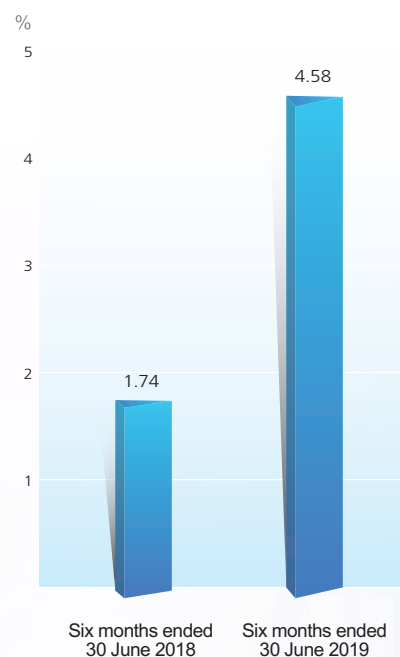
Total revenue and other income



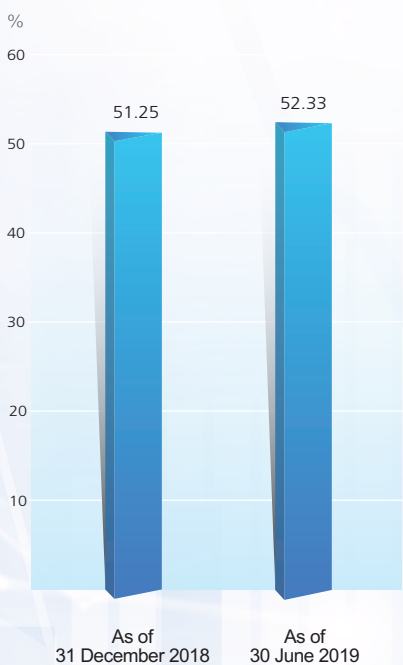
Interim profit-attributable to the Company's Shareholders



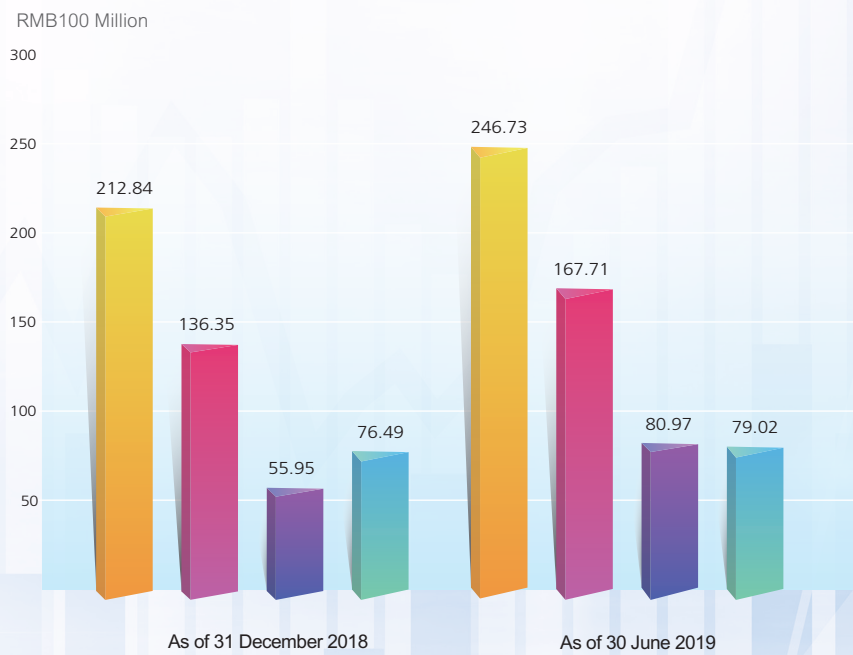
Return on equity



Liability-asset ratio



Scale indicators



- Total assets
- Total liabilities
- Accounts payable to brokerage clients
- Equity attributable to the Company's Shareholders

Management Discussion and Analysis

I. ECONOMIC ENVIRONMENT AND MARKET CONDITIONS DURING THE REPORTING PERIOD

(1) Economic Environment

Since 2018, with the advancement of currency normalization in various countries and intensification of trade disputes, global economic growth is under pressure. The PMI of major countries has turned downward since the beginning of 2018 and global business confidence index went down with generally lower PPI and downward interest rates in major countries.

In developed economies, although the GDP performance of the United States was impressive in the first quarter, however, the economic pressure began to emerge in the second quarter with growth of business investment slowing down. In the first half of 2019, the monthly average number of seasonally adjusted additional non-farm payrolls was only 172,000, which was lower than the monthly average of 223,000 in 2018. The seasonally adjusted CPI year-on-year median also decreased from 2.43% in 2018 to 1.73% in the first half of this year. As for the Eurozone, the year-on-year growth rate of GDP constant price decreased to 1% as at the end of the first quarter of 2019, the new low since 2014. Inflation was weak and fell from the high level of over 2% in the second half of 2018 to 1.2% this June. Moreover, the economic pressure also increased in the face of the risks such as no-deal Brexit, debt crisis in Italy, and the tightening trade situation. In Korea, since entering 2019, the year-on-year growth rate of the import and export amounts had dropped from more than 20% two years ago to less than -10% in June 2019. As a country relying mainly on foreign trade exports for its economy, the performance of Korea's foreign trade data has not only demonstrated its own economic weakness, but also reflected the slowdown of global economic growth. In general, the OECD composite leading indicators for major developed countries and regions declined, however, the performances of emerging market countries were slightly differentiated, with Brazil and India showing relatively strong performances.

In line with global economic trend, the domestic economy in China has been under significant pressure since 2018, especially since the third quarter. The data such as PMI and industrial added-value demonstrated the downward trend that began to accelerate in the third quarter. In the first quarter of 2019, driven by pre-emptive export of enterprises and infrastructure investments, the economy rebounded slightly. However, from the second quarter onwards, the economic growth rate of that quarter dropped to 6.2% due to the decline of automobile consumption, the impact of trade war and the continuous decline of manufacturing investments.

Despite the obvious pressure on global economy in 2019, however, stock indexes of major countries went up in general, which had largely reflected the increased expectations of monetary easing under the economic pressure. Since the beginning of the year, central banks in many countries have adopted interest rate cuts to cope with the downward pressure, while the expectation for the Federal Reserve's interest rate cuts has also been growing.

1 The relevant data in this section (Economic environment and market conditions during the Reporting Period) all come from Wind Information, and the time of extracting data was on 15 July 2019 (if the statisticians revise the data subsequently, then there may be a minor deviation with the extracted value).

Management Discussion and Analysis

(2) Market Conditions

In terms of domestic market, in the first half of 2019, on the basis of the relatively low valuation and policy momentum, the A Shares market presented a volatile upward trend as a whole, with the SSE Composite Index, the SZSE Composite Index and the GEM index increased by 19.45%, 26.78% and 20.87% to 2,978.88 points, 9,178.31 points and 1,511.51 points respectively. During the Reporting Period, the trading volume of SSE Composite Index and SZSE Composite Index were RMB30.65 trillion and RMB38.70 trillion respectively, representing an increase of 29.24% and 35.72% respectively as compared with the same period of last year. As at the end of June 2019, the balance of margin financing and securities lending on Shanghai Stock Exchange and Shenzhen Stock Exchange was RMB910.790 billion, 0.93% lower than that as at the end of June 2018, but 20.51% higher than that as at the end of 2018. During the Reporting Period, a total of 66 A shares companies were initially listed and issued and actual proceeds raised was RMB60.330 billion. A total of 125 companies issued additional shares and actual proceeds raised amounted to RMB299.213 billion. By the end of the year, the number of listed enterprises on the NEEQ was 9,921, representing a year-on-year decrease of 11.76%. For bonds market, the bond issuance size in the first half of 2019 increased by 5.78% as compared with the same period of 2018, totaling RMB21.75 trillion. As at the end of June, the yield to maturity of 10-year China Treasury Bonds was 3.23%, which was the same as at the end of 2018, but credit spreads went down. For foreign exchange market, in the first half of 2019, RMB experienced a process of appreciation followed by depreciation. As at the end of June, the central parity of RMB against US dollar depreciated slightly by 115 basis points to 6.87.

II. GENERAL OPERATING SITUATION

During the Reporting Period, benefiting from active market conditions, the revenue and other income recorded by the Group was RMB1,104 million, representing a year-on-year increase of 30.38%. Net profit attributable to the Company's Shareholders was RMB356 million, representing a year-on-year increase of 166.91%.

As at the end of the Reporting Period, the Group's total assets amounted to RMB24.673 billion, representing an increase of 15.92% from RMB21.284 billion at the beginning of year. Total liabilities were RMB16.771 billion, representing an increase of 23.00% from RMB13.635 billion at the beginning of year. Equity attributable to the Company's Shareholders amounted to RMB7.902 billion, representing an increase of 3.31% from RMB7.649 billion at the beginning of year. The liability-asset ratio of the Group was 52.33%, representing an increase of 1.08 percentage points from 51.25% at the beginning of year.

III. ANALYSIS OF PRINCIPAL BUSINESS

The businesses of the Group can be categorized into five segments, including brokerage business, investment banking business, asset management and investment business, credit transactions business and proprietary trading business.

(1) Brokerage Business

During the Reporting Period, the revenue and other income from our Group's brokerage business was RMB365 million, representing a year-on-year increase of 21.47%.

1. Securities Brokerage

During the Reporting Period, the Company actively propelled the wealth management transformation of securities brokerage business, increased investment consultancy support for branch offices, kept on developing and introducing competitive investment consultancy products, promoted exploring quantitative platform and developed relevant trading tools, established the "pilot" training system to improve the professional quality of wealth managers. At the same time, the Company continued to promote digital operation and launched mobile business platform and intelligent customer service project to improve customer service experience. In addition, the Company actively promoted star market business and earnestly implemented investor suitability management as well as business testing as required by stock exchanges to ensure the smooth operation of business.

According to the statistics of the comprehensive information system under the supervision of CSRC, in the first half of 2019, the net income from agency sales of securities business of the Company was RMB195 million, representing a year-on-year increase of 26.6% and ranked 50th in the industry. During the Reporting Period, the transaction volume from the agency sales of securities of the Company (stocks and funds) was RMB739.093 billion with a market share of 0.50%, representing an increase of 2.04% as compared with the same period of 2018.

As at the end of the Reporting Period, the number of business accounts opened in the Company for Shanghai-Hong Kong Stock Connect were 9,167. During the Reporting Period, the trading volume from Shanghai-Hong Kong Stock Connect business was HKD535 million; the number of business accounts opened in the Company for Shenzhen-Hong Kong Stock Connect were 4,194. During the Reporting Period, the trading volume from Shenzhen-Hong Kong Stock Connect business was HKD847 million.

Management Discussion and Analysis

2. Other Services

During the Reporting Period, sales volume of financial products of the Company amounted to RMB16.452 billion, representing a year-on-year decrease of 7.25%. Among which, sales volume of self-developed asset management products amounted to RMB14.142 billion, representing a year-on-year decrease of 5.86%. Sales volume of third-party fund products amounted to RMB1.645 billion, representing a year-on-year increase of 0.73%. Sales volume of third-party trust products amounted to RMB526 million, representing a year-on-year increase of 37.34%. Sales volume of other financial products amounted to RMB139 million.

In order to satisfy the diversified wealth management needs of its customers, the Company continued to provide Futures IB. As at the end of the Reporting Period, the Company had 41 securities branches in total with Futures IB qualifications to conduct Futures IB, and had 1,785 existing accounts of commodity futures of the Futures IB and 355 existing accounts of financial futures. During the Reporting Period, the commodity futures had 96 newly-opened accounts and 16 newly-opened accounts for financial futures.

During the Reporting Period, the SSE 50ETF options market operated smoothly. As at the end of the Reporting Period, the number of existing contracted accounts of the Company opened for options brokerage business on Shanghai Stock Exchange was 1,723. During the Reporting Period, commission income of the Company was RMB3.4287 million, representing a year-on-year growth of 218.04%. The accumulated number of contracts of the Company for options brokerage business on Shanghai Stock Exchange was 1,419,100 with the market share of its annual cumulative share turnover volume being 0.487%.

(2) Investment Banking Business

During the Reporting Period, the investment banking business of the Group is conducted by its wholly-owned subsidiary, Hua Ying Securities. In addition, the Company acts the role as a sponsor to provide businesses such as listing and referral to help enterprises listing on NEEQ. As the business of listing on NEEQ has relatively similar business operating rules and procedures to the investment banking business of Hua Ying Securities, in order to save management costs and improve management efficiency, the Company intends to change the referral business qualification of lead sponsors to Hua Ying Securities which will undertake related projects. As of the end of the Reporting Period, relevant changes were being actively promoted.

During the Reporting Period, the revenue and other income from our Group's investment banking business were accumulated RMB121 million, representing a year-on-year decrease of 30.81%.

Management Discussion and Analysis

In the first half of 2019, the A-share market completed a total of 284 equity financing projects (including IPO, additional share issuance, rights issue, preference shares, convertible bonds, exchangeable bonds), with the amount of capital raised of RMB612.472 billion, down by 11% and 14% year-on-year. The offering size of corporate bonds throughout the market was RMB1,050.557 billion, representing a year-on-year increase of 78.16%, and the offering size of enterprise bonds was RMB158.469 billion, representing a year-on-year increase of 76.82% (Source: Wind). During the Reporting Period, in adapting to the changes in market environment and regulatory policies, Hua Ying Securities continued to implement the “three main strategies”, namely, enlarging foundation business, broadening collaboration business and strengthening base businesses, increased equity projects reserve, expanded the diversified equity business varieties, focused on mergers and acquisition business and reorganization business, and actively prepared projects for star market. At the same time, it vigorously developed innovative business, enriched product lines and business lines, constantly strengthened business and compliance management to firmly uphold its risk baseline, and took the initiative to participate in major local projects in Wuxi to fully serve city development through industry.

1. Equity Financing

As at the end of the Reporting Period, Hua Ying Securities still had 1 project that had obtained approvals from CSRC and was pending issuance as well as 6 equity project applications under review by CSRC.

2. Debt Financing

During the Reporting Period, Hua Ying Securities completed 9 bonds underwriting projects, underwriting a total amount of RMB6.15 billion. As at the end of the Reporting Period, Hua Ying Securities had 18 bonds projects which had obtained approvals or were pending issuance, with a pending issuance amount of RMB23.8 billion, and 7 bonds project applications under review.

3. Financial Advisory

During the Reporting Period, Hua Ying Securities achieved net financial advisory income of RMB32.3814 million.

Management Discussion and Analysis

4. NEEQ

During the Reporting Period, the Company completed 2 listing and referral projects with listing and referral business volume ranked 21st (Source: Choice, similar hereinafter). As at the end of the Reporting Period, the Company completed 130 NEEQ listing and referral projects cumulatively with accumulated listing and referral business volume ranked 34th in the industry.

During the Reporting Period, the Company completed 3 NEEQ targeted issuance projects, financing an aggregate amount of RMB71 million, with targeted issuance business ranked 43rd in the market.

As at the end of the Reporting Period, the Company continued to supervise a total of 132 enterprises, ranked 25th in industry ranking.

(3) Asset Management and Investment Business

During the Reporting Period, revenue and other income from our Group's asset management and investment business was RMB32.81 million, representing a year-on-year decrease of 0.23%.

1. Asset Management

In the asset management business, the Company has always been focusing on customer needs to provide wealth management products with complete categories and risk return characteristic and a package of asset management solutions, aiming to create an all-round asset management system. During the Reporting Period, in following its market development activities and actively adjusting its business layout, the Company's fixed income and equity products achieved good results. The FOF product managed by the Company was honored the "2018 Most Trustworthy Financial Institution Asset Management Award (Portfolio Fund Category)" by the 13th Private Equity Summit Forum by virtue of its good performance and downward risk control capability. During the Reporting Period, the Company has fully implemented the regulatory requirements, constantly improved the risk control system of our asset management business, continuously introduced professional talents and further enhanced the core competitiveness of our asset management business, so as to achieve diversified development of the Company.

Management Discussion and Analysis

As at the end of the Reporting Period, the cumulative entrusted customers asset size of asset management business of the Company was RMB39.644 billion, representing a year-on-year increase of 88.83%. Among others, the collective asset management schemes were 38, representing RMB7.148 billion in terms of size, the targeted asset management schemes were 67, representing RMB30.426 billion in terms of size and the specialized asset management schemes were 3, representing RMB2.07 billion in terms of size.

2. Direct Investment (Private Equity Investment Business)

During the Reporting Period, Guolian Capital continued to implement the withdrawal of its fund projects, and among which completed 1 fund liquidation and 2 withdrawals of investment projects.

(4) Credit Transactions Business

During the Reporting Period, the revenue and other income from our Group's credit transactions business was RMB317 million, representing a year-on-year decrease of 0.27%.

1. Margin Financing and Securities Lending

During the Reporting Period, as affected by the continuous market downturn in 2018, both customer assets and the willingness to participate decreased year on year, and the market became less active as compared with the corresponding period. As market liquidity risk was greatly alleviated and the market valuation was at a low level, the Company had adopted counter-cyclical management measures to actively promote the development of margin financing and securities lending business under the premise of controllable risk control.

Management Discussion and Analysis

As at the end of the Reporting Period, the total number of customer credit accounts was 20,938, representing a year-on-year increase of 4.77%. The total credit amount of margin financing and securities lending of customers was RMB47.421 billion, representing a year-on-year increase of 2.34%. The average daily balance of margin financing and securities lending was RMB3.305 billion, representing a year-on-year decrease of 27.87%. Interest income for margin financing and securities lending was RMB120 million, representing a year-on-year decrease of 27.27%.

2. Stock Pledged Repurchase Transaction

During the Reporting Period, the Company further clarified the development strategy of the stock pledged repurchase business according to market situation, and carried out the stock pledged repurchase business under the premise of stringent control and resolving of business risks, so as to bring the stock pledged repurchase business to the stage of steady development. As at the end of June 2019, the Company's initial transaction amount to be repurchased on the exchanges of stock pledged repurchase from its own fund decreased to RMB4.601 billion from RMB5.716 billion as at the end of 2018, representing a decrease of 19.51%.

The Company ceased to accept applications for "Xiaorongbao" (小融寶) business permissions and suspended the initial transaction of "Xiaorongbao" (小融寶) as at 26 January 2018. Clients have repurchased the subsisted liability contracts of "Xiaorongbao" (小融寶) before January 2019.

(5) Proprietary Trading Business

As at the end of the Reporting Period, revenue and other income generated from the proprietary trading business of the Group amounted to RMB269 million, representing a year-on-year increase of 1,631.96%.

For equity proprietary trading business, the Company has all along been adhering to its principle of value investment and taking position control as the key, mainly focused on exploring investment portfolios with low valuation and certainty of performance growth, closely kept up with key market segments, and enhanced value analysis. During the Reporting Period, the domestic A shares market showed a round of rapid increase. Although the index adjusted downward in the second quarter due to the impact of Sino-US trade talk, the CSI 300 index and Heng Seng Index still increased by 27.07% and 10.43% respectively in the first half year. For equity proprietary trading business, the Company increased its stock position in the beginning of the year and made better use of the robust market in the first quarter, therefore, the year-on-year revenue increased significantly.

Management Discussion and Analysis

For fixed-income proprietary trading business, the Company adopted held-to-maturity measure as its main investment strategy and implemented a flexible operation strategy of short-to-medium duration, moderately leveraged and risk controllable approach, mainly focusing on bonds with mid-to-high credit ratings. During the Reporting Period, the focus of interest rates in the monetary market continued to decline, the term structure of interest rates was further steepened, and short-term yield fell significantly. The Company moderately increased its positions in bonds that have mid-to-high credit ratings and short-to-medium duration and maintained its stable operation strategy of low leveraging.

IV. PROSPECTS AND FUTURE PLANS

In the first half of 2019, the main A-shares index rose by more than 20%, leading to a sharp rebound in the performance of the securities industry. The reform and opening up of the capital markets were accelerated, and star market opened a new chapter in the construction of a multi-level capital market. In the long run, the facts that China's economy has shifted from a stage of rapid growth to a stage of high-quality development, and that the government attaches great importance to the reform and development of the capital market offer tremendous opportunities for securities industry development. However, the supply-side industry structural reform, the accelerated entry of foreign-funded wholly-owned securities firms, and restart of approval for establishing domestic securities firms also intensified industrial competition.

In the future, the Company will actively seize the historical opportunity of China's capital market reform and development to accelerate the replenishment of capital, rationally increase operating leverage level, and actively develop new businesses such as fixed income and equity derivatives. The traditional brokerage business of the Company will accelerate its transformation into integrated wealth management services. To this end, the Company will build a sales team and account system that is compatible with integrated wealth management, and vigorously cultivate a team of customer managers with global vision and professional asset allocation capabilities to fully assist customers with asset value preservation and appreciation. The Company will set up its business headquarters in Beijing, focusing on the expansion of financial market business, investment banking business, asset management business and wealth management business. At the same time, the Company will pay close attention to the potential development opportunities that can be connected to Wuxi, and actively graft various resources of central cities to attract local investment and promote industrial upgrading. The Company will accelerate the establishment of Hong Kong subsidiaries, and gradually carry out cross-border acquisitions of domestic institutions, overseas financing of local enterprises, and global asset allocation of high-net-worth clients. While accelerating business development, the Company will continue to enhance compliance risk control to ensure compliant operation and steady development.

Management Discussion and Analysis

V. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 30 June 2019, the equity attributable to the Company's Shareholders was RMB7.902 billion, representing an increase of 3.31% from RMB7.649 billion at the end of 2018.

During the Reporting Period, the securities market recovered as a whole with trading volume of Shanghai Stock Exchange and Shenzhen Stock Exchange increased, and the business scale expanded. Total assets size of the Group increased by 15.92% as compared with the end of last year, while the quality of assets and liquidity remained sound. Due to strong liquidity business nature of the Group, the balance sheet mainly includes current assets and current liabilities. As at the end of the Reporting Period, cash assets accounted for 45.78% of total assets; financial investment assets (including investment in associated companies and financial assets investment, mainly investment in financial assets with strong liquidity) accounted for 10.76% of total assets; financing assets (including margin accounts receivable and financial assets held under resale agreements) accounted for 41.40% of total assets; and other property and equipment, intangible assets, right-of-use assets and other operational assets accounted for 2.06% of total assets. The Group's total self-owned assets (total assets less accounts payable to brokerage clients) was RMB16.576 billion, representing an increase of RMB887 million, or 5.66%, as compared with the end of 2018.

The overall liability-asset ratio of the Company remained stable. As at the end of the Reporting Period, the self-owned liability-asset ratio of the Group (both total assets and total liabilities less accounts payable to brokerage clients) was 52.33%, representing an increase of 1.08 percentage points as compared with 51.25% at the end of 2018. The Group's operating leverage (total assets less accounts payable to brokerage clients divided by equity attributable to the Company's Shareholders) was 2.10 times, which was basically the same as compared to the 2.05 times at the end of 2018. The Group has developed stringent risk management measures for net capital and other risk control indicators. A stress test will be conducted on the general liquidity and other financial indicators before making any material capital investment.

The Group has met its operating capital requirements, maintained its liquidity and supplemented its net capital through debt financing. Debt financing of the Company included the issuance of short-term financing bonds, subordinated bonds, income certificates and refinancing, interbank borrowings as well as transfer of equity rights in margin financing and securities lending so as to meet capital demands for business development through various channels.

VI. ESTABLISHMENT OF BRANCHES

As at the end of the Reporting Period, the Company had 13 branch offices and 87 securities branches. During the Reporting Period, the Company established no branch offices or securities branches.

VII. MAJOR INVESTMENT AND FINANCING EVENTS

(1) Major Investment Events

During the Reporting Period, the Company had no major investment event.

(2) Major Financing Events

1. Equity Financing

On 26 October 2018, the Company received the reply from CSRC regarding the review suspension of the Company's A Shares offering. On 8 November 2018, the Company convened the second extraordinary general meeting for the year 2018, which considered and approved a resolution regarding the general mandate to issue shares. The Company planned to issue additional shares for financing through the general mandate to issue shares. On 13 June 2019, the Company convened the 2018 annual general meeting, the first class meeting for domestic Shareholders and the first class meeting for H Shareholders of 2019, which considered and approved resolutions regarding the extension of the A Shares issuance proposal and related authorization. Pursuant to the resolutions of the general meeting, the period of validity of the A Shares issuance proposal and authorization of the Company has been extended by 12 months.

Management Discussion and Analysis

2. Debt Financing

The cumulative additional debt financing volume of the Company was RMB1.36 billion in the first half of 2019, and the cumulative principal repayment of debt financing matured amounted to RMB1.12 billion. The remaining amount of outstanding debt financing as at 30 June 2019 was RMB6.660 billion. The debt financing information of which was as follows:

- The issuing amount of income certificates was RMB560 million, with the principal amount of RMB1.12 billion being repaid. The remaining amount of outstanding income certificates as at 30 June 2019 was RMB360 million, the particulars of which were as follows:

Financing Projects	Amount (RMB in ten thousands)	Financing Date	Maturity Date	Term (Days)	Interest Rate
Income Certificates	30,000	2018/4/18	2019/10/17	547	5.70%
	3,000	2018/5/30	2019/1/14	230	5.10%
	5,000	2018/6/20	2019/1/21	215	5.10%
	4,000	2018/6/28	2019/1/21	208	5.10%
	2,000	2018/6/26	2019/4/24	302	5.10%
	3,000	2018/7/19	2019/2/18	214	5.05%
	10,000	2018/8/2	2019/2/19	201	5.00%
	7,000	2018/9/3	2019/3/6	184	4.60%
	5,000	2018/10/11	2019/4/10	181	4.50%
	10,000	2018/10/11	2019/4/10	181	4.60%
	3,000	2018/10/11	2019/4/10	181	4.00%
	10,000	2018/10/18	2019/5/15	210	4.20%
	30,000	2019/3/11	2019/3/29	18	3.30%
	20,000	2019/3/12	2019/3/29	17	3.50%
	3,000	2019/3/19	2019/8/18	153	3.80%
	3,000	2019/4/16	2019/10/15	183	3.50%

- The issuing amount of private issuance of subordinated bonds was RMB800 million. The outstanding subordinated bonds as at 30 June 2019 was RMB2.3 billion, the particulars of which were as follows:

Financing Projects	Amount (RMB in ten thousands)	Financing Date	Maturity Date	Term (Days)	Interest Rate
Private issuance	150,000	2016/7/29	2021/7/29	1,825	3.89%
of subordinated bonds	80,000	2019/3/27	2022/3/27	1,095	4.74%

Management Discussion and Analysis

3. There was no new publicly issued bonds to qualified investors. The outstanding publicly issued bonds to qualified investors as at 30 June 2019 was RMB3.0 billion, the particulars of which were as follows:

Financing Projects	Amount (RMB in ten thousands)	Financing Date	Maturity Date	Term (Days)	Interest Rate
Publicly issued bonds to qualified investors	100,000	2017/8/24	2020/8/24	1,095	5.00%
	80,000	2017/9/14	2019/9/14	730	4.95%
	50,000	2017/11/16	2019/11/16	730	5.30%
	70,000	2018/2/6	2020/2/6	730	5.65%

4. There was no new privately issued corporate bonds. The outstanding privately issued corporate bonds as at 30 June 2019 was RMB1.0 billion, the particulars of the issuance were as follows:

Financing Projects	Amount (RMB in ten thousands)	Financing Date	Maturity Date	Term (Days)	Interest Rate
Privately issued corporate bonds	100,000	2018/4/25	2020/4/25	730	5.60%

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

During the Reporting Period, there was no material acquisition, disposal or replacement of assets and business merger of the Company. During the Reporting Period, the Company did not record any major external guarantee, mortgage, pledge, material contingent liabilities and other major off-balance-sheet items that may affect the Company's financial position and operating results.

Management Discussion and Analysis

IX. ISSUANCE OF SHARES AND USE OF PROCEEDS

(I) Overall Situation of Proceeds Raised

As approved by Zheng Jian Xu Ke [2015] No. 1024 “Reply Concerning the Approval of Issuing Overseas-Listed Foreign Shares by Guolian Securities Co., Ltd. (《關於核准國聯證券股份有限公司發行境外上市外資股的批復》)” of the CSRC, in accordance with the requirements of the state’s relevant laws and regulations, the Company completed its first issuance of 402,400,000 H shares to overseas investors at Hong Kong Stock Exchange on 6 July 2015 at an issue price of HKD8.00 per share. The net proceeds raised amounted to HKD3,097.3263 million (equivalent to RMB2,443.9763 million) (after deducting underwriting expenses and other capitalization issue expenses), which was verified by PricewaterhouseCoopers Zhong Tian LLP and the PricewaterhouseCoopers Zhong Tian Capital Verification Report Yanzi (2015) No. 956 was issued.

As at 30 June 2019, the Company’s actual cumulative investment amount used was RMB2,343.9801 million in accordance with the committed proceeds purpose (the exchange rate for the used proceeds from the issuance of H shares were calculated at the actual settlement exchange rates), and the closing balance of bank account for the proceeds raised amounted to HKD313.9199 million and RMB0.9516 million in total (equivalent to RMB277.1069 million using the period-end closing exchange rate) respectively.

According to the development strategies and actual market situation, the Company was in strict compliance with the requirements of use of proceeds, the committed proceeds were used as follows:

- (1) Approximately 45.0% of the funds will be used to further develop the margin financing and securities lending business of the Company, among which RMB1,157.6372 million has been used;
- (2) Approximately 20.0% of the funds will be used to develop other capital-based intermediary services of the Company, among which RMB524.1577 million has been used;
- (3) Approximately 15.0% of the funds will be used to expand the proprietary trading business of the Company, among which RMB386.0812 million has been used;
- (4) Approximately 10.0% of the funds will be used to develop the Internet trading business of the Company, the usage has been changed to capital contribution and other preliminary expenses for the planned establishment of subsidiaries in Hong Kong and as supplemental working capital of the Company, among which RMB2,900 has been used;
- (5) Approximately 10.0% of the funds will be used for working capital and other general corporate purposes, among which RMB276.1011 million has been used.

Management Discussion and Analysis

(II) Change of Proceeds Raised in Projects

As approved at the General Meeting held on 29 July 2016, the Company changed the usage of the 10% of the proceeds raised which were originally planned to be used for developing Internet trading business of the Company to capital contribution and other preliminary expenses used for establishing subsidiaries in Hong Kong and as supplemental working capital of the Company.

Use of Proceeds for the Committed Projects

Unit: RMB in ten thousands					
Name of committed projects	Any change in project	Invested amount of proceeds raised during the Reporting Period	Actual total amount of proceeds invested	Progress of project used	Change in usage
Margin financing and securities lending	No	-	115,763.72	100%	
Capital-based intermediary services	No	-	52,415.77	100%	
Investment business	No	-	38,608.12	100%	
Internet trading business	Yes				Changed as the capital contribution and other preliminary expenses for establishing subsidiaries in Hong Kong and as supplemental working capital of the Company
Working capital and others	No	-	27,610.11	100%	
Establishing subsidiaries in Hong Kong and supplementing the working capital of the Company	Yes	0.06	0.29		
Total		0.06	234,398.01	90%	

(III) Details of Unused Proceeds Raised Previously

As at 30 June 2019, the Company had undertaken that the unused proceeds (equivalent to RMB277.1069 million) raised previously accounted for 10% of the total proceeds raised. The Company invested the proceeds raised according to the actual development of its businesses. The committed but unused capital changed its initial proceeds purpose from developing Internet trading business to capital contribution and other preliminary expenses for the establishment of subsidiaries in Hong Kong and as supplemental working capital of the Company after being approved at the Company's General Meeting on 29 July 2016. The establishment of subsidiaries in Hong Kong has yet to be approved. As of the end of the Reporting Period, the unused part of the proceeds raised was deposited into its bank account, and there was no case of temporarily utilizing such idle proceeds for other purposes.

Management Discussion and Analysis

X. EMPLOYEES, REMUNERATION POLICIES AND TRAINING PROGRAMS

As at the end of the Reporting Period, the Group had a total of 1,564 employees, including 1,332 from the Company and 232 from its subsidiaries.

According to the Company's development strategies, the Company keeps on establishing and improving its remuneration and incentive systems that centered on target management, stressed on position duties, staff ability and work performance as the basis. The Company formulates an overall remuneration policy and system in strict compliance with the principles of position-based grade, grade-based salary, capabilities and performance-oriented salary payment and attaches great importance to the evaluation of capabilities and qualities, key work completion and work performance results of employees.

The Company keeps on improving its performance assessment and evaluation system and establishes an effective incentive binding mechanism. By setting up key performance indicators, the Company disseminates its annual operation performance indicators and work tasks to branch offices at all levels and all staff in a reasonably manner, and formulates corresponding annual performance assessment plans for departments and employees. In respect of the assessment of branch offices, the Company formulated the Management Measures for Assessment on Comprehensive Business of Branches of Guolian Securities Co., Ltd. (《國聯證券股份有限公司分公司綜合業務考核管理辦法》) to strengthen the assessment on the wealth business and institutional business of branches.

The staff remuneration of the Company comprises position-based wage, performance-based award as well as social security and welfare. The Company established a position-based wage system based on ranks. Staff wage is measured according to their ranks which are determined based on factors such as their responsibilities, personal skills, business income and performance evaluation results, and combined with comprehensive market standard. The principle of "position-based salary, salary changes for position changes" is strictly followed when making adjustment to staff's position-based salary. The performance-based award is set up to enable the Company and its staff to share the operating results and motivate staff to devote efforts for the continuous improvement of the economic benefits and working achievements of the Company. Also, it is the award that is distributed after assessment based on department and staff duty performance requirements and their contributions made after taking into account the Company's overall operating conditions and profits. The Company provided employees with statutory social insurance and provident fund in strict compliance with the relevant provisions of state laws and regulations, supplemented by the enterprise group annuity insurance and mutual assistance for serious illness to provide employees with effective guarantee.

Management Discussion and Analysis

To constantly improve the comprehensive qualities of our staff and meet the needs of innovative development of the industry and personnel training and development, the Company keeps on improving and optimizing our staff training system. The Company keeps on pushing forward online trainings, including updating and developing E courses and business learning documents, organizing the production and uploading of more than 100 internal training courses, and over 120 OA knowledge center learning documents, and organizing new staff to complete online learning and examination, so as to give into full play to the role in online learning platform of the Company. Based on the business development requirements and departments training demand, the Company has formulated and carried out annual training programme in an orderly manner. The Company organized and carried out various training activities, including the preparation of face-to-face orientation training for new employees, and made major improvements in its form and content. It focused on the development of business lecture halls with improvement from the aspects of learning frequency, teacher qualifications selection, learning content and organizational evaluation, so as to give full play to the positive role of internal training. It developed and launched the 2018 annual experience sharing courses by commending personnel, organized business exchange meetings for the human resources support posts, and completed the application of comprehensive financial training subjects and organized on-site training, which have improved the comprehensive qualities of employees at each level efficiently.

XI. RISK CONTROL

(I) Major risks affecting the Company's operations

The Company's business operation is exposed to risks in which they mainly include: market risk, credit risk, liquidity risk, operational risk, compliance risk, concentration risk and reputation risk. Specifically speaking, they are represented in the following aspects:

1. Market Risk

Market risk refers to the risk that may cause losses to the Company's business resulting from the adverse changes in market prices, including stock prices, commodity prices, interest rates and exchange rates, etc. Currently, the market risk of the Company mainly comes from proprietary trading business, assets management business and market-making business. The market risk factors that affect the Company mainly include equity risk factor, interest rate risk factor and credit spread risk factor.

Management Discussion and Analysis

To control market risk, the Company mainly adopted the following measures: (1) sensitivity analysis: the Company ensures that its market risk of overall portfolio falls within the expected range by setting limit control to different sensitivity parameters and adjusting the market risk of financial products; (2) concentration control: the Company executes the business limit at all levels (including business and products), and controls its risk undertaking capacity by limiting market risk exposure, the Company adjusts the limit annually to reflect market conditions, business operation position and change in risk bearing level of the Company; (3) value-at-risk method: the Company evaluates risk exposure and debts of the Company, relative or absolute risk of equity investment by using daily value at risk, and timely monitor the relevant risk limits of the Company; (4) stress test and scenario analysis: the Company monitors risk exposure by adopting stress test and scenario analysis; (5) with the global expansion of the Company's business, exchange rate risks are exposing gradually. The Company will continue to pay attention to foreign exchange market, constantly enhancing institutional development and internal management and prudently carry out overseas financing, A series of measures, such as foreign exchange forward and option hedging, will be considered when planning to develop its overseas business to offset and mitigate exchange rate risks for the purpose of supporting the expansion of the Company's overseas business.

2. Credit Risk

Credit risk refers to the risk that causes economic losses to the Company due to the failure of the debtors and transaction counterparties in performing their obligations as agreed in the deeds. Credit risks include the credit risk of transaction counterparty (default risk) and collateral risk.

Currently, the Company has launched a credit risk management system to control the principal and collateral credit risks of transaction counterparty through the measures including due diligence and internal rating, and to measure and manage credit risk by monitoring quantitative indicators, integrating methods of credit rating analysis, analysis on the capital structure and solvency of debt subject and credit stress test. Besides, the Company will make periodic adjustment on the value of the collaterals according to market situation and the risk of individual stock.

3. Liquidity Risk

Liquidity risk refers to the risk that the Company is unable to obtain sufficient fund in time at reasonable costs for paying indebtedness when it falls due, performance of other payment obligations and meet the funding needs of normal business operation. The rapid development of the businesses, such as proprietary trading business, asset management, margin financing and securities lending and credit transaction exerts higher requirements on liquidity.

Management Discussion and Analysis

To cope with and manage the liquidity risk effectively, the Company adopts the following measures: (1) managing funding source, financing arrangement and funds allocation in a highly efficient manner; (2) based on the business development, financial position and financing capacity of the Company, and also taking into account of the liquidity risk and other related risks involved in the operation process, the Company determines the liquidity risk preference, normal liquidity level and liquidity risk limit of every business line; (3) conducting stress test when the utilization of funds has reached the liquidity limit, and taking appropriate measures to ensure that the liquidity risk exposure for each business line falls within the authorized threshold value; (4) setting up adequate liquidity reserve to ensure additional funding source will be provided in emergency circumstances.

4. Operational Risk

Operational risk refers to the risk of loss resulting from the improper or invalid internal processes, personnel and system or external events during the operation process of the Company.

As for operational risk, the Company has established a sound internal control mechanism, regularly carries out effective assessment of internal control throughout the Company; requires risk management department to arrange special staff to manage operational risk to standardize and optimize related business processes; reorganizes the statistics of the operational risk event occurrence frequency and corresponding losses for the purpose of establishing loss database. Furthermore, the Company constantly strengthens behavior adequacy and normative operation of staff from each position through various means, such as internal training, annual assessment; and prepares emergency risk management plan with regular drills to ensure the security of equipment, data and system, thereby preventing the outbreak of large-scale operational risk caused by information system failure.

5. Compliance Risk

Compliance risk refers to the risk that the Company may be exposed to legal sanction or regulatory penalties, significant property losses or reputation losses as a result of violating the laws and regulations, regulatory requirements, rules, the relevant criteria set up by self-disciplined organizations, and the code of conduct applicable for the operation activities of the Company.

Management Discussion and Analysis

The Company has established an effective and impeccable compliance risks management system and compliance management and organization system. To facilitate its compliance management, the Company sets up the Compliance and Legal Department and explores various effective measures in compliance management through communication with different supervising authorities. At the same time, the Compliance and Legal Department of the Company implements an effective and comprehensive control on compliance risks encountered by the Company in its business operation by means of compliance testing, compliance inspection, compliance investigation, compliance supervision and compliance training.

6. Concentration Risk

Concentration risk refers to the risk resulting from the excessive risks exposure from the same source due to mere single business. The Company sets threshold values on various levels for effective limit management, and enhances and improves the identification, measurement, monitoring and reporting system of concentration risk, and thus perfects the stress test system of concentration risk. Based on the stress test results, the Company sets up risk warning line to give a reminder and warning on concentration risk, and thus forms a concentration risk prevention and control mechanism.

7. Reputation Risk

Reputational risk refers to the risk of the Company being negatively evaluated by relevant interested parties due to operations, management and other activities or external events.

The Company has conducted a dynamic monitoring management to our reputation risk through the public opinion monitoring system and focuses on factors that may cause reputation risks during the process of carrying out businesses, as a result of the changes of internal organizational structure, policies and systems, financial indicators and system adjustment, and reputation risk factors that revealed by news media reports, online public opinion tendency, customer complaints, internal and external audit and regulatory compliance inspection as well as other reputation risk factors that may incur as a result of involvement in judicial matters or mass incidents.

(II) Strategies and Measures Adopted or Intended to Adopt by the Company

1. Sound and Comprehensive Risk Management System

The Company has established a comprehensive 4-level risk management structure comprising the Board and Risk Control Committee, senior management and Risk Management Committee, Risk Management Department and other functional departments of risk management, and internal departmental risk management organizations. The Company is currently further improving its internal rating, valuation, assessment and other risk management works in accordance with comprehensive risk management requirements to enhance the risk management of subsidiaries and improve its risk management efficiency.

2. Improvement of Relevant System and Scheme Optimization

Under the framework of existing risk management system, we combine the risk management system and business system closely and complete risk identification, assessment and response of risk management process in the course of business implementation. Also, we make clear of risk management responsibility in every department and every position, improve effective evaluation and examination flow of risk management, establish internal risk information collection and reporting system, improve risk monitoring system as well as assuring risk management coverage to all employees, all businesses and all flows. Moreover, we improve internal authorization, optimize business flow, standardize system implementation, so as to feasibly enhance the risk management capacity of the Company as a whole.

3. Propelling the Construction of Risk Management System

The Company further sorts out market risk and liquidity risk management system and carries out system self-development improvement, so as to boost systematic integration. In the first half of 2019, the Company completed the upgrading and launching of the Internal Control 4.0 System, and enhanced the monitoring and reporting of business indicators.

4. Establishment of Internal Rating System

The Company is gradually establishing an improved internal rating system, and has set up an internal rating mechanism for the underlying bonds and counterparties of bonds investment trading business to distinguish different risk levels, and is taking appropriate measures to control credit risks, improve credit management mechanisms, and continue to explore the establishment of internal rating model.

Management Discussion and Analysis

5. Intensification of Risk Counteracting Capacity

The Company basically sets up relevant counteracting mechanisms based on various types of risk. To refine risk counteracting process and formulate reasonable and effective counteracting measures, the Company has formulated risk treatment and management measures. Meanwhile, we reinforce personnel management and system execution inspection, intensify the education of risk awareness as well as finalize the appraisal and evaluation system of internal compliance risk.

I. DIVIDENDS

Pursuant to the resolution passed at the annual general meeting held on 13 June 2019, the Company distributed a final cash dividend of RMB0.5 (including tax) for every 10 shares, with RMB95,120,000 (including tax) in aggregate, for the year ended 31 December 2018.

Such dividends were paid in RMB to domestic Shareholders and in HK dollars to H Shareholders. The actual amount distributed in HK dollars was converted based on the central parity exchange rate as announced by the People's Bank of China on the first business day after the date of the 2018 general meeting. The Company has completed the distribution of 2018 final cash dividends.

The Company does not intend to distribute any interim dividend to its Shareholders.

II. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the end of the Reporting Period, none of the Directors, Supervisors or chief executive of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register under Section 352 of the SFO, or which were required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code.

III. DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

As at the end of the Reporting Period, none of the Directors, Supervisors or their respective spouse or children under the age of 18 were granted any rights or had exercised such rights to acquire benefits by means of acquisition of shares or debentures of the Company. The Company or any of its subsidiaries was not a party to any arrangement to enable the Directors, Supervisors or their respective spouse or children under the age of 18 to acquire such rights from any other body corporate.

Other Information

IV. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the end of the Reporting Period, to the best of the knowledge of the Company and the Directors, the following persons (other than a Director, Supervisor or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register under section 336 of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholders	Class of shares	Nature of interest	Number of shares (Note 1)	Percentage of total number of issued shares of the Company (Note 5)	Percentage of total number of issued shares in the relevant class of shares of the Company (Note 5)
Guolian Group (Note 2)	Domestic shares	Beneficial owner and interest in controlled corporation	1,376,336,123 (L)	72.347%	94.29%
Guolian Trust	Domestic shares	Beneficial owner	390,137,552 (L)	20.508%	26.73%
Guolian Industrial (Note 3)	Domestic shares	Interest in controlled corporation	266,899,445 (L)	14.030%	18.28%
Wuxi Electric	Domestic shares	Beneficial owner	266,899,445 (L)	14.030%	18.28%
Guolian Financial Investment (Note 4)	Domestic shares	Interest in controlled corporation	73,500,000 (L)	3.864%	5.04%
Minsheng Investment	Domestic shares	Beneficial owner	73,500,000 (L)	3.864%	5.04%
CES Global Holdings (Hong Kong) Limited	H shares	Beneficial Owner	52,625,000 (L)	2.766%	11.89%

Notes:

- (1) (L) denotes long positions.
- (2) Guolian Group is the beneficial owner of 543,901,329 domestic shares of the Company, and is deemed to be interested in the following shares in controlled corporations: (i) 390,137,552 domestic shares of the Company held by Guolian Trust; (ii) 266,899,445 domestic shares of the Company held by Wuxi Electric; (iii) 73,500,000 domestic shares of the Company held by Minsheng Investment; (iv) 72,784,141 domestic shares of the Company held by Yimian Textile; and (v) 29,113,656 domestic shares of the Company held by Huaguang Boiler.
- (3) Guolian Industrial is deemed to be interested in the 266,899,445 domestic shares of the Company held by Wuxi Electric, its wholly-owned subsidiary.
- (4) Guolian Financial Investment is deemed to be interested in the 73,500,000 domestic shares of the Company held by Minsheng Investment, its wholly-owned subsidiary.
- (5) As at the end of the Reporting Period, the Company issued 1,459,760,000 domestic shares and 442,640,000 H shares, a total of 1,902,400,000 shares.

Save as disclosed in the paragraphs headed “Directors’, Supervisors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” and “Substantial Shareholders’ and Other Persons’ Interests and Short Positions in Shares and Underlying Shares” above, as at the end of the Reporting Period, the Company was not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) who held interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

V. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

VI. CORPORATE GOVERNANCE

The Company has operated in strict compliance with the laws, regulations and normative documents at the jurisdictions of establishment and listing, and kept committed to maintaining and improving its sound social image. Pursuant to the Company Law, the Securities Law and other applicable laws, regulations and regulatory provisions, the Company has formed a corporate governance structure under which the general meeting, the Board, the Supervisory Committee, and the management have their respective authorities and duties, so as to ensure the regulated operation of the Company. The convening and voting procedures for general meetings and meetings of the Board and the Supervisory Committee are legal and valid; the information disclosed by the Company is true, accurate and is disclosed in time and completely; the management of investor relations is efficient and practical; and the corporate governance is based on scientific, rigorous and normative procedures. During the Reporting Period, the Company has strictly complied with and observed most of the requirements of the CG Code for the recommended best practices specified in the CG Code.

VII. SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as its own code of conduct regarding Directors and Supervisors’ securities transactions. Having made specific enquiries with all Directors and Supervisors, the Company received confirmation from all of them that they have complied with the required standard of dealings as set out in the Model Code during the Reporting Period.

Other Information

VIII. OPERATING OF THE BOARD AND THE BOARD COMMITTEES

(1) Composition of the Board

As at the end of the Reporting Period, the Board of the Company comprised nine Directors, including one executive Director, namely Mr. Peng Yanbao, five non-executive Directors, namely Mr. Yao Zhiyong (Chairman), Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Liu Hailin and Mr. Zhang Weigang, and three independent non-executive Directors, namely Mr. Lu Yuanzhu, Mr. Wu Xingyu and Mr. Chu, Howard Ho Hwa.

During the Reporting Period, all Directors performed their statutory duties honestly and diligently and protected the interests of the Shareholders of the Company as a whole, especially the interests of minority Shareholders, in accordance with the relevant provisions of laws, regulations and articles of association of the Company. During the Reporting Period, the Board convened a total of 3 general meetings (including 2 class meetings) for its Shareholders to consider and approve 17 proposals, and convened 3 Board meetings and considered and approved 42 proposals.

(2) Board Committees

There are four committees established under the Board, namely, the Strategy Committee, the Remuneration and Nomination Committee, the Audit Committee and the Risk Control Committee. The responsibilities of each committee are clearly divided and defined. The committees assist the Board in conducting work within the terms of reference as specified in the procedural rules of meetings, and are accountable to and report to the Board. The majority of the members of the Remuneration and Nomination Committee are independent non-executive Directors, and the chairman of the committee is an independent non-executive Director. All the members of the Audit Committee are independent non-executive Directors. As at the end of the Reporting Period, the list of the members of the Board committees is as follows:

Board Committees	Chairman	Members
Strategy Committee	Yao Zhiyong	Peng Yanbao, Hua Weirong, Zhou Weiping, Chu, Howard Ho Hwa
Remuneration and Nomination Committee	Lu Yuanzhu	Hua Weirong, Wu Xingyu
Audit Committee	Wu Xingyu	Chu, Howard Ho Hwa, Lu Yuanzhu
Risk Control Committee	Yao Zhiyong	Hua Weirong, Zhou Weiping, Liu Hailin, Wu Xingyu

During the Reporting Period, the Strategy Committee convened a total of 1 meeting, which considered and approved 4 proposals. The Audit Committee convened a total of 1 meeting, which considered and approved 14 proposals. The Remuneration and Nomination Committee convened a total of 2 meetings, which considered and approved 5 proposals. The Risk Control Committee convened a total of 1 meeting, which considered and approved 4 proposals.

Of which, the Audit Committee and the management of the Company had reviewed the accounting policies adopted by the Company, and discussed issues including internal control, risk management and financial report, and had fully reviewed the consolidated interim financial information during the Reporting Record (including unaudited consolidated financial statements set out in this Interim Report). The Audit Committee considered that the preparation of such consolidated financial report was compiled in conformity with the applicable accounting standards and provisions and has made appropriate disclosures. The auditor of the Company, Deloitte Touche Tohmatsu, has conducted the review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

IX. OPERATION OF THE SUPERVISORY COMMITTEE

As at the end of the Reporting Period, the Supervisory Committee of the Company comprised 5 Supervisors, among which there are three Shareholder representative Supervisors (namely, Mr. Jiang Zhiqiang (Chairman of Supervisory Committee), Mr. Zhou Weixing and Mr. Ren Jun) and two employee representative Supervisors (namely, Ms. Shen Ying and Ms. Yu Lei).

During the Reporting Period, the Supervisory Committee has convened 3 meetings and considered 12 proposals. The Supervisors earnestly performed their duties and supervised the standard operation of the Company and safeguarded the legal rights and interests of the Company, Shareholders and investors in accordance with the relevant provisions of the Company Law and Securities Law and other relevant laws and regulations and the articles of association of the Company.

X. NEW BUSINESS QUALIFICATIONS OBTAINED DURING THE REPORTING PERIOD

During the Reporting Period, the Company did not obtain any new business qualifications.

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 an A rating in A class.

Other Information

XII. MAJOR LITIGATIONS

(1) Events during the Reporting Period

In respect of the breach of contract event regarding the stock pledged repurchase business for the restricted tradable shares of Oriental Times Media Co., Ltd. (please refer to the announcement dated 30 January 2019 and the 2018 annual report of the Company for details), Wuxi Intermediate Court filed the case in January 2019.

In respect of the lawsuit filed by 14 natural persons including Weng Guigen (翁桂根) against Hua Ying Securities (the third defendant) (please refer to the 2018 annual report of the Company for details), Jinan Intermediate People's Court ruled on 12 April 2019 that the plaintiff's lawsuit was dismissed.

(2) Progress of previous events during the Reporting Period

During the Reporting Period, the case of breach of contract event regarding the stock pledged repurchase business of Huaming Power Equipment (please refer to the 2018 annual report of the Company for details) is still on-going. The Company is successively recovering the debt principal, interest and liquidated damages in respect of the breach of contract event regarding the stock pledged repurchase business of Huaming Power Equipment.

XIII. INFORMATION RELATING TO THE COMPANY'S CONTROLLING SHAREHOLDERS

During the Reporting Period, the independent non-executive Directors had reviewed the decisions made by the investment decision committee of Guolian Capital in relation to the Direct Investment Business opportunity noticed by or offered to the Controlling Shareholders or their controlled entities ("New Direct Investment Business Opportunities") pursuant to the written notice given by them. The independent non-executive Directors considered the factors that gave judgments by the investment decision committee of Guolian Capital, including the business development of the Company and the best interest of the Shareholders and the written declaration of the Controlling Shareholders. Upon the completion of such review, the independent non-executive Directors (i) did not have different views from that of the investment decision committee of Guolian Capital; and (ii) were of the view that the Controlling Shareholders has complied with the Non-competition Agreement.

During the Reporting Period, the independent non-executive Directors also considered the option to acquire any or all of the equity interests in Guolian Futures held by Guolian Group or entities controlled by it ("Option for Acquisition") and decided that given the business development of the Company and the best interest of the Shareholders, it was not yet an appropriate time for the Company to exercise the Option for Acquisition.

Each of our Controlling Shareholders has made a written declaration to the Company and the independent non-executive Directors, the investment decision committee of Guolian Capital and the Company's auditor that, during the Reporting Period, it had complied with the Non-competition Agreement (including but not limited to the relevant requirements in relation to the options of New Direct Investment Business Opportunities and the pre-emptive rights of the Company in connection with the selling notice).

During the Reporting Period, Guolian Capital received 5 letters of intent from the Controlling Shareholders of the Company or their controlled entities regarding the referral of its new Direct Investment Business. After the evaluation by the investment decision committee of Guolian Capital, it was unanimously agreed to give up the options, the reasons of which mainly include the incompliance with the investment positioning of Guolian Capital, insufficient advantages of the project or uncontrollable project risk.

XIV. CHANGES TO INFORMATION IN RESPECT OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

During the Reporting Period, Mr. Peng Yanbao, the former executive Director and President of the Company, resigned from his position as the President of the Company on 13 June 2019. Mr. Yang Ming, the Vice President of the Company, assumes the duties of the President. Mr. Lee Pak Hay, the former independent non-executive Director of the Company, resigned from his position as an independent non-executive Director of the Company on 27 June 2019. Mr. Liu Hailin, a non-executive Director of the Company, serves as an executive director and general manager of Jiangsu Xinfang from April 2019 onwards.

The annual general meeting of the Company was held on 13 June 2019 to consider and approve the fourth session of the Board and the Supervisory Committee. Mr. Ge Xiaobo has been elected as the executive Director of the fourth session of the Board, Mr. Yao Zhiyong, Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Liu Hailin and Mr. Zhang Weigang have been elected as the non-executive Directors of the fourth session of the Board, and Mr. Lu Yuanzhu, Mr. Wu Xingyu and Mr. Chu, Howard Ho Hwa have been elected as the independent non-executive Directors of the fourth session of the Board. Each of Mr. Yao Zhiyong, Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Liu Hailin, Mr. Zhang Weigang, Mr. Lu Yuanzhu, Mr. Wu Xingyu and Mr. Chu, Howard Ho Hwa has received the approval from the CSRC to act as the Director of the Company. Mr. Ge Xiaobo has not yet complied with the regulatory requirements to act as the executive Director of the Company. The retirement of Mr. Peng Yanbao, the former executive Director, will take effect from the date on which the appointment of Mr. Ge Xiaobo takes effect. Mr. Jiang Zhiqiang, Mr. Zhou Weixing and Mr. Ren Jun have been appointed as Shareholder representative Supervisors of the fourth session of the Supervisory Committee, and Ms. Shen Ying and Ms. Yu Lei have been appointed as employee representative Supervisors of the fourth session of the Supervisory Committee. Each of Mr. Jiang Zhiqiang, Mr. Zhou Weixing, Mr. Ren Jun, Ms. Shen Ying and Ms. Yu Lei has received the approval from the CSRC.

Other Information

As at the end of the Reporting Period, there is no essential change regarding the biographical information related to Directors, Supervisors and chief executives required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as compared with those disclosed in the 2018 annual report.

XV. EVENTS AFTER THE REPORTING PERIOD

(i) Major Events of Subsidiaries

The Company has established alternative investment subsidiaries on 9 July 2019.

On 26 August 2019, the NEEQ listing and referral, continuous supervision and financial advisory business of the Company was transferred to Hua Ying Securities, a wholly-owned subsidiary of the Company.

(ii) Major Litigation Matters

On 13 July 2019, Wuxi Intermediate People's Court made the following judgment on the dispute between the Company and Peng Peng (彭朋) in respect of the Oriental Times Media Co., Ltd. stock pledged repurchase transaction: Wei Yueping (韋越萍) shall repay the Company the loan principal of RMB81 million and the corresponding interest and bear the attorney fees with the couple joint property with her spouse Peng Peng; Peng Min (彭敏) shall undertake the joint and several liability for settlement for the above debt; Huang Yong (黃勇) shall undertake the joint and several liability for settlement for Peng Min's debt with his couple joint property.

On 19 August 2019, Shandong Higher People's Court made a final ruling on the case of lawsuit filed by 14 natural persons including Weng Guigen (翁桂根) against Hua Ying Securities (the third defendant), and ruled that the 14 plaintiffs' appeal was rejected and the original ruling was upheld.

As the Company has fully recovered the debt principal, interest and liquidated damages in respect of the breach of contract event regarding the stock pledged repurchase business of Huaming Power Equipment, the Company filed an application for withdrawal of lawsuit with Wuxi Intermediate People's Court and was granted permission on 27 August 2019.

Definitions

“Board”	the board of Director(s) of the Company
“CG Code”	the Corporate Governance Code contained in Appendix 14 of the Listing Rules
“China”, “PRC”	the People’s Republic of China
“collective asset management scheme”	an asset management contract entered into with multiple clients by a securities firm, pursuant to which the clients’ assets are placed in the custody of commercial banks or in other institutions approved by the CSRC which are qualified to hold client transaction settlement funds, and the securities firm provides asset management services to the clients through designated accounts
“Company”, “our Company”	Guolian Securities Co., Ltd. (國聯證券股份有限公司), a joint stock company incorporated on 19 November 1992 in the PRC, with its H shares listed on the Hong Kong Stock Exchange (stock code: 01456)
“Company Law”	the Company Law of the PRC
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the Company, namely, Guolian Group, Guolian Trust, Wuxi Electric, Minsheng Investment, Yimian Textile, Huaguang Boiler, Guolian Industrial and Guolian Financial Investment
“CPI”	Consumer Price Index
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Direct Investment Business”	a business in which the subsidiary set up by the securities firm leverages on its own professional advantage to search for and find quality investment projects and make equity investment or equity related debt investment with its own or raised funds, so as to obtain income from equity interest or debts
“Director(s)”	the director(s) of the Company

Definitions

“end of the Reporting Period”	30 June 2019
“Futures IB”	the business activities in which securities firms, as commissioned by futures companies, introduce clients to participate in futures transactions for the futures companies and provide other related services
“GDP”	gross domestic product
“Group”, “our Group”	our Company and its subsidiaries which are Guolian Capital and Hua Ying Securities
“Guolian Capital”	Guolian Capital Co., Ltd. (國聯通寶資本投資有限責任公司), a limited liability company established in the PRC on 18 January 2010 and a wholly-owned subsidiary of our Company
“Guolian Financial Investment”	Wuxi Guolian Financial Investment Group Co., Ltd. (無錫國聯金融投資集團有限公司), 100% of the equity interest of which is held by Guolian Group
“Guolian Group”	Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司)
“Guolian Industrial”	Wuxi Guolian Industrial Investment Group Co., Ltd. (無錫國聯實業投資集團有限公司)
“Guolian Trust”	Guolian Trust Co., Ltd. (國聯信託股份有限公司)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huaguang Boiler”	Wuxi Huaguang Boiler Co., Ltd. (無錫華光鍋爐股份有限公司)
“Hua Ying Securities”	Hua Ying Securities Co., Ltd. (華英證券有限責任公司), 100% of the equity interest of which is held by the Company

Definitions

“IFRS”	include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“IPO”	Initial Public Offering
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Minsheng Investment”	Wuxi Minsheng Investment Co., Ltd. (無錫民生投資有限公司), a wholly-owned subsidiary of Guolian Financial Investment and holds 3.864% of the equity interest of the Company
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuer contained in Appendix 10 of the Listing Rules
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“Non-competition Agreement”	the non-competition agreement dated 15 June 2015 entered into among the Company and Guolian Group, Guolian Trust, Wuxi Electric, Guolian Textile, Guolian Environmental and Guolian Industrial
“OECD”	Organisation for Economic Cooperation and Development
“PMI”	Purchasing Manager Index
“PPI”	Production Price Index
“Reporting Period”	the period for the six months ended 30 June 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholders”	holders of the shares of the Company

Definitions

“Shanghai-Hong Kong Stock Connect”	a mechanism of inter-connection and inter-working between transactions of Shanghai and Hong Kong stock markets under which Shanghai Stock Exchange and Hong Kong Stock Exchange allow investors of the two sides to buy or sell the shares (within a specified limit) listed on the stock exchange of the other side via local securities companies (or brokers)
“Shenzhen-Hong Kong Stock Connect”	a mechanism of inter-connection and inter-working between transactions of Shenzhen and Hong Kong stock markets under which Shenzhen Stock Exchange and Hong Kong Stock Exchange allow investors of the two sides to buy or sell the shares (within a specified limit) listed on the stock exchange of the other side via local securities companies (or brokers)
“specialized asset management scheme”	an asset management contract entered into by a securities firm with client to specify the investment objectives that specifically cater for the special requirements and asset structure of each individual client and provides asset management service to client through a designated account
“SSE Composite Index”	Shanghai SE Composite Index, reflecting changes of price of shares listed on Shanghai Stock Exchange
“Supervisor(s)”	the Supervisor(s) of the Company
“Supervisory Committee”	the Supervisory Committee of the Company
“SZSE Composite Index”	Shenzhen SE Composite Index, reflecting changes of price of A and/or B shares listed on Shenzhen Stock Exchange
“Shanghai Stock Exchange”	The Shanghai Stock Exchange
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange
“targeted asset management scheme”	an asset management contract entered into by a securities firm with a single client, pursuant to which the securities firm provides asset management services to the client through the accounts under the client’s name
“Wind Information”	Wind Information Co., Ltd. (上海萬得信息技術股份有限公司), a joint stock limited liability company incorporated in the PRC and a service provider of financial data, information and software

Definitions

“Wuxi Electric”	Wuxi Guolian Municipal Electric Power Co., Ltd.* (無錫市國聯地方電力有限公司), a wholly-owned subsidiary of Guolian Industrial, which holds 14.03% of the equity interest of the Company, previously known as “Wuxi Municipal Electric Power Company” (無錫市地方電力公司)
“Xiaorongbao”	the small securities-backed financing service provided to the customers by the Group
“Yimian Textile”	Wuxi Yimian Textile Group Co., Ltd. (無錫一棉紡織集團有限公司), formerly known as Wuxi Guolian Textile Group Co., Ltd. (無錫國聯紡織集團有限公司)

This Interim Report is prepared both in Chinese and English. In the event of any discrepancy between the two versions, the Chinese version shall prevail.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

To the Board of Directors of Guolian Securities Co., Ltd.

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

Introduction

We have reviewed the condensed consolidated financial statements of Guolian Securities Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 41 to 104, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 28 August 2019

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited)
Revenue			
– Commission and fee income	4	406,734	405,477
– Interest income	5	446,596	451,100
Net investment gains/(losses)	6	248,187	(12,558)
Other income	7	2,939	3,094
Total revenue, gains and other income		1,104,456	847,113
Commission and fee expenses	8	(82,451)	(63,788)
Interest expenses	9	(179,167)	(210,004)
Staff costs	10	(235,637)	(199,359)
Depreciation and amortization		(67,416)	(30,792)
Other operating expenses	11	(75,045)	(109,379)
Impairment losses under expected credit loss model, net of reversal	12	(5,411)	(55,724)
Total expenses		(645,127)	(669,046)
Share of results of associates	18	4,983	(3,449)
Other gains, net	13	5,702	6,497
Profit before income tax		470,014	181,115
Income tax expense	14	(113,694)	(47,617)
Profit for the period		356,320	133,498
Attributable to:			
– Shareholders of the Company		356,320	133,498
– Non-controlling interests		–	–
Earnings per share			
(Expressed in RMB per share)			
– Basic	15	0.19	0.07

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited)
Profit for the period		356,320	133,498
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		356,320	133,498
Attributable to:			
Shareholders of the Company		356,320	133,498
Non-controlling interests		-	-

The notes on pages 48 to 104 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Assets			
Non-current assets			
Property and equipment	17	87,187	95,452
Right-of-use assets	17	182,758	–
Intangible assets		33,271	35,894
Interests in associates	18	118,545	113,562
Other non-current assets		39,721	40,097
Financial assets held under resale agreements	23	782,410	799,536
Financial assets at fair value through profit or loss	24	135,057	159,012
Deferred tax assets	19	52,780	80,117
Refundable deposits	20	74,545	72,494
Total non-current assets		1,506,274	1,396,164
Current assets			
Other current assets	21	112,804	68,442
Margin accounts receivable	22	3,404,075	2,953,817
Financial assets held under resale agreements	23	6,028,973	6,598,885
Financial assets at fair value through profit or loss	24	2,400,589	2,826,918
Clearing settlement funds	25	1,980,725	2,030,925
Cash held for brokerage clients		6,589,358	4,027,017
Cash and bank balances	26	2,650,403	1,381,608
Total current assets		23,166,927	19,887,612
Total assets		24,673,201	21,283,776
Current liabilities			
Other current liabilities	27	288,102	286,579
Current income tax liabilities		1,400	6,897
Bonds in issue	28	3,561,483	2,373,522
Lease liabilities		67,735	–
Contract liabilities		9,768	7,512
Financial liabilities at fair value through profit or loss	29	1,321,224	1,151,165
Derivative financial liabilities	30	–	940
Financial assets sold under repurchase agreements	31	–	10,014
Accounts payable to brokerage clients		8,096,713	5,594,621
Total current liabilities		13,346,425	9,431,250

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Net current assets		9,820,502	10,456,362
Total assets less current liabilities		11,326,776	11,852,526
Equity			
Share capital	32	1,902,400	1,902,400
Share premium		2,178,478	2,178,478
Reserves		1,760,802	1,760,002
Retained earnings		2,060,623	1,808,304
Equity attributable to shareholders of the Company		7,902,303	7,649,184
Total equity		7,902,303	7,649,184
Liabilities			
Non-current liabilities			
Deferred tax liabilities	19	1,322	3,342
Lease liabilities		123,151	–
Bonds in issue	28	3,300,000	4,200,000
Total non-current liabilities		3,424,473	4,203,342
Total equity and non-current liabilities		11,326,776	11,852,526

The notes on pages 48 to 104 form an integral part of these condensed consolidated financial statements.

The consolidated financial statements on pages 41 to 104 were approved and authorised for issue by the Board of Directors on 28 August 2019 and signed on behalf by:

Yao Zhiyong

Chairman of the Board and non-Executive Director

Peng Yanbao

Executive Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

(All amounts in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000		
Balance at 31 December 2018 (audited)	1,902,400	2,178,478	1,760,002	1,808,304	7,649,184	-	7,649,184
Adjustment (see Note 2)	-	-	-	(8,081)	(8,081)	-	(8,081)
Balance at 1 January 2019	1,902,400	2,178,478	1,760,002	1,800,223	7,641,103	-	7,641,103
Profit for the period	-	-	-	356,320	356,320	-	356,320
Total comprehensive income for the period	-	-	-	356,320	356,320	-	356,320
Dividends recognized as distribution	-	-	-	(95,120)	(95,120)	-	(95,120)
Appropriation to general reserve	-	-	800	(800)	-	-	-
Balance at 30 June 2019 (unaudited)	1,902,400	2,178,478	1,760,802	2,060,623	7,902,303	-	7,902,303
Balance at 1 January 2018 (audited)	1,902,400	2,178,478	1,715,660	1,802,058	7,598,596	-	7,598,596
Profit for the period	-	-	-	133,498	133,498	-	133,498
Total comprehensive income for the period	-	-	-	133,498	133,498	-	133,498
Dividends recognized as distribution	-	-	-	-	-	-	-
Balance at 30 June 2018 (unaudited)	1,902,400	2,178,478	1,715,660	1,935,556	7,732,094	-	7,732,094

The notes on pages 48 to 104 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Cash flows from operating activities		
Profit before income tax	470,014	181,115
Adjustments for:		
Depreciation and amortisation	67,416	30,792
Impairment losses	5,411	55,724
Net gains on disposal of property and equipment and other intangible assets	(15)	(51)
Unrealised fair value change of financial instruments at fair value through profit or loss	(120,871)	43,227
Foreign exchange gains	(1,156)	(2,494)
Share of (profit)/loss of associates	(4,983)	3,449
Interest expense of bonds in issue	159,493	174,735
Interest expense of leases liabilities	4,753	–
Realised gains from disposal of financial instruments at fair value through profit or loss	(60,525)	(13,341)
Dividends and interest income from financial instruments at fair value through profit or loss	(5,951)	(3,780)
Operating cash flows before movements in working capital	513,586	469,376
Net (increase)/decrease in margin accounts receivable	(445,341)	895,675
Net decrease in financial instruments at fair value through profit or loss	304,846	91,469
Net decrease/(increase) in financial assets held under resale agreements	1,378,119	(211,277)
Net increase in refundable deposits	(2,051)	(43,285)
Net increase in cash held for brokerage clients	(2,562,341)	(688,880)
Net decrease in clearing settlement funds held for clients	137,486	337,813
Net increase in other assets	(34,938)	(21,762)
Net increase/(decrease) in accounts payable to brokerage customers	2,502,092	(108,828)
Net (decrease)/increase in financial assets sold under repurchase agreements	(10,014)	10,030
Net decrease in due to other financial institutions	–	(213)
Net (decrease)/increase in other liabilities	(89,104)	445,959
Net increase/(decrease) in financial liabilities at fair value through profit or loss and derivative financial liabilities	180,015	(214,383)
Cash generated from operations	1,872,355	961,694
Income taxes paid, net	(108,600)	(31,637)
Net cash generated by operating activities	1,763,755	930,057

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Cash flows from investing activities		
Dividends and interest received from investments	5,951	3,780
Proceeds on disposal of property and equipment, intangible assets and other long-term assets	189	105
Purchase of property and equipment, intangible assets and other long-term assets	(24,545)	(25,061)
Cash paid for purchase of financial instruments at fair value through profit or loss	(1,698,474)	(490,498)
Cash received from disposal of financial instruments at fair value through profit or loss	2,016,983	478,866
Net cash generated by/(used in) investing activities	300,104	(32,808)
Cash flows from financing activities		
Cash received from additional bonds in issue	1,360,000	2,520,000
Repayments of leases liabilities	(33,229)	–
Cash paid for repayment of bonds in issue	(1,120,000)	(1,800,000)
Interest paid for bonds in issue	(111,531)	(49,218)
Net cash generated by financing activities	95,240	670,782
Net increase in cash and cash equivalents	2,159,099	1,568,031
Cash and cash equivalents at the beginning of the period	3,269,554	3,443,286
Effect of exchange rate changes on the balance of cash held in foreign currencies	1,156	2,494
Cash and cash equivalents at the end of the period	5,429,809	5,013,811

The notes on pages 48 to 104 form an integral part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

1. General information

Guolian Securities Co., Ltd. (國聯證券股份有限公司) (the “Company”) is a joint stock financial institution incorporated in Jiangsu Province, the People’s Republic of China (the “PRC”).

The Company, originally named as Wuxi Securities Company (無錫市證券公司), was set up upon approval from the People’s Bank of China in November 1992 as a collectively owned enterprise with an initial registered capital of RMB32,000 thousand. On 8 January 1999, the Company was converted to a limited liability company and was renamed as Wuxi Securities Co., Ltd. (無錫證券有限責任公司). On 16 May 2008, Wuxi Securities Co., Ltd. was converted to a joint-stock company upon approval by the China Securities Regulatory Commission (the “CSRC”) with a registered capital of RMB1,500,000 thousand and was renamed as Guolian Securities Co., Ltd. (國聯證券股份有限公司).

The Company completed its initial public offering of overseas-listed foreign shares (“H shares”) on The Stock Exchange of Hong Kong Limited on 6 July 2015. Under this offering, the Company issued a total of 402,400 thousand shares with a nominal value of RMB1 per share. After this public offering, total share capital of the Company increased to RMB1,902,400 thousand.

As at 30 June 2019, the registered capital of the Company is RMB1,902,400 thousand. The Company holds the securities institution license No.13120000 and business license No. 91320200135914870B. The registered address of the Company is No. 8 Jinrong One Street Wuxi, Jiangsu Province, PRC.

The Company and its subsidiaries (the “Group”) are engaged in the following principal activities: securities brokerage, investment consultancy and financial advisory, securities underwriting and sponsorship, proprietary securities investment, asset management, introducing broker for futures companies, margin financing and securities lending, and agency sale of financial broker products.

These condensed consolidated financial statements were authorised for issue by the Board of Directors (the “Board”) on 28 August 2019.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies

(a) Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board (“IASB”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases (“IAS 17”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings/machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of assessment.
- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of machinery and equipment in the People's Republic of China was determined on a portfolio basis; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised lease liabilities of RMB206,380 thousand and right-of-use assets of RMB203,148 thousand at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.52%.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	210,052
Lease liabilities discounted at relevant incremental borrowing rates	164,724
Add: Extension options reasonably certain to be exercised	42,196
Less: Recognition exemption – short-term leases	526
Recognition exemption – low value assets	14
Lease liabilities relating to operating leases recognised upon application of IFRS 16	206,380
Lease liabilities as at 1 January 2019	206,380
Analysed as	
Current	62,283
Non-current	144,097
	206,380

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		201,759
Reclassified from prepaid lease payments	(a)	1,389
		<hr/> 203,148
By class:		
Land and buildings		202,155
Motor vehicles		993
		<hr/> 203,148

(a) Prepayments for rental of buildings were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current portion of prepaid lease payments amounting to RMB1,389 thousand were reclassified to right-of-use assets.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessor

In accordance with the transitional provisions in IFRS 16, except for sub-leases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Effective on 1 January 2019, the Group has applied IFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

The following table summarises the impact of transition to IFRS 16 on retained profits at 1 January 2019.

	Impact of adopting IFRS 16 at 1 January 2019 RMB'000
Retained profits	
Adjustment for IFRS16 before tax	(10,775)
Tax effects	2,694
Impact at 1 January 2019	(8,081)

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under IFRS 16 at 1 January 2019 RMB'000
Non-current Assets			
Right-of-use assets	–	203,148	203,148
Deferred tax assets	80,117	2,694	82,811
Current Assets			
Other current assets	68,442	(10,041)	58,401
Equity			
Retained earnings	1,808,304	(8,081)	1,800,223
Current Liabilities			
Other current liabilities	288,102	(2,498)	285,604
Lease liabilities	–	62,283	62,283
Non-current liabilities			
Lease liabilities	–	144,097	144,097

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

3. Segment analysis

The Group manages business operations by the following segments in accordance with the nature of the operations and the services provided:

- (a) Securities brokerage: This segment engages in the provision of securities dealing and broking, margin financing to margin clients and securities lending;
- (b) Credit transaction: This segment engages in providing financial leverage for brokerage clients, securities-backed lending and securities repurchase businesses;
- (c) Investment banking: This segment engages in the provision of corporate finance services including underwriting of equity and debt securities and financial advisory services to institutional clients;
- (d) Proprietary trading: This segment engages in trading of equities, bonds, funds, derivatives and other financial products for the Group;
- (e) Asset management and investment: This segment engages in the provision of portfolio management, investment advisory and transaction execution services;
- (f) Other businesses: This segment engages in headquarters operations and interest income and expenses relating to working capital in general.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the period ended 30 June 2019.

The Group mainly operates in Jiangsu Province, the PRC. Almost all of the revenue and other income of the Group are generated in the PRC.

Non-current assets of the Group are all located in the PRC.

No income from any single customer contributed over 10% of the total revenue and other income of the Group.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

3. Segment analysis (continued)

	Six months ended 30 June 2018							Total
	Securities brokerage	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Other	Elimination	
(Unaudited)								
Total revenue and other income								
Commission and fee income								
– External	232,880	–	136,443	–	36,154	–	–	405,477
– Internal	–	–	9,623	–	–	–	(9,623)	–
Interest income								
– External	67,079	317,694	18,602	23,619	8,989	15,117	–	451,100
– Internal	–	–	–	–	–	–	–	–
Net investment gains								
– External	–	–	6,437	(7,593)	(11,402)	–	–	(12,558)
– Internal	–	–	–	–	–	–	–	–
Other income								
– External	174	–	–	–	–	2,920	–	3,094
– Internal	–	–	–	–	–	–	–	–
Total expenses (including reversal of impairment losses)	(223,432)	(252,253)	(87,742)	(2,020)	(13,700)	(91,177)	1,278	(669,046)
Operating profit	76,701	65,441	83,363	14,006	20,041	(73,140)	(8,345)	178,067
Other gains, net								
– External	77	–	3,138	(523)	186	3,619	–	6,497
– Internal	–	–	–	–	–	–	–	–
Share of profit of investments in associates	–	–	–	–	(1,042)	(2,407)	–	(3,449)
Profit/(Loss) before income tax	76,778	65,441	86,501	13,483	19,185	(71,928)	(8,345)	181,115
30 June 2018								
	Security brokerage	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	Total
(Unaudited)								
Total assets	6,390,423	10,186,924	1,796,526	3,278,874	2,049,414	2,583,904	(1,087,775)	25,198,290
Total liabilities	6,188,567	8,745,547	807,029	39,635	1,520,314	156,759	8,345	17,466,196
Six months ended 30 June 2018								
(Unaudited)								
Supplemental information								
Depreciation and amortization	8,392	81	1,494	7	173	20,645	–	30,792
Impairment losses (reversal)	–	55,479	56	83	(33)	139	–	55,724
Capital expenditure	7,596	–	2,728	2	629	14,106	–	25,061

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

4. Commission and fee income

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Securities brokerage	288,320	232,880
Underwriting and sponsorship	41,161	93,342
Investment consultancy and financial advisory	48,529	43,101
Asset management	27,564	36,154
Others	1,160	–
	406,734	405,477

5. Interest income

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Interest income from margin financing	119,561	165,398
Interest income from bank deposits and clearing settlement funds	96,762	105,414
Interest income from financial assets held under resale agreements	230,273	180,288
	446,596	451,100

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

6. Net investment gains/(losses)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Realised gains from disposal of financial assets at fair value through profit or loss	94,197	43,680
Distribution to interest holders of consolidated structured entities	(42,790)	(67,334)
Dividends and interest income from financial assets at fair value through profit or loss	51,293	45,385
Net realised gains from derivative financial instruments	24,616	8,938
Unrealised fair value change of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	106,689	(32,480)
– Derivative financial instruments	4,226	(5,685)
– Financial liabilities at fair value through profit or loss	9,956	(5,062)
	248,187	(12,558)

7. Other income

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Rental income	2,259	2,945
Others	680	149
	2,939	3,094

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

8. Commission and fee expenses

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Securities brokerage	79,146	62,694
Underwriting and sponsorship	–	94
Investment consultancy and financial advisory	2,606	–
Asset management	699	1,000
	82,451	63,788

9. Interest expenses

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Interest expenses of bonds in issue	159,493	174,735
Interest expenses of financial assets sold under repurchase agreements	24	6,357
Interest expenses of accounts payable to brokerage clients	14,854	13,650
Interest expenses of due to other financial institutions	43	15,262
Interest expense of lease obligation	4,753	–
	179,167	210,004

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

10. Staff costs

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Salaries and bonus	160,389	135,257
Pension	42,699	33,089
Other social security	18,868	18,552
Labor union funds and employee education funds	3,846	2,723
Other welfare	9,835	9,738
	235,637	199,359

11. Other operating expenses

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Tax and surcharges	6,117	5,313
Rentals	1,620	33,790
Marketing and distribution expenses	6,968	8,074
Office expenses	11,105	11,783
Travelling expenses	6,944	7,979
Securities investors protection fund	8,351	10,594
Professional service expenses	4,510	3,830
Consulting expenses	1,387	2,206
Others	28,043	25,810
	75,045	109,379

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

12. Impairment losses under expected credit loss model/(reversal)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Financial assets held under resale agreements	10,147	57,050
Other receivables	175	162
Margin accounts receivable	(4,917)	(1,564)
Accounts receivable	6	76
	5,411	55,724

13. Other gains, net

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Foreign exchange gains	1,156	2,494
Others	4,546	4,003
	5,702	6,497

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

14. Income tax expense

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Current income tax expense		
– Mainland China	86,071	78,035
(Over)/under provision in prior years		
– Mainland China	(388)	88
	85,683	78,123
Deferred taxation		
– Mainland China (Note 19)	28,011	(30,506)
Income tax		
– Mainland China	113,694	47,617

The mainland China income tax provision is based on the statutory tax rate of 25% of the taxable income of the Group as determined in accordance with the relevant PRC income tax rules and regulations.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of 25%.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

15. Earnings per share

15.1 Basic earnings per share

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

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to shareholders of the Company (in RMB'000)	356,320	133,498
Weighted average number of ordinary shares in issue (in thousand)	1,902,400	1,902,400
Basic earnings per share (in RMB)	0.19	0.07

15.2 Diluted earnings per share

For the six months ended 30 June 2019 and 2018, there were no potential diluted ordinary shares, so no diluted earnings per share was presented.

16. Profit distribution

Pursuant to the resolution of the shareholders' meeting held on 13 June 2019, the Company declared a final cash dividend for the year ended 31 December 2018 of RMB0.05 per share, or RMB95,120 thousand in aggregate, which has been paid to the shareholders of the Company in full by 12 August 2019 (For the year ended 31 December 2018: No dividends were paid, declared or proposed).

17. Property and equipment, Right-of-use assets

During the six months ended 30 June 2019, the Group acquired property and equipment with a cost of RMB4,614 thousand (unaudited) (six months ended 30 June 2018: RMB12,621 thousand (unaudited)).

During the six months ended 30 June 2019, the Group entered into new lease agreements for the use of land and buildings for 1 to 5 years. The Group is required to make fixed monthly payments. On lease commencement date, the Group recognized RMB11,391 thousand of right-of-use asset and RMB11,391 thousand lease liability.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

18. Investments in associates

Set out below are the associates of the Group as at 30 June 2019 and 31 December 2018, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Name of Entity	Place of business/ country of incorporation	% of ownership interest as at 30 June 2019	% of ownership interest as at 31 December 2018	Measurement Method
Zhonghai Fund Management Co., Ltd. ⁽¹⁾	PRC	33.41%	33.41%	Equity
Wuxi Guolian Lingxiang SME Investment Company (L.P.) ⁽²⁾	PRC	33.33%	33.33%	Equity

(1) Zhonghai Fund Management Co., Ltd. held by the Company, provides funds distribution, asset management and other services authorised by the CSRC.

(2) Wuxi Guolian Lingxiang SME Investment Company (L.P.) is a limited partnership, held by Guolian Tongbao Capital Investment Co., Ltd. which mainly operates in investment in small and medium enterprises.

All the entities are private companies and there are no quoted market prices available for their shares.

There are no contingent liabilities relating to the Group's interest in the associates.

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Balance at beginning of the period/year	113,562	125,076
Share of profit/(loss)	4,983	(11,514)
Balance at end of the period/year	118,545	113,562

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

19. Deferred tax assets and liabilities

(1) The net movements on the deferred tax account are as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Balance at beginning of the period/year	76,775	21,477
Adjustment for IFRS9	-	(2,131)
Adjustment for IFRS16 (Note 2)	2,694	-
Credit to profit or loss (Note 14)	(28,011)	57,429
Balance at end of the period/year	51,458	76,775

(2) The gross movements in deferred tax assets and liabilities during the period are as follows:

	Impairment losses	Changes in fair value of financial assets at fair value through profit or loss	Other	Total
As at 1 January 2018	9,926	8,629	12,966	31,521
Charge/(credit) to profit or loss	38,450	15,835	(4,248)	50,037
As at 31 December 2018	48,376	24,464	8,718	81,558
Adjustment (Note 2)	-	-	2,694	2,694
As at 1 January 2019	48,376	24,464	11,412	84,252
Charge/(credit) to profit or loss	1,352	(24,464)	(1,837)	(24,949)
As at 30 June 2019	49,728	-	9,575	59,303

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

19. Deferred tax assets and liabilities (continued)

(2) The gross movements in deferred tax assets and liabilities during the period are as follows: (continued)

	Changes in fair value of financial assets at fair value through profit or loss	Other	Total
As at 1 January 2018	–	12,175	12,175
Charge/(credit) to profit or loss	3,902	(11,294)	(7,392)
Credit to other comprehensive income	–	–	–
As at 31 December 2018	3,902	881	4,783
Adjustment (Note 2)	–	–	–
As at 1 January 2019	3,902	881	4,783
Charge/(credit) to profit or loss	3,289	(227)	3,062
As at 30 June 2019	7,191	654	7,845

20. Refundable deposits

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Deposits to Stock Exchanges		
– Shanghai Stock Exchange	43,067	36,481
– Shenzhen Stock Exchange	29,320	21,736
– China Beijing Equity Exchange	400	400
Deposits to futures brokers		
– Guolian Futures Co., Ltd. (“Guolian Futures”)	1,758	13,877
	74,545	72,494

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

21. Other current assets

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Accounts receivable ^(a)	61,745	25,118
Prepaid expenses	12,794	20,105
Other receivables ^(a)	12,501	13,659
Others	27,682	11,297
Less: Impairment allowance	(1,918)	(1,737)
	112,804	68,442

(a) Account receivables and other receivables

The aging analysis of accounts receivables and other receivables are as follows:

	30 June 2019		31 December 2018	
	Amount (Unaudited)	Impairment allowance (Unaudited)	Amount (Audited)	Impairment allowance (Audited)
Up to 1 year	59,790	210	29,025	68
1 to 2 years	8,306	309	4,027	253
2 to 3 years	1,224	134	2,392	166
Over 3 years	4,926	1,265	3,333	1,250
	74,246	1,918	38,777	1,737

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

22. Margin accounts receivable

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Margin accounts receivable	3,409,177	2,963,836
Less: Impairment allowance	(5,102)	(10,019)
	3,404,075	2,953,817

Margin accounts are the funds the Group lends to the customers in margin financing and securities lending business. As at 30 June 2019, impairment allowance amounting to RMB5,102 thousand (31 December 2018: RMB10,019 thousand) was provided.

Margin accounts receivable as at 30 June 2019 is secured by the customers' securities as collateral with undiscounted market value of approximately RMB10,417,075 thousand (31 December 2018: RMB7,937,066 thousand).

23. Financial assets held under resale agreements

Non-current assets

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Analysed by asset type:		
– Equity securities	785,340	814,974
Less: Impairment allowance	(2,930)	(15,438)
	782,410	799,536
Analysed by market:		
– Shanghai Stock Exchange	6,091	29,716
– Shenzhen Stock Exchange	776,319	769,820
	782,410	799,536

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

23. Financial assets held under resale agreements (continued)

Current assets

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Analysed by asset type:		
– Equity securities	3,846,484	4,928,900
– Debt securities	2,371,453	1,836,294
Less: Impairment allowance	(188,964)	(166,309)
	6,028,973	6,598,885
Analysed by market:		
– Interbank market	833,311	595,481
– Shanghai Stock Exchange	1,948,810	1,928,339
– Shenzhen Stock Exchange	3,246,852	4,075,065
	6,028,973	6,598,885

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

24. Financial assets at fair value through profit or loss

Non-current assets

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Financial assets mandatorily measured at fair value through profit or loss under IFRS 9		
– Investment in unlisted companies	96,488	118,245
– Debt instrument	13,811	13,811
– Collective asset management schemes	24,758	26,956
Total non-current assets	135,057	159,012
Analysed as		
– Unlisted	135,057	159,012

Current assets

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Financial assets mandatorily measured at fair value through profit or loss under IFRS 9		
– Debt securities	1,584,631	1,744,022
– Equity securities	530,813	702,125
– Investment funds	224,474	307,061
– Asset backed securities	10,180	23,657
– Wealth management products	50,491	50,053
Total current assets	2,400,589	2,826,918
	2,535,646	2,985,930

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

24. Financial assets at fair value through profit or loss (continued)

Current assets (continued)

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Analysed as		
Financial assets mandatorily measured at fair value through profit or loss under IFRS 9		
– Listed in Hong Kong	68,810	70,833
– Listed outside Hong Kong	2,095,001	2,406,047
– Unlisted	236,778	350,038
	2,400,589	2,826,918

As at 30 June 2019, there was no fair value of securities of the Group which have been placed as collateral (31 December 2018: RMB10,515 thousand).

25. Clearing settlement funds

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Clearing settlement funds held for clients	1,567,686	1,705,172
Proprietary clearing settlement funds	413,039	325,753
	1,980,725	2,030,925

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

26. Cash and bank balances

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Cash	11	–
Bank balances	2,650,392	1,381,608
	2,650,403	1,381,608

27. Other current liabilities

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Salaries, bonus, allowances and benefits payable	60,060	120,731
Accounts payable	62,341	116,992
Other taxes payable	31,358	23,190
Securities investor protection fund	8,542	4,116
Dividends payable	95,120	–
Others	30,681	21,550
	288,102	286,579

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

28. Bonds in issue

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Current		
Corporate bonds with fixed rate – 2019 ^(a)	800,000	800,000
Corporate bonds with fixed rate – 2019 ^(b)	500,000	500,000
Corporate bonds with fixed rate – 2020 ^(c)	700,000	–
Corporate bonds with fixed rate – 2020 ^(d)	1,000,000	–
Income certificates ^(e)	300,000	300,000
Income certificates ^(f)	60,000	620,000
Interest payable	201,483	153,522
	3,561,483	2,373,522
Non-Current		
Corporate bonds with fixed rate – 2020 ^(c)	–	700,000
Corporate bonds with fixed rate – 2020 ^(d)	–	1,000,000
Corporate bonds with fixed rate – 2020 ^(g)	1,000,000	1,000,000
Subordinated bonds with fixed rate – 2021 ^(h)	1,500,000	1,500,000
Subordinated bonds with fixed rate – 2022 ⁽ⁱ⁾	800,000	–
	3,300,000	4,200,000
	6,861,483	6,573,522

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

28. Bonds in issue (continued)

- (a) On 14 September 2017, the company issued RMB800,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 4.95% paid annually.
- (b) On 16 November 2017, the company issued RMB500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 5.30% paid annually.
- (c) On 6 February 2018, the company issued RMB700,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 5.65% paid annually.
- (d) On 25 April 2018, the company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 5.60% paid annually.
- (e) On 18 April 2018, the company issued RMB300,000 thousand of income certificate with a term of 547 days and bore interest rates of 5.70% per annum paid at maturity.
- (f) As at 30 June 2019, income certificates were with a maturity ranging from 5 to 6 months and bore interest rates ranging from 3.50% to 3.80% per annum paid at maturity (As at 31 December 2018, income certificates were with a maturity ranging from 1 to 12 months and bore interest rates ranging from 4.00% to 5.10% per annum paid at maturity).
- (g) On 24 August 2017, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 5.00% paid annually.
- (h) On 29 July 2016, the Company issued RMB1,500,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 5 years and a fixed coupon rate of 3.89% paid annually.
- (i) On 27 March 2019, the Company issued RMB800,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 4.74% paid annually.

29. Financial liabilities at fair value through profit or loss

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Interests of other holders of consolidated structured entities	1,321,224	1,151,165

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

30. Derivative financial instruments

The derivative financial instruments of the Group mainly represent stock index futures contracts. The Group settles its gains or losses on stock index futures (“SIF”) position on a daily basis.

	30 June 2019		31 December 2018	
	Assets (Unaudited)	Liabilities (Unaudited)	Assets (Audited)	Liabilities (Audited)
Listed options	-	-	-	940
SIF	-	-	-	-
	-	-	-	940

31. Financial assets sold under repurchase agreements

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Analysed by asset type:		
– Debt securities	-	10,014
	-	10,014
Analysed by market:		
– Interbank market	-	10,014
	-	10,014
Analysed by transaction type:		
– Pledged	-	10,014
	-	10,014

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

32. Share capital

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Registered, issued and fully paid share capital (in thousand)		
Domestic shares	1,459,760	1,459,760
H shares	442,640	442,640
	1,902,400	1,902,400

33. Cash and cash equivalents

For the purpose of statements of cash flows, cash and cash equivalents include amounts that can be used to meet short term cash commitments.

	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Cash	11	–
Bank balances	2,650,392	2,496,406
Proprietary clearing settlement funds	413,039	324,720
Cash equivalents	2,366,367	2,192,685
	5,429,809	5,013,811

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

34. Commitments and contingent liabilities

(1) Capital commitments

As at 30 June 2019, the Group was not involved in any material commitments (unaudited) (31 December 2018: nil).

(2) Operating lease commitments

Considering the Group as a lessee, the total future minimum lease payments of buildings under irrevocable operating lease arrangements are as follows:

	31 December 2018 (Audited)
Within 1 year	71,406
1 to 3 years	83,069
Over 3 years	55,577
	<hr/>
	210,052

As at 30 June 2019, the portfolio of short-term leases to which it is committed is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 11.

(3) Legal proceedings

From time to time in the ordinary course of business, the Group may be involved in claims and legal proceedings or subjected to investigations by regulatory authorities. As at the date of approval of the financial statements, the Group was not involved on any material legal, arbitration or administrative proceedings which the Group expected would have significant adverse impact on its financial position and operating results, should unfavorable rulings have been handed down.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

35. Related party transactions

35.1 Transactions and balances with the Company's controlling shareholder

Wuxi Guolian Development (Group) Co., Ltd. (collectively referred to as "Guolian Group" together with its subsidiaries) is a wholly state-owned company established in the PRC with a registered capital of RMB8,000,000 thousand. As at 30 June 2019, Guolian Group directly held 28.59% of the equity interest in the Company. In addition, Guolian Group also indirectly held equity interest in the Company through its subsidiaries of Guolian Trust Co., Ltd. ("Guolian Trust"), Wuxi Guolian Municipal Electric Power Co., Ltd ("Wuxi Electric"), Wuxi Yi Mian Textile Group Co., Ltd. ("Yi Mian Textile"), Wuxi Min Sheng Investment Co., Ltd. ("Min Sheng Investment") and Wuxi Huaguang Boiler Co., Ltd. ("Wuxi Huaguang Boiler").

Guolian Trust is the subsidiary of Guolian Group who directly held 65.85% of the equity interest. As at 30 June 2019, Guolian Trust held 20.51% of the equity interest in the Company.

Wuxi Electric is an indirectly wholly-owned subsidiary of Guolian Group. As at 30 June 2019, Wuxi Electric held 14.03% of the equity interest in the Company.

Yi Mian Textile is a direct wholly-owned subsidiary of Guolian Group. As at 30 June 2019, Yi Mian Textile held 3.83% of the equity interest in the Company.

Min Sheng Investment is an indirectly wholly-owned subsidiary of Guolian Group. As at 30 June 2019, Min Sheng Investment held 3.86% of the equity interest in the Company.

Wuxi Huaguang Boiler is the subsidiary of Guolian Group who directly held 72.11% of the equity interest. As at 30 June 2019, Wuxi Huaguang Boiler held 1.53% of the equity interest in the Company.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

35. Related party transactions (continued)

35.1 Transactions and balances with the Company's controlling shareholder (continued)

Transactions during the period

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Income from providing securities brokerage services	<1	421
Income from providing asset management services	10	10
Income from providing underwriting services	2,830	5,660

Balances at the end of the period/year

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	Cash held for brokerage clients	9,183

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

35. Related party transactions (continued)

35.2 Other related party transactions and balances

The below table lists the Group's other significant related legal entities and the Group's major shareholders as at 30 June 2019:

Significant related legal entities	The relationship with the Group
Guolian Trust	Fellow subsidiary
Guolian Futures	Fellow subsidiary
Wuxi Guolian Xincheng Investment Co., Ltd. ("Guolian Xincheng")	Fellow subsidiary
Wuxi Guolian Property Management Co., Ltd. ("Guolian Property Management")	Fellow subsidiary
Wuxi Huaguang Boiler Co., Ltd.	Fellow subsidiary
Wuxi Guolian Investment Co., Ltd.	Fellow subsidiary
Guolian Life Insurance Company Limited	Associate invested by the controlling shareholder of the Company
Zhonghai Fund Management Co., Ltd.	Associate invested by the Group
Wuxi State-Owned Assets Supervision and Administration Committee ("Wuxi SASAC")	Controlling shareholder of Guolian Group

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

35 Related party transactions (continued)

35.2 Other related party transactions and balances (continued)

Transactions during the period

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Income from providing securities brokerage services		
– Guolian Futures	258	210
– Guolian Trust	2,906	1,142
– Zhonghai Fund Management Co., Ltd.	1,380	2,941
– Others	820	291
Income from providing asset management services		
– Others	654	199
Rental income		
– Guolian Life Insurance Company Limited	1,611	2,336
– Guolian Futures	409	438
– Guolian Property Management	61	61
Rental expense		
– Guolian Xincheng	–	5,858
– Guolian Life Insurance Company Limited	–	717
– Others	685	389
Interest expense of lease obligation		
– Guolian Xincheng	1,137	–
– Guolian Life Insurance Company Limited	309	–
– Others	3	–
Income from providing financial advisory services		
– Wuxi Huaguang Boiler	–	4,538
– Others	1,542	1,415
Expense for receiving services		
– Guolian Property Management	1,452	890
– Guolian Futures	305	30
– Others	143	74

Note: As at 30 June 2019, right-of-use assets and lease liabilities arising from the lease arrangements with related parties amount to RMB56,553 thousand and RMB62,587 thousand respectively. For the six months ended 30 June 2019, the depreciation of the right-of-use assets and the interest expense of the lease liabilities amount to RMB6,168 thousand and RMB1,449 thousand respectively. The lease expenses recorded for the short-term or low-value leases with related parties amounts to RMB685 thousand.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

35 Related party transactions (continued)

35.2 Other related party transactions and balances (continued)

Balances at the end of the period/year

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Accounts payable		
– Guolian Futures	80	80
– Guolian Life Insurance Company Limited	50	1,903
Lease obligation		
– Guolian Life Insurance Company Limited	13,441	–
– Guolian Xincheng	49,088	–
– Others	58	–
Accounts receivable		
– Guolian Xincheng	409	611
Clearing settlement funds		
– Guolian Futures	38,332	33,797
Refundable deposits		
– Guolian Futures	1,758	13,877
Cash held for brokerage clients		
– Guolian Trust	45	36
– Zhonghai Fund Management Co., Ltd.	1	1
– Wuxi Huaguang Boiler	2	–
– Others	58,809	14,793

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

35 Related party transactions (continued)

35.3 Key management personnel

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 (Unaudited)	2018 (Unaudited)
Short term employee benefits	1,915	1,745
Post-employment benefits	404	180
	2,319	1,925

36. Financial Risk Management

The Group's risk management objective is to establish a sound risk management system and effective management mechanism to ensure that the risk is controlled under a tolerable level, achieve a sustainable development and reduce the uncertainty of achieving business plans.

Based on the risk management objective, the Group's risk management strategy is to identify and analyse various risks faced by the Group, establish an appropriate risk tolerance bottom line for risk management and measure, monitor, report and respond to various risks in a timely and reliable manner to control risks within the limits set by the Group.

The risks involved in the daily operations of the Group mainly include credit risk, market risk and liquidity risk. The Group has established policies and procedures to identify and analyse these risks, and to set appropriate indicators, limits, policies and internal control processes to manage these risks through continuous monitoring by information systems.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

36. Financial Risk Management (continued)

The directors of the Company are ultimately responsible for the Group's risk management, and the risk control committee under the authority is responsible for the Group's risk management; the senior management of the Company assumes responsibility for organizing the implementation of comprehensive risk management in the daily operation, and authorizes the chief risk officer to lead and organise comprehensive risk management work; The Company's departments responsible for risk management include the risk management department and functional departments. These departments are responsible for the establishment of the Group's risk management system, identifying and assessing the risks faced by the Group's business activities, monitoring daily risk level, conducting inspection and evaluation, and raising recommendation for improvements. The risk management department supervises, evaluates and reports on the relevant work of the functional departments.

Credit risk

Credit risk refers to the risk of counterparty's failure or inability to meet its payment obligations, or the risk of loss due to declining credit rating. The Group's credit risks mainly come from financial assets which include bank balances, cash held for brokerage clients, clearing settlement funds, financial assets at fair value through profit or loss, financial assets held under resale agreements, margin accounts receivable, other current assets and refundable deposits.

The Group's bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks, while clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited ("CSDCC"), with a relatively low level of credit risk.

In terms of proprietary trading, if the transaction is through a stock exchange or CSDCC, the default risk of counterparty is low, but for inter-bank market transactions, the Group will assess the counterparties and only select those with acceptable credit rating. The Group invests in debt securities with acceptable credit ratings and monitors the operations and credit ratings of the issuers.

Margin financing assets include advances to margin customers and securities lent to customers. Credit risks associated with these financial assets mainly relate to customers' inability to repay the principal, interest or securities borrowed. The Group supervises finance trading accounts on an individual customer basis, and would require additional margin, cash collateral or securities if necessary. Margin accounts receivable are monitored based on the coverage ratio of margin loans to underlying collaterals to ensure that the value of collateral assets is sufficient to cover the risk exposure. As at 30 June 2019, the Group's collateral value is sufficient to mitigate the credit risk in margin financing.

In terms of the Group's investment in debt instruments, the Group assesses the borrowers' business performance, repayment ability, and industrial outlook before making investment decisions, and renews the credit status of borrowers at least annually.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

36. Financial Risk Management (continued)

Credit risk (continued)

Expected credit loss

Since 1 January 2018, the Group has applied the ECL model to measure the expected credit losses for applicable financial asset.

The Group has used the “3 stage” ECL model to assess the credit losses when its credit risk has increased significantly since initial recognition:

- An asset moves to stage 1 where there has low risk of default or has not been a significant increase in credit risk and that are not credit impaired. The Group will continuously monitor its credit risk.
- An asset moves to stage 2 where there has been a significant increase in credit risk since initial recognition but that are not credit impaired. The Group does not see it as an impairment loss occurred instrument.
- An asset moves to stage 3 when impairment losses occurred.
- The loss impairment for financial instruments in Stage 1 is anticipated credit losses for the next 12 months, which correspond to the amount of anticipated credit losses for the entire life time resulting from possible defaults within the next 12 months. In the second or third stage, the expected credit losses of financial instruments are measured for the entire life time and the expected credit losses are recorded.
- Financial assets purchased or incurred credit impairment refer to those with credit impairment since initial recognition. The loss of these assets is measured as the expected credit loss for the entire life time.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, for margin accounts receivable and financial assets held under resale agreement, the group generally believes that when the maintenance ratio reaches the warning line, the credit risk increases significantly and needs to be transferred to “stage 2”, and when the maintenance ratio reaches the liquidation line or expect there would be loss after closing the position mandatorily, it will be transferred to “stage 3”.

The Group uses Probability of default (PD), Exposure at Default (EAD) and Loss Given Default (LGD): to measure credit risks.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

36. Financial Risk Management (continued)

Credit risk (continued)

Expected credit loss (continued)

- PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- EAD is the amount that the Group should be repaid at the time of default in the next 12 months or throughout the remaining life.
- LGD is an estimate of the loss arising on default.

The expected credit losses are measured based on the probability weighted results of Probability of default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

For the six months ended 30 June 2019, no significant changes were made in the estimated technology or key assumptions.

The assessment of significant increase in credit risk and the measurement of expected credit losses all involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators affecting the credit risk and expected credit losses of each asset portfolio. Key economic indicators include macroeconomic indicators and indicators that can reflect market volatility. Estimates of the predicted values and the likelihood of occurrence are highly inherently uncertain, so the actual results may differ significantly from the predictions. The Group believes that these projections reflect the best estimate of the Group's possible results.

The Group has classified exposures with similar risk characteristics when calculating anticipated credit loss impairment in a portfolio. During the classification, the Group obtained sufficient information to ensure its statistical reliability.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

36. Financial Risk Management (continued)

The Group's ECL allowance of financial instruments according to the stage of ECL are as follows:

Impairment and loss allowance	2019/6/30			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-months ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Margin accounts receivable	5,022	80	–	5,102
Financial assets held under resale agreements	6,118	5,457	180,319	191,894
Others	281	828	607	1,716
Total	11,421	6,365	180,926	198,712

The Group applied the simplified approach to calculate the ECL of accounts receivable. As at 30 June 2019 and 31 December 2018, accounts receivable of the Group were in Stage 2.

37. Fair value of financial assets and liabilities

37.1 Financial instruments not measured at fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the statements of financial position approximate their fair values.

37.2 Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the end of each reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

37. Fair value of financial assets and liabilities (continued)

37.2 Financial instruments measured at fair value (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2019 and 31 December 2018.

Financial assets/liabilities	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at fair value through profit or loss				
– Listed debt securities	1,584,631	1,744,022	Level 2	Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of counterparty.
– Asset backed securities	10,180	23,657	Level 3	Discounted future cash flow estimated based on expected recoverable amounts at rates that reflect management's best estimation of the expected risk level.
– Equity securities traded on stock exchanges	492,241	663,045	Level 1	Quoted bid price in an active market.
– Equity securities listed on National Equities Exchange and Quotation	38,572	39,080	Level 2	Recent transaction prices.
– Investment funds	38,187	7,076	Level 1	Quoted bid prices in an active market.
– Investment funds	186,287	299,985	Level 2	Net asset value as published by the fund manager.
– Collective asset management schemes	4,906	4,065	Level 3	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

37. Fair value of financial assets and liabilities (continued)

37.2 Financial instruments measured at fair value (continued)

Financial assets/liabilities	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at fair value through profit or loss (continued)				
– Collective asset management schemes	19,852	22,891	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
– Wealth management products	50,491	50,053	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
– Debt instrument	13,811	13,811	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.
– Unlisted equity investment	96,488	118,245	Level 3	Calculated by using asset-based approach or market approach, with an adjustment or discount for lack of marketability.
Derivative financial instruments				
– Listed options liabilities	–	(940)	Level 1	Quoted bid prices in an active market.
Financial liabilities at fair value through profit or loss	(1,321,224)	(1,151,165)	Level 3	Calculated based on the fair value of the underlying investments with fair value hierarchy categorized as level 3 for which an adjustment or discount for lack of marketability is applied.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

37. Fair value of financial assets and liabilities (continued)

37.2 Financial instruments measured at fair value (continued)

As at 30 June 2019 (Unaudited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	492,241	38,572	–	530,813
– Investment in unlisted companies	–	–	96,488	96,488
– Debt securities	–	1,584,631	–	1,584,631
– Debt instrument	–	–	13,811	13,811
– Investment funds	38,187	186,287	–	224,474
– Collective asset management schemes	–	19,852	4,906	24,758
– Wealth management products	–	50,491	–	50,491
– Asset backed securities	–	–	10,180	10,180
	530,428	1,879,833	125,385	2,535,646
Liabilities				
Financial liabilities at fair value through profit or loss	–	–	(1,321,224)	(1,321,224)
	–	–	(1,321,224)	(1,321,224)

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

37. Fair value of financial assets and liabilities (continued)

37.2 Financial instruments measured at fair value (continued)

As at 31 December 2018	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value				
through profit or loss				
– Equity securities	663,045	39,080	–	702,125
– Investment in unlisted companies	–	–	118,245	118,245
– Debt securities	–	1,744,022	–	1,744,022
– Debt instrument	–	–	13,811	13,811
– Investment funds	7,076	299,985	–	307,061
– Collective asset management schemes	–	72,944	4,065	77,009
– Asset backed securities	–	–	23,657	23,657
	670,121	2,156,031	159,778	2,985,930
Liabilities				
Derivative financial liabilities	(940)	–	–	(940)
Financial liabilities at fair value through profit or loss	–	–	(1,151,165)	(1,151,165)
	(940)	–	(1,151,165)	(1,152,105)

For the six months ended 30 June 2019 and year ended 31 December 2018, there were no transfers between level 1 and level 2 of the fair value hierarchy of the Group.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

37. Fair value of financial assets and liabilities (continued)

37.2 Financial instruments measured at fair value (continued)

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2019 and 30 June 2018.

	Financial assets at fair value through profit or loss – Collective asset management scheme RMB'000	Financial assets at fair value through profit or loss – Debt instrument RMB'000	Financial assets at fair value through profit or loss – Investment in unlisted companies RMB'000	Financial assets at fair value through profit or loss – Asset Backed Securities RMB'000
(Unaudited)				
Balance at 1 January 2019	4,065	13,811	118,245	23,657
Fair value change	841	–	(9,579)	–
Increase	–	–	–	648
Decrease	–	–	(12,178)	(14,125)
Balance at 30 June 2019	4,906	13,811	96,488	10,180
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period under “Net investment gains”	841	–	(11,757)	–

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

37. Fair value of financial assets and liabilities (continued)

37.2 Financial instruments measured at fair value (continued)

	Financial assets at fair value through profit or loss – Collective asset management scheme RMB'000	Financial assets at fair value through profit or loss – Debt instrument RMB'000	Financial assets at fair value through profit or loss – Investment in unlisted companies RMB'000	Financial assets at fair value through profit or loss – Asset Backed Securities RMB'000
(Unaudited)				
Balance at 1 January 2018	95,159	15,922	121,134	50,585
Fair value change	(8,707)	882	1,342	–
Increase	–	–	–	8,209
Decrease	(39,010)	(2,993)	(8,351)	(17,512)
Balance at 30 June 2018	47,442	13,811	114,125	41,282
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period under “Net investment gains”/ “Impairment losses”	(11,890)	910	911	–

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

37. Fair value of financial assets and liabilities (continued)

37.2 Financial instruments measured at fair value (continued)

Financial assets/liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial assets at fair value through profit or loss – Asset backed securities	Level 3	<ul style="list-style-type: none"> Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected future cash flow. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value
Financial assets at fair value through profit or loss – Unlisted equity investment	Level 3	<ul style="list-style-type: none"> Calculated by using asset-based approach or market approach, with an adjustment or discount for lack of marketability. 	<ul style="list-style-type: none"> Investee's assets and liabilities value or primary financial performance indicators. Comparable listed companies' PE or PB ratios Discount rates that correspond to lack of marketability. 	<ul style="list-style-type: none"> The higher the value of investee's assets after deduction of liabilities, the higher the fair value. The higher of investee's financial performance indicators, the higher the fair value. The higher the value of comparable listed companies' PE or PB ratios, the higher the fair value. The lower the discount rate, the higher the fair value.
Financial liabilities at fair value through profit or loss	Level 3	<ul style="list-style-type: none"> Calculated based on the fair value of the underlying investments with fair value hierarchy categorized as level 3 for which an adjustment or discount for lack of marketability is applied. 	<ul style="list-style-type: none"> Expected fair value of the underlying investments. Discount rates that correspond to lack of marketability. 	<ul style="list-style-type: none"> The higher the fair value of the underlying investments, the higher the fair value.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

37. Fair value of financial assets and liabilities (continued)

37.2 Financial instruments measured at fair value (continued)

Financial assets/liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial assets at fair value through profit or loss – Debt instrument	Level 3	<ul style="list-style-type: none"> Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected future cash flow. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value
Financial assets at fair value through profit or loss – Collective asset management scheme	Level 3	<ul style="list-style-type: none"> Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability. 	<ul style="list-style-type: none"> Expected fair value of the underlying investments. Discount rates that correspond to lack of marketability. 	<ul style="list-style-type: none"> The higher the fair value of the underlying investments, the higher the fair value. The lower the discount rate, the higher the fair value

38. Events after the end of the reporting period

The Company established wholly-owned subsidiary Wuxi Guolian Chuangxin Capital Company Limited on 9 July, 2019 with registered capital of RMB500,000 thousand. The business license No. of the subsidiary is 91320292MA1YNRNM5A and the subsidiary is engaged in the following principal activities: proprietary investment in venture capital, industrial investment and equity investment.