



# 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

Annual Report



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## Important Notice

The Board of Directors, Supervisory Committee, Directors, Supervisors and senior management of the Company undertake that there is no misrepresentation, misleading statement or material omission in this annual report and they are jointly and severally liable for the authenticity, accuracy and completeness of the information contained in this annual report.

This report has been approved at the 6th meeting of the fourth session of the Board of the Company and the 3rd meeting of the fourth session of the Supervisory Committee. All Directors had presented at the Board meeting. All Supervisors had presented at the Supervisory Committee meeting. No Directors, Supervisors or senior management had any objections on the authenticity, accuracy or completeness of the content of this annual report or not able to guarantee thereon.

The 2019 financial report of the Company was prepared in accordance with IFRS and Accounting Standards for Business Enterprises of the PRC, and was audited by Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP respectively, and they have issued auditors' reports with unqualified opinions. Unless otherwise stated, the figures stated in this report are presented in RMB.

The chairman of the Board, namely Mr. Yao Zhiyong, the president and the financial officer, namely Mr. Ge Xiaobo, have declared that the financial report in this annual report is authentic, accurate and complete.

The forward-looking statements including future plans and development strategies contained in this annual report do not represent the actual undertaking of the Company to its investors. Therefore, investors are reminded to exercise caution in the investment risks.

# Section 1 Definitions

## General Terms

Company, the Company or Guolian Securities	Guolian Securities Co., Ltd.
The Group	The Company and its subsidiaries
CSRC	The China Securities Regulatory Commission
HK Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
Director(s) and Board or Board of Directors	The Director(s) and the board of Directors of the Company
Supervisor(s) and Supervisory Committee	The Supervisor(s) and Supervisory Committee of the Company
General Meeting(s)	the general meetings of the Company
Guolian Group	Wuxi Guolian Development (Group) Co., Ltd.* (無錫市國聯發展(集團)有限公司), which directly and indirectly holds 72.35% of the shares of the Company, the Controlling Shareholder of the Company
Guolian Trust	Guolian Trust Co., Ltd.* (國聯信託股份有限公司), 91.87% of the shares of which is held by Guolian Group directly and indirectly and it holds 20.51% of the shares of the Company
Guolian Industrial	Wuxi Guolian Industrial Investment Group Co., Ltd.* (無錫國聯實業投資集團有限公司), a wholly-owned subsidiary of Guolian Group
Guolian Futures	Guolian Futures Co., Ltd.* (國聯期貨股份有限公司), 54.72% of the shares of which is held by Guolian Group
Cotton Textile	Wuxi Cotton Textile Group Co., Ltd.* (無錫一棉紡織集團有限公司), a wholly-owned subsidiary of Guolian Group, which holds 3.83% of the shares of the Company, formerly known as “Wuxi Guolian Textile Group Co., Ltd.* (無錫國聯紡織集團有限公司)”

## Section 1 Definitions

Huaguang Boiler	Wuxi Huaguang Boiler Co., Ltd.* (無錫華光鍋爐股份有限公司), 72.11% of the equity interest of which is held by Guolian Group, which holds 1.53% of the shares of the Company
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 shares of the Company, previously known as “Wuxi Municipal Electric Power Company* (無錫市地方電力公司)”
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, which holds 3.86% of the shares of the Company
Jiangsu Xinfang	Jiangsu Xinfang Industrial Co., Ltd.* (江蘇新紡實業股份有限公司), which holds 1.18% of the shares of the Company
Guolian Investment Management	Wuxi Guolian Investment Management Consultancy Co., Ltd.* (無錫市國聯投資管理諮詢有限公司), a directly and indirectly wholly-owned subsidiary of Guolian Group
Guolian Financial Investment	Wuxi Guolian Financial Investment Group Co., Ltd.* (無錫國聯金融投資集團有限公司), a wholly-owned subsidiary of Guolian Group
Guolian Industrial Investment	Wuxi Guolian Industrial Investment Co., Ltd.* (無錫國聯產業投資有限公司), a directly and indirectly wholly-owned subsidiary of Guolian Group
Guolian Capital	Guolian Capital Co., Ltd.* (國聯通寶資本投資有限責任公司), a wholly-owned subsidiary of the Company
Hua Ying Securities	Hua Ying Securities Co., Ltd.* (華英證券有限責任公司), a wholly-owned subsidiary of the Company
Zhonghai Fund	Zhonghai Fund Management Co., Ltd.* (中海基金管理有限公司), 33.409% of the equity interest of which is held by the Company
Surrich International	Surrich International Company Limited (錫洲國際有限公司), a wholly-owned subsidiary of Guolian Group
Company Law	the Company Law of the PRC
Securities Law	the Securities Law of the PRC

## Section 1 Definitions

Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
CG Code	the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuer in Appendix 10 of the Listing Rules
Securities and Futures Ordinance or SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Articles of Association	the articles of association of the Company
Connected Transactions	has the meaning ascribed to it under the Listing Rules
Continuing Connected Transaction(s)	has the meaning ascribed to it under the Listing Rules
Connected Persons	has the meaning ascribed to it under the Listing Rules
Associates	has the meaning ascribed to it under the Listing Rules
Substantial Shareholder(s)	has the meaning ascribed to it under the Listing Rules
Controlling Shareholder(s)	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, Cotton Textile, Huaguang Boiler, Guolian Industrial and Guolian Financial Investment
H Shares	the overseas listed foreign shares issued by the Company of RMB1.00 each, which are listed and traded on HK Stock Exchange (stock code: 01456)
Domestic Shares	ordinary shares issued by the Company of RMB1.00 each, which are subscribed or credited in full in Renminbi
A Shares	domestic listed domestic shares, which are issued domestically and conducted listed trading in domestic stock exchanges, and are ordinary shares that are denominated, subscribed and traded in Renminbi

## Section 1 Definitions

IFRS	include the standards, amendments and interpretations promulgated by International Accounting Standards Board and the International Accounting Standards and Interpretation issued by International Accounting Standards Committee
Wind	Wind, an internet big data financial terminal which is intended for use by various institutional users including all kinds of financial investment institutions, research institutions and academic institutions
Reporting Period	the period from 1 January 2019 to 31 December 2019
SAT	State Administration of Taxation of the PRC
GDP	Gross Domestic Products
SAC	the Securities Association of China
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
SME	small and medium-sized enterprise(s)
Shanghai Stock Exchange	Shanghai Stock Exchange
PRC or China	the People's Republic of China



### Technical Terms

margin financing and securities lending	a collateral-backed operating activity in which securities firms provide clients with monies to buy listed securities or with listed securities for sale
NEEQ	National Equities Exchange and Quotations
Stock Pledged Repurchase Transaction	a transaction in which eligible funds receivers obtain financing from eligible funds givers by pledging the stocks or other securities they hold and agree to return the funds and discharge the pledge some day in the future
Securities Repurchase	a transaction pursuant to the securities repurchase agreement in which a qualified investor sells its securities to a securities firm and agrees to repurchase such securities at an agreed price on a future date
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
Xiaorongbao (小融寶)	the small securities-backed financing service provided to the customers by the Company
Margin and Securities Refinancing	an operating activity in which China Securities Finance Corporation Limited provides its own or legally raised funds and securities for securities firms to handle margin financing and securities lending, including capital refinancing and securities refinancing
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 or debt investment with their own or raised funds, so as to obtain income from equity interest or debts
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 HK 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)



## Section 1 Definitions

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 the HK 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)
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 for entrustment, and the securities firm provides asset management services to the clients through designated accounts
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
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
FOF	funds of funds
IPO	the abbreviation for "Initial Public Offering"
PB Business	the main broker business, the securities company provides one-stop integrated financial services, such as centralized custody settlement, backstage operation, research support, and fund raising to professional institutional investors and high net value clients

## Section 1 Definitions

OECD	The Organization for Economic Co-operation and Development, an inter-governmental international economic organization composed of 36 market economy-oriented countries
ABS	Asset-backed securities, a financing method of issuing asset-backed securities, on the basis of facilitating credit enhancement through structural design with the future cash flow to be generated from the underlying assets as the reimbursement support

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

## Section 2 Major Risks Warnings

In this annual report, the Company has described in details the risks that the Company may be exposed to in the ordinary course of its business activities, which primarily include market risk, credit risk, liquidity risk, operational risk, compliance risk, concentration risk and reputation risk, etc. The information is set out in “II. Discussion and Analysis of the Board on the Future Development of the Company” in Section 5 of this report.

### I. Basic Information about the Company

#### 1. Company Name

Registered Chinese Name: 國聯證券股份有限公司  
Registered English Name: Guolian Securities Co., Ltd.  
Short Name in Chinese: 國聯證券  
Short Name in English: Guolian Sec

#### 2. Stock Code

01456

#### 3. Legal Representative

Mr. Yao Zhiyong (姚志勇)

#### 4. Registered Capital and Net Capital

Registered Capital: RMB1,902,400,000  
Net Capital: RMB8,400 million

#### 5. Qualifications for Businesses in China

Qualification for securities business, qualification for securities business of branches, qualification for foreign stock business, qualification for online trading entrustment business, qualification for entrusted investment management business, member of national inter-bank lending market, qualification for open-end securities investment fund consignment business, qualification for Shanghai Stock Exchange fund expert business, Class-A clearing participant of China Securities Depository and Clearing Corporation Limited, qualification for innovative securities company, book-building participant, qualification for targeted asset management, qualification for collective asset management business, qualification for provision of intermediary introduction business for futures companies, qualification for investment through block trading system as a qualified investor, qualification as chief agency broker in the agency system, qualification for third party escrow services for customer fund in the mode of "one single customer and multiple banks", qualification for membership of Shanghai Stock Exchange, qualification for membership of Shenzhen Stock Exchange, qualification for margin financing and securities lending business, pilot qualification for Margin and Securities Refinancing business, qualification for agency distribution of financial products, qualification for Securities Repurchase trading, qualification for stock pledged repurchase business, pilot qualification for refinancing business, qualification for marketing making on the NEEQ, authorization for the Hong Kong Stock Connect business on Shanghai Stock Exchange, qualification for stock options brokerage business and qualification for proprietary trading business on Shanghai Stock Exchange, pilot qualification for Internet securities business, qualification for comprehensive custody business of private fund, qualification for investment manager entrusted insurance funds, authorization for Hong Kong Stock Connect business under Shenzhen-Hong Kong Stock Connect, qualification for qualified offline investor for IPO, qualification for secondary dealers for over-the-counter ("OTC") options business and authorization for stock options business on Shenzhen Stock Exchange

## Section 3 Company Profile

### 6. Headquarters in China

Registered Address of the Company: No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC; Zip Code: 214000

Office Address of the Company: No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC; Zip Code: 214000

Company Website: www.glsc.com.cn

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

### 7. Principal Place of Business in Hong Kong

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

### 8. General Manager (the President)

Mr. Ge Xiaobo (葛小波)

### 9. Secretary to the Board

Mr. Wang Jie (王捷)

Address: 12th Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC

Telephone: 86 (510) 82833209

Fax: 86 (510) 82833124

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

### 10. Company Secretary

Ms. Lin Fanyu (林凡钰)

### 11. Authorized Representatives

Mr. Yao Zhiyong (姚志勇), Mr. Ge Xiaobo (葛小波)

### 12. Auditors

Domestic: Deloitte Touche Tohmatsu Certified Public Accountants LLP

International: Deloitte Touche Tohmatsu

### 13. Legal Advisor (as to Hong Kong Laws)

Clifford Chance

### 14. Share Registrars

Share Registrar for Domestic Shares: China Securities Depository and Clearing Corporation Limited

Share Registrar for H Shares: Computershare Hong Kong Investor Services Limited

## II. Development History

The Company was established by way of overall alteration of Guolian Securities Co., Ltd.\* (國聯證券有限責任公司). The predecessor of Guolian Securities Co., Ltd.\* (國聯證券有限責任公司) was Wuxi Securities Co., Ltd.\* (無錫證券有限責任公司), which was converted from Wuxi Securities Company\* (無錫市證券公司), an enterprise owned by the whole people (全民所有制企業).

On 8 January 1999, upon the approval from CSRC and upon registration with Wuxi Industrial and Commercial Bureau, Wuxi Securities Company\* (無錫市證券公司) was converted into a limited liability company, and renamed as Wuxi Securities Co., Ltd.\* (無錫證券有限責任公司), the registered capital of which was RMB50 million.

On 29 January 2002, upon the approval from CSRC and upon registration with Wuxi Industrial and Commercial Bureau, the Company was renamed as Guolian Securities Co., Ltd.\* (國聯證券有限責任公司) and the registered capital of the Company was increased from RMB50 million to RMB1 billion.

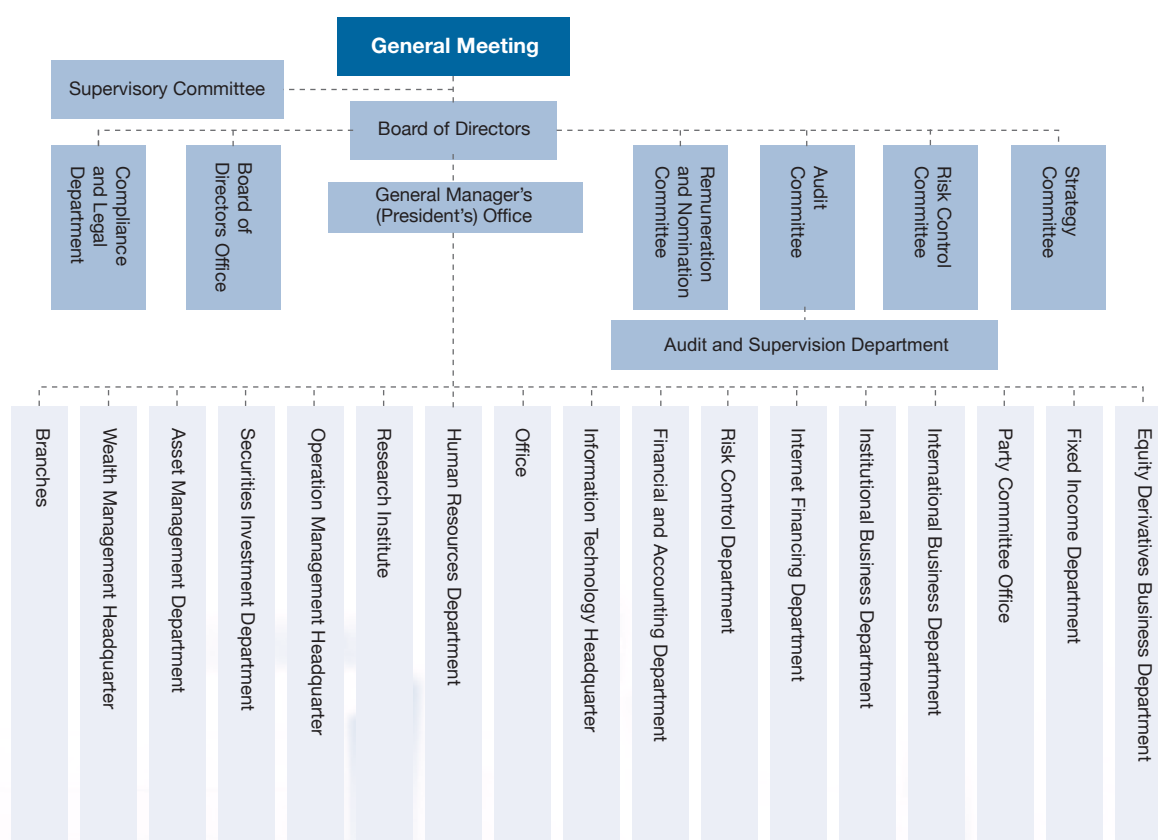
On 26 May 2008, upon the approval from CSRC and upon registration with Wuxi Industrial and Commercial Bureau, Guolian Securities Co., Ltd.\* (國聯證券有限責任公司) was wholly converted into a joint stock company with limited liability, and was renamed as Guolian Securities Co., Ltd.\* (國聯證券股份有限公司). The registered capital of the Company was accordingly increased from RMB1 billion to RMB1.5 billion.

## Section 3 Company Profile

On 6 July 2015, upon the approval from CSRC, the Company completed the IPO of its foreign shares (H Shares) and commenced the trading on the Main Board of HK Stock Exchange on the same date. Upon the completion of the offering, the total share capital of the Company was increased from 1,500,000,000 shares to 1,902,400,000 shares, the registered capital of the Company was increased from RMB1.5 billion to RMB1.9024 billion.

### III. Organizational Structure

The Company has established a sound corporate governance system and internal control system in accordance with the Company Law, the Securities Law, the Listing Rules, other laws and regulations and the Articles of Association, which consistently regulate the operation of General Meeting, Board of Directors, Supervisory Committee and management to meet the development needs of the Company through the gradual optimization of the organizational structure of the Company. The organizational structure of the Company is as follows:





### IV. Information of Subsidiaries

As at the end of the Reporting Period, the Company has 3 subsidiaries, namely Hua Ying Securities, Guolian Capital and Wuxi Guolian Chuangxin Capital Company Limited, respectively, the details of which are as follows:

#### 1. Hua Ying Securities

Type	Limited liability company (Legal person wholly-owned)
Address	Units 03, 04, 05, 5th Floor, Wuxi Finance Center, No. 10 Jinrong One Street, Binhu District, Wuxi
Legal Representative	Yao Zhiyong
Registered Capital	RMB800 million
Date of Establishment	20 April 2011
Scope of Business	1. Underwriting and sponsorship of shares (including RMB ordinary shares and foreign invested shares) and bonds (including government bonds and corporate bonds); 2. other activities approved by CSRC. (For any project that is required to be approved under laws, the commencement of business activities are subject to the approval from relevant authorities)
Proportion of Shareholding	100%
Contact No.	0510-85201212

#### 2. Guolian Capital

Type	Limited liability company (Legal person wholly-owned)
Address	700, 7th Floor, No. 8 Jinrong One Street, Wuxi
Legal Representative	Yang Ming
Registered Capital	RMB200 million
Date of Establishment	18 January 2010
Scope of Business	Investment management. (For any project that is required to be approved under laws, the commencement of business activities are subject to the approval from relevant authorities)
Proportion of Shareholding	100%
Contact No.	0510-82725172

## Section 3 Company Profile

### 3. Wuxi Guolian Chuangxin Capital Company Limited

Type	Limited liability company (Legal person wholly-owned)
Address	706, 7th Floor, No. 8 Jinrong One Street, Wuxi
Legal Representative	Jing Song
Registered Capital	RMB500 million
Date of Establishment	9 July 2019
Scope of Business	External investment, venture capital investment, industrial investment and equity investment with proprietary funds. (For any project that is required to be approved under laws, the commencement of business activities are subject to the approval from relevant authorities)
Proportion of Shareholding	100.00%
Contact No.	0510-82833990

## V. Branch Offices

As at the end of the Reporting Period, the Company had a total of 13 branch offices, 87 securities branches. The branches of the Company carried on their operation and management activities within their scope of responsibilities.

### 1. Information of branch offices

Item No.	Branch office name	Address	Date of establishment	Person in charge	Contact No.
1	Yixing Branch Office	No. 168, Renmin South Road, Yicheng Street, Yixing (宜興市宜城街道人民南路168號)	8 February 2013	Chen Yimin (陳毅敏)	0510-87911776
2	Beijing Branch Office	Rm. 1203, 12th Floor, 4th Building, No. 9, Shouti South Road, Haidian District, Beijing (北京市海澱區首體南路9號4樓12層1203)	13 March 2014	Zheng Hong (鄭紅)	010-68798616
3	Shanghai Branch Office	Units 3704, 3705, 3706, No. 1198 Century Avenue, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區世紀大道1198號 3704·3705·3706單元)	11 March 2014	Li Jun (李俊)	021-38991500
4	Jiangyin Branch Office	No. 18-20, Daqiao North Road, Jiangyin (江陰市大橋北路18-20號)	9 May 2014	Shan Tao (單濤)	0510-80626007
5	Wuxi Branch Office	No. 153, Zhongshan Road, Wuxi (無錫市中山路153號)	27 May 2015	Pu Huihua (浦慧華)	0510-80501580
6	Nanjing Branch Office	Rm. 2301, 2302, 2303, 4th Building, Nanjing Financial City, No. 248 Lushan Road, Jianye District, Nanjing (南京市建鄴區廬山路248號南京金融城4號樓 2301·2302·2303)	18 June 2015	Cheng Yue (程越)	025-52857988
7	Suzhou Branch Office	Rm. 1805, Building 1, Xingzuo Commercial Plaza, No. 269, Wangdun Road, Industrial Park District, Suzhou (蘇州工業園區旺墩路269號星座商務廣場1幢 1805室)	3 November 2015	Wang Xiaochun (王曉春)	0512-65031456
8	Shenzhen Branch Office	Unit 502, Longgang Venture Capital Building, Tengfei Road, Longcheng Street, Longgang District, Shenzhen, Guangdong Province (廣東省深圳市龍崗區龍 城街道騰飛路龍崗創投大廈502單元)	1 March 2016	Yang Yang (楊漾)	0755-82520168
9	Southwest Branch Office	Rm. 1810 and 1811, 18th Floor, Block 1, No. 365, Jiaozhi Avenue, Hi-tech Zone, Chengdu (成都高新區交子大道365號1棟18層1810·1811號)	20 September 2016	Zhao Shougang (趙守剛)	028-80592358
10	Hunan Branch Office	Rm. 801-810, Block 11&12, Dangdai Binjiang Yuan, No. 125, Hanguang Road, Yuelu District, Changsha, Hunan Province (湖南省 長沙市岳麓區含光路125號當代濱江苑第11棟·12棟801-810)	1 September 2016	Ren Fan (任帆)	0731-82533301
11	Changzhou Branch Office	Rm. 503-506, Block 8, Yulong Garden, North Main Street, Zhonglou District, Changzhou, Jiangsu Province (江蘇省常州市鐘樓區北大街玉隆花園8幢503- 506室)	29 March 2017	Li Yingjie (李穎杰)	0519-86600196
12	Northern Jiangsu Branch Office	Rm. 2407 and 2408, Block 1, Financial City, Xindu Street, Chengnan New District, Yancheng, Jiangsu Province (江蘇省鹽城市城南新區新都街道金融 城1幢2407·2408室)	17 May 2017	Liang Yuelei (梁粵雷)	0515-88512888
13	Hubei Branch Office	Unit R3, 35th Floor, Block T1, Office Building and Commercial Podium Chang chenghui, Office No. 9, Zhongbei Road, Wuchang District, Wuhan, Hubei Province (湖北省武漢市武昌區中北路9號辦公樓商業裙房長城匯T1棟35層R3 單元)	29 December 2017	Liu Zhen (劉臻)	027-87319678

## Section 3 Company Profile

### 2. Information of business branches

As at the end of the Reporting Period, the Company owned a total of 87 securities branches located in 14 provinces, autonomous regions and municipalities nationwide, the details of which are as follows:

Item No.	Region	Branch name	Address	Person in charge
1	Jiangsu Province	Wuxi Xianqian East Street Securities Branch (無錫縣前東街證券營業部)	No. 168, Xianqian East Street, Wuxi (無錫市縣前東街168號)	Liang Hongfei (梁宏飛)
2	Jiangsu Province	Wuxi Renmin East Road Securities Branch (無錫人民東路證券營業部)	1st Floor, No. 29, Renmin East Road, Wuxi (無錫市人民東路29號一樓)	Gu Li (顧勵)
3	Jiangsu Province	Wuxi Hubin Road Securities Branch (無錫湖濱路證券營業部)	No. 153, Hubin Road, Wuxi (無錫市湖濱路153號)	Wang Longjin (王龍金)
4	Jiangsu Province	Wuxi Liangxi Road Securities Branch (無錫梁溪路證券營業部)	No. 28, Liangxi Road, Binhu District, Wuxi (無錫市濱湖區梁溪路28號)	Zhang Jin (張進)
5	Jiangsu Province	Wuxi Zhongshan Road Securities Branch (無錫中山路證券營業部)	No. 153, Zhongshan Road, Wuxi (無錫市中山路153號)	Li Liang (李亮)
6	Jiangsu Province	Wuxi New District Changjiang North Road Securities Branch (無錫新區長江北路證券營業部)	No. 97, Changjiang North Road, New District, Wuxi (無錫市新區長江北路97號)	Zhang Yu (張瑜)
7	Jiangsu Province	Wuxi Luoshe Town Renmin South Road Securities Branch (無錫洛社鎮人民南路證券營業部)	3rd Floor, No. 47, Tianqicheng, Renmin South Road, Luoshe Town, Huishan District, Wuxi (無錫市惠山區洛社鎮人民南路天奇城47號三樓)	Huang Yuyang (黃宇陽)
8	Jiangsu Province	Wuxi Jintaihu Securities Branch (無錫金太湖證券營業部)	No. 931, Zhongshan Road, Wuxi (無錫市中山路931號)	Xi Xiaojun (奚孝軍)
9	Jiangsu Province	Wuxi Huaxia South Road Securities Branch (無錫華夏南路證券營業部)	11-2500, Huaxia South Road, Xishan District, Wuxi (無錫市錫山區華夏南路11-2500)	Ji Xiaowen (基曉雯)
10	Jiangsu Province	Wuxi Yuqi Town Huxi Road Securities Branch (無錫玉祁鎮湖西路證券營業部)	No. 170, 172, Huxi Road, Yuqi Town, Wuxi (無錫市玉祁鎮湖西路170、172號)	Yang Xiyang (楊熙陽)
11	Jiangsu Province	Wuxi Anzhen Xidong Avenue Securities Branch (無錫安鎮錫東大道證券營業部)	No. 3056, Xidong Avenue, Anzhen, Wuxi (無錫市安鎮錫東大道3056號)	Zhu Sunyi (朱孫逸)
12	Jiangsu Province	Wuxi Meicun Town Xiyi Road Securities Branch (無錫梅村鎮錫義路證券營業部)	1st Floor, Civic Center Building, No. 388, Xiyi Road, Meicun Street, Wuxi (無錫市梅村街道錫義路388號市民中心大樓一層)	Mei Hua (梅花)
13	Jiangsu Province	Wuxi Mashan Meiliang Road Securities Branch (無錫馬山梅梁路證券營業部)	No. 212-1, Shengyuan Commercial Street, Meiliang Road South, Mashan, Wuxi (無錫市馬山梅梁路南側聖園商業街212-1號)	Qian Pengcheng (錢鵬丞)
14	Jiangsu Province	Wuxi Donggang Town Xigang West Road Securities Branch (無錫東港鎮錫港西路證券營業部)	No. 40-11, 40-12, Xigang West Road, Donggang Town, Xishan District, Wuxi (無錫市錫山區東港鎮錫港西路40-11、40-12)	Ji Wei (季威)
15	Jiangsu Province	Wuxi Qianqiao Street Securities Branch (無錫錢橋大街證券營業部)	No. 181, 183, Qianqiao Street, Wuxi (無錫市錢橋大街181、183號)	Xu Jun (徐俊)

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Item No.	Region	Branch name	Address	Person in charge
16	Jiangsu Province	Wuxi Shuofang Town Zhengtong Road Securities Branch (無錫碩放鎮政通路證券營業部)	No. 5, Zhengtong Road, Shuofang Street, New District, Wuxi (無錫市新區碩放街道政通路5號)	Wang Lei (王磊)
17	Jiangsu Province	Wuxi Jinrong One Street Securities Branch (無錫金融一街證券營業部)	No. 6 Jinrong One Street, Wuxi (無錫市金融一街6號)	Wang Qian (王倩)
18	Jiangsu Province	Wuxi Wanshun Road Securities Branch (無錫萬順路證券營業部)	82-12, Fourth Block, Wanke City Garden, Binhu District, Wuxi (無錫市濱湖區萬科城市花園四區82-12)	Qin Fengyi (秦烽毅)
19	Jiangsu Province	Yixing Renmin South Road Securities Branch (宜興人民南路證券營業部)	No. 168, Renmin South Road, Yicheng Town, Yixing (宜興市宜城鎮人民南路168號)	Xie Junyan (謝軍燕)
20	Jiangsu Province	Yixing Yangxian East Road Securities Branch (宜興陽羨東路證券營業部)	No. 193, 195, Yangxian East Road, Yicheng Street, Yixing (宜興市宜城街道陽羨東路193、195號)	Su Jinghui (蘇靜暉)
21	Jiangsu Province	Yixing Dingshu Town Jiefang Road Securities Branch (宜興丁蜀鎮解放路證券營業部)	No. 21, Block 1, Yuehe Garden, Jiefang Road, Dingshu Town, Yixing (宜興市丁蜀鎮解放路悅和花園1幢21號)	He Qiang (何強)
22	Jiangsu Province	Yixing Zhangzhu Town Taoxi Road Securities Branch (宜興張渚鎮桃溪路證券營業部)	No. 35, 37, Taoxi Road, Zhangzhu Town, Yixing (宜興市張渚鎮桃溪路35、37號)	Wu Di (吳笛)
23	Jiangsu Province	Yixing Guanlin Town Guanxin Street Securities Branch (宜興官林鎮官新街證券營業部)	Rm. 101, 102, Guanxin Street, Guanlin Town, Yixing (宜興市官林鎮官新街101, 102室)	Chu Jiao (儲蛟)
24	Jiangsu Province	Yixing Guangming West Road Securities Branch (宜興光明西路證券營業部)	No. 6 Building, Shenma Community, Yicheng Street, Yixing (宜興市宜城街道神馬小區6號樓)	Yi Bin (夷斌)
25	Jiangsu Province	Yixing Heqiao Town Xiheng Street Securities Branch (宜興和橋鎮西橫街證券營業部)	No. 241, Xiheng Street, Heqiao Town, Yixing (宜興市和橋鎮西橫街241號)	Ou Xiaoping (歐小平)
26	Jiangsu Province	Yixing Jiefang East Road Securities Branch (宜興解放東路證券營業部)	No. 280-17, Jiefang East Road, Yicheng Street, Yixing (宜興市宜城街道解放東路280-17號)	Ding Yingjie (丁瀟婕)
27	Jiangsu Province	Jiangyin Daqiao North Road Securities Branch (江陰大橋北路證券營業部)	No. 18-20, Daqiao North Road, Jiangyin (江陰市大橋北路18-20號)	Xi Tingting (席婷婷)
28	Jiangsu Province	Jiangyin Shengang Road Securities Branch (江陰申港路證券營業部)	No. 349, Shengang Road, Lingang Street, Jiangyin (江陰市臨港街道申港路349號)	Ren Li (任立)
29	Jiangsu Province	Jiangyin Huashi Town Xinsheng Road Securities Branch (江陰華士鎮新生路證券營業部)	No. 168, Xinsheng Road, Huashi Town, Jiangyin (江陰市華士鎮新生路168號)	Lv Qin (呂芹)
30	Jiangsu Province	Jiangyin Zhouzhuang West Main Street Securities Branch (江陰周莊西大街證券營業部)	No. 616, Zhouzhuang West Main Street, Zhouzhuang Town, Jiangyin (江陰市周莊鎮周莊西大街616號)	Yao Yulong (姚玉龍)
31	Jiangsu Province	Nanjing Taiping South Road Securities Branch (南京太平南路證券營業部)	No. 333, Taiping South Road, Qinhuai District, Nanjing (南京市秦淮區太平南路333號)	Geng Chao (耿超)
32	Jiangsu Province	Nanjing Zhanjiang Road Securities Branch (南京湛江路證券營業部)	No. 59-12, Zhanjiang Road, Gulou District, Nanjing (南京市鼓樓區湛江路59-12號)	Liu Yu (劉羽)

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Item No.	Region	Branch name	Address	Person in charge
33	Jiangsu Province	Suzhou Jiefang West Road Securities Branch (蘇州解放西路證券營業部)	No. 114, 116, Jiefang West Road, Suzhou (蘇州市解放西路114、116號)	Li Chenjie (李辰杰)
34	Jiangsu Province	Changzhou Hengshan Road Securities Branch (常州衡山路證券營業部)	Rm. 5, 6, 7, Block 29, Rongsheng Jinxiuhuafu, Xinbei District, Changzhou (常州市新北區榮盛錦綉華府29幢5號、6號、7號)	Zhang Yu (章瑜)
35	Jiangsu Province	Changzhou Wuyi Middle Road Securities Branch (常州武宜中路證券營業部)	No. 301, Block 305-1, Xincheng Nandu, Hutang Town, Wujin District, Changzhou (常州市武進區湖塘鎮新城南都305-1幢301號)	Zha Xiaoming (查曉明)
36	Jiangsu Province	Nantong Gongnong Road Securities Branch (南通工農路證券營業部)	No. 486 Gongnong Road, Nantong (南通市工農路486號)	Xu Yongping (徐永平)
37	Jiangsu Province	Xuzhou Huancheng Road Securities Branch (徐州環城路證券營業部)	2nd Floor, Beijiang Building, No. 167 Huancheng Road, Gulou District, Xuzhou, Jiangsu Province (江蘇省徐州市鼓樓區環城路167號北江大廈2層)	Fan Jiongwei (范炯燁)
38	Jiangsu Province	Taizhou Jichuan East Road Securities Branch (泰州濟川東路證券營業部)	Rm. 106, No. 99, Jichuan East Road, Hailing District, Taizhou (泰州市海陵區濟川東路99號106室)	Chen Hanyan (陳韓巖)
39	Jiangsu Province	Yancheng Jiefang South Road Securities Branch (鹽城解放南路證券營業部)	Rm. 133, 224-226, 319-321 (3), Yongji Plaza, Jiefang South Road, Yancheng (鹽城市解放南路永基廣場133、224-226、319-321室(3))	Tong Benzhi (童本智)
40	Jiangsu Province	Yangzhou Xincheng Henan Road Securities Branch (揚州新城河南路證券營業部)	Rm. 109, Commercial, Yajule Garden, No. 38, Henan Road, Xincheng, Yangzhou (揚州市新城河南路38號雅居樂花園商業109室)	Xie Xianlin (謝賢林)
41	Jiangsu Province	Lianyungang Cangwu Road Securities Branch (連雲港蒼梧路證券營業部)	No. A1, 1st Floor, Longhe Building, No. 6, Cangwu Road, Lianyungang (連雲港市蒼梧路6號龍河大廈1層A1號)	Han Yansong (韓嚴松)
42	Jiangsu Province	Huai'an Beijing North Road Securities Branch (淮安北京北路證券營業部)	Rm. 701, Heyun Building, No. 100, Beijing North Road, Huai'an (淮安市北京北路100號河韻大廈701室)	Zhang Wenwen (張文雯)
43	Jiangsu Province	Zhenjiang Tanshan Road Securities Branch (鎮江檀山路證券營業部)	Rm. 206, 207, 2nd Floor, Building No. 60, Shenhua International Crown Castle, No. 8, Tanshan Road, Zhenjiang (鎮江市檀山路8號申華國際冠城60幢第2層206、207室)	Zhu Xiangming (朱向明)
44	Jiangsu Province	Danyang Jinling West Road Securities Branch (丹陽金陵西路證券營業部)	No. 188, Jinling West Road, Development District, Danyang (丹陽市開發區金陵西路188號)	Zhang Jianhua (張建華)
45	Jiangsu Province	Haimen Changjiang South Road Securities Branch (海門長江南路證券營業部)	No. 30, Changjiang South Road, Haimen Street, Haimen (海門市海門街道長江南路30號)	Wang Xiaolei (王曉磊)
46	Jiangsu Province	Kunshan Xiaolin Road Securities Branch (昆山蕭林路證券營業部)	34, No. 699, Xiaolin Road, Kunshan (昆山市蕭林路699號34)	Xu Xiaoqiang (徐小強)



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Item No.	Region	Branch name	Address	Person in charge
47	Jiangsu Province	Changshu Haiyu North Road Securities Branch (常熟海虞北路證券營業部)	101, 127, Zhonghui Plaza, No. 11, Jinshajiang Road, Changshu (常熟市金沙江路11號中匯廣場101、127)	Cao Zhanyi (曹展翼)
48	Jiangsu Province	Jiangyin Qingyang Fuqian Road Securities Branch (江陰青陽府前路證券營業部)	No. 101, Fuqian Road, Qingyang Town, Jiangyin (江陰市青陽鎮府前路101號)	Yang Ning (楊凝)
49	Jiangsu Province	Nanjing Tuanjie Road Securities Branch (南京團結路證券營業部)	Rm. 02, 03, Block 25, Zhonghai Wanjin Garden, No. 8, Tuanjie Road, Pukou District, Nanjing (南京市浦口區團結路8號中海萬錦花園25幢02、03室)	Lin Xin (林鑫)
50	Jiangsu Province	Changzhou North Main Street Securities Branch (常州北大街證券營業部)	Rm. 503-506, Block 8, Yulong Garden, North Main Street, Zhonglou District, Changzhou (常州市鐘樓區北大街玉隆花園8幢503-506室)	Tian Yan (田燕)
51	Beijing	Beijing Nongda South Road Securities Branch (北京農大南路證券營業部)	Rm. X05-4-01, 1st Floor, No. 2 Building, Xianghuangqi, Haidian District, Beijing (北京市海澱區廂黃旗2號樓一層X05-4-01)	Jia Li (賈莉)
52	Beijing	Beijing Jiancaicheng West Road Securities Branch (北京建材城西路證券營業部)	No. 2 Building, No. 87, Jiancaicheng West Road, Changping District, Beijing (北京市昌平區建材城西路87號2號樓)	Li Xiang (李翔)
53	Beijing	Beijing Shijingshan Road Securities Branch (北京石景山路證券營業部)	Rm. 1505, 1506, 1507, 1508, 1509, 12th Floor, No. 2 Building, No. 18 Yard, Shijingshan Road B Section, Shijingshan District, Beijing (北京市石景山區石景山路乙18號院2號樓12層1505、1506、1507、1508、1509)	Zhang Chao (張超)
54	Beijing	Beijing Chaoyangmen South Street Securities Branch (北京朝陽門南大街證券營業部)	50105, 1st Floor, Galaxy SOHO Centre, No. 2, Nanzhugan Alley, Dongcheng District, Beijing (北京市東城區南竹竿胡同2號銀河搜侯中心1層50105)	Liu Bochao (劉博超)
55	Shanghai	Shanghai Tianlin Road Securities Branch (上海田林路證券營業部)	Rm. D1, 1st Floor, Block 16, No. 140, Tianlin Road, Xuhui District, Shanghai (上海市徐匯區田林路140號16幢1層D1室)	Wu Sheng (吳晟)
56	Shanghai	Shanghai Handan Road Securities Branch (上海邯鄲路證券營業部)	No. 98, Handan Road, Shanghai (上海市邯鄲路98號)	Wang Jun (王珺)
57	Shanghai	Shanghai Gangyu Road Securities Branch (上海港俞路證券營業部)	No. 865, Gangyu Road, Qingpu District, Shanghai (上海市青浦區港俞路865號)	Dai Ming (代明)
58	Shandong Province	Yantai Yingchun Street Securities Branch (煙台迎春大街證券營業部)	No. 163, Yingchun Street, Laishan District, Yantai (煙台市萊山區迎春大街163號)	Li Chao (李超)
59	Shandong Province	Zibo Zicheng Road Securities Branch (淄博淄城路證券營業部)	No. 573, Zicheng Road, Zichuan District, Zibo, Shandong Province (山東省淄博市淄川區淄城路573號)	Wu Junhe (吳俊河)



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Item No.	Region	Branch name	Address	Person in charge
60	Guangdong Province	Guangzhou Binjiang East Road Securities Branch (廣州濱江東路證券營業部)	One of Unit 07 of 3rd Floor, No. 207 and Unit 01-05 of 3rd Floor, No. 213, Binjiang East Road, Haizhu District, Guangzhou (廣州市海珠區濱江東路207號三層07之一、213號三層01-05單元)	Wang Jiawen (汪嘉文)
61	Guangdong Province	Shenzhen Unicenter Securities Branch (深圳壹方中心證券營業部)	Rm. 1806, 1807, Tower B, Phase 3, North Zone, Unicenter, No. 99 Xihu Road, N12 District, Haiwang Community, Xin'an Street, Bao'an District, Shenzhen (深圳市寶安區新安街道海旺社區N12區新湖路99號壹方中心北區三期B塔1806、1807)	Yu Lei (于磊)
62	Guangxi Zhuang Autonomous Region	Nanning Minzu Avenue Securities Branch (南寧民族大道證券營業部)	4th Floor, Derui Complex Building, No. 143, Minzu Avenue, Qingxiu District, Nanning (南寧市青秀區民族大道143號德瑞大廈綜合樓4樓)	Lu Yong (陸泳)
63	Guangxi Zhuang Autonomous Region	Guilin Binjiang Road Securities Branch (桂林濱江路證券營業部)	1-10, 1#3rd Floor, Kegao Lijiang 21st Commercial Mansion, No. 16, Binjiang Road, Xiufeng District, Guilin (桂林市秀峰區濱江路16號可高•濱江21號商務辦公樓1#3樓1-10)	Lei Mengyao (雷夢瑤)
64	Zhejiang Province	Hangzhou Feiyunjiang Road Securities Branch (杭州飛雲江路證券營業部)	Rms. 1601, 1602, 1603, West Building, Zancheng Center, Shangcheng District, Hangzhou (杭州市上城區贊成中心西樓1601、1602、1603室)	Ye Ruqi (葉汝騏)
65	Liaoning Province	Dalian Renmin Road Securities Branch (大連人民路證券營業部)	No. E2, 8th Floor, International Finance Tower, No. 15, Renmin Road, Zhongshan District, Dalian, Liaoning Province (遼寧省大連市中山區人民路15號國際金融大廈8層E2號)	Zhu Gang (祝剛)
66	Jiangxi Province	Nanchang Beijing East Road Securities Branch (南昌北京東路證券營業部)	1st-3rd Floor, No. 98, Beijing East Road, Qingshanhu District, Nanchang, Jiangxi Province (江西省南昌市青山湖區北京東路98號第1-3層)	Liu Wei (劉維)
67	Hunan Province	Changsha Furong Middle Road Securities Branch (長沙芙蓉中路證券營業部)	4th Floor, Zhongcai Building, No. 426, Section 3, Furong Middle Road, Tianxin District, Changsha (長沙市天心區芙蓉中路三段426號中財大廈四層)	Yang Jieqiong (陽潔琼)
68	Chongqing	Chongqing Wuhong Road Securities Branch (重慶五紅路證券營業部)	3-1, Block 7, Chang'an Huadu, No. 60-3, Wuhong Road, Longta Street, Yubei District, Chongqing (重慶市渝北區龍塔街道五紅路60號附3長安華都7幢3-1)	Meng Shuyong (孟書勇)
69	Sichuan Province	Chengdu Jincheng Avenue Securities Branch (成都錦城大道證券營業部)	No. 7, 14th Floor, Block 3, No. 666, Jincheng Avenue, Hi-Tech District, Chengdu (成都市高新區錦城大道666號3幢14層7號)	Huang Jianbin (黃建斌)

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Item No.	Region	Branch name	Address	Person in charge
70	Beijing	Beijing Majiapu East Road Securities Branch (北京馬家堡東路證券營業部)	Commercial Zone, No. 21, 1st Floor, No. 6 Building, No. 168 Yard, Majiapu East Road, Fengtai District, Beijing (北京市豐台區馬家堡東路168號院6號樓1層21號底商)	Song Hongtao (宋洪濤)
71	Guangdong Province	Shenzhen Yitian Road Securities Branch (深圳益田路證券營業部)	Rm. 4504, 4403-A and 4501-A, New World Commercial Centre, No. 6009, Yitian Road, Futian District, Shenzhen (深圳市福田區益田路6009號新世界商務中心大廈4504、4403-A和4501-A)	Li Fangfang (李芳芳)
72	Hunan Province	Changsha Songgui Garden Securities Branch (長沙松桂園證券營業部)	Units C1, C2 and C3, 15th Floor, Hunan Xinwen Building, No. 469, Section 1, Furong Middle Road, Kaifu District, Changsha, Hunan Province (湖南省長沙市開福區芙蓉中路一段469號湖南新聞大廈15層C1、C2、C3區寫字間)	Peng Jinke (彭晉科)
73	Jiangsu Province	Wuxi Xibei Town Quanshan Road Securities Branch (無錫錫北鎮泉山路證券營業部)	No. 15, Jinghe Yuan, Xibei Town, Wuxi (無錫市錫北鎮涇和苑15號)	Sun Jindong (孫金東)
74	Jiangsu Province	Wuxi Hudai Town Antai Road Securities Branch (無錫胡埭鎮安泰路證券營業部)	No. 13-9, Fu'an Commercial Plaza A, Hudai Town, Wuxi (無錫市胡埭鎮富安商業廣場A區13-9)	Shen Gang (沈剛)
75	Jiangsu Province	Wuxi Huishan New Town Zhenghe Avenue Securities Branch (無錫惠山新城政和大道證券營業部)	Rm. 104, 106-2 and 204, No. 182, Zhenghe Avenue, Huishan District, Wuxi (無錫市惠山區政和大道182號104、106-2、204)	Wang Yuhong (王玉紅)
76	Anhui Province	Susong Fuyu West Road Securities Branch (宿松孚玉西路證券營業部)	No. 366, Fuyu West Road, Fuyu Town, Susong County, Anqing, Anhui (安徽省安慶市宿松縣孚玉鎮孚玉西路366號)	Qin Jun (秦軍)
77	Jiangsu Province	Nanjing Qinhuai Road Securities Branch (南京秦淮路證券營業部)	No. 103, Block 2, Qingchun Shui'an, No. 4 Qinhuai Road, Jiangning District, Nanjing, Jiangsu Province (江蘇省南京市江寧區秦淮路4號青春水岸2幢103號)	Sun Hebing (孫和兵)
78	Shanghai	Shanghai Zhangyang Road Securities Branch (上海張楊路證券營業部)	Rm. 803, Block 1, No. 538, Gushan Road & No. 2399, Zhangyang Road, Pudong New District, Shanghai (上海市浦東新區崑山路538號張楊路2399號1幢803室)	Jiang Hua (江華)
79	Hubei Province	Wuhan Xinhua Road Securities Branch (武漢新華路證券營業部)	No. 5 Office, 14th Floor, Shidai Caifu Center, No. 468 Xinhua Road, Jiangnan District, Wuhan (武漢市江漢區新華路468號時代財富中心14層(5)辦號)	Luo Xingang (羅心剛)
80	Shandong province	Qingdao Shangshi Center Securities Branch (青島上實中心證券營業部)	Rm. 203, Unit 2, Building T6, Shangshi Center, No. 195 Hong Kong East Road, Laoshan District, Qingdao (青島市嶗山區香港東路195號上實中心T6號樓2單元203戶)	Li Jian (李鍵)

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Item No.	Region	Branch name	Address	Person in charge
81	Jiangsu Province	Zhangjiagang Nanyuan East Road Securities Branch (張家港南苑東路證券營業部)	J105 Facade, No. 105, Nanyuan East Road, Building 55, Tangong Manor, Yangshe Town, Zhangjiagang (張家港市楊舍鎮檀宮莊園55幢南苑東路105號·J105門面)	Huang Zhendong (黃振東)
82	Jiangsu Province	Jiangyin Changjing Hongqiao North Road Securities Branch (江陰長涇虹橋北路證券營業部)	No. 47, Hongqiao North Road, Changjing Town, Jiangyin (江陰市長涇鎮虹橋北路47號)	Xu Zhou (徐舟)
83	Jiangsu Province	Yixing Xushe Town Xinhe Road Securities Branch (宜興徐舍鎮新河路證券營業部)	No. 36-38, Xinhe Road Shop, Juyuanmingju (West District), Xushe Town, Yixing (宜興市徐舍鎮聚緣名居(西區)新河路商舖36-38號)	Zhou Yu (周宇)
84	Jiangsu Province	Yixing Gaocheng Town Zhenxing Road Securities Branch (宜興高塍鎮振興路證券營業部)	No. 188-27, 28, 29, Zhenxing Road, Gaocheng Town, Yixing (宜興市高塍鎮振興路188-27·28·29號)	Xu Yihong (許一泓)
85	Jiangsu Province	Wuxi Taihu New Town Ruijing Road Securities Branch (無錫太湖新城瑞景道證券營業部)	No. 69-2, 69-3, HuajingJiayuan, Ruijing Road, Binhu District, Wuxi (無錫市濱湖區瑞景道華憬佳苑69-2·69-3)	Xu Ke (許可)
86	Hunan Province	Changsha Wanjieli Middle Road Securities Branch (長沙萬家麗中路證券營業部)	Unit 1627-2, 16th Floor, Wanjieli International Mall, No. 99, Section 1, Wanjieli Middle Road, Dongtundu Street, Furong District, Changsha (長沙市芙蓉區東屯渡街道萬家麗中路一段99號萬家麗國際MALL16樓1627-2)	Xie Fang (謝芳)
87	Jiangsu Province	Suqian Hongzehu Road Securities Branch (宿遷洪澤湖路證券營業部)	No. 130, Hongzehu Road, Sucheng District, Suqian (宿遷市宿城區洪澤湖路130號)	Wang Xingbo (王星博)

## Section 4 Summary of Accounting and Business Data

### I. Principal Accounting Data and Financial Indexes

#### (I) Principal accounting data and financial indexes for the recent three years

Items	2019	2018	Year-on-Year Growth	2017
<b>Operating results (RMB'000)</b>				
Revenue, net gains and other income	2,123,571	1,496,815	41.87%	1,792,803
Profit before income tax	686,485	71,652	858.08%	516,678
Profit for the year – attributable to shareholders of the Company	521,343	50,588	930.57%	361,492
Net cash generated from/(used in) operating activities	1,240,788	919,720	34.91%	-3,933,409

<b>Earnings per share (RMB/share)</b>				
Basic earnings per share	0.27	0.03	800.00%	0.19
Diluted earnings per share	0.27	0.03	800.00%	0.19

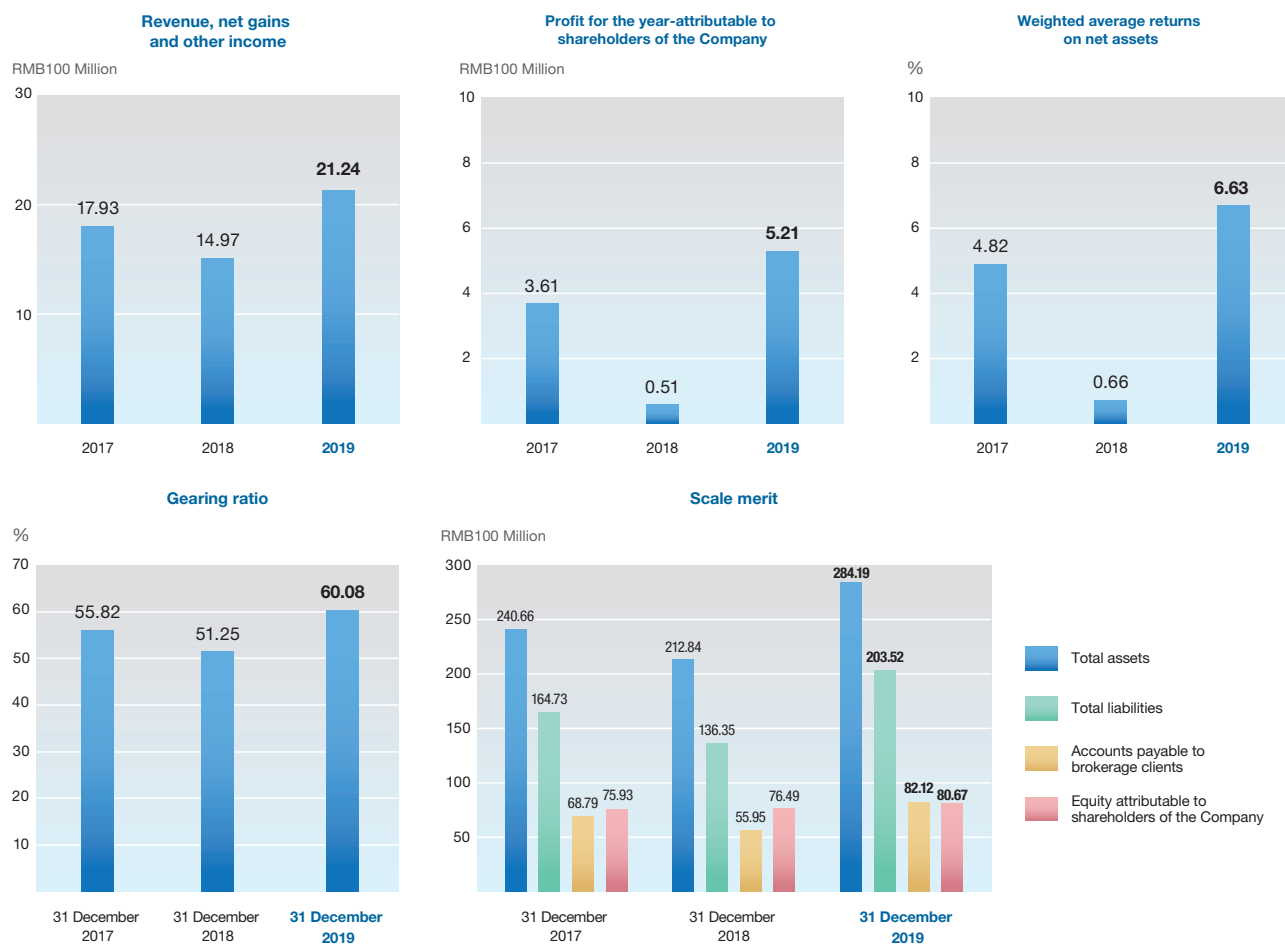
<b>Profitability index</b>				
Weighted average returns on net assets (%)	6.63%	0.66%	Increased by 5.97 percentage points	4.82%

Items	31 December 2019	31 December 2018	Year-on-Year Growth	31 December 2017
<b>Scale merit (RMB'000)</b>				
Total assets	28,419,403	21,283,776	33.53%	24,065,998
Total liabilities	20,352,077	13,634,592	49.27%	16,473,426
Accounts payable to brokerage clients	8,212,333	5,594,621	46.79%	6,879,052
Equity attributable to shareholders of the Company	8,067,326	7,649,184	5.47%	7,592,572
<b>Total share capital ('000 shares)</b>	1,902,400	1,902,400	0.00%	1,902,400

<b>Net asset value per share attributable to shareholders of the Company (RMB/share)</b>				
	4.24	4.02	5.47%	3.99
<b>Gearing ratio (%)<sup>1</sup></b>	60.08%	51.25%	Increased by 8.83 percentage points	55.82%

<sup>1</sup> Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

## Section 4 Summary of Accounting and Business Data



### (II) Principal accounting data and financial indexes for the recent five years

#### Earnings (RMB'000)

Items	2019	2018	2017	2016	2015
Revenue, net gains and other income	2,123,571	1,496,815	1,792,803	2,335,667	3,833,186
Total expenses	1,457,452	1,434,713	1,178,884	1,562,467	1,991,276
Profit before income tax	686,485	71,652	516,678	859,871	1,990,334
Profit for the year – attributable to shareholders of the Company	521,343	50,588	361,492	610,068	1,471,438

## Section 4 Summary of Accounting and Business Data

### Assets (RMB'000)

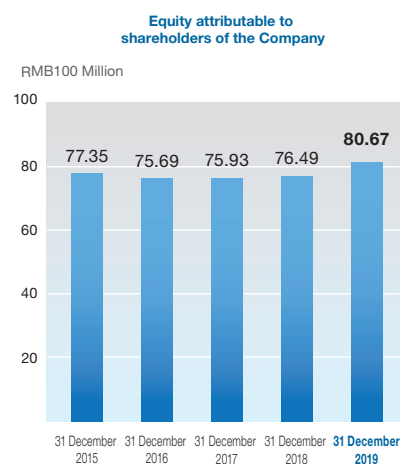
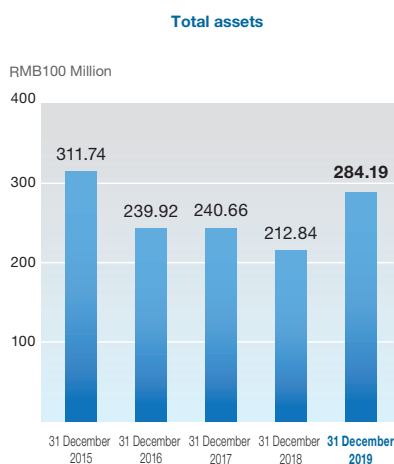
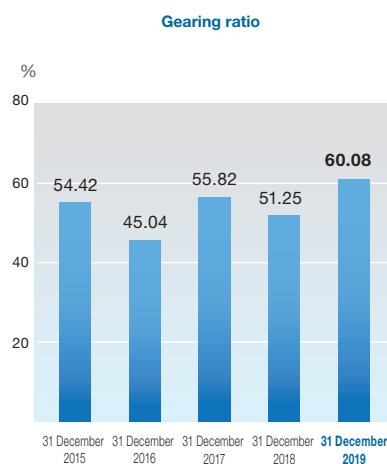
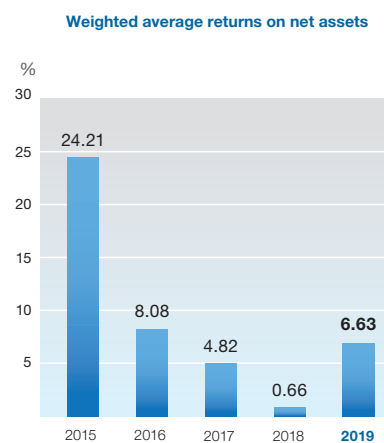
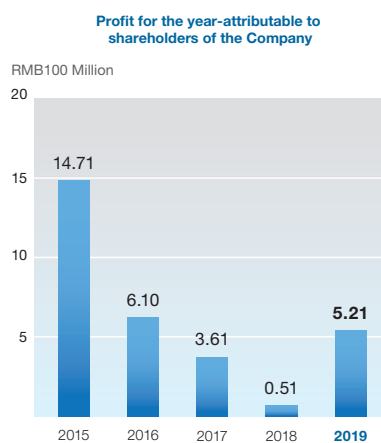
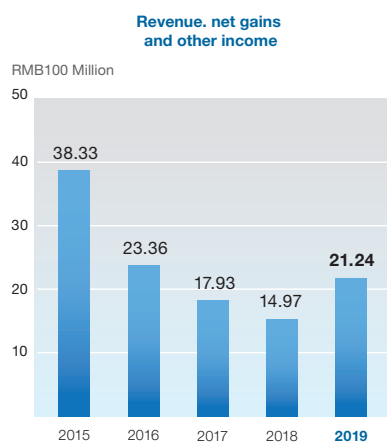
Items	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
Total assets	28,419,403	21,283,776	24,065,998	23,992,481	31,173,636
Total liabilities	20,352,077	13,634,592	16,473,426	16,096,311	23,144,867
Accounts payable to brokerage clients	8,212,333	5,594,621	6,879,052	9,626,064	13,557,301
Equity attributable to shareholders of the Company	8,067,326	7,649,184	7,592,572	7,569,143	7,735,283
Total share capital ('000 shares)	1,902,400	1,902,400	1,902,400	1,902,400	1,902,400

### Key financial indexes

Items	2019	2018	2017	2016	2015
Basic earnings per share	0.27	0.03	0.19	0.32	0.88
Diluted earnings per share	0.27	0.03	0.19	0.32	0.88
Weighted average returns on net assets (%)	6.63%	0.66%	4.82%	8.08%	24.21%

	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
Gearing ratio (%)	60.08%	51.25%	55.82%	45.04%	54.42%
Net asset value per share attributable to shareholders of the Company (RMB/share)	4.24	4.02	3.99	3.98	4.07

## Section 4 Summary of Accounting and Business Data





## Section 4 Summary of Accounting and Business Data

### II. Differences of Accounting Data under Domestic and Overseas Accounting Standards

The consolidated financial statement prepared by the Company in accordance with the IFRS and the Accounting Standards for Business Enterprises of the PRC show no difference in the net profit in 2019 and 2018 and the net assets as at 31 December 2019 and 31 December 2018.

### III. The Company's Net Capital and Related Risk Control Index

As at 31 December 2019, the net capital of the Company was RMB8,400 million, representing an increase of 7.29% as compared to the net capital of RMB7,829 million as at the end of 2018. During the Reporting Period, the related risk control indexes of the Company including net capital had complied with the regulatory requirements.

Unit: in RMB'000

Items	31 December 2019	31 December 2018	Regulatory standard
Net capital	8,399,590	7,829,215	–
Net assets	8,024,023	7,596,804	–
Risk coverage ratio (%)	386.33	430.00	≥100%
Capital leverage ratio (%)	37.16	46.65	≥8%
Liquidity coverage ratio (%)	270.50	1,350.82	≥100%
Net steady fund rate (%)	167.90	176.20	≥100%
Net capital/net assets (%)	104.68	103.06	≥20%
Net capital/liabilities (%)	76.21	113.74	≥8%
Net assets/liabilities (%)	72.80	110.37	≥10%
Proprietary equity securities and their derivatives/net capital (%)	7.47	9.49	≤100%
Proprietary non-equity securities and their derivatives/net capital (%)	85.00	13.28	≤500%

## Section 5 Report of the Board

### I. Board's Discussion and Analysis on the Operation of the Company During the Reporting Period

#### (I) Operation Environment and Market Conditions During the Reporting Period

Affected by factors such as trade tensions, political turmoil, geopolitics, and weakening business confidence, the world economy has been under significant pressure since the beginning of 2018 and continued to be sluggish in 2019. Both the PMI and OECD indicators of developed countries had continued to fall, merchandise trade slowed down significantly and industrial products of major countries had gradually entered the deflationary stage.

From the perspective of major countries and regions, the economic growth of the Eurozone was weak and its GDP annualized rate in the fourth quarter was only 0.2%, showing a downward trend. The US economy also faced the challenges of growth slow down and impending inflation, and federal benchmark interest rate was reduced on three occasions since the second half of 2019. Both the imports and exports of Japan had experienced negative growth which were dragged by the Sino-US trade war as well as Japan-South Korea trade war. Emerging economies also faced challenges with India, which was once considered as a miracle of the Asian economy, also showing weak economic signs under the dual pressure of trade and fiscal deficits in 2019. The export of Brazil also presented a significant decline. At the same time, exchange rate depreciation is a common problem among the Latin American countries whereby the Brazil economy is in fact already in recession if considered in US dollar terms.

China's economic growth was also under pressure. The cumulative GDP growth rate decreased from 6.7% in 2018 to 6.1% in 2019. In terms of segments, the real estate investment performed relatively stable among the three major investment segments, the infrastructure investment was dragged at a low level and the manufacturing investment declined significantly after the end of 2018 due to profit decline expectation. However, among the major consumption categories, the performances of grains, oils, foods, beverages, tobacco and alcohol, which are very indirectly related to the macro economy, were relatively stable, while other major categories, such as automobiles, petroleum products, clothing, shoes and hats, and home appliances were underperformed.

Note: The relevant data in this section (the operation environment and market conditions during the Reporting Period) all come from Wind and the official website of SAC, and the time of extracting data was on 18 February 2020 (if the statisticians revise the data subsequently, then there may be a minor deviation with the extracted value).

## Section 5 Report of the Board

For the domestic market, in 2019, on the basis of the relatively low valuation and policy momentum, the A Shares market presented an obvious upward trend since the beginning of the year, and followed by subsequent consolidation amidst fluctuations, the SSE Composite Index, the SZSE Component Index and the GEM index increased by 22.30%, 44.08% and 43.79% to 3,050.12 points, 10,430.77 points and 1,798.12 points respectively. During the Reporting Period, the trading volume of SSE Composite Index and SZSE Component Index were RMB54.21 trillion and RMB72.80 trillion respectively, representing an increase of 35.40% and 46.39% respectively as compared with the same period of last year. As of the end of 2019, the balance of margin financing and securities lending on Shanghai Stock Exchange and Shenzhen Stock Exchange was RMB1,019.207 billion, which was 34.85% higher than that as of the end of 2018. During the Reporting Period, a total of 203 A Shares companies were initially listed and issued and actual proceeds raised was RMB253.248 billion. A total of 248 companies issued additional shares and actual proceeds raised amounted to RMB679.820 billion. By the end of the year, the number of listed enterprises on the NEEQ was 8,953, representing a year-on-year decrease of 16.26%. For bond market, the bond issuance size for the entire year of 2019 increased by 3.10% as compared with that of 2018, totaling RMB45.20 trillion. By the end of the year, the yield of 10-year China Treasury Bonds was 3.14%, decreased by 9 basis points as compared with that as of the end of 2018. For the foreign exchange market, in 2019, the central parity of RMB against US dollar depreciated by 1,130 basis points to 6.98.

Benefited from market recovery, the operating conditions of the securities industry rebounded. As of the end of 2019, the industry achieved an operating income of RMB360.483 billion, representing a year-on-year increase of 35.37%, and a net profit of RMB123.095 billion, representing a year-on-year increase of 84.77%. Among others, securities investment income was RMB122.160 billion, representing an increase of 52.65% as compared with the same period of last year, being the largest performance contributor. The net income of industry securities trading agency business (including seat leasing) amounted to RMB78.763 billion, representing a year-on-year increase of 26.34%. However, with continuous commission price war, industry net commission rate fell below 0.03%. In 2019, the CSRC introduced a series of reform measures in the primary market. As of the end of the year, the net income of industry underwriting and sponsorship business amounted to RMB37.744 billion, representing an increase of 46.04% as compared with the same period of last year. In 2019, as the asset management business was under rectification stage, both its revenue and business scale were affected. As of the end of the year, the net income of the industry asset management business was RMB27.516 billion, representing an increase of 0.06% as compared with the same period of last year. Total principal of entrusted funds under management was RMB12.29 trillion, representing a decrease of 12.91% as compared with the beginning of 2019, and has declined for nine consecutive quarters in a row, and the main reason of which was the de-channelization of the Targeted Asset Management Scheme.

## Section 5 Report of the Board

### (II) Overall Operation of the Company

For the whole year of 2019, the Group achieved total revenue, net gains and other income amounting to RMB2,124 million, representing a year-on-year increase of 41.87%. Net profit attributable to shareholders of listed companies of RMB521 million was achieved, representing a year-on-year increase of 930.57%. As at 31 December 2019, total assets of the Group was RMB28.419 billion; and net assets attributable to shareholders of listed companies was RMB8.067 billion and the weighted average returns on net assets was 6.63%.

### (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.

#### 1. Brokerage Business

During the Reporting Period, revenue, net gains and other income generated from brokerage business was RMB657 million, representing an increase of 23.73% as compared to 2018.

##### (1) *Securities Brokerage*

In 2019, the Company accelerated the transformation momentum from traditional brokerage business to wealth management business. Under the two development goals of “enlarging customer base” and “increasing revenue and profit”, the Company spared no efforts to promote the development of the wealth management business. In terms of principal works, firstly, the Company seized the business development opportunities to fully promote the STAR Market related business and actively marketed the STAR Market-themed funds, and launched funds for application of new shares listed on STAR Market. Secondly, the Company actively promoted the bond fund sales business, achieving a sales volume of RMB2.386 billion. Thirdly, the Company actively carried out marketing competition activity, with its “I am a FOF manager” competition achieving a sales volume of RMB1.615 billion, far exceeded the target value and challenge value. Fourthly, the Company expanded quantitative investment business to attract private equity fund customers for quantitative investment. The Company also kept improving the service ability of its trading system to meet the needs of quantitative private equity customers. Fifthly, the Company actively promoted the margin financing and securities lending business, and expanded the scale of margin financing and securities lending. As of the end of the year, the scale of margin financing and securities lending reached RMB4.665 billion, representing an increase of 56.97% as compared with that of the beginning of the year.

## Section 5 Report of the Board

The net income of securities trading agency business of the Company amounted to RMB335 million in 2019, representing a year-on-year increase of 26.89%, and ranked the 50th in the industry. During the Reporting Period, the trading volume of shares and funds of the Company amounted to RMB1,331.887 billion, representing a market share of 0.49%, increased by 1.87% as compared to 2018. As at the end of the Reporting Period, our total number of customers was 1,165,400, representing an increase of 4.69% as compared to those as at the end of 2018.

Items	2019	2018	Year-on-year increase/decrease
Trading volume of shares and funds (in RMB100 million)	13,318.87	9,632.77	38.27%
Number of securities brokerage clients (in '0,000)	116.54	111.32	4.69%

### (2) Other Services

During the Reporting Period, sales volume of financial products of the Company amounted to RMB32.288 billion, representing a year-on-year increase of 6.02%. Among which, sales volume of self-developed asset management products amounted to RMB26.425 billion, representing a year-on-year increase of 2.51%; sales volume of third-party fund products amounted to RMB4.757 billion, representing a year-on-year increase of 112.08%; sales volume of third-party trust products amounted to RMB952 million, representing a year-on-year decrease of 6.02%; and sales volume of other financial products amounted to RMB154 million, representing a year-on-year decrease of 86.68%.

The SSE 50ETF options market transactions were active for the entire year, the options markets of both Shanghai and Shenzhen expanded the CSI 300ETF options at the same time, and the options brokerage business of the Company grew steadily. During the Reporting Period, the commission income generated from the options business was RMB7.6856 million, representing a year-on-year growth of 213.03%. As at the end of the Reporting Period, the Company's retaining number of contracted accounts opened for options brokerage business was 1,852. During the Reporting Period, the Company's accumulated number of contracts for options brokerage business was 3,463,900, representing a year-on-year increase of 231.73%.

In 2019, the Company deepened the implementation of its investment advisory business system planning, actively innovated investment advisory products design and development, strived to build a professional investment advisory team, and continuously optimized the online investment advisory business platform to accelerate the investment advisory business of the Company. During the Reporting Period, a total of 7,206 customers had signed investment advisory service agreements with the Company, representing a year-on-year increase of 231.77%. The investment advisory business generated an income of RMB1.0598 million, representing a year-on-year increase of 52.97%.

## Section 5 Report of the Board

### 2. Investment Banking Business

The investment banking business of the Company (including the NEEQ) is conducted by Hua Ying Securities. During the Reporting Period, revenue, net gains and other income generated from our investment banking business was RMB317 million, representing an increase of 21.44% as compared to 2018.

During the Reporting Period, the capital market ushered in a new round of development opportunities. The capital market major reforms were conducted throughout the year with the multi-level capital market opening up to the outside world at an accelerated pace, and business varieties continuously enriched. At the same time, the capital market continued the theme of strong regulation, risk prevention and deleveraging, and the development of small and medium-sized investment banks faced severe challenges. In face of the complicated market environment, Hua Ying Securities thoroughly implemented its “three main strategies”, namely, enlarging foundation business, broadening collaboration business and strengthening base businesses, and achieved breakthroughs in key projects. According to the data of Wind, Hua Ying Securities leaped up to 22nd place in the market in terms of the underwriting amount of additional equity issuance (including lead underwriters and financial advisors), and leaped up to 19th place in the market in terms of the underwriting amount of additional equity issuance (financial advisors) in 2019.

#### (1) *Equity Financing*

During the Reporting Period, Hua Ying Securities completed 1 joint lead underwriting project for equity mergers and acquisitions as well as supporting financing. As at the end of the Reporting Period, Hua Ying Securities also had 3 equity projects with applications under review by CSRC.

#### (2) *Debt Financing*

During the Reporting Period, Hua Ying Securities completed 21 bonds underwriting projects and 2 bonds distribution projects, underwriting a total amount of RMB16.942 billion. As at the end of the Reporting Period, Hua Ying Securities had 22 bonds projects which had already obtained approvals and were pending issuance, with a pending issuance amount of RMB46.5 billion and 12 bonds projects with applications under review.

#### (3) *Financial Advisory*

During the Reporting Period, Hua Ying Securities completed 32 financial advisory projects in total, generating a net financial advisory income of RMB54.24 million.

### (4) *NEEQ*

During the Reporting Period, Hua Ying Securities completed 2 NEEQ listing and referral projects.

For capital market service, during the Reporting Period, 5 NEEQ targeted issuance projects were completed, financing a total amount of RMB95.9524 million, and 1 NEEQ merger and acquisition as well as reorganization project was completed.

For on-going supervision services, as at the end of the Reporting Period, Hua Ying Securities continued to supervise 122 enterprises.

### 3. **Asset Management and Investment Business**

During the Reporting Period, revenue, net gains and other income generated from asset management and investment business was RMB81.78 million, representing an increase of 27.80% over 2018.

#### (1) *Asset Management*

Since 2019, in face of the complicated situation of significant increase in domestic and international risks and challenges, the PRC macro economy continues to adhere to the general keynote of maintaining stability while making progress to accelerate the financial supply-side structural reform and strives to promote the quality and efficiency of financial services in serving the real economy. The Central Bank, China Banking and Insurance Regulatory Commission, CSRC and other financial regulatory authorities issued a series of supporting regulatory documents regarding new asset management regulations to support the implementation and rectification of the new asset management regulations. As of the end of 2019, the total scale of asset management business of fund management companies and their subsidiaries, securities companies and their subsidiaries, futures companies and their subsidiaries as well as private fund management institutions was approximately RMB51.97 trillion, representing a decrease of 2.91% as compared to the corresponding period of last year.

During the Reporting Period, the asset management business of the Company proactively enhanced its active management capability and improved its product line layout. The Company focused on developing ABS business and actively promoted the implementation of ABS products; strengthened business cooperation with banks and other financial institutions to promote the orderly expansion of the standard asset management scale; improved the relevant institutional system and personnel deployment of public offering investment to promote public fundraising transformation of large collective products.



## Section 5 Report of the Board

As at the end of the Reporting Period, the total size of entrusted asset management business of the Company amounted to RMB38.896 billion, representing a year-on-year increase of 62.85%. Among others, the total size of Collective Asset Management Scheme amounted to RMB6.676 billion, representing a year-on-year decrease of 3.80%. The total size of Targeted Asset Management Scheme amounted to RMB30.672 billion, representing a year-on-year increase of 83.88%, and the total size of Specialized Asset Management Scheme amounted to RMB1.548 billion. The Company managed a total of 104 asset management products, among which, 36 are Collective Asset Management Scheme, 65 are Targeted Asset Management Scheme and 3 are Specialized Asset Management Scheme.

Project Name	As at the end of 2019			As at the end of 2018		
	Portion (100 million shares)	Net Value (In RMB100 million)	Quantity (Pieces)	Portion (100 million shares)	Net Value (In RMB100 million)	Quantity (Pieces)
Collective Asset Management Scheme	68.50	66.76	36	70.68	69.39	35
Targeted Asset Management Scheme	-	306.72	65	-	166.80	58
Specialized Asset Management Scheme	15.18	15.48	3	2.65	2.66	1

### (2) Private Equity Investment

During the Reporting Period, Guolian Capital continued to implement the withdrawal of its fund projects in accordance with the rectification report. It completed the fund cancellation of Wuxi Guolian Capital Innovation Growth No.1 Investment Center (limited partnership) (無錫國聯通寶創新成長壹號投資中心(有限合夥)) and the liquidation of Jiaying Baoman Investment Partnership (limited partnership) (嘉興寶滿投資合夥企業(有限合夥)). In addition, Wuxi Guolian Lingxiang SME Growth Investment Center (limited partnership) (無錫國聯領翔中小企業成長投資中心(有限合夥)) was expired on 30 December 2019, and was in the liquidation stage.

In the future, Guolian Capital will continue to develop quality enterprises in Wuxi and its surrounding areas and actively explore new equity investment projects, so as to prepare itself well in the preliminary project reserve for the establishment of the new fund.

### 4. Credit Transaction Business

During the Reporting Period, revenue, net gains and other income from credit transactions business was RMB600 million, representing a decrease of 5.65% as compared to 2018.

#### (1) *Margin Financing and Securities Lending*

In 2019, with the gradual introduction of favorable regulatory policies, the A Shares market was recovered to some extent, with the overall size of market margin financing and securities lending rebounded from its trough, the number of customers involved in the transaction and the size of customer asset recovered and credit risk mitigated to a certain extent. The Company constantly evaluated its operating experience in margin financing and securities lending business and strengthened the identification of market risk characteristics, adopted layered response control strategies according to different risk levels, actively prevented and resolved risk exposures, enhanced risk control consciousness, and strengthened risk control capability. As at the end of the Reporting Period, the Company had no major risk events, nor material complaint and dispute issue.

During the Reporting Period, the competition for stock customers among securities brokers was increasingly fierce. Through focusing on user needs and experience, the Company continued to actively expand customer value-added services to increase customer stickiness and promoted the healthy and orderly development of its businesses. This mainly included the actively streamlining of the Company's margin financing and securities lending business model, and gradually supporting customer investment and consultancy services and employee business support tools; promoting strategic trading services for customers of margin financing and securities lending business to meet the multi-level needs of high net worth customers; formulating specific marketing plans to optimize employee incentive mechanism and enhance marketing competitiveness; making use of fintech to provide customers with more optimized operation experience and faster and more stable system support, thus enhancing the overall efficiency of margin financing and securities lending business.

As at the end of the Reporting Period, the total number of credit accounts of clients was 21,607, representing an increase of 7.03% as compared to 20,187 as at the end of 2018. The total credit amount of margin financing and securities lending of clients was RMB49.143 billion, representing an increase of 6.05% as compared to RMB46.338 billion as at the end of 2018. The balance of margin financing and securities lending (margin financing liabilities and securities lending liabilities only) was RMB4.500 billion, representing an increase of 59.12% as compared to RMB2.828 billion as at the end of 2018. As at the end of the Reporting Period, the market share of the Company's balance of margin financing and securities lending business was 0.4415%, representing an increase of 17.95% as compared to 0.3743% as at the end of 2018.

## Section 5 Report of the Board

### (2) *Stock Pledged Repurchase*

In 2019, with the market situation changes, the Company adopted the operation concept of controlling the scale and total volume and reducing risks for its stock pledged repurchase business, proactively investigated and resolved business risks, and gradually reduced the overall size of the stock pledged repurchase business. As at the end of the Reporting Period, the Company's initial transaction amount to be repurchased on the exchanges of stock pledged repurchase from its own fund recorded a net decrease of RMB3.118 billion to RMB2.587 billion from RMB5.705 billion as at the end of 2018, representing a decrease of 54.65%.

According to the new regulatory requirements on stock pledged repurchase business, the new initial transaction contracts for small stock pledged repurchase business (being "Xiaorongbao" (小融寶) business) have already been suspended on 23 January 2018, and existing contracts had been fully repurchased before 26 January 2019.

### 5. Proprietary Trading

During the Reporting Period, revenue, net gains and other income generated from the proprietary trading business amounted to RMB444 million, representing an increase of RMB459 million as compared to 2018.

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 and holding core assets on long-term basis, closely kept up with key market segments, and enhanced value analysis. During the Reporting Period, the domestic A Shares market showed satisfactory performance, the CSI 300 index and Heng Seng Index increased by 36.07% and 9.07% respectively for the entire year. For equity proprietary trading business, the Company accurately grasped the market opportunity of low valuation at the beginning of the year to increase stock deployment, and the return on equity had exceeded that of CSI 300 index over the same period, therefore, the year-on-year revenue increased significantly.

## Section 5 Report of the Board

For fixed-income proprietary trading business, in focusing on the goal of scaling up and generating stable income, the Company introduced a professional investment team and set up a fixed income department in the second half of the year. On one hand, based on its professional capabilities, the Company established trading positions in the market and provided market liquidity by investing capital and taking risks. On the other hand, based on the needs of customers and counterparties, the Company applied the three tools of capital+ customer + liquidity management to select targets with short duration, high credit ratings and high liquidity for operation, so as to provide customers with high-quality market making and market perspective services to better facilitate customer transaction closing. During the Reporting Period, the scale of the Company's fixed-income proprietary trading business increased significantly year-on-year, and the return on investment significantly outperformed that of the ChinaBond composite wealth (in aggregate) index.

The Company is in the process of preparing the equity derivatives business department set up.

### (IV) Financial Statements Analysis

#### 1. Analysis on the Profitability of the Company During the Reporting Period

During the Reporting Period, benefited from the opportunities brought by securities market reform, the A Shares market went upwards amidst fluctuations. The Company actively adapted itself to the new industry layout and market situation, strengthened its financial technology capability, strictly upheld the bottom line of compliance and risk control, promoted the comprehensive transformation of its business, and as a result, its operating status significantly improved and income from securities investment and securities brokerage had increased remarkably.

During the Reporting Period, the Group generated total revenue, net gains and other income of RMB2,123.57 million, representing a year-on-year increase of 41.87%. Net profit attributable to shareholders of the Company amounted to RMB521.34 million, representing a year-on-year increase of 930.57%. Earnings per share amounted to RMB0.27, representing a year-on-year increase of 800.00%. The weighted average return on net assets amounted to 6.63%, representing a year-on-year increase of 5.97 percentage points.

## Section 5 Report of the Board

### 2. Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB28,419.40 million, representing an increase of 33.53% as compared to RMB21,283.78 million as at the end of 2018. Total liabilities amounted to RMB20,352.08 million, representing an increase of 49.27% as compared to RMB13,634.59 million as at the end of 2018. Equity attributable to shareholders of the Company amounted to RMB8,067.33 million, representing an increase of 5.47% as compared to RMB7,649.18 million as at the end of 2018.

During the Reporting Period, the asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, total assets of the Group comprised of: cash assets, which amounted to RMB11,470.14 million, representing 40.36% of the total assets, and primarily included cash and bank balances (including cash held for brokerage clients), clearing settlement funds and refundable deposits; margin financing assets, which amounted to RMB8,065.32 million, representing 28.38% of the total assets, and primarily included margin accounts receivable and financial assets held under resale agreements; financial investment assets, which amounted to RMB8,327.15 million, representing 29.30% of the total assets, and primarily included interests in associates and investment in financial assets; and operating assets including other property and equipment, which amounted to RMB556.79 million, representing 1.96% of the total assets, and primarily included property and equipment, intangible assets. During the Reporting Period, the Group made corresponding impairment provision for margin accounts receivable, financial assets held under resale agreements, account receivables and other receivables. There was no evidence showing that other assets may be subject to significant impairment.

In light of market condition, the Company strengthened its liquidity management, expanded its business scale and prevented credit risk. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients amounted to RMB12,139.74 million, representing a year-on-year increase of RMB4,099.77 million or 50.99%. The gearing ratio of the Group was 60.08%, representing an increase of 8.83 percentage points from 51.25% as at the end of 2018 (Note: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Operating leverage ratio was 2.50 times, representing an increase of 21.95% from 2.05 times as at the end of 2018 (Note: operating leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to shareholders of the Company).

### 3. Financing Channels and Financing Capability

The Company continued to supplement capital through various debt financing measures, maintained corporate liquidity and strengthened its capital strength, and supplemented net capital. Debt financing instruments used by the Company included the issuance of short-term financing bonds, subordinated bonds, income certificates and refinancing, interbank borrowings, etc.

In 2019, the newly added accumulated debt financing of the Company amounted to RMB2.861 billion, among which the accumulated proceeds raised from the private issuance of sub-ordinated bonds amounted to RMB0.8 billion, accumulated proceeds raised from the issuance of income certificates amounted to RMB0.861 billion, accumulated proceeds raised from the issuance of securities company short-term financing bonds amounted to RMB1 billion, accumulated borrowings from refinancing amounted to RMB0.2 billion and financing principal amounts from repayment of due debts amounted to RMB2.781 billion.

The balance of debt financing not due as of the end of 2019 amounted to RMB6.5 billion, representing an increase of RMB80 million as compared with that of RMB6.420 billion as of the end of 2018.

Meanwhile, the Company properly arranged financing channels through many ways such as bank credit management, which can meet needs of the Company's funds efficiently with strong security on funds.

### 4. Liquidity Management Information of the Company

The Company paid great attention on liquidity management by adhering to the principles of comprehensiveness, prudence and foreseeability and focusing on the organic combination of the security, liquidity and profitability of capital. As requested by the CSRC, the Company has established sound liquidity risk management systems and contingency measures. The Company will prepare monthly liquidity monitoring statement. Currently, the management system for liquidity indicators is scientific and reasonable, and meets the requirements of liquidity management. The liquidity monitoring index of the Company in each term throughout 2019 had complied with the regulatory requirements. During the Reporting Period, the overall liquidity of the Company was sufficient.

## Section 5 Report of the Board

### 5. Cash Flows

As the Group's cash inflow generated from the operating activities and investing activities in the current year is more than the cash outflow from financing activities, the net increase in cash and cash equivalents was RMB687.05 million.

Net cash flows from operating activities in 2019 was RMB1,240.79 million, representing a year-on-year increase of RMB321.07 million as compared with RMB919.72 million for the corresponding period in 2018. Net cash flows from investing activities in 2019 was RMB55.55 million, representing a year-on-year increase of RMB272.38 million as compared with RMB-216.83 million for the corresponding period in 2018. Net cash flows from financing activities in 2019 was RMB-609.29 million, representing a year-on-year decrease of RMB119.06 million as compared with RMB-490.23 million for the corresponding period in 2018. Net increase in cash and cash equivalents in 2019 was RMB687.05 million, representing a year-on-year increase of RMB474.39 million as compared with RMB212.66 million for the corresponding period of 2018.

### 6. Analysis of Financial Data

#### (1) Items under income statement

##### Summary of financial results

During the Reporting Period, the Group's profit before income tax amounted to RMB686.49 million, representing a year-on-year increase of 858.08%. The key financial results are as follows:

Unit: in RMB million

Items	2019	2018	Increase/ decrease	Growth rate year-on-year
<b>Revenue</b>				
Commission and fee income	832.90	660.96	171.94	26.01%
Interest income under effective interest method	863.81	883.73	-19.92	-2.25%
Net investment gains/(losses)	421.13	-54.50	475.63	-
Other income	5.73	6.63	-0.90	-13.57%
<b>Total revenue, net gains and other income</b>	<b>2,123.57</b>	<b>1,496.82</b>	<b>626.75</b>	<b>41.87%</b>
Total expenses	1,457.45	1,434.71	22.74	1.58%
Profit before income tax	686.49	71.65	614.84	858.08%
Income tax expense	165.14	21.06	144.08	684.14%
Profit for the year	521.34	50.59	470.75	930.57%
Net profit attributable to shareholders of the Company	521.34	50.59	470.75	930.57%



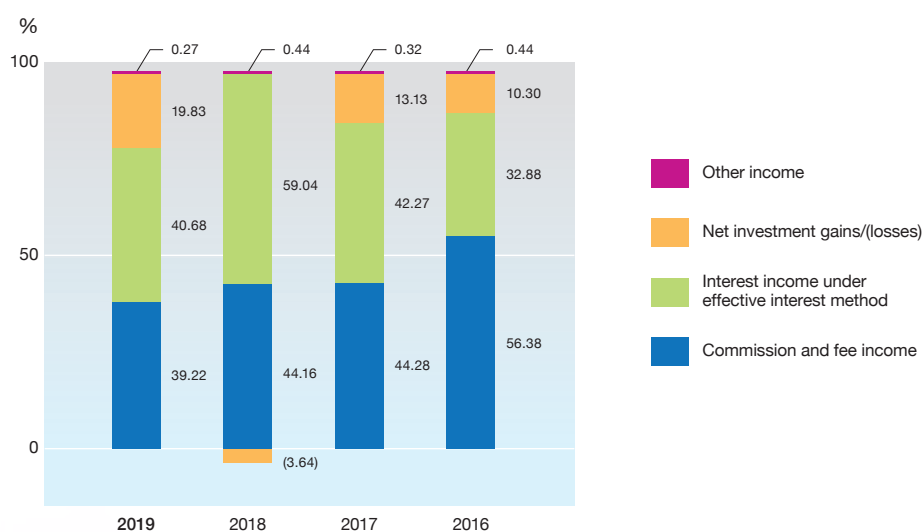
## Section 5 Report of the Board

### Revenue structure

During the Reporting Period, total revenue, net gains and other income of the Group amounted to RMB2,123.57 million, representing a year-on-year increase of 41.87%, among which, 39.22% was generated from commission and fee income, representing a year-on-year decrease of 4.94 percentage points and 40.68% was generated from interest income under effective interest method, representing a year-on-year decrease of 18.36 percentage points. The revenue structure of the Group in the past four years was as follows:

Percentage	2019	2018	2017	2016
Commission and fee income	39.22%	44.16%	44.28%	56.38%
Interest income under effective interest method	40.68%	59.04%	42.27%	32.88%
Net investment gains/(losses)	19.83%	-3.64%	13.13%	10.30%
Other income	0.27%	0.44%	0.32%	0.44%
Total	100.00%	100.00%	100.00%	100.00%

The bar chart below shows the structure comparison:



## Section 5 Report of the Board

From the changes in revenue structure, the Company adhered to the prudent value investment strategy, closely followed market changes, enriched trading varieties and optimized investment portfolios, and hence the proportion of net investment gains increased significantly. In facing the highly competitive market environment, the Company speeded up the pace of internet transformation, and vigorously promoted the comprehensive business transformation and innovative development by focusing on customers. Commission and fee income accounted for 39.22% of total revenue, net gains and other income, representing a downward trend. By integrating with regulatory policy, the Company comprehensively improved its risk management and control capabilities of capital intermediary business, and its interest income under effective interest method accounted for 40.68% of total revenue, net gains and other income, representing a year-on-year decrease proportionately.

### *Commission and fee income*

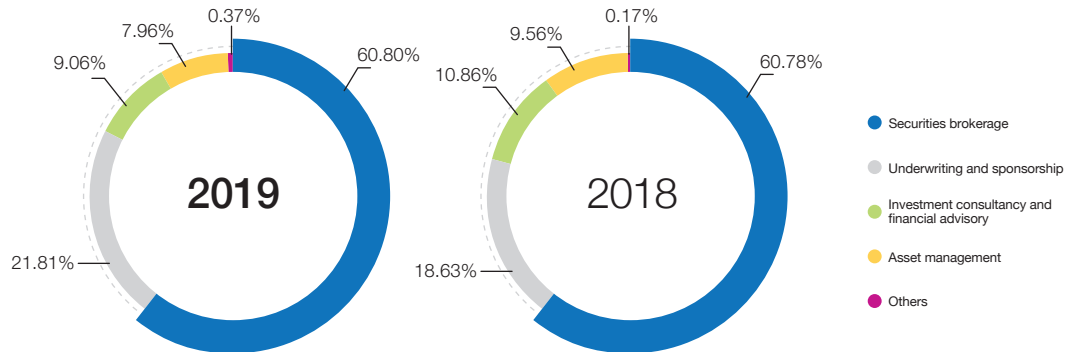
During the Reporting Period, the Group's commission and fee income consists of the followings:

Unit: in RMB million

Items	2019	2018	Increase/ decrease	Growth rate year-on-year
Commission and fee income				
Securities brokerage	506.44	401.75	104.69	26.06%
Underwriting and sponsorship	181.64	123.16	58.48	47.48%
Investment consultancy and financial advisory	75.48	71.74	3.74	5.21%
Asset management	66.26	63.20	3.06	4.84%
Others	3.08	1.11	1.97	177.48%
<b>Total commission and fee income</b>	<b>832.90</b>	<b>660.96</b>	<b>171.94</b>	<b>26.01%</b>
Commission and fee expenses	159.15	109.24	49.91	45.69%
<b>Net commission and fee income</b>	<b>673.75</b>	<b>551.72</b>	<b>122.03</b>	<b>22.12%</b>

## Section 5 Report of the Board

The Group's commission and fee income consists of:



During the Reporting Period, net commission and fee income of the Group amounted to RMB673.75 million, representing a year-on-year increase of 22.12%. Income from securities brokerage as well as underwriting and sponsorship increased significantly.

The securities market went up amidst fluctuations in 2019, as a result, the daily transaction volume of stocks and funds in broad market increased by 36% year-on-year. At the same time, with the development of internet finance, industry commission rate further declined. The commission and fee income generated from securities brokerage business increased by RMB104.69 million, representing a year-on-year increase of 26.06%;

In 2019, the investment banking business faced severe challenges. Under this pressure, the Company developed equity financing, debt financing and financial advisory together at the same time. The underwriting and sponsorship income from investment banking business increased by RMB58.48 million, representing a year-on-year increase of 47.48%. Income from investment consultancy and financial advisory increased by RMB3.74 million, representing a year-on-year increase of 5.21%;

## Section 5 Report of the Board

As the Company strengthened investment research and enriched product line layout through close integration of market conditions and customers' needs, asset management income increased slightly year on year.

### *Interest income under effective interest method*

During the Reporting Period, net interest income of the Group amounted to RMB497.38 million, representing a year-on-year increase of 4.28%. The Group's net interest income for 2019 consists of the following:

Unit: in RMB million

Items	2019	2018	Increase/ decreas	Growth rate year-on-year
Interest income under effective interest method				
Interest income from bank deposits	207.90	190.86	17.04	8.93%
Interest income from financial assets held under resale agreements	397.39	404.20	-6.81	-1.68%
Interest income from margin financing	258.52	288.67	-30.15	-10.44%
Total interest income under effective interest method	863.81	883.73	-19.92	-2.25%
Interest expenses	366.43	406.76	-40.33	-9.91%
Net interest income	497.38	476.97	20.41	4.28%

Interest income from bank deposits increased by RMB17.04 million, representing a year-on-year increase of 8.93%, which was primarily attributable to the increase in the size of client margin deposit as affected by the rejuvenating market conditions and active trading;

As affected by fierce competitive environment, the yield of margin financing and securities lending decreased and the interest income from margin financing business decreased by RMB30.15 million, representing a year-on-year decrease of 10.44%;

Integrating with regulatory policy, the Company comprehensively improved its risk management and control capabilities of capital intermediary business, and interest income from financial assets held under resale agreements decreased by RMB6.81 million, representing a year-on-year decrease of 1.68%;

As the Company strengthened its liquidity management, optimized asset and liability deployment structure, and effectively reduced finance costs, the interest expenses decreased by RMB40.33 million, representing a year-on-year decrease of 9.91%.

## Section 5 Report of the Board

### *Net investment gains/(losses)*

During the Reporting Period, the Company adhered to principles of value investment and effective risk control. The net investment gains of the Group amounted to RMB421.13 million, representing a year-on-year increase of RMB475.63 million. The Group's net investment gains for 2019 consist of the following:

Unit: in RMB million

Items	2019	2018	Increase/ decrease	Growth rate year-on-year
Realised gains/(losses) from disposal of financial assets at fair value through profit or loss	120.86	-53.81	174.67	-
Distribution to interest holders of the consolidated SEs	-53.45	-41.82	-11.63	-
Dividends and interest income from financial assets at fair value through profit or loss	116.85	100.51	16.34	16.26%
Net realised gains/(losses) from derivative financial instruments	24.37	-16.70	41.07	-
Unrealised fair value change of financial instruments at fair value through profit or loss				
- Financial assets at fair value through profit or loss	203.44	-43.41	246.85	-
- Derivative financial instruments	4.33	-4.33	8.66	-
- Financial liabilities at fair value through profit or loss	4.73	5.06	-0.33	-6.52%
<b>Total</b>	<b>421.13</b>	<b>-54.50</b>	<b>475.63</b>	<b>-</b>

## Section 5 Report of the Board

### Operating expenses

During the Reporting Period, operating expenses of the Group (excluding commission and fee expenses and interest expenses) amounted to RMB931.86 million, representing a year-on-year increase of 1.43%. The Group's operating expenses primarily consist of the following:

Unit: in RMB million

Items	2019	2018	Increase/ decrease	Growth rate year-on-year
Operating expenses				
Staff costs	645.35	477.08	168.27	35.27%
Depreciation and amortization	140.47	64.36	76.11	118.26%
Other operating expenses	158.48	223.39	-64.91	-29.06%
Impairment losses under expected credit loss model, net of reversal	-12.44	153.89	-166.33	-
<b>Total</b>	<b>931.86</b>	<b>918.72</b>	<b>13.14</b>	<b>1.43%</b>

Due to rejuvenating market conditions and active trading, and the Company strengthened its risk management while orderly propelled the disposal of existing default projects, the impairment losses under expected credit loss model, net of reversal of the Company was RMB-12.44 million, details of which are as follows:

Unit: in RMB million

Items	2019	2018	Increase/ decrease	Growth rate year-on-year
Impairment losses under expected credit loss model, net of reversal				
Margin accounts receivable	-3.88	-4.82	0.94	-
Financial assets held under resale agreements	-9.84	158.52	-168.36	-
Accounts receivables and other receivables	1.28	0.19	1.09	573.68%
<b>Total</b>	<b>-12.44</b>	<b>153.89</b>	<b>-166.33</b>	<b>-</b>

## Section 5 Report of the Board

### (2) Assets Information

As at the end of the Reporting Period, total assets of the Group amounted to RMB28,419.40 million, representing a year-on-year increase of 33.53%, among which, cash assets amounted to RMB11,470.14 million, representing a year-on-year increase of 52.69%, margin financing assets amounted to RMB8,065.32 million, representing a year-on-year decrease of 22.09%, financial investment assets amounted to RMB8,327.15 million, representing a year-on-year increase of 168.66%, and operating assets including other property and equipment amounted to RMB556.79 million, representing a year-on-year increase of 73.99%. Major changes in the Group's total assets are as follows:

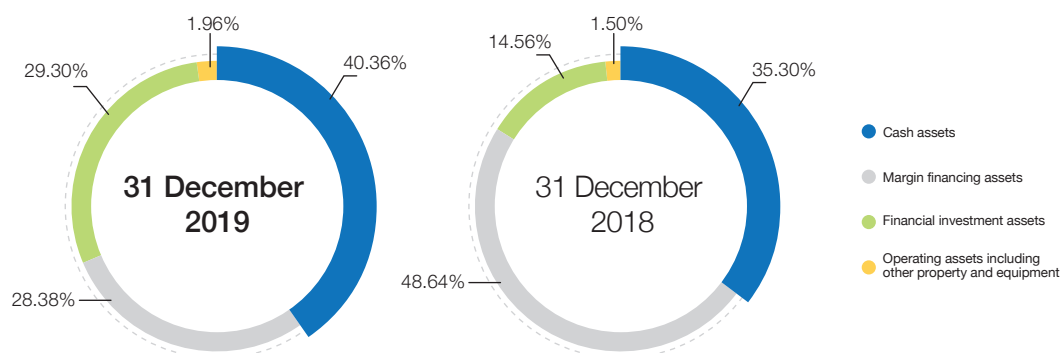
Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ decrease	Growth rate year-on-year
<b>Total assets</b>				
Cash assets	11,470.14	7,512.04	3,958.10	52.69%
Margin financing assets	8,065.32	10,352.24	-2,286.92	-22.09%
Financial investment assets	8,327.15	3,099.49	5,227.66	168.66%
Operating assets including other property and equipment	556.79	320.01	236.78	73.99%
Total	28,419.40	21,283.78	7,135.62	33.53%



## Section 5 Report of the Board

Total assets of the Group consist of:



### Cash assets

As at the end of Reporting Period, cash assets of the Group increased by RMB3,958.10 million or 52.69%, representing 40.36% of the Group's total assets. The Group's cash assets consist of the following:

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/decrease	Growth rate year-on-year
<b>Cash assets</b>				
Cash and bank balances (including cash held for brokerage clients)	9,304.97	5,408.62	3,896.35	72.04%
Clearing settlement funds	2,100.54	2,030.93	69.61	3.43%
Refundable deposits	64.63	72.49	-7.86	-10.84%
<b>Total</b>	<b>11,470.14</b>	<b>7,512.04</b>	<b>3,958.10</b>	<b>52.69%</b>

Changes in cash assets primarily reflected in cash and bank balances (including cash held for brokerage clients). Cash and bank balances (including cash held for brokerage clients) amounted to RMB9,304.97 million, representing a year-on-year increase of 72.04%. The increase was primarily attributable to active trading and the increase in client deposits due to the upward volatile market sentiment in 2019, the increase of 36% year on year in market stock and fund trading volume.

## Section 5 Report of the Board

### Margin financing assets

As at the end of the Reporting Period, margin financing assets of the Group decreased by RMB2,286.92 million year on year or 22.09%, representing 28.38% of the Group's total assets. The Group's margin financing assets consist of the following:

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ decrease	Growth rate year-on-year
<b>Margin financing assets</b>				
Margin accounts receivable	4,638.40	2,953.82	1,684.58	57.03%
Financial assets held under resale agreements	3,426.92	7,398.42	-3,971.50	-53.68%
<b>Total</b>	<b>8,065.32</b>	<b>10,352.24</b>	<b>-2,286.92</b>	<b>-22.09%</b>

With the gradual introduction of favorable regulatory policies, the Company actively carried out marketing activities while strengthening risk control. Margin accounts receivable amounted to RMB4,638.40 million, representing a year-on-year increase of 57.03%, which was primarily attributable to the significant increase in the scale of time-point margin financing and securities lending business;

Integrating with market conditions and regulatory policies, the Company comprehensively improved its risk management and control capabilities of the capital intermediary business, financial assets held under resale agreements amounted to RMB3,426.92 million, representing a year-on-year decrease of 53.68%.

### Financial investment assets

As at the end of Reporting Period, financial investment assets of the Group increased by RMB5,227.66 million year-on-year or 168.66%, representing 29.30% of the Group's total assets. The following table sets forth the composition of the Group's financial investment assets:

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ decrease	Growth rate year-on-year
<b>Financial investment assets</b>				
Interests in associates	104.20	113.56	-9.36	-8.24%
Financial assets at fair value through profit or loss	8,222.95	2,985.93	5,237.02	175.39%
<b>Total</b>	<b>8,327.15</b>	<b>3,099.49</b>	<b>5,227.66</b>	<b>168.66%</b>

## Section 5 Report of the Board

As at the end of the Reporting Period, financial assets at fair value through profit or loss of the Group increased by RMB5,237.02 million year-on-year or 175.39%, representing 28.93% of the Group's total assets. The following table sets forth the composition of the Group's financial assets at fair value through profit or loss:

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ decrease	Growth rate year-on-year
<b>Financial assets at fair value through profit or loss</b>				
Debt securities	6,736.42	1,744.02	4,992.40	286.26%
Equity securities	560.42	702.13	-141.71	-20.18%
Investment funds	321.74	307.06	14.68	4.78%
Asset backed securities	220.08	23.66	196.42	830.18%
Collective Asset Management Schemes	284.55	77.01	207.54	269.50%
Debt instruments	0.00	13.81	-13.81	-100.00%
Investments in unlisted companies	99.74	118.24	-18.50	-15.65%
<b>Total</b>	<b>8,222.95</b>	<b>2,985.93</b>	<b>5,237.02</b>	<b>175.39%</b>

### *Operating assets including other property and equipment*

As at the end of the Reporting Period, operating assets including other property and equipment of the Group amounted to RMB556.79 million, representing a year-on-year increase of RMB236.78 million or 73.99%, which accounted for 1.96% of the Group's total assets. The following table sets forth the composition of the Group's operating assets including other property and equipment as at the date indicated:

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ decrease	Growth rate year-on-year
<b>Operating assets including other property and equipment</b>				
Property and equipment	88.14	95.45	-7.31	-7.66%
Intangible assets	50.30	35.89	14.41	40.15%
Right-of-use assets	171.93	-	171.93	-
Deferred income tax assets	38.15	80.12	-41.97	-52.38%
Other current assets and other non-current assets	208.27	108.55	99.72	91.87%
<b>Total</b>	<b>556.79</b>	<b>320.01</b>	<b>236.78</b>	<b>73.99%</b>

## Section 5 Report of the Board

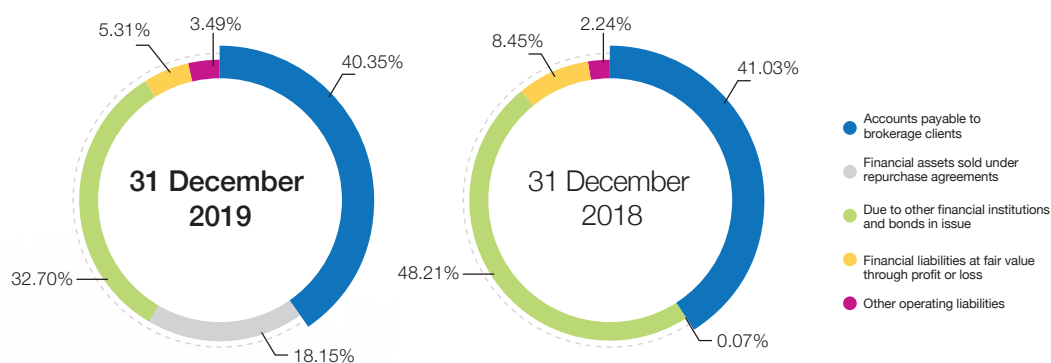
### (3) Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB20,352.08 million, representing a year-on-year increase of RMB6,717.49 million or 49.27%, of which accounts payable to brokerage clients amounted to RMB8,212.33 million, representing a year-on-year increase of 46.79%; financial assets sold under repurchase agreements amounted to RMB3,692.99 million, representing a year-on-year increase of 36,793.01%; other operating liabilities amounted to RMB710.98 million, representing a year-on-year increase of 132.90%. Major changes in the Group's total liabilities are as follows:

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ decrease	Growth rate year-on-year
<b>Liabilities</b>				
Accounts payable to brokerage clients	8,212.33	5,594.62	2,617.71	46.79%
Financial assets sold under repurchase agreements	3,692.99	10.01	3,682.98	36,793.01%
Due to other financial institutions and bonds in issue	6,655.32	6,573.52	81.80	1.24%
Financial liabilities at fair value through profit or loss	1,080.46	1,151.17	-70.71	-6.14%
Other operating liabilities	710.98	305.27	405.71	132.90%
<b>Total</b>	<b>20,352.08</b>	<b>13,634.59</b>	<b>6,717.49</b>	<b>49.27%</b>

The composition of the Group's total liabilities:



## Section 5 Report of the Board

Due to other financial institutions and bonds in issue

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ decrease	Growth rate year-on-year
<b>Due to other financial institutions and bonds in issue</b>				
Due to other financial institutions	200.29	0.00	200.29	-
Bonds in issue	6,455.03	6,573.52	-118.49	-1.80%
<b>Total</b>	<b>6,655.32</b>	<b>6,573.52</b>	<b>81.80</b>	<b>1.24%</b>

Due to other financial institutions and bonds in issue increased by RMB81.80 million year-on-year, which was attributable to the Company's expansion in its financing channels in supporting its business development.

*Other operating liabilities*

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ decrease	Growth rate year-on-year
<b>Other operating liabilities</b>				
Salaries, bonuses, allowances and benefits payable	259.07	120.73	138.34	114.59%
Lease liabilities	172.65	-	172.65	-
Other current liabilities	279.26	184.54	94.72	51.33%
<b>Total</b>	<b>710.98</b>	<b>305.27</b>	<b>405.71</b>	<b>132.90%</b>

Salaries, bonuses, allowances and benefits payable increased by RMB138.34 million or 114.59% year-on-year;

Other current liabilities increased by RMB94.72 million or 51.33 % year-on-year.

## Section 5 Report of the Board

### (4) Equity

As at the end of the Reporting Period, total equity of the Group amounted to RMB8,067.33 million, representing a year-on-year increase of 5.47%. The following table sets forth the composition of the Group's equity as at the date indicated:

Unit: in RMB million

Items	31 December 2019	31 December 2018	Increase/ decrease	Growth rate year-on-year
Share capital	1,902.40	1,902.40	0.00	0.00%
Share premium	2,178.48	2,178.48	0.00	0.00%
Reserves	1,907.67	1,760.00	147.67	8.39%
Retained earnings	2,078.78	1,808.30	270.48	14.96%
Total	8,067.33	7,649.18	418.15	5.47%

### (5) Segment results

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

We have five principal business lines: (i) brokerage, (ii) investment banking, (iii) assets management and investment, (iv) credit transaction, and (v) proprietary trading. We also report financial results for these five business lines and divide these primary business lines into six business segments: (i) securities brokerage, (ii) credit transaction, (iii) investment banking, (iv) proprietary investment, (v) assets management and investment; and (vi) others. We report financial results of the business lines under these six business segments.

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The following table sets forth our segment revenue, net gains and other income (including inter-segment revenue) for the years indicated:

	2019		2018	
	(in RMB million)	Percentage (%)	(in RMB million)	Percentage (%)
Securities brokerage	657.45	30.67	531.38	35.27
Credit transaction	599.76	27.97	635.65	42.20
Investment banking	316.65	14.77	260.75	17.31
Proprietary investment	443.93	20.71	-14.79	-0.98
Asset management and investment	81.78	3.81	63.99	4.25
Other businesses	48.90	2.28	39.00	2.59
Eliminations	-4.53	-0.21	-9.62	-0.64
<b>Total</b>	<b>2,143.94</b>	<b>100.00</b>	<b>1,506.36</b>	<b>100.00</b>

The following table sets forth our segment expenses (including inter-segment expenses) for the years indicated:

	2019		2018	
	(in RMB million)	Percentage (%)	(in RMB million)	Percentage (%)
Securities brokerage	-511.05	35.07	-460.23	32.08
Credit transaction	-311.46	21.37	-538.49	37.53
Investment banking	-246.58	16.92	-187.91	13.10
Proprietary investment	-22.77	1.56	-3.24	0.23
Asset management and investment	-30.38	2.08	-26.76	1.86
Other businesses	-336.31	23.08	-220.00	15.33
Eliminations	1.10	-0.08	1.92	-0.13
<b>Total</b>	<b>-1,457.45</b>	<b>100.00</b>	<b>-1,434.71</b>	<b>100.00</b>



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The following table sets forth our segment results (profit/(loss) before income tax) for the years indicated, which is calculated as segment revenue, net gains and other income (including inter-segment revenue) minus segment expenses (including inter-segment expenses).

	2019		2018	
	(in RMB million)	Percentage (%)	(in RMB million)	Percentage (%)
Securities brokerage	146.40	21.32	71.15	99.30
Credit transaction	288.30	42.00	97.16	135.60
Investment banking	70.07	10.21	72.84	101.66
Proprietary investment	421.16	61.35	-18.03	-25.16
Asset management and investment	51.40	7.49	37.23	51.96
Other businesses	-287.41	-41.87	-181.00	-252.62
Eliminations	-3.43	-0.50	-7.70	-10.74
Total	686.49	100.00	71.65	100.00

### 7. Reasons for and Impact of Changes in Accounting Policies, Accounting Estimation or Correction of Significant Accounting Errors

During the Reporting Period, changes in the major accounting policies of the Company were detailed in the notes to the consolidated financial statements (2. Application of new and revised IFRS); there were no changes in accounting estimation and correction of significant accounting errors of the Company.

### 8. Contingent Liabilities, Capital Commitments and Pledge of Capital

There was no contingent liabilities, capital commitments or pledge of capital during the Reporting Period.

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### (V) Changes in Branches and Subsidiaries of the Company and Their Impact on Results

#### 1. Branches

##### (1) *Establishment and Changes of Securities Branches*

###### 1 Newly-established Securities Branches

During the Reporting Period, no new securities branch was established by the Company.

###### 2 Relocation of Securities Branches

The Company constantly adjusted and optimized its branch network. During the Reporting Period, the relocations of securities branches within the same city in Nantong Gongnong Road Securities Branch, Wuxi Anzhen Xidong Avenue Securities Branch, Shenzhen Unicenter Securities Branch, Wuxi Jintaihu Securities Branch, Haimen Changjiang South Road Securities Branch, Changzhou Hengshan Road Securities Branch, Wuxi Qianqiao Street Securities Branch, Beijing Nongda South Road Securities Branch, Wuxi Donggang Town Xigang West Road Securities Branch and Yangzhou Xincheng Henan Road Securities Branch were completed.

##### (2) *Establishment of Branch Offices*

During the Reporting Period, the Company did not establish any branch office.

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### 2. Subsidiaries

During the Reporting Period, the Company established a wholly-owned subsidiary, Wuxi Guolian Chuangxin Capital Company Limited, with a registered capital of RMB500 million. Wuxi Guolian Chuangxin Capital Company Limited is principally engaged in external investment, venture capital investment, industrial investment and equity investment with proprietary funds.

During the Reporting Period, the Company received the “Reply on the Approval for the Establishment of Guolian Securities (Hong Kong) Limited in Hong Kong Special Administrative Region by Guolian Securities Co., Ltd.” (Zheng Jian Xu Ke [2019] No. 2817) (《關於核准國聯證券股份有限公司在香港特別行政區設立國聯證券(香港)有限公司的批覆》)(證監許可[2019]2817號) from the CSRC, approving the Company to establish Guolian Securities (Hong Kong) Limited (國聯證券(香港)有限公司) with its own funds in Hong Kong with a registered share capital of HK\$300 million. At present, the Company is actively preparing for the establishment.

### 3. Impact on Results

In 2019, the above matters had no impact on the results of the Company.

## (VI) Major Investment and Financing Activities

### 1. Equity Financing

On 13 June 2019, the Company convened the 2018 annual General Meeting, the first Domestic Shares class meeting and the first H Shares class meeting of 2019, which considered and approved extension of the A Shares issuance proposal and related authorization resolutions. Pursuant to the resolutions of General Meeting, the period of validity of the A Shares issuance proposal and authorization of the Company has been extended by 12 months.

During the Reporting Period, the Company has terminated the H Shares refinancing related works after taking various factors into consideration. The Company subsequently submitted the application to the CSRC for the resumption of the review process of A Shares offering and received a notice of consent to such application from the CSRC in December.

Currently, the Company is actively preparing the initial public offering of A Shares.

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### 2. Debt Financing

In 2019, the cumulative additional debt financing volume of the Company was RMB2.861 billion, and the cumulative principal repayment of debt financing matured amounted to RMB2.781 billion. The remaining amount of outstanding debt financing as at 31 December 2019 was RMB6.5 billion. The debt financing information of the Company in 2019 was as follows:

- (1) The refinancing facilities was RMB0.2 billion. The outstanding amount of refinancing facilities as at 31 December 2019 was RMB0.2 billion, the particulars of which were as follows:

Financing Projects	Amount (RMB in ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Refinancing	20,000	2019/12/16	2020/6/15	182	3.25%

- (2) The new issuing amount of income certificates was RMB0.861 billion, with the principal of RMB1.481 billion being repaid. The remaining amount of outstanding income certificates as at 31 December 2019 was RMB0.3 billion, the particulars of which were as follows:

Financing Projects	Amount (RMB in ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Income	30,000.00	2018/4/18	2019/10/17	547	5.70%
Certificates	3,000.00	2018/5/30	2019/1/14	230	5.10%
	5,000.00	2018/6/20	2019/1/21	215	5.10%
	4,000.00	2018/6/28	2019/1/21	208	5.10%
	2,000.00	2018/6/26	2019/4/24	302	5.10%
	3,000.00	2018/7/19	2019/2/18	214	5.05%
	10,000.00	2018/8/2	2019/2/19	201	5.00%
	7,000.00	2018/9/3	2019/3/6	184	4.60%
	5,000.00	2018/10/11	2019/4/10	181	4.50%
	10,000.00	2018/10/11	2019/4/10	181	4.60%
	3,000.00	2018/10/11	2019/4/10	181	4.00%
	10,000.00	2018/10/18	2019/5/15	210	4.20%
	30,000.00	2019/3/11	2019/3/29	18	3.30%

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Financing Projects	Amount (RMB in ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
	20,000.00	2019/3/12	2019/3/29	17	3.50%
	3,000.00	2019/3/19	2019/8/18	153	3.80%
	3,000.00	2019/4/16	2019/10/15	183	3.50%
	30.00	2019/11/22	2019/11/29	7	3.60%
	22.20	2019/12/4	2019/12/11	7	3.60%
	30,000.00	2019/9/25	2020/3/25	183	3.50%

- (3) The new private issuance of subordinated bonds was RMB0.8 billion. The outstanding subordinated bonds as at 31 December 2019 was RMB2.3 billion, the particulars of issuance were as follows:

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

- (4) There was no new publicly issued bonds to qualified investors. The principal due of RMB1.3 billion was repaid. The outstanding publicly issued bonds to qualified investors as at 31 December 2019 was RMB1.7 billion, the particulars of issuance were as follows:

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

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- (5) The new public issuance of securities corporate short-term financing bonds was RMB1 billion. The outstanding securities corporate short-term financing bonds as at 31 December 2019 was RMB1 billion, the particulars of issuance were as follows:

Financing Projects	Amount (RMB in ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Short-term financing bonds	100,000	2019/10/21	2020/1/20	91	3.15%

- (6) There was no new privately issued corporate bonds. The outstanding privately issued corporate bonds as at 31 December 2019 was RMB1 billion, the particulars of issuance were as follows:

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

### 3. Equity Investment

During the Reporting Period, the Company did not make any external equity investment.

### (VII) Disposal of Material Assets, Acquisition, Replacement, Spin-off and Reorganization of Other Companies

During the Reporting Period, the Company did not carry out any disposal of material assets, acquisition, replacement, spin-off and reorganization of other companies.

### (VIII) Others

#### 1. Impact of Business Innovation on Performance Results and Relevant Risk Control

##### (1) *Business Innovation and Its Impact*

With the increasingly deepening process of China's industrial restructuring and development mode transformation, the securities industry is in its critical period of reform and development. At present, in addition to the traditional securities brokerage, underwriting and sponsorship, and securities proprietary business, various financial derivatives, ABS, quantitative FOF and other innovative businesses and products are launching one after another in the securities industry. Recently, the CSRC has carried out a series of reforms on the capital market, such as launching the STAR Market registration system, increasing the varieties of OTC options trading, and piloting fund investment advisory business. During the Reporting Period, the Company actively promoted the innovation and transformation of its principal business, increased the role of fintech in promoting the Company's business development and vigorously developed the innovative businesses such as Internet securities, PB Business, ABS and income certificates, and had effectively improved the efficiency and diversification level of its services.



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1. Internet securities business: During the Reporting Period, the Company conducted innovative exploration in Internet products, service operation and platform construction to provide customers with advanced and comprehensive trading tools. The Company implemented the Shanghai and Shenzhen Level-2 quotations service projects; researched and developed product center system, market and strategy platform, customer operation service system and other projects. The newly launched mobile business platform and intelligent outbound project have enhanced business intelligence. Guolian Zunbao APP had a total of 748,000 users, representing an increase of 24% as compared with last year. Guolian Zunbao was honored the “Securities Brokers APP Innovation Breakthrough Award”(券商APP創新突破獎) and “Securities Brokers APP Excellent Operation Team Award”(券商APP優秀運營團隊獎) in the outstanding APP of securities companies selection sponsored by Securities Times.
2. PB Business: The Company formally developed the business of private fund services and PB system leasing business in June 2015 to provide basic service for the development of institutional brokerage business of the Company. As at the end of Reporting Period, the Company provided services for 99 asset management products cumulatively with a total size of over RMB7.5 billion. During the Reporting Period, the PB Business contributed a revenue of RMB7.94 million for the Company.
3. ABS business: The Company actively expanded the source of ABS projects and achieved satisfactory progress in structural financing business. During the Reporting Period, the Company completed 2 ABS projects with a total size of RMB1.889 billion.
4. Income certificates: The Company actively issued income certificates and reduced financing costs, which added a powerful tool for improving the stickiness of institutional customers. During the Reporting Period, a total of 6 institutional customers had subscribed and the total subscription amount was RMB860 million.

### (2) *Business Innovation Risk Control*

In order to regulate the development of innovative businesses and strengthen the risk management of innovative businesses, the Company formulated the Risk Management Measures for New Businesses (Products) of Guolian Securities Co., Ltd. (《國聯證券股份有限公司新業務(產品)風險管理辦法》) in accordance with the Regulations for Comprehensive Risk Management of Securities Companies (《證券公司全面風險管理規範》) and the Basic System for Comprehensive Risk Management of Guolian Securities (《國聯證券全面風險管理基本制度》), which clearly stipulated the conditions and approval procedures that the Company must meet in conducting its innovative businesses.

The Company carries out innovative businesses by adhering to the principles of legal compliance with the risks being measurable, controllable and tolerable, so as to maximize the benefits of the Company. The Company follows the management philosophy of giving priority to the internal management system and business process, clarifies the operation mode and operating process of innovative businesses in advance, fully demonstrates and evaluates various risks, and formulates practical and effective measures to prevent and control significant risks that may appear in the process of new business. The businesses are subject to multi-level risk assessment, compliance review and other corresponding assessments. The Company strengthens risk monitoring in the process of carrying out the businesses. Moreover, the Company sets up stringent risk control system for its new business, strictly complies with various regulatory indices set up by regulatory departments.

### (3) *Innovative Business Prospects*

In the future, the Company will actively facilitate the establishment of Hong Kong subsidiaries as its overseas capital operation platform, and expand cross-border integrated business to prepare well for carrying out cross-border acquisitions, overseas financing of local enterprises, and global asset allocation of high-net-worth clients.

The Company will actively facilitate the transformation from traditional brokerage business to wealth management business, seize the opportunities of fund investment advisory business and establish the concept of asset deployment to enhance its ability of asset deployment; enhance its own transaction processing level through the construction of private equity industry chain, and accelerate the expansion of private equity customers base to provide more investment options for high-net-worth clients; provide more comprehensive services for private equity and high-net-worth clients by using trading instruments such as margin financing and securities lending and income swaps.

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The Company will strengthen the active management capabilities of the asset management business to form its core competitiveness in segments such as quantitative trading. At the same time, the Company will give full play to its own licensing advantages to expand the scale of ABS business on the premise of managing credit risks.

The Company will accelerate the development of financial market business. For stock research business, the Company will build a professional brand covering all types of institutional investors to provide strategies to institutional customers; For fixed income business, the Company will foster its own features in product design, intermediary transactions and solutions to provide customers with differentiated services; For equity derivatives business, the Company will actively establish a stock-trading platform capable of first-class investment trading, product creation and solutions to bring more value-added services to institutional sales, investment banking and wealth management businesses.

### 2. Special Explanation on Accounts Standardization and Customers Information Management

It is required that in the aspect of customer's data preservation, the branches should separately set up hardcopy and electronic archives for every customer. The hardcopy archives should be placed in designated storeroom of the operating branches for custody purpose. The electronic archives should be uploaded to the server of the Company for custody purpose and back-up should be preserved in a disaster recovery server. Personal business archives will be stored and promote comprehensive paperless technology and the off-site pipeline electronic archives will have unified storage and management and make continuous efforts in the management of paper archives and electronic archives.

According to the requirements of regulatory authority, small amount dormant accounts have already been separately reserved. Meanwhile, the Company also prepared the activation system and operational procedures of related accounts to strengthen the standardization management on such accounts. Consistency of key information of customers including name and ID number is ensured through regular comparison of capital account information and securities account information so as to avoid opening of any unqualified account.

As at 31 December 2019, the Company had 951,423 qualified capital accounts, 1,944,041 qualified securities accounts, 217,419 dormant capital accounts and 119,129 dormant securities accounts. Standardized management for the above accounts was conducted in accordance with the requirements of China Securities Depository and Clearing Corporation Limited.

### 3. Management of Risk Control Index of the Company and Establishment of Net Capital Replenishment Mechanism

In accordance with the requirements of “Measures for the Risk Control Indexes Management of Securities Companies”, the Company established a dynamic monitoring mechanism for risk control index. The dynamic monitoring system for risk control index was operating in good conditions. The Risk Management Department conducted dynamic monitoring on risk control index. During the Reporting Period, all risk control index, including net capital, and liquidity monitoring index are complied with the regulatory requirements. The Company reported promptly the risk control index data and its satisfaction in written report to the regulatory authority in strict accordance with the requirements of “Measures for the Risk Control Indexes Management of Securities Companies”. For any change of risk control index that reaches a certain extent, the Company shall report promptly to the local securities regulatory bureau. Sensibility analysis and stress test will be applied by the Company to ensure all risk control index, including net capital and liquidity could be complied with the regulatory requirements in all aspects.

The Company has established the net capital replenishment mechanism. When the risk control index, including net capital, has approached or reached the monitoring pre-warning level, the Company will promptly replenish net capital by reducing the scale of the variety of proprietary investment products with high risks, raising capital, increasing capital and shares, introducing strategic investors, and issuing subordinated bonds.

## II. Discussion and Analysis of the Board on the Future Development of the Company

### (I) Industry Development Trend

Against the background of China’s economic structural adjustment, the securities industry is facing the historic development opportunities brought by the financial system deepening reform and the transformation and upgrading of financial institutions. Under the national initiative of expanding direct financing weighing, establishing a multi-level capital market and increasing resident property income, the capital market will play a more important role and become the main focus of corporate financing in the future. Securities companies will build their industry strengths in terms of IPO, mergers and restructuring as well as refinancing. At the same time, the reform and opening up policy have enabled the size of personal wealth in China to grow at an annualized rate of approximately 20% in the past decade, generating tremendous demand for personal and family financial management, and brought broad growth potential for the wealth management business of securities companies. Specifically, the securities industry will present four major long-term development trends:

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Firstly, the functions of serving the real economy will continue to enhance. A series of measures such as launching STAR Market and piloting registration-based IPO system, relaxing GEM mergers and acquisitions as well as reorganization transactions, and reform of the NEEQ will bring long-term business growth to the investment banking business of securities companies. In the future, securities companies will closely follow the new concepts, new ideas and new strategies of the Party Central Committee and the State Council to identify business opportunities that will revitalize traditional industries and excess capacity in the process of China's transformation from a manufacturing country to a manufacturing power and the mixed ownership reform of state-owned enterprises, so as to provide more efficient and low-cost financing services for new economy, new momentum and new industries.

Secondly, the development of capital-intensive business will accelerate. With the deregulation of the capital intermediary business by the regulatory authorities since 2010, securities companies have begun to increase the layout of capital intermediary business such as margin financing and securities lending and Stock Pledged Repurchase Transaction, and vigorously developed capital investment business. The emergence of capital-intensive business has become the main reason for the rapid expansion of securities brokers' balance sheets. Capital strength has become a key factor for industry competition, and securities brokers with strong capabilities of asset acquisition, risk pricing and active management will become more competitive.

Thirdly, customer institutionalization will speed up. On one hand, more and more retail customers tend to purchase products of fund companies, presenting the institutional characteristics of retail customers. On the other hand, the proportion of institutional customers such as banking, insurance, private equity, QFII and corporate customers will continue to increase, which will promote the transformation of market investment style to long-term value investment, and will drive the development of wealth management, derivatives, FICC and other business sectors while promoting the growth of demand for passive investment products. The increasing professionalism of institutional customers will generate higher requirements for professional capabilities as well as products and services diversification of securities companies.

Fourthly, the science and technology level will continue to improve. With the continuous advancement of fintech, securities companies are accelerating their transformation towards low cost and high efficiency by building intelligent and digital operating systems. In recent years, securities companies have been paying more and more attention to and increasing their investment in fintech, with year-on-year increase in their investments in information technology and cooperation with technology companies in equity and business sectors kept on deepening. Securities companies will promote the transformation and upgrading of business and management through science and technology, and realize the improvement of customer interaction, decision-making driven by big data, operational process automation and layout innovation, which is conducive to improve customer experience satisfaction as well as the Company's internal operation and management standard in an effective manner.

### (II) Market Competition

For a long period of time, the securities industry has been highly dependent on traditional businesses represented by securities brokerage, investment banking, and stock proprietary trading. In recent years, the liberalization of industry policies and the acceleration of innovation and transformation have significantly changed the competitive landscape of the industry.

Firstly, the profit model is gradually diversifying. With the expansion of business centered on capital-intensive mentality, the business structure of the securities industry is diversifying. From the income structure perspective, the proportion of securities brokerage business has declined significantly, and the development of capital intermediary and capital investment business has accelerated, which propelled a balanced weighing of various businesses. For brokerage business, commissions remain the main source of income. As the commission price war continues and the commission rate keeps on declining, the competition in the brokerage business has accelerated and changes from pure channel services to comprehensive wealth management services. In the future, there will be fierce competition in sectors such as account management, asset management and agency sales of products. For investment banking business, reform measures such as market-based pricing of the STAR Market companies and followed investment practice by sponsor institutions are pushing the change in the positioning of securities companies from channel to “channel + capital” and then to a comprehensive financial service provider. Securities companies with strong capital strength, innovation ability and risk control ability will have more competitive advantages. For proprietary business, securities companies increased the proportion of financial investment assets, driving the gradual increase in the leverage ratio of securities companies. With the development of derivatives business becomes matured, securities companies will gradually change the traditional profit model dominated by directional trading and spread income to further enrich their trading strategies, and ultimately achieve a steady growth in investment income.

Secondly, industry differentiation and integration are accelerating. In recent years, with the continuous strengthening of competitive advantages of large securities firms and the constant escalation of industry concentration, the Matthew effect has been prominent. From 2015 to 2018, in terms of operating income, the industry share of the top five securities companies increased from 25.1% to 43.2%, and net profit increased from 27.4% to 45.7%. Under the trend of sector management and differentiated operation, large securities companies with strong comprehensive strengths and innovation ability will leverage their market positioning, capital and scale advantages to achieve large-scale and comprehensive development; while small and medium-sized securities companies will concentrate their resources to form unique competitive advantages in the segmented business market or regional market, and form a diversified and multi-level competition and complementarity layout with large securities companies.

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Thirdly, competition is internationalizing. With the continuous deepening of the two-way opening up of the capital market, the linkage between international and domestic capital markets has been strengthened, and the impact of external bombardment on domestic capital markets has been intensified. On one hand, foreign-invested securities trading institutions are accelerating their entrance into the domestic market, bringing greater competitive pressure to local securities companies by virtue of their advantages in capital strength, financial innovation, risk management and professional talents. On the other hand, the PRC enterprises are going global, the demand for overseas equity financing, bond financing, and investment and mergers and acquisitions have become increasingly normalised, bringing two-way opportunities for securities companies to “bring in” and “go global”. Domestic securities companies are gradually entering into the international market for international competition through the establishment of institutions, business cooperation, and mergers and acquisitions, and are expected to gradually grow into large-scale investment banks with international competitiveness.

### (III) Market Position of the Company

The Company is the only fully-licensed legal person securities firm registered in Wuxi. After more than 20 years of development, it has formed a relatively comprehensive business mechanism including securities brokerage, asset management, securities investment, margin financing and securities lending business, and is a medium-sized comprehensive securities firm. The Company is engaged in investment banking business (including NEEQ business) through its wholly-owned subsidiary, Hua Ying Securities, and private equity investment business through its wholly-owned subsidiary, Guolian Capital, and has newly established an alternative investment subsidiary, Wuxi Guolian Chuangxin Capital Company Limited, to engage in external investment, venture capital investment, industrial investment and equity investment. In addition, the Company is engaged in public fund business through its equity participation in Zhonghai Fund.



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The Company has strong market competitiveness and brand influence in Wuxi region. Due to its prolonged local market cultivation, the Company has established a loyal and stable customer base. The 38 securities branches in Wuxi region (including Jiangyin and Yixing) have fully radiated all the administrative districts and counties within the jurisdiction of Wuxi. As at the end of the Reporting Period, the Company has 797,900 customers in Wuxi region, accounted for 68.46% of total customers, and total customer assets were RMB90.074 billion, accounted for 64.40% of total assets of the Company. The share-based market share in Wuxi region was 0.293%, accounted for 60.03% of that of the Company.

During the Reporting Period, the Company was awarded the title of “Civilized Unit of Jiangsu Province”, and was honored the “2018 Most Trustworthy Financial Institution Asset Management Award (Portfolio Fund Category)” by the 13th Private Equity Summit Forum, and the “Best Organizer Award” by the investor education and protection series activities for 2019 of Shanghai Stock Exchange. Guolian Zunbao (國聯尊寶) APP of Guolian Securities was honored the “Securities Brokers APP Innovative Breakthrough Award”(券商APP創新突破獎) and “Securities Brokers APP Excellent Operation Team Award”(券商APP優秀運營團隊獎) in the “Securities Firm in China • 2019 Outstanding APP of Securities Firm” event. The Company also won the award of “2019 Most Promising Asset Management Securities Firm” (2019年度最具成長潛力券商資管) in the yearly industry brand list of “2019 Eastmoney Billboard” sponsored by easymoney.com and fund. easymoney.com.

### (IV) Analysis of Competitiveness

#### 1. Significant Regional Advantages

The tremendous economic total capacity and rapid growth in Wuxi, Southern Jiangsu and the Yangtze River Delta region have significant local characteristics and regional advantages. In 2019, the Yangtze River Delta region contributed 23.9% to China’s GDP. Jiangsu Province, which is located in the Yangtze River Delta economic belt, had a total GDP of nearly RMB10 trillion in 2019, ranked second in China, while Wuxi is a prefecture-level city with GDP exceeding RMB1 trillion, ranked 13th in China. The total market value of listed companies in Wuxi was RMB645.1 billion and its asset securitization rate was only 52.7% when compared with the GDP of 2019, and has a larger room for growth as compared with the national standard of 64.9% in the same period. As one of the national innovation pilot cities and the national independent innovation demonstration cities in Southern Jiangsu, Wuxi has the advantages in those industries such as medicine and health, semiconductor chips, Internet of Things and advanced manufacturing. It has 20 national science and technology business incubators, 15 national entrepreneurship development arenas, and 24 national characteristic industrial bases, presenting massive business opportunities in the corporate financing and mergers and acquisitions sectors.



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### 2. Management Team with Extensive Industry Experience

The core members of the Company's management team have 15-20 years of experience in leading securities firms in the securities industry, far above the average industry standard. The management team of the Company has extensive experience, outstanding management abilities and forward-looking strategic thinking in securities and financial services industry. They are able to understand profoundly the development trend of the industry and the market, make accurate business judgment, and capture promptly business opportunities and adjust business strategies prudently and scientifically. In particular, the experience of the management team in the overseas and cross-border business sectors will help the Company accelerating the pace of international development and opening up new areas of business growth. Under the leadership of the team, the Company will build the industry-leading development philosophy and management processes according to the best market practices, and accelerate its development to become an investment bank with modern management mechanisms.

### 3. Listing in Hong Kong Improved Our Market Competition and Risk Resistance Capability

The Company was listed on the Main Board of HK Stock Exchange on 6 July 2015 and completed its overseas IPO of 402,400,000 H Shares. Thereafter, the social influence and industry publicity of the Company keep on increasing. The increased capital strength created a strong support for the Company in its business innovative transformation and sustainable development. In 2016, the Company initiated the A Shares listing plan, and submitted the application documents for the initial public offering and listing of A Shares to the CSRC in the year. In 2018, due to the launching of issuing additional H Shares, the Company applied to CSRC to suspend the review of A Shares IPO according to regulations and obtained the approval. In 2019, with the approval of CSRC, the Company officially resumed the review of A Shares IPO. If A Shares listing is achieved in the future, the Company will open up the long-term financing channels in the two capital markets, which will help the Company to improve its corporate governance, business innovation and risk tolerance capability, and expand the brand influence and market competitiveness of the Company.

### 4. Sound and Highly Efficient Operation Management and Prudent Risk Control

For many years, the Company has abided to the business philosophy of steady development, facilitated the stable transformation and upgrading of its business models, optimized its revenue mix and profit source, and achieved years of profitability successively. Of the securities companies in the PRC, since its inception (from 1999 to date), the Company is one of the few securities companies with successive profitability. During the Reporting Period, the Company kept on improving its compliance management and risk management system to ensure the Company's standardized operation and stable development.

## Section 5 Report of the Board

The Company strictly upholds its compliance baseline and earnestly implements the requirements of regulatory authorities. The Company continues to revise and improve its compliance management system, implement various control measures and enhance compliance assessment to ensure compliance management responsibilities are in place. The Company also actively builds high-standard and high-quality internal credit evaluation systems and risk management systems to prevent and resolve business risks in a timely manner. At the same time, the Company strengthens the performance guarantee of compliance risk control personnel. The Company adheres to the principle of “risk measurable, controllable and tolerable” to carry out innovative business prudently, strictly limit the risk exposure of high-risk businesses and strengthen risk monitoring. The Company was rated as Class A in A Category in the classification and evaluation results of the securities companies announced by CSRC for the year 2019.

### (V) Future Development Prospects

Looking forward into 2020, the Company will focus on further serving the real economy and strive to become a customer-oriented investment bank that provides comprehensive financial solutions and an important investment and financing arranger, transaction organizer, wealth manager and liquidity provider in local regional market, thus contributing to the economic and social development of Wuxi and Southern Jiangsu.

The Company will continue to facilitate equity financing and speed up the construction of a modern securities holding group, facilitate the establishment of subsidiaries in Hong Kong and international business layout, optimize business outlets distribution, enhance the construction of risk control system, IT system and financial analysis system, improve the ability of product creation and investment management and accelerate business innovation and transformation. Firstly, for wealth management business, we will strengthen customer development and services in areas such as asset allocation services, private equity industry chains, margin financing and securities lending and income swaps to form our core competitiveness. Secondly, for investment banking business, while providing value-added services for the entire industry chain, we will form characteristics in individual areas or industries of basic businesses such as stock underwriting, bond underwriting and financial consultancy. Thirdly, we will develop financial market business, and improve our ability to serve financial institutions by focusing on research and institutional sales, fixed income business and equity derivatives business. Fourthly, we will establish and improve a market-oriented, scientific and refined human resource management and service system, deepen the market-based performance appraisal and salary distribution mechanism, build a high-quality staff team with competitiveness and working passion, and improve our per capita income-generation capability.

## Section 5 Report of the Board

### (VI) Risk Factors Exposed and Counter Measures

The Company's business operation is exposed to risks which 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. Currently, the market risk of the Company mainly comes from the securities proprietary trading, assets management businesses 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.

To control market risk, the Company mainly adopted the following measures: (1) sensitivity analysis, the Company ensures that its overall portfolio risk falls within the expected range by setting limit control to different sensitivity parameter 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 control its risk bearing capacity by limiting market risk exposure, the Company adjusts the limit annually to reflect market conditions, operation position and change in risk bearing level of the Company; (3) value-at-risk method, the Company evaluates its risk exposure and debts, 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 enhance 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 may cause economic losses to the Company due to the failure of the debtors and transaction counterparties in performing the obligations as agreed in the deeds. It includes the credit risks and collateral risk of transaction counterparty.

Currently, the Company has launched a credit risk management system to control the principal and collateral credit risks of transaction counterparty through the measures of 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. In addition, the Company will make periodic adjustment on the value of the collaterals according to the 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, performing other payment obligations and meeting the funding needs of normal business operation. The rapid development of the businesses of the Company, such as proprietary business, asset management and credit transaction business exerts higher requirements on liquidity.

To cope with and manage the liquidity risk effectively, the Company adopts the following measures: (1) manage 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, determine the liquidity risk preference, normal liquidity level and liquidity risk limit of each business; (3) conduct stress test when the utilization of funds has reached the liquidity limit, and take appropriate measures to ensure that the liquidity risk exposure for each business line falls within the authorized threshold value; (4) set up adequate liquidity reserve to ensure additional fund 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 assessment of internal control effectiveness within the Company; arranges 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 damages or reputation losses as a result of violating the laws and regulations, regulatory requirements, rules, the relevant criterions set up by self-disciplined organizations, and the code of conduct applicable for the operation activities of the Company.

## Section 5 Report of the Board

The Company has established an effective and impeccable compliance risks management system and compliance management and organisation system. To facilitate its compliance management, the Company sets up the Compliance and Legal Department, establishes the compliance institutional system and control system, and adopts effective measures for compliance risk management. 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 the risk warning line to give a reminder or warning on concentration risk, and thus forms a concentration risk prevention and control mechanism.

### 7. Reputation Risk

Reputation 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 rolled out public opinion monitoring system to focus 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 complains, 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.

### (VII) Construction of Risk Management Systems

The Basic System for Comprehensive Risk Management of Guolian Securities Co., Ltd. (《國聯證券股份有限公司全面風險管理基本制度》), determined the four levels of risk management organization structure of the Company: the Board has the ultimate responsibility for the risk management of the Company, and the Board delegates its Risk Control Committee to fulfill part of its function of comprehensive risk management; the senior management of the Company is responsible for organizing and implementing various works in comprehensive risk management in the operation and management process. The Company appoints dedicated chief risk officer to assist the president of the Company to carry out risk management on various businesses of the Company. The Risk Management Committee under the senior management of the Company, within the authorization of the Board and the management, is responsible for the overall risk monitoring and management of the Company, formulating and adjusting the Company's risk management decisions, reviewing and approving new business and risk exposures, and making decisions and approving important matters involving risk management, and the division and adjustment of specific functions for Risk Management Department and other functional departments of risk management of the Company. The Company set Risk Management Department as a special department to organize and implement its overall risk management and facilitate comprehensive risk management works under the leadership of the chief risk officer. The Risk Management Department of the Company performs risk identification, measurement, control, reporting and other specific tasks respectively according to risk classification and functional division. The officers of business departments and branches of the Company are mainly responsible for proper identification, assessment, response and reporting of related risks, accepting independent supervision by Risk Management Department of the Company, assuming the risks incurred in the process of business decision-making and execution, and taking up direct responsibility on the effectiveness of risk management.

Before and during the operation and management activities, the Company requires various departments to collect and analyze comprehensively, systematically and continuously the internal and external information that may affect the Company in achieving its operational targets, identify business risk countered and possible consequences, and prepare risk identification report on each key business. The Risk Management Department of the Company directs the business departments or functional departments to commence the collection work of internal and external information and initial risk identification work, formulate risk identification methods and corresponding reporting mechanism, then update timely and continuously. To ensure the accuracy of risk identification analysis, under the premise of cost-benefit principle, the Risk Management Department and other functional departments on risk management conduct a comprehensive and systematic investigation, analysis, review and confirmation on the initial identification results of business departments or functional departments, reveal the nature, type and possible consequences according to the source, features, formation conditions and potential impact of the risks, and classify them by business, department and risk type. The Company has established and monitored continuously a multi-level indicator system of tolerance, cap, supervision indicators and business risk control indicators. According to risk assessment and early warning, the Company will timely select appropriate response strategies to ensure keeping all kinds of risks "measurable, controllable and affordable".

## Section 5 Report of the Board

### III. Profit Distribution Policies and Profit Distribution Situation

#### (I) Profit Distribution Policies

In accordance with the Articles of Association, the Company may distribute dividends by means of cash, shares or a combination of cash and shares. Where the Company satisfies the conditions for cash dividend distribution, it shall accord priority to dividend distribution by way of cash. The Company will fully take into account the returns for its investors and distribute dividends to its shareholders according to the stipulated proportion of the profits available for distribution achieved by the parent company during the year. The Company will implement an on-going and stable profit distribution policy, and shall consider the long-term interests of the Company, the overall interests of all shareholders and the sustainable development of the Company when distributing dividends.

#### (II) Profit Distribution Situation

##### Profit Distribution for 2018

The Profit Distribution Plan for 2018 of Guolian Securities (《國聯證券2018年度利潤分配方案》) was passed at the 2018 annual General Meeting of the Company convened on 13 June 2019, which approved that based on the total share capital of Domestic Shares and H Shares of 1,902,400,000 shares as of 31 December 2018, the Company could distribute cash dividends of RMB0.5 per 10 shares (tax inclusive) to holders of Domestic Shares and H Shares whose names appeared on the Company's register on the record date, with total cash dividends of RMB95,120,000. The Company's profit distribution for the year 2018 was completed before 12 August 2019.

##### Profit Distribution Plan for 2019

The audited net profit of the parent company in 2019 was RMB485,892,791.93. According to the relevant requirements of the Company Law, Securities Law, Financial Rules for Financial Enterprises and Articles of Association, after appropriating statutory provident fund, general risk reserve and transaction risk reserve respectively, totaling RMB147,667,763.32, the profit available for distribution for the year amounted to RMB338,225,028.61.

The balance of the undistributed profit of RMB1,697,240,117.71 in previous year, after deducting the dividend payment of RMB95,120,000.00 as implemented by the Company during this year under the 2018 profit distribution plan, the accumulated undistributed profit for this year was RMB1,940,345,146.32.



Pursuant to Rule 18 of “Measures for the Administration of Securities Issuance and Underwriting (《證券發行與承銷管理辦法》)” of CSRC and related regulatory Q&A requirements, for securities issued domestically, a company that has profit distribution proposal(s), or conversion of capital reserve into share capital proposal(s) which are yet to be submitted to general meeting for voting, or when such proposal has already been approved by general meeting but yet to be implemented, the domestic issuance of securities can only be proceeded after such proposal has been implemented. In view of the Company’s issuance and listing related works are steadily pushing ahead, taking into comprehensive consideration of various factors such as long-term benefits, sustainable development and interests of shareholders of the Company, the Company intended not to implement profit distribution for 2019.

### IV. 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 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覆》) of the CSRC, in accordance with the relevant requirements of the state’s laws and regulations, the Company completed its first issue of 402,400,000.00 H Shares to overseas investors at HK 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 issued the PricewaterhouseCoopers Zhong Tian Capital Verification Report Yanzi (2015) No. 956.

As of the end of 2019, the Company’s actual cumulative investment amount for the proceeds committed was RMB2,343.9806 million (adopting the exchange rate for the H Shares proceeds raised based on actual settlement exchange rates to compute), and the closing balance of bank account for the proceeds raised amounted to HKD314.6613 million and RMB963,000 in total, which was equivalent to RMB282.8367 million in total using the period-end closing exchange rate to convert.

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 45.00% of the funds will be used to further develop margin financing and securities lending business of the Company, among which RMB1,157.6372 million has been used;
- (2) Approximately 20.00% 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 15.00% of the funds will be used to expand proprietary trading business of the Company, among which RMB386.0812 million has been used;



## Section 5 Report of the Board

- (4) Approximately 10.00% of the funds will be used to develop the Internet trading business of the Company, the usage is currently changed to using its as capital contribution and other preliminary expenses for the planned establishment of subsidiaries in Hong Kong and as supplemental working capital of the Company, and RMB3,400 has been used;
- (5) Approximately 10.00% of the funds will be used for working capital and other general corporate purposes, among which RMB276.1011 million has been used.

### (II) Change of Proceeds Raised in Projects

As approved at the General Meeting held on 29 July 2016, the Company changed 10% of the raised funds 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.

### (III) Use of Proceeds for the Committed Projects

Unit: in RMB ten thousand

Name of committed projects	Any change in project	Invested amount of proceeds raised during the Reporting Period	Actual total invested amount of proceeds	Progress of project used	Change in usage
Margin financing and securities lending	None	-	115,763.72	100%	
Capital-based intermediary services	None	-	52,415.77	100%	
Investment business	None	-	38,608.12	100%	
Internet trading business	Yes			-	Changed as the capital contribution and other preliminary expenses for establishing subsidiaries in Hong Kong and supplementing the working capital of the Company
Working capital and others	None	-	27,610.11	100%	
Establishing subsidiaries in Hong Kong and supplementing the working capital of the Company	Yes	0.11	0.34	-	
<b>Total</b>		<b>0.11</b>	<b>234,398.06</b>	<b>90%</b>	

Note: The exchange rate used for the capital raised from H Shares is based on actual settlement exchange rates.

### (IV) Details of Unused Proceeds Raised Previously

As at the end of 2019, the Company had committed but unused proceeds (equivalent to RMB279.8490 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. In December 2019, the Company received the "Reply on the Approval for the Establishment of Guolian Securities (Hong Kong) Limited in Hong Kong Special Administrative Region by Guolian Securities Co., Ltd." (Zheng Jian Xu Ke [2019] No. 2817) (《關於核准國聯證券股份有限公司在香港特別行政區設立國聯證券(香港)有限公司的批復》)(證監許可[2019]2817號) from the CSRC, approving the Company to establish Guolian Securities (Hong Kong) Limited (國聯證券(香港)有限公司) in Hong Kong with a registered share capital of HK\$300 million. 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 utilizing such idle proceeds for other purposes.

## V. Directors

Information about the Directors of the Company during the Reporting Period and as at the date of this report is set out in Section 8 "Information of Directors, Supervisors, Senior Management and Staff" in this report.

## VI. Directors and Supervisors' Service Contracts

All Directors and Supervisors of the Company have entered into service contract with the Company, but have not entered into any service contract with the Company or its subsidiaries which is not terminable within one year without payment of compensation (other than statutory compensations).

## VII. Interests of Directors and Supervisors in Transactions, Arrangements and Contracts of Significance

No transactions, arrangements or contract of significance in relation to the Group's business to which the Company, its subsidiaries, its Controlling Shareholders or the subsidiaries of the Company's Controlling Shareholders was a party and in which a Director or Supervisor of the Company or an entity connected with a Director or Supervisors has a material interest, whether directly or indirectly, has been entered into or subsisted at the end of the financial year under review or at any time during the financial year.

## Section 5 Report of the Board

### VIII. Controlling Shareholders' Interests in Contracts of Significance

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Controlling Shareholder had a material interest on, whether directly or indirectly, and subsisted at the end of the financial year under review or at any time during the financial year under review save as disclosed under "IV. Connected Transactions" in Section 6 and notes to the consolidated financial statements.

### IX. Directors' Interests in the Business Competing with the Company

During the Reporting Period, the Directors of the Company have no interest in the business that is competing with the Company.

### X. Directors and Supervisors' Right to Purchase Shares or Debentures

As at the end of the Reporting Period, no rights were granted to any Director, Supervisor or their respective spouse or children under 18 years of age by the Company, its subsidiaries, its Controlling Shareholders or the subsidiaries of the Company's Controlling Shareholders to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, or were any such rights exercised by them; or was the Company, its subsidiaries, its Controlling Shareholders or the subsidiaries of the Company's Controlling Shareholders a party to any arrangement to enable any Director, Supervisor or their respective spouse or children under 18 years of age, to acquire such rights in the Company or any other body corporate.

### XI. Interests and Short Positions of Directors, Supervisors and Senior Management in the Shares, Underlying Shares or Debentures of the Company and Any of Its Associated Corporations

As at the end of the Reporting Period, based on the information available to the Company and to the knowledge of the Directors, no Directors, Supervisors or senior executive of the Company have any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to the Company and HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under those provisions of the SFO), or (ii) which will be required to be recorded in the equity register kept pursuant to Section 352 of the SFO, or (iii) which will be required to be notified to the Company and HK Stock Exchange pursuant to the Model Code.

### XII. Compliance with Non-competition Agreement

As disclosed in the prospectus, on 15 June 2015, the Controlling Shareholders of the Company entered into a non-competition agreement in favour of the Group, pursuant to which, the Controlling Shareholders have irrevocably undertaken to the Company that, save for the exceptional circumstances as disclosed in the prospectus, the Controlling Shareholder and the controlled entities (as defined in the prospectus) will not, directly or indirectly, invest in, participate in, be engaged in or operate or be interested in any business in any way inside or outside the PRC separately or with any other parties, whereby it will compete or is likely to compete with the main business of the Company, and have undertaken not to engage in any competitive activities by taking advantages as the Controlling Shareholders of the Company which would be prejudicial to the benefits of the Company or its subsidiaries. For the Direct Investment Business, the Controlling Shareholders and the controlled entities have also undertaken to provide the Company the options and pre-emptive rights regarding new direct investment opportunities. The Investment Decision Committee of Guolian Capital is responsible for reviewing and deciding whether the Group should take up the related new direct investment opportunities. The independent non-executive Directors of the Company supervise and review the composition of the committee and the decisions it made.

The independent non-executive Directors had reviewed members of the Investment Decision Committee of Guolian Capital twice during the Reporting Period, and considered that the members involved in the decision-making of new business investment opportunities had business experience and professional capacity which are necessary for performance of their duties, and had no conflict of interest with the Group.

## Section 5 Report of the Board

During the Reporting Period, the Controlling Shareholders and the controlled entities referred 12 new business investment opportunities to Guolian Capital. The Investment Decision Committee of Guolian Capital had reviewed such new business investment opportunities, and considered that such new business investment opportunities involved issues like doubtful profitability, not in line with the regulations on fund management of private equity subsidiaries under securities companies and high investment risks, which did not meet the investment project review standards of Guolian Capital, so it decided not take up such new business investment opportunities. The independent non-executive Directors had made an annual review on such decision, and was of the view that the decision made by the Investment Decision Committee of Guolian Capital was based on its professional judgement to the new business investment opportunities, reflecting the interest of the Group.

The Controlling Shareholders have confirmed to the Company that, during the Reporting Period, they have complied with all the terms of the non-competition agreement. The independent non-executive Directors have conducted an annual review regarding the compliance of non-competition agreement and have not found any non-compliance issues on the non-competition agreement by Controlling Shareholders.

### XIII. Other Disclosures

#### (1) Share Capital

The information is set out in the “Consolidated Statement of Financial Position” and Note 35 to the consolidated financial statements of this report.

#### (2) Pre-emptive Rights

There is no pre-emptive rights arrangement of the Company pursuant to the laws of the PRC and the requirements of the Articles of Association.

#### (3) Sufficiency of Public Float

During the Reporting Period and up to the date of this report, the public float of H Shares of the Company is 23.267%, which remains in compliance with the waiver from strict compliance with the public float requirements granted by HK Stock Exchange pursuant to Rule 8.08(1)(d) of the Listing Rules.

#### (4) Management Contracts

During the Reporting Period, the Company did not enter into any contracts nor had any existing contracts in respect of all or any management and administration of the Company.

### (5) Information on Tax Reduction and Exemption for Holders of H Shares

According to the Notice on the Management of Personal Income Tax Impose after the Abolition of Guo Shui Fa [1993] No. 045 Document issued by the State Administration of Taxation (Guo Shui Han [2011] No. 348), the dividend received by foreign resident individual shareholders from the issuance of shares in Hong Kong by domestic non-foreign invested enterprises is subject to the payment of individual income tax according to the items of “interests, dividend and bonus income”, which shall be withheld by the withholding agents according to relevant laws. The foreign resident individual shareholders who hold the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they reside and China or the tax arrangements between Mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividends, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for citizens from countries which have entered into tax agreements/arrangements stipulating a tax rate of lower than 10%, the withholding agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the tax authorities, the excess tax amounts withheld will be refunded; (2) for citizens from countries which have entered into tax agreements/arrangements stipulating a tax rate of higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends, and are not obligated to file an application; (3) for citizens from countries without tax agreements or are under other situations, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividends.

According to the Arrangements for the Avoidance of Double Taxation and Prevention of Tax Evasion in Mainland and Hong Kong (Guo Shui Han [2006] No. 884) signed on 21 August 2006 in relation to income tax, the Chinese government may impose tax on dividends payable by the Chinese companies to Hong Kong resident beneficial owners, but the tax should not exceed 10% of the total dividend payable; if Hong Kong resident beneficial owners hold at least 25% equity interest in the Chinese company, the relevant tax shall not exceed 5% of the total dividend payable by the Chinese company.

According to the Enterprise Income Tax law of the PRC and the Regulations on the Implementation of the Enterprise Income Tax Law of the PRC effective on 1 January 2008, if non-resident enterprises establish no organizations and sites within the territory of China, or though establish organizations and sites but the dividends and bonuses received have no real connection to the organizations and sites established, such enterprises shall pay the corporate income tax at the rate of 10% of its income from the Chinese territory. The withholding tax may be relief under an applicable double taxation treaty.

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According to the Notice on the Withholding Corporate Income Tax on the Dividends Distributed by the Chinese Resident Enterprise to Foreign H Shares Non-resident Enterprise Shareholders (Guo Shui Han [2008] No. 897) issued by the SAT and effective on 6 November 2008, when the Chinese resident enterprises distribute dividends of 2008 and subsequent years to foreign H Shares non-resident enterprise shareholders, they shall pay the withholding enterprise income tax at the rate of 10%. Upon receipt of such dividends, a non-resident enterprise shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties (arrangements) in person or through a proxy or a withholding agent and provide evidence in support of its status as a beneficial owner as defined in the tax treaties (arrangements). Upon verification by the competent tax authorities, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangements) will be refunded.

Pursuant to provisions in the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) issued by the Ministry of Finance, the SAT and CSRC, for the dividends obtained by mainland individual investors from investing in H Shares listed in HK Stock Exchange through Shanghai-Hong Kong Stock Connect, such H-share companies shall withhold individual income tax at the tax rate of 20%. For the dividends obtained by mainland securities investment funds by investing in shares listed in HK Stock Exchange through Shanghai-Hong Kong Stock Connect, the individual income tax will be levied pursuant to the provisions mentioned above. For the dividends obtained by mainland enterprise investors from investing in shares listed in HK Stock Exchange through Shanghai-Hong Kong Stock Connect, such H-share companies shall not withhold and pay any income taxes on the dividends, as the income taxes shall be reported and paid by the investing enterprises on their own. Meanwhile, for the dividends obtained by mainland resident enterprises from holding relevant H Shares for consecutive 12 months, the corporate income taxes shall be exempted according to laws.

Pursuant to the current practices of Inland Revenue Department of Hong Kong, no taxes shall be levied for the dividends distributed by the Company.

The shareholders of the Company shall pay the relevant taxes and/or be entitled to tax relieves pursuant to the above provisions.

### (6) Reserves and Reserves of Profits Available for Distribution

Please refer to the “Consolidated Statement of Changes in Equity” and Note 36 to the consolidated financial statements of this report regarding the changes in the Group’s reserves and reserves of profits available for distribution during the Reporting Period.



### (7) Major Customers and Suppliers

The Company provides services for various individual and institutional customer groups with a large customer base and wide distribution. The Company's major customers include non-enterprise institutions, large, medium and small enterprises, institutional investors and retail customers. During the Reporting Period, revenue generated from the top five customers amounted to RMB159 million, accounting for 7.48% of total revenue, net gains and other income of the Group. None of the Directors, Supervisors or any of their respective close associates or any shareholder holding more than 5% of the issued share capital of the Company has any interests in the Company's top five customers.

Due to the nature of the business, the Company has no major supplier.

### (8) Property and Equipment

For the information of the Group's property and equipment during the Reporting Period, please refer to the Consolidated Statement of Financial Position and Note 20 of this report.

### (9) Fulfillment of Social Responsibilities

For the information of fulfillment of social responsibilities during the Reporting Period, please refer to "(VII) Community Investment of II. Society and Governance Report" in Section 10 of this report.

### (10) Relationship between the Company and its Staff, Customers and Suppliers

#### 1. Staff

For details, please refer to Section 8 "VI. Information About Staff and Remuneration of the Company and Major Subsidiaries" in this report.

#### 2. Customers

For details, please refer to "XIII. Other Disclosures" in this section.

#### 3. Suppliers

For details, please refer to "XIII. Other Disclosures" in this section.



## Section 5 Report of the Board

### (11) Compliance with Laws and Regulations

The business of the Company is mainly conducted in mainland China, and the Company has already listed on HK Stock Exchange. Hence, in strict compliance with the requirements of laws, regulations and regulatory documents for both domestic and overseas listing markets, including the Company Law, Securities Law, Regulations on Supervision and Management of Securities Companies, Measures for the Risk Control Indexes of Securities Companies, CG Code, the Company has formulated and improved continuously the Articles of Association, rules and regulations of the Company to regulate the business and operation of the Company, striving to maintain and promote a sound corporate market image. During the Reporting Period and up to the date of this report, the Company has complied with the relevant laws and regulations in Mainland China and Hong Kong.

### (12) Major Events after the Reporting Period

For details, please refer to Section 6 “IX. Significant Subsequent Events” of this report.

### (13) Exchange Rate Fluctuation Risks and Any Related Hedging

The foreign currency assets and liabilities held by the Company are not material when compared to total assets and liabilities. In terms of the Company’s revenue structure, the majority of the business transactions are settled in RMB, with only insignificant revenue from foreign currency transactions. The Company considers that their exchange rate fluctuation risk is immaterial.

### (14) Issued Debentures, Equity Linked Agreement and Share Option Arrangement

Please refer to “2. Debt Financing of (VI) Major Investment and Financing Activities under I. Board’s Discussion and Analysis on the Operation of the Company During the Reporting Period” for details regarding issued debentures of the Company.

During the Reporting Period, the Company did not signed any equity linked agreement or had any share option arrangement.

## Section 5 Report of the Board

### (15) Business Review

Please refer to section “I. Board’s Discussion and Analysis on the Operation of the Company During the Reporting Period” for details regarding the fair review and analysis of the business of the Company using financial key performance indicators, section “II. Discussion and Analysis of the Board on the Future Development of the Company” for details regarding the major risks and uncertainties exposed to the Company and discussion and analysis regarding the future business development of the Company, section “(11) Compliance with Laws and Regulations of XIII. Other Disclosures” for details regarding the Company’s compliance with the laws and regulations that have material impact on the Company, section “(10) Relationship between the Company and its Staff, Customers and Suppliers of XIII. Other Disclosures” for details regarding the description of the major relationship between the Company and its staff, customers and suppliers, Section 6 “IX. Significant Subsequent Events” of this report for details regarding the significant events that have material impact on the Company after the end of financial year and Section 10 “Environmental, Social and Governance Report” of this report for details regarding the environmental policy and performance of the Company.

By order of the Board

**Guolian Securities Co., Ltd.**



**Yao Zhiyong**  
*Chairman*

21 February 2020

## Section 6 Other Significant Events

### I. Significant Penalty or Public Censure during the Reporting Period of the Company

During the Reporting Period, there was no significant penalty or public censure imposed to the Company.

### II. Significant Lawsuits and Arbitrations

#### (I) Outstanding Cases During the Reporting Period

During the Reporting Period, the Company was involved in three outstanding cases, the development of which were as follows:

On 9 November 2012, the Company subscribed for the 2012 SME private placement bonds of Inner Mongolia Nailun Agriculture Technology Corporation (內蒙古奈倫農業科技股份有限公司) (hereinafter referred as “Nailun Agriculture”), and Inner Mongolia Nailun Group Inc. (內蒙古奈倫集團股份有限公司) provided a full, unconditional and irrevocable joint liability guarantee in respect of the repayment of principal and interests of the bonds. An event of default occurred after the expiry of the bonds, and the Company initiated arbitration proceedings at South China International Economic and Trade Arbitration Commission in March 2015. In August 2015, South China International Economic and Trade Arbitration Commission delivered the verdict that Nailun Agriculture shall pay the Company the bond principal of RMB8.4 million, together with the liquidated damages, deferred compensation and liquidated damages for bond interest, etc. In December 2015, the Company had applied to the court for compulsory enforcement, the procedures of which have not been completed yet at the moment.

## Section 6 Other Significant Events

On 20 September 2019, Zhang Guizhen filed a lawsuit with Wuxi Intermediate People's Court for the dispute over the pledged securities repurchase (please refer to the 2018 Annual Report of the Company for details), claiming for the Company to refund and compensate the extra money received from the third party, Huiyin Huahe, and the losses totaling RMB55,517,046.9. Wuxi Intermediate People's Court has accepted the case. At present, the case is still ongoing.

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. (stock name: OTMC, stock code: 002175.SZ) (for details, please refer to the Company's litigation announcement published on the websites of the Company and the Stock Exchange on 30 January 2019), Wuxi Intermediate Court put the case on record in January 2019. Upon filing the case, the court froze the pledged shares and some of the bank accounts under the financier's name as requested by the Company. The case was heard on 27 March 2019. 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 26 February 2019, the Company applied to Guilin Intermediate People's Court for the mandatory enforcement of the property under the name of Peng Peng, and the subject matter of the execution was the outstanding principal of RMB81 million, as well as the corresponding interest, liquidated damages and debt realization costs. On 23 August 2019, Guilin Intermediate People's Court issued an enforcement order, ruling the auction of the 34,320,000 shares of OTMC that Peng Peng pledged to the Company. On 3 December 2019, Guilin Intermediate People's Court made a ruling to conclude this enforcement procedure.

### (II) Cases Concluded During the Reporting Period

As the Company has recovered the debt principal, interest, liquidated damages and expenses in respect of the breach of contract event regarding the stock pledged repurchase business of Huaming Power Equipment, the case is concluded.

On 4 September 2019, Jiangyin People's Court issued an enforcement ruling that the 48,822,300 shares of ST Zhongnan (Stock code:002445) held by Jiangyin Zhongnan Heavy Industry Group Co., Ltd. were assigned to the Company as direct debt settlement, and the transfer was completed on 5 September. On 11 November 2019, Jiangyin People's Court issued an enforcement ruling to conclude this enforcement procedure.

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.

## Section 6 Other Significant Events

### III. Important Contracts and Their Fulfillment

During the Reporting Period, the Company entered into a package of technical service agreements with Hundsun Technologies Inc. (恒生電子股份有限公司) with a total purchase contract amount of RMB23 million; an Office Lease Contract (《寫字樓租賃合同》) with Beijing Kunting Asset Management Co., Ltd. (北京昆庭資產管理有限公司) with a contract amount of RMB23,186,900; and a Property Leasing Contract (《房屋租賃合同》) with Beijing Zhaojiaji Property Management Co., Ltd. (北京肇嘉基物業管理有限公司), with a contract amount of RMB5,600,600.

### IV. Connected Transactions

Particulars of the major related party transactions of the Group for the year ended 31 December 2019 are set out in note 51 to the financial statement.

Certain transactions in the aforementioned related party transactions also constitute Connected Transactions as prescribed in Chapter 14A under the Listing Rules and are subject to reporting, annual review and announcement in accordance with the requirements of Chapter 14A under the Listing Rules, and the aforementioned related party transactions have complied with the provisions in Chapter 14A under the Listing Rules, particulars of which are as follows:

#### (I) Continuing Connected Transactions by the Group during this Year

The Continuing Connected Transactions of the Group are mainly conducted with Guolian Group and its Associates. Guolian Group is the Controlling Shareholder of the Company. Under the Listing Rules, Guolian Group and its Associates are Connected Persons of the Group. Therefore, the agreements entered into between the Group and Guolian Group and its Associates constitute Connected Transactions under the Listing Rules. On 11 December 2017, the Group entered into the Securities and Financial Services Framework Agreement and Property Leasing and Related Service Framework Agreement with Guolian Group in respect of the several Continuing Connected Transactions between the two parties, and set the annual caps of the Continuing Connected Transactions under the framework agreements during the period from 1 January 2018 to 31 December 2020. As one or more applicable percentage ratios of annual caps under the Listing Rules are more than 0.1% but less than 5%, the framework agreements and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempted from independent shareholders' approval requirements.

## Section 6 Other Significant Events

### 1. Securities and Financial Services Framework Agreement

Pursuant to the Securities and Financial Services Framework Agreement, the Group provided a series of financial services to Guolian Group and its Associates on normal commercial terms, including (1) securities brokerage and Futures IB services; (2) asset management service; (3) agency sales service of financial products; and (4) financial advisory service. The service fees or commissions charged by the Group for the provision of financial services to Guolian Group and its Associates shall be determined based on arms' length negotiations according to the relevant laws and regulations and by reference to market price, and shall not be less than the price paid for purchasing similar services from independent third parties. Meanwhile, the Company appointed Guolian Trust to provide management services for trust plans to the Company and the management services fee for such trust plans shall be agreed by both parties according to normal commercial terms.

Details of the pricing basics for respective services are set out below:

#### (1) *Securities Brokerage*

According to data in Wind and SAC, in the past three years, the average market net commission rate is about 0.0312%.

In addition, according to the Notice on the Adjustment of Securities Trading Commission Standard (Zheng Jian Fa [2002] No. 21) (《關於調整證券交易傭金收取標準的通知》(證監發[2002]21號)) jointly published by CSRC, State Development Planning Commission and SAT in April 2002, the commission charged by the securities companies to the client (including the collection of securities trading supervision fees and stock exchange fees, etc.) shall not be higher than 3‰ of securities transactions amount, nor less than the fee charged by securities trading supervision and stock exchange.

The brokerage commission of the transactions with Guolian Group is determined upon fair negotiation based on above-mentioned market price, historical price and applicable laws and regulation, and is no less favourable to the Group than terms available to independent third parties.

## Section 6 Other Significant Events

### (2) *Futures IB*

The service fee of Futures IB is determined with reference to industry practice, the revenue sharing ratio of major securities companies in China and upon fair negotiation. According to the latest available market data, in respect of Futures IB business, the major securities companies in China usually split revenue with futures dealer at a certain ratio. In the Futures IB transaction between the Group and Guolian Futures, the revenue sharing ratio will fall within the prevailing market revenue sharing ratio scope and is more favorable to the Group compared with the market practices.

### (3) *Asset Management*

In respect of the pricing policy of service fee of Collective Asset Management Scheme, the subscription price, management fee and other terms with Guolian Group is consistent with normal commercial terms and those of the Group's similar transactions with independent third party investors. The fee ratios of transactions between our Group and Guolian Group fall within a certain ratio range of similar transactions in the market. In addition, the Group will take into account factors such as basic conditions of the assets or business to determine the management fee.

In respect of the pricing policy of service fee of Targeted Asset Management Scheme with Guolian Group, as each transaction has different target assets whose conditions vary from each other, it is hard to set out a standardized fee ratio. However, the Group determines the management fee based on the price of similar transactions in the market which have similar target asset or in similar condition. In addition, historical management fee in similar transactions between the Group and independent third parties will also be considered, so as to ensure that the price between the Group and Guolian Group is not less favorable to the Group.

### (4) *Agency Sales of Financial Products*

In respect of agency sales of funds, the price is determined based on the subscription price or redemption price set out in relevant funds contract, asset management contract or prospectus, and the Group will refer to the industry practice and market price to determine the agency sales commission rate. The subscription commission rate will not be lower than a certain ratio, while the redemption fee will be determined according to the products' commission rate published by fund companies.

In respect of sales fee of other financial products, as the risk factors of different products vary from each other, products with higher risks charge higher agency sales fee. There is no specific standard price or commission rate in the market. Therefore, the price of agency sales transactions between the Group and Guolian Trust is determined upon fair trade principle and with reference to market price and industry practice for specific products.



## Section 6 Other Significant Events

### (5) *Financial Advisory*

As the financial advisory services are highly individualized, different transaction's target business varies in size, conditions and different counterparties have different bargaining power, it is hard to set out a standardized price or fee ratio. However, the Group will refer to the price of similar transactions which are available publicly on Wind, and the Group's similar historical transactions with independent third parties to ensure the services fee is not less favorable to the Group.

### (6) *Management Services of Trust Plans*

The price of management services of trust plans is determined with reference to similar trust plan management services in the market and fair negotiation between the Group and Guolian Trust. In the negotiation, the Group will refer to the management fee ratio charged by independent third parties of the Group's historical similar transactions to ensure the management fee charged by Guolian Trust is no less favorable or even better to the Group.

During the Reporting Period, the particulars of the commissions charged/paid by the Group for the provision of/receiving the securities and financial services to/from Guolian Group and its Associates were as follows:

Unit: RMB'million

Item	2019 Annual Cap of Transaction Amount	2019 Actual Transaction Amount
<b>Revenue received by the Group</b>		
Including securities brokerage and Futures IB services, asset management service, agency sales service of financial products, financial advisory service and other financial services approved by CSRC	35.02	9.29
<b>Expenses incurred by the Group</b>		
Including management service of trust schemes and other financial services approved by China Banking and Insurance Regulatory Commission	15.10	1.68



## Section 6 Other Significant Events

### 2. Property Leasing and Related Services Framework Agreement

Pursuant to the Property Leasing and Related Services Framework Agreement, the Group and Guolian Group agreed to determine the rental income of the leasing property and the respective service fees according to the relevant laws and regulations, and also the market reference price confirmed by property valuers.

During the Reporting Period, the particulars of the expenses of the Group incurred for renting/leasing the properties and receiving the related property services provided by Guolian Group and its Associates were as follows:

Unit: RMB' million

Items	2019 Annual Cap of Transaction Amount	2019 Actual Transaction Amount
<b>Revenue received by the Group</b>		
Including income received from leasing properties	5.00	1.10
<b>Expenses incurred by the Group</b>		
Including expenses incurred for leasing properties, fee expense incurred for the related property services	32.10	7.10 <sup>1</sup>

Note 1: As the Group implemented new leasing standards since 1 January 2019, the total depreciation expense of the relevant right-of-use assets of RMB 11.48 million is no longer counted in the actual transaction amount.

The independent non-executive Directors of the Company have reviewed the aforesaid Continuing Connected Transactions and issued the following independent opinions on those Continuing Connected Transactions that they are being conducted:

- (1) during the ordinary course of business of the Company;
- (2) on normal commercial terms or better;
- (3) according to relevant agreements of the transactions, the terms of which are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

## Section 6 Other Significant Events

The auditors engaged by the Company had issued a letter to the Board of the Company regarding their review of the aforesaid Continuing Connected Transactions and provided the following opinions:

In respect of the disclosed Continuing Connected Transactions:

- (1) nothing has come to our attention that causes us to believe that such Continuing Connected Transactions as disclosed were not approved by the Board of the Company;
- (2) for the transactions involving the provision of services by the Group, nothing has come to our attention that causes us to believe that such transactions were not entered into, in all material respects, according to the pricing policy of the Group;
- (3) nothing has come to our attention that causes us to believe that such transactions were not entered into, in all material respects, according to the relevant transaction agreements;
- (4) for the purpose of the total amount of every Continuing Connected Transaction, nothing came to our attention that causes us to believe that the amount of such Continuing Connected Transactions had exceeded the annual cap set by the Company.

The Company has provided a copy of the letter from the auditors to the Stock Exchange and the Company confirmed that it had complied with all the disclosure requirements in relation to the disclosure of the Continuing Connected Transactions under Chapter 14A of the Listing Rules.

### (II) Internal Control and Corporate Governance Measures

The Company has been adopting strict internal control and monitoring procedures relating to Continuing Connected Transactions, and the Company has been in strict compliance with such measures in practice all along. Furthermore, the transactions under the Securities and Financial Services Framework Agreement will also be governed by CSRC, which is even stricter.

In particular, the Company's internal control measures include:

- (1) the Company has set up a monitoring system, which has a detailed list of the Company's Connected Persons. If any of the transactions involve Connected Persons of the Company, such transaction will be automatically reported to the Board of Directors Office of the Company and can only be continued with the approval and confirmation of the Board of Directors Office. In this way, the Board of Directors Office is able to track down every Connected Transaction's amounts and make sure the annual caps would not be exceeded. Thus, the monitoring system will report to the Board of Directors Office of the Company on the transaction amounts under the Securities and Financial Services Framework Agreement and the Property Leasing and Related Services Framework Agreement in a timely manner so that the Board of Directors Office of the Company is able to strictly control the balance of annual caps to ensure the annual caps would not be exceeded;

## Section 6 Other Significant Events

- (2) the department in charge of the specific transaction will collect market prices. Such market prices include (i) prices of similar transactions in the market; (ii) the Company's pricing of similar transactions in the past; and (iii) as to the Property Leasing and Related Services Framework Agreement, pricing by similar market transactions or independent third party property valuers. The Company will refer to such market prices in determination of the transaction prices under the Securities and Financial Services Framework Agreement and the Property Leasing and Related Services Framework Agreement;
- (3) the Company has established its internal guidelines and policies for management of different types of securities and financial products transactions, as well as the internal procedures and systems for approval and supervision of such transactions. Such policies and guidelines set out the requirements for pre-trading pricing enquiries, applicable interest rates, procedures for price determination, approval authority and procedures, record keeping, supervision and review procedures for different types of transactions and businesses;
- (4) all of the Continuing Connected Transactions are reviewed and confirmed by independent non-executive Directors annually; and
- (5) the Audit and Supervision Department of the Company is responsible for the audit of major Connected Transactions one by one to ensure the truthfulness, accuracy and completeness of the audit report information, and submit the audit report to the Board of Directors for review.

### (III) Other Connected Transactions

#### 1. Underwriting of the proposed issuance of bonds of Jiangsu Asset Management Co., Ltd. (hereinafter referred as "Jiangsu Asset")

On 18 December 2019, the subsidiary of the Company, Hua Ying Securities, entered into the underwriting agreement with Jiangsu Asset, pursuant to which Hua Ying Securities will undertake as the lead underwriter in respect of Jiangsu Asset's proposed issuance of bonds with an aggregate principal amount not exceeding RMB3,000,000,000 and receive an underwriting fee not exceeding RMB18,000,000.

The underwriting fees that Jiangsu Asset agreed to pay to Hua Ying Securities are 0.5% of the actual amount of funds raised from the bonds plus floating underwriting fee rates, not exceeding 0.6% in total. The bonds are issued in tranches, and the underwriting fees of each tranche will be received by installments. Based on the maximum underwriting commitment of Hua Ying Securities of RMB3,000,000,000, it is estimated that Hua Ying Securities shall receive a maximum underwriting commission of up to RMB18,000,000 from Jiangsu Asset. The underwriting commission rate is determined after the arm's length negotiation between the parties with reference to the overall market standard.

## Section 6 Other Significant Events

One of the principal businesses of Hua Ying Securities is the underwriting and sponsorship for shares and bonds in the PRC. The transaction under the underwriting agreement falls within the principal business activities of Hua Ying Securities. Such transaction will bring positive income contribution to the Group and is financially beneficial to the Group and the shareholders as a whole.

The Directors (including the independent non-executive Directors) are of the view that the underwriting agreement is entered into in the ordinary and usual course of business of the Group and the terms contained therein are normal commercial terms and the underwriting agreement is fair and reasonable and in the interests of the Group and the shareholders as a whole.

Please refer to the announcement of the Company dated 18 December 2019 regarding the details of this Connected Transaction.

Guolian Group is the Controlling Shareholder of the Company and is therefore a connected person of the Company. Jiangsu Asset is a subsidiary held, directly and indirectly, as to 90% by Guolian Group, and is therefore a connected person of the Company. Hua Ying Securities is a wholly-owned subsidiary of the Company. Accordingly, the transaction constitutes a Connected Transaction of the Group. Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all completed within a 12-month period or were otherwise related. Reference is made to the announcement of the Company dated 21 December 2018 in relation to, among other things, the underwriting agreement entered into between Guolian Group and Hua Ying Securities. The counterparties of Hua Ying Securities under such agreement and the agreement entered into on this occasion are Guolian Group or its subsidiaries, and the nature of the transactions is the same. Accordingly, such transactions shall be aggregated. As each of the applicable percentage ratios (other than the profits ratio) upon aggregation as calculated in accordance with Chapter 14 of the Listing Rules in respect of such transactions is more than 0.1% but less than 5%, the underwriting agreement is subject to the reporting and announcement requirements, but is exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## V. Bankruptcy Reorganization, Acquisitions, Mergers and Divisions

During the Reporting Period, the Company and its subsidiaries were not engaged in any bankruptcy reorganization, acquisitions, mergers or divisions.

## VI. Information About Individual Business Qualifications Obtained

During the Reporting Period, the Company obtained the authorization for stock options business on Shenzhen Stock Exchange.

## Section 6 Other Significant Events

### VII. Major Off-balance-sheet Items

During the Reporting Period, the Company and its subsidiaries did not record any guarantees, mortgages or other major off-balance-sheet items that may affect the Company's financial position and operating results.

### VIII. Engagement and Dismissal of Accounting Firm

#### (I) Accounting Firm Currently Engaged by the Company

Name of Domestic Accounting Firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of Domestic Accounting Firm	RMB1.73 million
Continuous Term of Audit Service of Domestic Accounting Firm	4 years
Name and Continuous Term of Service of Domestic Certified Public Accountants	Ma Hing Fai (馬慶輝) : 4 years; Han Jian (韓健) : 4 years
Name of Overseas Accounting Firm	Deloitte Touche Tohmatsu
Remuneration of Overseas Accounting Firm	RMB130,000
Continuous Term of Audit Service of Overseas Accounting Firm	4 years
Name and Continuous Term of Service of Overseas Certified Public Accountant	Ma Hing Fai (馬慶輝) : 4 years

In addition, the Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as the A Shares IPO accountant of the Company to provide A Shares IPO reporting and other audit services for the Company. Relevant audit expenses are RMB1,280,000.

#### (II) Change of Engagement of Accounting Firm by the Company in Recent Three Years

The Company had no change of engagement of accounting firm in recent three years.

#### (III) Engagement of Accounting Firm by the Subsidiaries

In 2019, Hua Ying Securities reappointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as its external auditing institution with an audit fee of RMB200,000.

In 2019, Guolian Capital appointed Jiangsu Suyajincheng CPA LLP as its annual external auditing institution with an audit fee of RMB35,000.

### IX. Significant Subsequent Events

#### (I) Changes Of Directors, Supervisors and Senior Management

On 21 November 2019, the Company convened the 3rd meeting of the fourth session of the Board, and engaged Ms. Yin Hongwei (尹紅衛) and Mr. Li Qin (李欽) as the vice president of the Company. Ms. Yin Hongwei (尹紅衛) and Mr. Li Qin (李欽) have obtained the qualification for the appointment as senior management personnel at manager level of securities companies approved by Jiangsu Securities Regulatory Bureau on 5 February 2020 and commenced their office on the same day.

#### (II) Annual Profit Distribution Proposal

The annual profit distribution proposal of the Company for the year 2019 is set out in Section 5 of this report "III. Profit Distribution Policies and Profit Distribution Situation".

#### (III) Major Investing and Financing Activities

On 10 January 2020, the Company issued RMB1,000,000 thousand of short-term financing bonds with a term of 91 days and interest payable at a rate of 2.95% per annum at maturity.

On 16 January 2020, the Company privately issued RMB800,000 thousand of corporate bonds with a term of 3 years and interest payable at a fixed coupon rate of 4.13% per annum.

#### (IV) Major Litigations and Arbitrations

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. (stock name: OTMC, stock code: 002175.SZ), the Company received an execution payment of RMB652,953.76 from Wuxi Intermediate People's Court on 9 January 2020.

## Section 6 Other Significant Events

### (V) Business Mergers or Disposals of Subsidiaries

Nil

### (VI) Other Events That May Have a Material Impact on the Financial Position, Operating Results and Cash Flows of the Company

Nil

## X. Important Matters or Major Subsequent Events of Subsidiaries

### (I) Changes Of Directors, Supervisors and Senior Management

Due to the job redesignation of Mr. Peng Yanbao (彭焰寶), the former director, the board of directors of Hua Ying Securities elected Mr. Ge Xiaobo (葛小波) as the director on 19 November 2019.

### (II) Profit Distribution Plan

The subsidiaries had no profit distribution plan in 2019.



## Section 7 Information of Changes of Equity (Capital) and Substantial Shareholders

### I. Changes in Shares During the Reporting Period

During the Reporting Period, there was no change in the shares of the Company. As at the end of the Reporting Period, the total share capital of the Company was 1,902,400,000 shares, of which 1,459,760,000 shares were Domestic Shares and 442,640,000 shares were H Shares.

### II. Shareholders as at the End of the Reporting Period

At the end of the Reporting Period, the Company had 118 registered shareholders, including 12 shareholders of Domestic Shares and 106 registered shareholders of H Shares.

At the end of the Reporting Period, the shareholdings of the top 10 shareholders were as follows:

Name of Shareholders	Nature of Shareholders	Number of Shares Held (Shares)	Percentages of Shares Held	Number of Shares Changed During the Reporting Period (Shares)	Pledge or Freeze up over Shares Held (Shares)
Guolian Group	State-owned legal person	543,901,329	28.59%	-	Nil
HKSCC (Nominees) Limited (Note 1)	Overseas legal person	442,495,400	23.26%	1,500	Nil
Guolian Trust	State-owned legal person	390,137,552	20.51%	-	Nil
Wuxi Electric	State-owned legal person	266,899,445	14.03%	-	Nil
Minsheng Investment	State-owned legal person	73,500,000	3.86%	-	73,500,000
Cotton Textile	State-owned legal person	72,784,141	3.83%	-	Nil
Huanguang Boiler	State-owned legal person	29,113,656	1.53%	-	Nil
Wuxi Jinhong Telecommunications Group Co., Ltd. (無錫金鴻通信集團有限公司)	Domestic non-state-owned legal person	24,000,000	1.26%	-	Nil
Jiangsu Xinfang	Domestic non-state-owned legal person	22,500,000	1.18%	-	Nil
Wuxi Weifu High-technology Co.,Ltd.* (無錫威孚高科技集團股份有限公司)	Domestic non-state-owned legal person	18,000,000	0.95%	-	Nil

Note 1: The shares held by HKSCC (Nominees) Limited are for the benefits of non-registered holders of H Shares.

At the end of the Reporting Period, Guolian Group, the Controlling Shareholder of the Company, directly held 28.59% of the shares in the Company, and indirectly held 43.76% of the shares in the Company through Guolian Trust, Wuxi Electric, Minsheng Investment, Cotton Textile and Huanguang Boiler, and thus holding 72.35% of the shares in the Company in total.

## Section 7 Information of Changes of Equity (Capital) and Substantial Shareholders

### III. General Information on Shareholders Holding 10% or More of the Share of the Company

Guolian Group was established in December 1997, and is a wholly state-owned enterprise group contributed and organized by Wuxi State-owned Assets Supervision and Administration Commission with a state-owned asset investment qualification granted. Its registered capital is RMB8 billion. Guolian Group is mainly engaged in capital and assets operation; external investment with proprietary funds; trade consultancy; enterprise management service. Both the legal representative and general manager of Guolian Group is Mr. Hua Weirong.

Guolian Trust was established in January 1987, whose predecessor was Wuxi Trust Investment Company\* (無錫市信託投資公司), which was later renamed and changed into a joint stock company with limited liability with a registered capital of RMB3 billion. Guolian Trust is principally engaged in trust services, etc. The legal representative and general manager of Guolian Trust are Mr. Zhou Weiping and Mr. Zhu Wenge respectively.

Wuxi Electric was established in March 1986, whose predecessor was Wuxi Municipal Electric Power Company\* (無錫市地方電力公司), which was later renamed and changed into a limited liability company with a registered capital of RMB319.506 million. Wuxi Electric is principally engaged in the planning and operation of municipal electric system and facilities. Mr. Ma Guibin is both the legal representative and principal of Wuxi Electric.

### IV. Disclosure of Interests

As at 31 December 2019, to the knowledge of the Company's Directors after making reasonable enquiry, the following persons (not being the Directors, Supervisors or chief executives of the Company) have interests or short positions which shall be disclosed to the Company and recorded in the register required to be kept by the Company in the shares and underlying shares of the Company in accordance with Sections 2 and 3 of Part XV of the SFO and Section 336 of the SFO:

Name of Shareholders	Types of Shares	Nature of Interests	Number of Shares (Note 4)	Percentage of Total Number of Issued Shares of the Company (Note 5)	Percentage of Total Issued Domestic Shares/ H Shares of the Company (Note 5)
Guolian Group (Note1)	Domestic Shares	Beneficial Owner and Interest of Controlled Corporation	1,376,336,123 (L)	72.35%	94.29%
Guolian Trust	Domestic Shares	Beneficial Owner	390,137,552 (L)	20.51%	26.73%
Guolian Industrial (Note 2)	Domestic Shares	Interest of Controlled Corporation	266,899,445 (L)	14.03%	18.28%
Wuxi Electric	Domestic Shares	Beneficial Owner	266,899,445 (L)	14.03%	18.28%
Guolian Financial Investment (Note 3)	Domestic Shares	Interest of Controlled Corporation	73,500,000 (L)	3.86%	5.04%
Minsheng Investment	Domestic Shares	Beneficial Owner	73,500,000 (L)	3.86%	5.04%
CES Global Holdings (Hong Kong) Limited	H Shares	Beneficial Owner	52,625,000 (L)	2.77%	11.89%

## Section 7 Information of Changes of Equity (Capital) and Substantial Shareholders

Note 1: 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 Cotton Textile; and (v) 29,113,656 Domestic Shares of the Company held by Huaguang Boiler.

Note 2: 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.

Note 3: 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.

Note 4: (L) denotes long positions.

Note 5: Up to 31 December 2019 and up to the date of this report, the Company issued 1,459,760,000 Domestic Shares and 442,640,000 H Shares in total. The total number of shares is 1,902,400,000.

Save as disclosed above, as at 31 December 2019, the Company is not aware of any other persons (excluding the Directors, Supervisors and chief executives of the Company) having the interests or short positions that are required to be recorded in the register in the shares or underlying shares of the Company under Section 336 of the SFO.

## V. Purchase, Sale or Redeem of the Company's Listed Securities

During the Reporting Period, the Company and its subsidiaries did not repurchase, sale or redeem any of the listed securities of the Company.

## Section 8 Information of Directors, Supervisors, Senior Management and Staff

### I. Changes in Shareholdings and Remuneration Information of Current and Resigned Directors, Supervisors and Senior Management During the Reporting Period

Name	Position	Gender	Age	Date of commencement and completion of employment	Number of shares held (Shares)	Remuneration provided during the Reporting Period (In RMB ten thousand)	Remarks
<b>Directors</b>							
Yao Zhiyong	Chairman of the Board Non-executive Director	Male	48	13 June 2019 to 12 June 2022	-	-	-
Ge Xiaobo	Executive Director President Financial Officer	Male	49	23 October 2019 to 12 June 2022	-	328.82	-
Hua Weirong	Non-executive Director	Male	54	13 June 2019 to 12 June 2022	-	-	-
Zhou Weiping	Non-executive Director	Male	51	13 June 2019 to 12 June 2022	-	-	-
Liu Hailin	Non-executive Director	Male	42	13 June 2019 to 12 June 2022	-	-	-
Zhang Weigang	Non-executive Director	Male	57	13 June 2019 to 12 June 2022	-	-	-
Lu Yuanzhu	Independent Non-executive Director	Male	42	13 June 2019 to 12 June 2022	-	12	-
Wu Xingyu	Independent Non-executive Director	Male	43	13 June 2019 to 12 June 2022	-	12	-
Chu, Howard Ho Hwa	Independent Non-executive Director	Male	55	27 June 2019 to 12 June 2022	-	6	-
Peng Yanbao	Executive Director (Resigned) President (Resigned)	Male	53	13 June 2019 to 22 October 2019 16 June 2016 to 13 June 2019	-	29.78	Ceased to be a Director of the Company and resigned on the effective date of Mr. Ge Xiaobo's appointment, due to the expiration of his term.
Lee Pak Hay	Independent Non-executive Director (Resigned)	Male	78	13 June 2019 to 26 June 2019	-	6	Ceased to be a Director of the Company and resigned on the effective date of Mr. Chu, Howard Ho Hwa's appointment, due to the expiration of his term.

## Section 8 Information of Directors, Supervisors, Senior Management and Staff

Name	Position	Gender	Age	Date of commencement and completion of employment	Number of shares held (Shares)	Remuneration provided during the Reporting Period (In RMB ten thousand)	Remarks
<b>Supervisors</b>							
Jiang Zhiqiang	Chairman of Supervisory Committee and Shareholder Representative Supervisor	Male	49	13 June 2019 to 12 June 2022	-	146.48	-
Zhou Weixing	Shareholder Representative Supervisor	Male	57	13 June 2019 to 12 June 2022	-	-	-
Ren Jun	Shareholder Representative Supervisor	Male	41	13 June 2019 to 12 June 2022	-	-	-
Shen Ying	Employee Representative Supervisor	Female	51	13 June 2019 to 12 June 2022	-	23.46	-
Yu Lei	Employee Representative Supervisor	Female	46	13 June 2019 to 12 June 2022	-	34.72	-
<b>Senior Managements</b>							
Yang Ming	Vice President	Male	38	13 June 2019 to 12 June 2022	-	142.48	-
Wang Jie	Secretary to the Board	Male	50	13 June 2019 to 12 June 2022	-	187.88	-
Xu Faliang	Chief Compliance Officer	Male	55	13 June 2019 to 12 June 2022	-	192.48	-
Wang Jinling	Chief Information Officer	Male	45	13 June 2019 to 12 June 2022	-	217.71	-
Chen Xingjun	Chief Risk Officer	Male	38	13 June 2019 to 12 June 2022	-	125.98	-
Chen Zhiying	Chief Financial Officer (Resigned)	Female	45	16 June 2016 to 12 June 2019	-	72.40	Ceased to be the chief financial officer on 13 June 2019, due to work arrangement

- Notes:
- No Director or Supervisor of the Company had once held any shares of the Company at the beginning or at the end of the Reporting Period.
  - During the Reporting Period, the Company did not implement any equity incentive schemes for the Directors, Supervisors or senior management of the Company.
  - No non-cash remuneration was ever received by any Directors, Supervisors or senior management of the Company.
  - The remuneration of the Directors, Supervisors and senior management of the Company includes salary before tax, bonus and allowance.

## Section 8 Information of Directors, Supervisors, Senior Management and Staff

### II. Positions held by Current Directors, Supervisors and Senior Management

#### (I) Positions held in the shareholders

Name	Name of the shareholders	Position held	Date of commencement and completion of employment
Yao Zhiyong	Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司)	Vice President	March 2017 to present
Hua Weirong	Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司)	Director, President Director, President and Legal Representative	December 2015 to September 2018 September 2018 to present
Zhou Weiping	Guolian Trust Co., Ltd. (國聯信託股份有限公司)	Chairman	January 2014 to present
Liu Hailin	Jiangsu Xinfang Industrial Co., Ltd.* (江蘇新紡實業股份有限公司)	Assistant to Chairman of the Board and Deputy General Manager General Manager and Executive Director	August 2006 to April 2019 April 2019 to present
Zhou Weixing	Wuxi Weifu High-technology Co.,Ltd.* (無錫威孚高科技集團股份有限公司)	Secretary to the Board	June 2005 to present
Ren Jun	Wuxi Municipal Xinfu Group Limited* (無錫市新發集團有限公司)	Deputy General Manager	July 2016 to present

## Section 8 Information of Directors, Supervisors, Senior Management and Staff

### (II) Positions held in other companies

Name	Name of other companies	Position held	Date of commencement and completion of employment
Yao Zhiyong	Guolian Financial Holding Group Co., Limited	Chairman of the Board	March 2017 to present
	Hua Ying Securities	Chairman of the Board	May 2016 to present
	Guolian Financial Investment (國聯金融投資)	Director	July 2017 to present
Ge Xiaobo	Hua Ying Securities	Director	November 2019 to present
	Zhonghai Fund	Director	December 2019 to present
Hua Weirong	Guolian Industrial	Director, President and Legal Representative	September 2018 to present
	Guolian Financial Investment (國聯金融投資)	Chairman of the Board, President and Legal Representative	September 2018 to present
	Wuxi Guofa Asset Operation Co., Ltd.* (無錫市國發資本運營有限公司)	Chairman of the Board and Legal Representative	June 2018 to present
Zhang Weigang	Xinwu District branch office of Wuxi municipal branch of China Post Group Company* (中國郵政集團公司無錫市分公司新吳區分局)	Manager	February 2016 to present
Lu Yuanzhu	Central University of Finance and Economics (中央財經大學)	Professor	October 2011 to present
	Beijing Tianyishangjia New Material Corp., Ltd.	Independent Non-executive Director	December 2018 to present
	Beijing Global Safety Technology Co., Ltd.	Independent Non-executive Director	December 2018 to present
Wu Xingyu	Anhui Tongfeng Electronics Company Limited	Independent Director	September 2015 to March 2019
	Hubei Jumpcan Pharmaceutical Co., Ltd.	Independent Director	April 2016 to present
	Shanghai PRET Composites Co., Ltd.	Independent Director	July 2016 to present
	Beijing Tongrentang Co., Ltd.	Independent Director	June 2018 to present
	Shanying International Holdings Co., Ltd.	Vice President and Secretary to the Board	March 2019 to present
Chu, Howard Ho Hwa	Go Capital Limited	Fund partner	January 2014 to present
	BOE Varitronix Limited	Independent Non-executive Director	June 2016 to present
Jiang Zhiqiang	Zhonghai Fund	Director	November 2011 to present
Yang Ming	Guolian Capital	Chairman of the Board and General Manager	January 2018 to present



## Section 8 Information of Directors, Supervisors, Senior Management and Staff

### III. Remuneration Management Information of Directors, Supervisors and Senior Management

#### (I) Basis of Determination

The remuneration standards for Directors and Supervisors of the Company are determined in accordance with the level of the same industry and the practical situation of the Company, while the remuneration of senior management is decided by the remuneration system of the Company and is determined based on position and performance.

#### (II) Decision-making Procedures

The non-executive Directors and non-employee Supervisors of the Company do not receive any remuneration from the Company. The remuneration of independent non-executive Directors of the Company is determined by submitting to General Meetings for consideration after reviewing by the Remuneration and Nomination Committee and the Board with reference to industry average norm. The remuneration of executive Directors of the Company is determined after reviewing by the Remuneration and Nomination Committee and the Board and submitting for approval at the General Meetings. The remuneration of employee Supervisors of the Company is determined after reviewing by the Supervisory Committee and submitting for approval at General Meetings. The remuneration of senior management of the Company is determined under the remuneration assessment system of the Company and submitting to the Board of the Company for approval after the consideration and approval of the Remuneration and Nomination Committee of the Board.

#### (III) Non-cash Remuneration Information

During the Reporting Period and up to the date of this report, the Company does not have any equity incentive system. The Directors, Supervisors and senior management of the Company did not hold any shares or options of the Company through the Company's equity incentive system.

#### (IV) Information of Remuneration Payment to Directors, Supervisors and Senior Management

For details regarding the information of remuneration payment to Directors, Supervisors and senior management of the Company, please refer to the "Changes in Shareholdings and Remuneration Information of Current and Resigned Directors, Supervisors and Senior Management During the Reporting Period" under this section. The total remuneration of Directors, Supervisors and senior management of the Company in 2019 is RMB15,381,600. For the list of top five staff with highest remuneration and the category of remuneration of senior management, please refer to the note 12 to consolidated financial statements in this report.

### IV. Changes of Directors, Supervisors and Senior Management During the Reporting Period

#### (I) Changes of Directors

On 13 June 2019, the Company convened the 2018 annual General Meeting, and elected Mr. Yao Zhiyong, Mr. Ge Xiaobo, Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Liu Hailin, Mr. Zhang Weigang, Mr. Lu Yuanzhu, Mr. Wu Xingyu and Mr. Chu, Howard Ho Hwa as the Directors of the fourth session of the Board of the Company. Mr. Peng Yanbao and Mr. Lee Pak Hay, the former Directors, ceased to serve as Directors of the Company due to the expiration of their terms. Mr. Chu, Howard Ho Hwa obtained the approval for the qualification of acting as an independent director in a securities company on 27 June 2019 and commenced his office on the same day. Mr. Lee Pak Hay, the former independent non-executive Director, ceased to serve his position. Mr. Ge Xiaobo obtained the no objection letter issued by the securities regulatory authority on 23 October 2019, and commenced his office on the same day. Mr. Peng Yanbao, the former executive Director, ceased to perform his duties.

#### (II) Changes of Supervisors

On 15 May 2019, the Company convened the employee representatives meeting, and elected Ms. Shen Ying and Ms. Yu Lei as the employee representative Supervisors of the fourth session of the Supervisory Committee of the Company.

On 13 June 2019, the Company convened the 2018 annual General Meeting, and elected Mr. Jiang Zhiqiang, Mr. Zhou Weixing and Mr. Ren Jun as the shareholder representative Supervisors of the Company, who together with the employee representative Supervisors, Ms. Shen Ying and Ms. Yu Lei, constituted the fourth session of the Supervisory Committee of the Company.

#### (III) Changes of Senior Management

On 13 June 2019, the Company convened the first meeting of the fourth session of the Board, and engaged Mr. Ge Xiaobo as the president and financial officer of the Company, Mr. Yang Ming as the vice president of the Company, Mr. Wang Jie as the Secretary to the Board of the Company, Mr. Xu Faliang as the chief compliance officer of the Company, Mr. Chen Xingjun as the chief risk officer of the Company and Mr. Wang Jinling as the chief information officer of the Company. Among them, Mr. Wang Jie and Mr. Wang Jinling obtained the approvals for the qualifications on 13 June 2019 to serve as the senior management of securities companies, and commenced their offices on the same day. Mr. Yang Ming ceased to perform his duties as the Secretary to the Board. Mr. Ge Xiaobo obtained the no objection letter issued by the securities regulatory authority on 23 October 2019, and commenced his office on the same day. Mr. Yang Ming ceased to perform his duties as the chief executive officer and financial officer.

## Section 8 Information of Directors, Supervisors, Senior Management and Staff

### V. Biographies of Directors, Supervisors and Senior Management

#### (I) Directors

Mr. Yao Zhiyong (姚志勇), aged 48, is currently the chairman of the Board of the Company and became the executive Director of the Company from August 2012 to March 2017 and the non-executive Director of the Company since March 2017. Mr. Yao has approximately 25 years of experience in the financial industry, including securities and financial investment, and 19 years of experience in corporate management. Mr. Yao joined the Company in August 1994 and served successively as a sales clerk of Wuxi Securities Company\* (無錫市證券公司) (the predecessor of the Company), a floor trader stationed at Shanghai Stock Exchange and so on during the period from August 1994 to November 2000. From November 2000 to May 2009, Mr. Yao served successively as an investment manager, deputy general manager, general manager and chairman of the board in Guolian Investment Management. From January 2004 to December 2004, Mr. Yao served as a deputy general manager in the securities investment department of Guolian Group. He then worked in Guolian Financial Investment as the general manager of the strategic development department and the assistant to president successively from May 2009 to June 2012, and also concurrently worked in Wuxi Equity Exchange Co., Ltd.\* (無錫產權交易所有限公司) from January 2010 to June 2012 as an executive director and the legal representative. Mr. Yao has served as a director of Surrich International from July 2010 to July 2015 and a director of Hua Ying Securities from February 2013 to May 2016. Mr. Yao became the chairman of the board of Hua Ying Securities since May 2016 to date; a director of Guolian Financial Investment Group since July 2017 to date; the vice president of Guolian Group since March 2017 to date; the chairman of the board of Guolian Financial Holding Group Co., Limited since March 2017 to date. Mr. Yao graduated from Dalian University of Technology (大連理工大學) with a bachelor's degree majoring in environmental engineering in July 1994 and then obtained a master's degree majoring in business administration from Nanjing University (南京大學) in June 2004.

Mr. Ge Xiaobo (葛小波), aged 49, is one of the first batch of sponsor representatives of China. He is currently an executive Director, president and financial officer of the Company, and concurrently served as a director of Hua Ying Securities and a director of Zhonghai Fund. Mr. Ge joined CITIC Securities Company Limited in 1997, and previously served as the manager and senior manager of the investment banking department, deputy director of the A Shares listing office, deputy general manager and executive general manager of the risk control department, head of the trading and derivatives department, planning and finance department, risk management department, and overseas business and fixed income business, a member of the executive committee, the person-in-charge of accounting affairs and the chief risk officer. Mr. Ge concurrently served as the director of CITIC Securities International Company Limited\* (中信證券國際有限公司), CLSA B.V., China Asset Management Co., Ltd.\* (華夏基金管理有限公司), CITIC Securities Investment Company Limited\* (中信證券投資有限公司) and CITIC Private Equity Funds Management Co., Ltd.\* (中信產業投資基金管理有限公司), etc., the chairman of the international strategy committee and the vice chairman of the overseas committee of SAC. Mr. Ge obtained a bachelor's degree in engineering (majoring in fluid machinery and fluid engineering) in 1994 and a master's degree in business administration (majoring in management engineering) in 1997 from Tsinghua University respectively.

## Section 8 Information of Directors, Supervisors, Senior Management and Staff

Mr. Hua Weirong (華偉榮), aged 54, is currently the director, president and legal representative of Guolian Group and became non-executive Director of the Company since May 2008. Mr. Hua has approximately 34 years of experience in the financial industry. Mr. Hua joined the Company in January 2002 and served as a Director and the general manager of the Company from January 2002 to December 2004. Before joining the Group, Mr. Hua served in Wuxi Finance Bureau (無錫市財政局) as a clerk of the department of budget management and the department of the comprehensive planning and the deputy section chief of the department of comprehensive planning successively from July 1986 to December 1991; worked in Guolian Trust as a department manager, an assistant to general manager and a deputy general manager from January 1992 to December 2001; served as a director of Guolian Group from November 2001 to December 2004; the chairman of the board of directors of Zhonghai Fund from March 2004 to March 2007; the chairman of the board of directors of Guolian Trust from January 2005 to June 2012 and a director of China Asset Management Co., Ltd. from May 2012 to September 2013; the vice president of Guolian Group from November 2004 to December 2015. Mr. Hua has also served as a director of Wuxi Guolian Venture Capital Co., Ltd.\* (無錫國聯創業投資有限公司) from September 2008 to January 2015, and was the chairman of the board of directors from January to December 2015; a director of Wuxi Rural Commercial Bank Co., Ltd. (無錫農村商業銀行股份有限公司) from November 2008 to June 2016 and a director of Jiangsu Yixing Rural Commercial Bank Co., Ltd. (江蘇宜興農村商業銀行股份有限公司) from September 2010 to June 2016; a director and the chairman of the board of directors of Jiangsu Asset from May 2013 to March 2014 and from March 2014 to March 2017 respectively; he has served as a director of Wuxi Baolian Investment Co., Ltd.\* (無錫市寶聯投資有限公司), Wuxi Delian Investment Co., Ltd.\* (無錫市德聯投資有限公司) and Wuxi Liantai Venture Capital Co., Ltd.\* (無錫聯泰創業投資有限公司) since August 2006, June 2009 and June 2009 to March 2016 respectively; He has served as the chairman of the board of directors of Guolian Life Insurance Co., Ltd.\* (國聯人壽保險股份有限公司) from May 2015 to August 2016; and the chairman of the board of Guolian Financial Holding Group Co., Limited from March 2016 to March 2017. Mr. Hua has also served as the director and president of Guolian Financial Investment from June 2012 to September 2018; the chairman of the board, president and legal representative of Guolian Financial Investment from September 2018 to date; concurrently, the chairman of the board of directors of Wuxi Baolian Investment Co., Ltd. and Wuxi Delian Investment Co., Ltd. from March 2016 to August 2018; the chairman of Wuxi Liantai Venture Capital Co., Ltd. from March 2016 to November 2018; the director and president of Guolian Industrial from March 2016 to September 2018; and the director, president and legal representative of Guolian Industrial from September 2018 to date; the chairman of the board of Guolian Industrial Investment (國聯產投) from May 2017 to June 2018; and the chairman of the board and the legal representative of Wuxi Guofa Asset Operation Co., Ltd. since June 2018 to date. Mr. Hua graduated from Suzhou University (蘇州大學) with a bachelor's degree in economics majoring in finance in July 1986 and then obtained an executive master's degree of business administration from Cheung Kong Graduate School of Business (長江商學院) in October 2009. Mr. Hua qualified as a senior accountant by Human Resource Bureau of Jiangsu Province in November 2004.

## Section 8 Information of Directors, Supervisors, Senior Management and Staff

Mr. Zhou Weiping (周衛平), aged 51, is currently the chairman of the board of Guolian Trust and became non-executive Director of the Company since June 2016. Mr. Zhou served as an accountant at Wuxi Mineral Exploration Machinery Factory\* (無錫市探礦機械總廠) from August 1991 to March 1993; the finance manager at Wuxi Hengda Securities Co., Ltd.\* (無錫恆達證券公司) from March 1993 to February 1996; the deputy manager of Shanghai Handan Road Branch of Wuxi Trust Investment Co., Ltd.\* (無錫市信託投資公司) from February 1996 to May 1997; deputy manager and manager of Kaixin Securities Branch of Wuxi Trust Investment Co., Ltd. from May 1997 to December 2001 successively; general manager of Xianqiandong Street Branch of the Company from January 2002 to December 2002; general manager of Brokerage Department of the Company from January 2003 to May 2003; general manager of Wuxi Guolian Futures Brokerage Co., Ltd.\* (無錫國聯期貨經紀有限公司) from May 2003 to January 2008; the finance manager of Guolian Group and chairman of the board of Wuxi Guolian Futures Brokerage Co., Ltd. from February 2008 to March 2013; acted as the executive director, president, chief executive officer and chief financial officer of Suntech Power Holdings Co., Ltd. from March 2013 to December 2013. Mr. Zhou graduated from Southeast University (東南大學) with a master's degree in business administration in March 2002.

Mr. Liu Hailin (劉海林), aged 42, is currently the general manager and executive director of Jiangsu Xinfang and became the non-executive Director of the Company since May 2008. Mr. Liu has approximately 19 years of experience in corporate management. He consecutively served in Jiangsu Xinfang as a technician, the head of workshop and a deputy general manager from August 2000 to July 2006. Mr. Liu obtained a bachelor's degree of management majoring in accounting from Jiangnan University (江南大學) in January 2008.

Mr. Zhang Weigang (張偉剛), aged 57, is currently the manager of Xinwu District branch office of Wuxi municipal branch of China Post Group Company\* (中國郵政集團公司無錫市分公司新吳區分局) and became the non-executive Director of the Company since February 2016, and has over 24 years of experience in management. During the period from November 1998 to December 2003, Mr. Zhang served as the director of Xinan Center Branch of Wuxi Postal Office\* (無錫郵政局錫南中心局), the manager of the property company and the general manager of Wuxi Postal Communication Development Company\* (無錫郵政局通信發展公司) and the deputy director of the management service department and the multi-function department, the director of the telecommunication business department of Wuxi Postal Office and general manager of Wuxi Postal Communication Development Company; he acted as the general manager of Wuxi Jinhong Telecommunications Group Co., Ltd.\* (無錫金鴻通信集團有限公司) from December 2003 to July 2015; he acted as the director of the logistics service center of Wuxi municipal branch of China Post Group Company from July 2015 to February 2016. Before that, he served as the director of branch offices of Wuxi Postal Office. Mr. Zhang obtained a bachelor's degree in management engineering from Nanjing Forestry University in July 2001.



## Section 8 Information of Directors, Supervisors, Senior Management and Staff

Mr. Lu Yuanzhu (盧遠矚), aged 42, is currently a professor at the China Economics and Management Academy of the Central University of Finance and Economics and became independent non-executive Director of the Company since March 2017. Mr. Lu serves at the China Economics and Management Academy of the Central University of Finance and Economics and was an assistant professor from September 2006 to February 2007; and an associate professor from March 2007 to September 2011. Mr. Lu acted as an independent non-executive director of eFuture Holding Inc. (北京富基融通科技有限公司) between March 2016 and January 2017. Mr. Lu acted as an independent non-executive director of Beijing Tianyishangjia New Material Corp., Ltd. since December 2018 and an independent non-executive director of Beijing Global Safety Technology Co., Ltd. since December 2018. Mr. Lu graduated from the National University of Singapore in April 2007 with a doctoral degree in economics.

Mr. Wu Xingyu (吳星宇), aged 43, is currently the vice president and secretary to the board of Shanying International Holdings Co., Ltd. (山鷹國際控股股份公司) and acted as the independent non-executive Director of the Company since November 2018. Mr. Wu worked in the Settlement Division of China Foreign Exchange Trade System from March 2000 to March 2001, consecutively served as the manager, senior manager and executive manager of the First Listing Companies Supervision Department of Shanghai Stock Exchange from March 2001 to July 2013. Mr. Wu Xingyu served as deputy general manager and chief financial officer in Nanjing Aotecar New Energy Technology Co., Ltd. (南京奧特佳新能源科技有限公司) from July 2013 to October 2018 and worked as deputy general manager and chief financial officer in Aotecar New Energy Technology Co., Ltd. (奧特佳新能源科技股份有限公司) (stock code: 002239) from June 2015 to October 2018. Mr. Wu held independent directorships in Anhui Tongfeng Electronics Company Limited (安徽銅峰電子股份有限公司) (stock code: 600237) from September 2015 to March 2019, in Hubei Jumpcan Pharmaceutical Co., Ltd. (湖北濟川藥業股份有限公司) (stock code: 600566) since April 2016, in Shanghai PRET Composites Co., Ltd. (上海普利特複合材料股份有限公司) (stock code: 002324) since July 2016 and in Beijing Tongrentang Co., Ltd. (北京同仁堂股份有限公司) (stock code: 600085) since June 2018 respectively. Mr. Wu Xingyu graduated from Shanghai University of Finance and Economics in 2000 and obtained a master's degree in management, majored in accounting. He received his master of business administration degree in Arizona State University, USA in 2011. Mr. Wu Xingyu holds the certificate of Chinese Public Accountant, the PRC lawyer's qualification certificate and USA Chartered Financial Analyst (CFA) certificate.

Mr. Chu, Howard Ho Hwa (朱賀華), aged 55, is currently a fund partner of Go Capital Limited and an independent non-executive director of BOE Varitronix Limited (0710.HK). Mr. Chu has extensive business and corporate governance experience. Mr. Chu was the corporate finance director of ABN AMRO Asia Corporate Finance Ltd. from 1992 to 1999, and the co-CEO and co-founder of Hong Kong MyRice.com from November 1999 to January 2001. Subsequently, he served as the director of HSBC Investment Bank from February 2001 to February 2006, and the chief investment officer of Shanghai Century Acquisition Corporation from March 2006 to September 2008, and the chairman's assistant of United Energy Group Limited (0467.HK) from October 2008 to August 2009. Mr. Chu was also the chief financial officer of Trony Solar (2468. HK, delisted) from July 2009 to October 2011, the independent non-executive director of Directel Holdings Limited (8337.HK) from May 2010 to June 2016, the independent non-executive director of China Kingstone Mining Holdings Limited (1380.HK) from September 2010 to May 2012, the chief financial officer of China Smart Electric Group Limited (中國智能電氣集團有限公司) from March 2012 to June 2012, the independent non-executive director of Weichai Power Co., Ltd. (2338.HK) from June 2012 to June 2015 and the chief executive officer of mReferral Corporation (HK) Limited from 2012 to February 2018. Mr. Chu obtained a bachelor degree of science from the University of Rochester in 1986 and a master degree of business administration from the Columbia University in 1990 respectively.

## Section 8 Information of Directors, Supervisors, Senior Management and Staff

### (II) Supervisors

Mr. Jiang Zhiqiang (江志強), aged 49, is the chairman of the Supervisory Committee of the Company since March 2017. Mr. Jiang served successively as the manager of the Securities Investment Department, the general manager of the Securities Branches, the general manager of Wealth Management Center, the general manager of the Asset Management Department, the assistant to president and the vice president of the Company from October 1993 to January 2017. Mr. Jiang has been a director of Zhonghai Fund since November 2011. Mr. Jiang graduated from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) with a bachelor's degree in engineering majoring in instrument and testing system in July 1993 and obtained a master's degree of business administration from Southeast University (東南大學) in April 2005.

Mr. Zhou Weixing (周衛星), aged 57, is currently the secretary to the board of directors and the director of the board office of Wuxi Weifu High-technology Co., Ltd.\* (無錫威孚高科技集團股份有限公司, "Weifu High-technology") and has been a shareholder representative Supervisor of the Company since August 2013. Mr. Zhou successively served as the deputy director, director and the securities representative of the securities department in Weifu High-technology since December 1993. Mr. Zhou graduated from Jilin University (吉林大學) with a bachelor's degree in economics majoring in national economic management in July 1985.

Mr. Ren Jun (任俊), aged 41, currently serves as the deputy general manager of Wuxi Municipal Xinfu Group Limited (無錫市新發集團有限公司), and the shareholder representative Supervisor of the Company since March 2017. Mr. Ren has served successively as the corporate accountant, customer manager and the head of consumer finance at Wuxi Municipal Commercial Bank (無錫市商業銀行) from July 1996 to September 2003; the assistant to general manager and head of human resources department at Wuxi Jinbawang Motorcycle Technology Co., Ltd. (無錫金霸王機車科技有限公司) from September 2005 to July 2007; the executive deputy general manager at Jiangsu Jinshan Information Industry Company Limited (江蘇金山信息產業有限公司) from July 2007 to July 2008; the deputy general manager at Wuxi Zhushang HiTech. Logistics Co., Ltd. (無錫住商高新物流有限公司) from July 2008 to July 2010; the vice-chairman of the Wuxi New District Federation of Trade Unions (無錫市新區總工會) from July 2010 to July 2016. Mr. Ren graduated from Shanghai Jiao Tong University in July 2005 with a master's degree in business administration.



## Section 8 Information of Directors, Supervisors, Senior Management and Staff

Ms. Shen Ying (沈穎), aged 51, currently acts as the audit manager of the Audit and Supervision Department of the Company and became the employee representative Supervisor of the Company since June 2016. Ms. Shen was a personnel of the financial department of Wuxi Mechanical and Electrical Equipment Co., Ltd.\* (無錫市機電設備有限公司) from July 1987 to March 1994. Ms. Shen then consecutively acted as the financial manager of several securities branches and the financial head of Financial and Accounting Department of the Company since April 1994. Ms. Shen graduated from Southwest University of Science and Technology with a bachelor's degree in June 2006 and also owns the intermediate accountant certificate.

Ms. Yu Lei (虞蕾), aged 46, currently acts as the responsible person for the accounting division of the Financial and Accounting Department of the Company and became the employee representative Supervisor of the Company since June 2016. Ms. Yu consecutively acted as the accountant of the Securities Branch, the audit person of the Audit Department, the financial manager of the Securities Branch and the general accountant of the Financial and Accounting Department of the Company from July 1993 to December 2014. Ms. Yu graduated from Shanghai University of Finance and Economics with a bachelor's degree in July 2000 and also owns the intermediate accountant certificate.

### (III) Senior Management

Mr. Yang Ming (楊明), aged 38, is currently the vice president of the Company and the chairman and general manager of Guolian Capital. Mr. Yang served as the investment manager of Shenyin & Wanguo Securities Co., Ltd. from May 2008 to August 2010; fund manager of Da Cheng Fund Management Co., Ltd. from August 2010 to June 2011; the department manager and investment manager of Fortune SG Fund Management Co., Ltd.\* (華寶興業基金管理有限公司) from June 2011 to January 2014. He was also senior vice president for business of Taiping Asset Management Company Limited from February 2014 to June 2016. Mr. Yang graduated from the University of Durham, UK and obtained a master's degree in finance and investment in January 2008.

Mr. Wang Jie (王捷), aged 50, is currently the secretary to the Board of the Company. He once served as the director of the human resources department, executive general manager, managing director and head of department administration in CITIC Securities Company Limited, the assistant to general manager of the president office in CITIC Holdings Co., Ltd., the director of human resources in CITIC Securities (Shandong) Co., Ltd. and a senior partner of Shanghai Corplution Consulting (上海愷訊諮詢公司). From January 2019 to date, he is the general manager of the human resources department of the Company. Mr. Wang Jie obtained a bachelor's degree of engineering in management information system from Beijing Jiaotong University in July 1991, and a master's degree in finance from Renmin University of China in July 2003.

Mr. Xu Faliang (徐法良), aged 55, is currently the chief compliance officer of the Company. Mr. Xu served as the financial manager, the deputy general manager and the general manager of the Securities Branch of the Company from March 1993 to December 2005, and subsequently acted as the general manager of Audit Department of the Company from January 2006 to December 2015. He has also been the chief compliance officer of Hua Ying Securities from the date of its establishment to February 2012 and since September 2013 to November 2016. Prior to that, he also served as the chairman of its supervisory committee of Guolian Futures. Mr. Xu obtained a bachelor's degree in finance from Central Radio & Television University (中央廣播電視大學) in October 2005.

## Section 8 Information of Directors, Supervisors, Senior Management and Staff

Mr. Wang Jinling (汪錦嶺), aged 45, is currently the chief information officer of the Company. He once served as the clerk of Anhui Chaohu Branch of China Construction Bank Corporation, the associate researcher of NEC China Research Institute, the assistant to departmental general manager of PICC Life Insurance Company Limited, the researcher of CSRC, the deputy of the information technology center and executive general manager in CITIC Securities Co., Ltd.. Mr. Wang obtained a bachelor's degree of economics in information management from Hunan College of Finance and Economics (incorporated into Hunan University) in 1994, a master's degree of economics in industrial economics from the Central University of Finance and Economics in 2002 and a doctoral degree of engineering in computer software and theory from the Institute of Software Chinese Academy of Sciences in 2005.

Mr. Chen Xingjun (陳興君), aged 38, is currently the chief risk officer and general manager of the Risk Management Department of the Company. Mr. Chen has served as the accounting and financial manager in Guolian Group from August 2003 to November 2007. He has served as the general manager of the financial department of Guolian Futures from December 2007 to December 2009. Mr. Chen acted successively as the general manager of the Financial and Accounting Department, financial officer and chief risk officer of the Company from January 2010 to March 2015. He has served as the assistant to general manager of the Financial and Accounting Department of Guolian Group from April 2015 to December 2016. Mr. Chen worked as the assistant to the general manager of Guolian Finance Co., Ltd.\* (國聯財務有限責任公司) from April 2015 to December 2016. He served as the chairman of the Supervisory Committee of the Company from June 2016 to December 2016. Mr. Chen served as the chief risk officer of Guolian Capital from June 2017 to December 2018. Mr. Chen served as the director of Wuxi Micro-nano Industry and Development Limited (無錫微納產業發展有限公司), director of Jiangsu Little Swan Group Co. Ltd. (江蘇小天鵝集團有限公司), director of Wuxi Guolian Investment Management Consulting Co., Ltd.\* (無錫市國聯投資管理諮詢有限公司), director of Jiangsu Taihu Digital Publishing Limited (江蘇太湖數字出版有限公司), supervisor of Wuxi Citizen Card Limited (無錫市民卡有限公司) and chairman of the supervisory committee of Jiangsu Asset. Mr. Chen graduated from Nanjing Audit University (南京審計學院) with a bachelor's degree in auditing in June 2003.

## Section 8 Information of Directors, Supervisors, Senior Management and Staff

### VI. Information about Staff and Remuneration of the Company and Major Subsidiaries

#### (I) Number and Composition of Staff of the Company

As at the end of the Reporting Period, the Company had a total of 1,316 staff, the composition of which is as follows:

Item		Headcount	Percentage
Professional structure	Research personnel	38	2.89%
	Brokerage business personnel	832	63.22%
	Assets management business personnel	59	4.48%
	Securities investment, equity derivatives and fixed income	29	2.20%
	Financial personnel	62	4.71%
	Information technology personnel	85	6.46%
	Audit, compliance, legal and risk control	40	3.04%
	Operation, custody and liquidation	44	3.34%
	Credit transaction	7	0.53%
	Institutions business	61	4.64%
	Internet finance business	23	1.75%
	Administrative management	35	2.66%
	Others	1	0.08%
	Total staff	1,316	100.00%
Education standard	College Degree or below	76	5.77%
	Bachelor's Degree	876	66.57%
	Master's Degree	359	27.28%
	Doctoral Degree	5	0.38%
	Total staff	1,316	100.00%

## Section 8 Information of Directors, Supervisors, Senior Management and Staff

### (II) Number and Composition of Staff in the Subsidiary, Hua Ying Securities

As at the end of the Reporting Period, the Hua Ying Securities had a total of 276 staff, the composition of which is as follows:

Item		Headcount	Percentage
Professional structure	Investment bank personnel	242	87.68%
	Financial personnel	5	1.81%
	Information technology personnel	2	0.72%
	Human Resources and Administration and Compliance personnel	23	8.33%
	Company Management	4	1.45%
	Total staff	276	100.00%
Education standard	College Degree or below	11	3.99%
	Bachelor's Degree	85	30.80%
	Master's Degree	177	64.13%
	Doctoral Degree	3	1.09%
	Total staff	276	100.00%

### (III) Number and Composition of Staff in the Subsidiary, Guolian Capital

As at the end of the Reporting Period, Guolian Capital had a total of 5 staff, the composition of which is as follows:

Item		Headcount	Percentage
Professional structure	Human Resources and Administration and Compliance personnel	1	20.00%
	Sales personnel	4	80.00%
	Total staff	5	100.00%
Education standard	Bachelor's Degree	3	60.00%
	Master's Degree	2	40.00%
	Total staff	5	100.00%

## Section 8 Information of Directors, Supervisors, Senior Management and Staff

### (IV) Staff Remuneration

Please refer to Section 10 “Environmental, Social and Governance Report” of this report for details.

## VII. Information about Customer Solicitation and Customer Service of Commission Brokers

As of 31 December 2019, 70 branches of the Company have commissioned securities brokers to engage businesses, such as customer solicitation and so on, and 465 brokers in total have signed Securities Brokers Agency Contract (《證券經紀人委託代理合同》) with the Company.

The Company keeps on tracking and managing the entire process of brokers business through well-established systems and operational procedures. In 2019, in response to the regulatory changes and the needs of business development, the Company strengthened abnormal transaction monitoring, updated customer return feedback management, improved the management manual, strengthened the training and management on brokers by branches, and enhanced the compliance awareness of brokers in conducting business. The Company conducted regular self-inspection and special inspection to ensure the normativity and effectiveness of the management.

During the Reporting Period, each of the branches of the Company has strictly conducted securities broker business pursuant to the rules and regulations of the Company and no non-compliance event has been found. The broker team played an important role in channel expansion and customer development which have met desirable expectation.

## Section 9 Corporate Governance Report

The Company has adopted various policies to ensure compliance with the code provisions of CG Code under Appendix 14 of the Listing Rules.

### I. Corporate Governance Overview

As a company established in the mainland of China in which its H Shares are listed in Hong Kong, the Company has operated in strict compliance with 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, Board, Supervisory Committee, and the management have their powers separated for checks and balances and perform their respective duties, so as to ensure regulated operation of the Company. The convening and voting procedures for General Meetings and meetings of the Board and Supervisory Committee are legal and valid; the information disclosed by the Company is true, accurate and complete and is disclosed in time; the management of investor relations is efficient and practical; and the corporate governance is based on scientific, rigorous and normative procedures. As at the end of the Reporting Period, the Company has strictly complied with and observed all the provisions and principles of the CG Code and satisfied with most of the requirements for recommended best practices specified in the CG Code.

### II. General Meetings, Board Meetings, Supervisory Committee Meetings and Resolutions during the Reporting Period

During the Reporting Period, the Company convened the 2018 annual General Meeting, the first class meeting for domestic shareholders for the year 2019, the first class meeting for H shareholders for the year 2019, six Board meetings and four Supervisory Committee meetings.

### (I) General Meetings

#### 1. The 2018 Annual General Meeting

The 2018 annual General Meeting was convened on 13 June 2019, which considered and approved the followings: Report of the Board of Guolian Securities for the Year 2018 (《國聯證券2018年度董事會報告》), Report of the Supervisory Committee of Guolian Securities for the Year 2018 (《國聯證券2018年度監事會報告》), Annual Report of Guolian Securities for the Year 2018 (《國聯證券2018年年度報告》), Final Accounts Report of Guolian Securities for the Year 2018 (《國聯證券2018年度財務決算報告》), Profit Distribution Plan of Guolian Securities for the Year 2018 (《國聯證券2018年度利潤分配方案》), Remuneration Plan of Directors of Guolian Securities for the Year 2018 (《國聯證券2018年度董事薪酬方案》), Remuneration Plan of Supervisors of Guolian Securities for the Year 2018 (《國聯證券2018年度監事薪酬方案》), Resolution on the Re-appointment of Audit Institutions of the Company for the Year 2019 (《關於續聘公司2019年度審計機構的議案》), Resolution on the Securities Proprietary Business Scale for the Year 2019 (《2019年度證券自營業務規模》), Election of Directors for the fourth session of the Board (《選舉第四屆董事會董事》), Election of Shareholder representative Supervisors for the fourth session of the Supervisory Committee (《選舉第四屆監事會股東代表監事》), Amendments to the Articles of Association (《修訂公司章程》), Amendments to the rules of procedures of the Board (《修訂董事會議事規則》), General Mandate to Issue Domestic Shares and/or H Shares (《發行內資股及/或H股一般性授權》), Extension of the Validity Period of the Resolutions relating to the Initial Public Offering and Listing of A Shares (《延長首次公開發行A股股票並上市的決議有效期》), Extension of the Validity Period of Authorisations Granted to the Board by the General Meeting to Deal with Matters relating to the Initial Public Offering and Listing of A Shares (《延長股東大會對董事會辦理首次公開發行A股股票並上市相關事宜的授權有效期》), Formulation of Profit Distribution Policy (《制定利潤分配政策》), Duty Report of the Independent Non-executive Directors of Guolian Securities Co., Ltd. for the Year 2018 (Non-voting matters) (《國聯證券2018年度獨立非執行董事述職報告》(非表決項)).

#### 2. The First Class Meeting for Domestic Shareholders for the Year 2019

The first class meeting for domestic shareholders for the year 2019 was convened on 13 June 2019, which considered and approved the followings: Extension of the Validity Period of the Resolutions relating to the Initial Public Offering and Listing of A Shares (《延長首次公開發行A股股票並上市的決議有效期》), Extension of the Validity Period of Authorisations Granted to the Board by the General Meeting to Deal with Matters relating to the Initial Public Offering and Listing of A Shares (《延長股東大會對董事會辦理首次公開發行A股股票並上市相關事宜的授權有效期》).



## Section 9 Corporate Governance Report

### 3. The First Class Meeting for H Shareholders for the Year 2019

The first class meeting for H shareholders for the year 2019 was convened on 13 June 2019, which considered and approved the followings: Extension of the Validity Period of the Resolutions relating to the Initial Public Offering and Listing of A Shares (《延長首次公開發行A股股票並上市的決議有效期》), Extension of the Validity Period of Authorisations Granted to the Board by the General Meeting to Deal with Matters relating to the Initial Public Offering and Listing of A Shares (《延長股東大會對董事會辦理首次公開發行A股股票並上市相關事宜的授權有效期》).

## (II) Board Meetings

### 1. The Twenty-fifth Meeting of the Third Session of the Board

The twenty-fifth meeting of the third session of the Board was convened on 27 March 2019, which considered and approved the followings: Report of the Board of Guolian Securities Co., Ltd. for the Year 2018 (《國聯證券股份有限公司2018年度董事會工作報告》), Annual Report of Guolian Securities Co., Ltd. for the Year 2018 (《國聯證券股份有限公司2018年年度報告》), Report of the President of Guolian Securities Co., Ltd. for the Year 2018 (《國聯證券股份有限公司2018年度總裁工作報告》), Final Accounts Report of Guolian Securities Co., Ltd. for the Year 2018 (《國聯證券股份有限公司2018年度財務決算報告》), Profit Distribution Proposal of Guolian Securities Co., Ltd. for the Year 2018 (《國聯證券股份有限公司2018年度利潤分配預案》), Resolution on the Re-appointment of Audit Institution of the Company for the Year 2019 (《關於續聘公司2019年度審計機構的議案》), Resolution on Changes in Accounting Policies (《關於會計政策變更的議案》), Internal Control Self-Assessment Report of Guolian Securities Co., Ltd. for the Year 2018 (《國聯證券股份有限公司2018年度內部控制的自我評價報告》), Report on Compliance Management of Guolian Securities Co., Ltd. for the Year 2018 (《國聯證券股份有限公司2018年度合規管理工作報告》), Assessment Report for the Compliance Director of the Board of Guolian Securities for the Year 2018 (《國聯證券董事會關於2018年度合規總監的考核報告》), Resolution on the Proposal for Considering the Special Audit Report on Major Related Party Transactions of the Company for the Year 2018 (《關於提請審議公司2018年度重大關聯交易專項審計報告的議案》), Resolution on the Determination of the Principal Business Scale Limit of the Company for the Year 2019 (《關於確定公司2019年度主要業務規模限額的議案》), Risk Management Report of Guolian Securities Co., Ltd. for the Year 2018 (《國聯證券股份有限公司2018年度風險管理報告》), Resolution on the Remuneration Distribution of Directors and Senior Management of Guolian Securities Co., Ltd. for the Year 2018 (《國聯證券股份有限公司2018年度董事、高管薪酬分配議案》), Resolution on the Cancellation of the OTC Marketing Department of the Company (《關於撤銷公司場外市場部的議案》), Resolution on the Alternative Cities for New Establishment of Branches of the Company for the Year 2019 (《關於公司2019年新設網點備選城市的議案》), Resolution on the General mandate to issue Domestic Shares and/or H Shares (《關於發行內資股及/或H股一般性授權的議案》), Resolution on the Amendments to “Articles of Association” and its attachments and Synchronous Amendments to “Articles of Association” and its attachments (A+H Shares, draft) (《關於修訂<公司章程>及其附件和同步修訂<公司章程>及其附件(A+H股·草案)的議案》), Resolution on the

## Section 9 Corporate Governance Report

Amendments to “Terms of Reference of the Audit Committee of the Board” (《關於修訂<董事會審計委員會職權範圍及程序>的議案》), Resolution on the Amendments to “Terms of Reference of the Remuneration and Nomination Committee of the Board” (《關於修訂<董事會薪酬及提名委員會職權範圍及程序>的議案》), Resolution on the Amendments to “Board Diversity Policy”(《關於修訂<董事會成員多元化政策>的議案》), Resolution on the Amendments to “Terms of Reference of the Board on Corporate Governance Duties” (《關於修訂<董事會有關企業管治職責的職權範圍>的議案》), Resolution on the Amendments to “Independent Director System of Guolian Securities Co., Ltd.” (《關於修訂<國聯證券股份有限公司獨立董事制度>的議案》), Resolution on the Formulation of Profit Distribution Policies of the Company (《關於制訂公司利潤分配政策的議案》), Resolution on Considering the Financial Statements of the Company for Recent Three Years (《關於審議公司最近三年財務報表的議案》), Resolution on Confirming the Connected Transactions of the Company for Recent Three Years (《關於確認公司最近三年關聯交易的議案》), Resolution on Considering the Explanation of Tax Payment for Major Tax Category of the Company (《關於審議公司關於主要稅種納稅情況的說明的議案》), Resolution on Considering the Nonrecurring Profit or Loss Items of the Company for Recent Three Years (《關於審議公司最近三年非經常性損益明細表的議案》), Resolution on Considering the Difference in Comparison and Explanation of the Original Financial Statements and the Reported Financial Statements for Recent Three Years of the Company (《關於審議公司關於最近三年原始財務報表與申報財務報表差異比較及說明的議案》), Resolution on Considering the Special Report in relation to the Use of Proceeds of the Company Raised Previously (《關於審議公司關於前次募集資金使用情況的專項報告的議案》), Resolution on Considering the Monitoring Statement of Risk Control Indicators as at 31 December 2018 of the Company (《關於審議公司2018年12月31日風險控制指標監管報表的議案》), Resolution on the Extension of the Validity Period of the Resolutions relating to the Initial Public Offering and Listing of A Shares of the Company (《關於延長公司首次公開發行A股股票並上市股東大會決議有效期的議案》), Resolution on the Extension of the Validity Period of Authorisations Granted to the Board by the General Meeting to Deal with Matters relating to the Initial Public Offering and Listing of A Shares (《關於延長股東大會對董事會辦理首次公開發行A股股票並上市具體事宜的授權有效期的議案》), Resolution on Convening the General Meeting and Class Meeting for the Year 2018 (《關於召開2018年年度股東大會及類別股東大會的議案》).

## Section 9 Corporate Governance Report

### 2. The Twenty-sixth Meeting of the Third Session of the Board

The twenty-sixth meeting of the third session of the Board was convened on 26 April 2019, which considered and approved the followings: Resolution on the Nomination of Members of the Fourth Session of the Board of Guolian Securities Co., Ltd. (《關於提名國聯證券股份有限公司第四屆董事會成員的議案》), Resolution on the Appointment of Chief Information Officer (《關於聘任首席信息官的議案》).

### 3. The First Meeting of the Fourth Session of the Board

The first meeting of the fourth session of the Board was convened on 13 June 2019, which considered and approved the followings: Resolution on the Election of Mr. Yao Zhiyong as the Chairman of the Fourth Session of the Board of the Company (《關於選舉姚志勇先生為公司第四屆董事會董事長的議案》), Resolution on Election of the Members of the Fourth Session of the Board Committee (《關於選舉第四屆董事會專門委員會成員的議案》), Resolution on the Appointment of the President, Secretary to the Board, Compliance Director and Chief Risk Officer (《關於聘任公司總裁、董事會秘書、合規總監及首席風險官的議案》), Resolution on the Appointment of Other Senior Management of the Company (《關於聘任公司其他高級管理人員的議案》), Resolution on Standardized Rectification of Publicly-offered Large Collective Products (《關於公募大集合產品規範整改的議案》), Resolution on the Amendments to “Basic Audit and Supervision System of Guolian Securities”(《關於修訂<國聯證券審計監察基本制度>的議案》).

## Section 9 Corporate Governance Report

### 4. The Second Meeting of the Fourth Session of the Board

The second meeting of the fourth session of the Board was convened on 28 August 2019, which considered and approved the followings: Report of the President of Guolian Securities Co., Ltd. for the First Half Year of 2019 (《國聯證券股份有限公司2019年上半年度總裁工作報告》), 2019 Interim Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2019年中期報告》), 2019 Interim Report on Compliance Management of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2019年中期合規管理工作報告》), Resolution on Considering the Financial Statements of the Company for Recent Three Years and First Quarter (《關於審議公司最近三年及一期財務報表的議案》), Resolution on Confirming the Connected Transactions of the Company for Recent Three Years and First Quarter (《關於確認公司最近三年及一期關聯交易的議案》), Resolution on Considering the Explanation of Tax Payment for Major Tax Category of the Company (《關於審議公司關於主要稅種納稅情況的說明的議案》), Resolution on Considering Non-recurring Profit or Loss Items of the Company for Recent Three Years and First Quarter (《關於審議公司最近三年及一期非經常性損益明細表的議案》), Resolution on Considering the Difference in Comparison and Explanation of the Original Financial Statements and the Reported Financial Statements for Recent Three Years and First Quarter of the Company (《關於審議公司關於最近三年及一期原始財務報表與申報財務報表差異比較表及說明的議案》), Resolution on Considering the Special Report in relation to the Use of Proceeds of the Company Raised Previously (《關於審議公司關於前次募集資金使用情況專項報告的議案》), Resolution on Considering the Internal Control Evaluation Reports Relevant to the Financial Statements as at 30 June 2019 of the Company (《關於審議國聯證券股份有限公司關於2019年6月30日與財務報表相關的內部控制評價報告的議案》), Resolution on Considering the Monitoring Statement of Risk Control Indicators as at 30 June 2019 of the Company (《關於審議公司2019年6月30日風險控制指標監管報表的議案》), Resolution on Establishing an Equity Derivatives Business Department and Applying for Income Swap Business Qualifications (《關於設立股權衍生品業務部並申請收益互換業務資格的議案》), Resolution on Establishing a Fixed Income Department (《關於設立固定收益部的議案》), Resolution on Determining the Maximum Amount of Transactions between the Company and Particular Related Parties (《關於確定公司與特定關聯方交易金額上限的議案》), Resolution on the Implementation of Professional Manager System and Tenure Assessment (《關於實行職業經理人制度及任期考核的議案》).

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### 5. The Third Meeting of the Fourth Session of the Board

The third meeting of the fourth session of the Board was convened on 21 November 2019, which considered and approved the followings: Resolution on the Amendments to the Articles of Association (《關於修訂公司章程的議案》), Resolution on the Amendments to the “Information Disclosure Management System of Guolian Securities Co., Ltd.” (《關於修訂〈國聯證券股份有限公司信息披露事務管理制度〉的議案》), Resolution on the Estimated Ordinary Related Party Transactions of the Company for the Year 2020 (《關於預計公司2020年度日常關聯交易的議案》), Resolution on the Authorization for Debt Financing (《關於開展債務融資工作授權的議案》), Resolution on the Amendments to the “Professional Manager System” (《關於修訂〈職業經理人制度〉的議案》), Resolution on the Appointment of Senior Management (《關於聘任高級管理人員的議案》), Resolution on Convening the First Extraordinary General Meeting for the year 2020 of the Company (《關於召開公司2020年第一次臨時股東大會的議案》).

### 6. The Fourth Meeting of the Fourth Session of the Board

The fourth meeting of the fourth session of the Board was convened on 17 December 2019, which considered and approved the followings: Resolution on the Agreement to appoint Hua Ying Securities as Lead Underwriter of Special Bailout Corporate Bonds of Jiangsu Asset (《關於同意華英證券擔任江蘇資產紓困專項公司債券主承銷商的議案》), Resolution on the Cancellation of the Custody Business Department (《關於撤銷託管業務部的議案》).

### (III) Supervisory Committee Meetings

#### 1. The Eleventh Meeting of the Third Session of the Supervisory Committee

The eleventh meeting of the third session of the Supervisory Committee was convened on 27 March 2019, which considered and approved the followings: Annual Report of Guolian Securities Co., Ltd. for the Year 2018 (《國聯證券股份有限公司2018年年度報告》), Profit Distribution Proposal of Guolian Securities Co., Ltd. for the Year 2018 (《國聯證券股份有限公司2018年度利潤分配議案》), Internal Control Self-Assessment Report of Guolian Securities Co., Ltd. for the Year 2018 (《國聯證券股份有限公司2018年度內部控制的自我評價報告》), Report on the Compliance Management of Guolian Securities Co., Ltd. for the Year 2018 (《國聯證券股份有限公司2018年度合規管理工作報告》), Annual Risk Management Report of Guolian Securities Co., Ltd. for the Year 2018 (《國聯證券股份有限公司2018年風險管理年度報告》), Resolution on the Proposal for Considering the Special Audit Report on Major Related Party Transactions of the Company for the Year 2018 (《關於提請審議公司2018年度重大關聯交易專項審計報告的議案》), Resolution on the Changes in Accounting Policies (《關於會計政策變更的議案》), Resolution on the Formulation of Profit Distribution Policies of the Company (《關於制訂公司利潤分配政策的議案》), Report of the Supervisory Committee of Guolian Securities Co., Ltd. for the Year 2018 (《國聯證券股份有限公司2018年度監事會工作報告》), Resolution on the Remuneration Distribution of Supervisors of Guolian Securities Co., Ltd. for the Year 2018 (《國聯證券股份有限公司2018年度監事薪酬分配議案》).

#### 2. The Twelfth Meeting of the Third Session of the Supervisory Committee

The twelfth meeting of the third session of the Supervisory Committee was convened on 26 April 2019, which considered and approved the followings: Resolution on the Nomination of Members of the Fourth Session of the Supervisory Committee of the Guolian Securities Co., Ltd. (《關於提名國聯證券股份有限公司第四屆監事會成員的議案》).

#### 3. The First Meeting of the Fourth Session of the Supervisory Committee

The first meeting of the fourth session of the Supervisory Committee was convened on 13 June 2019, which considered and approved the followings: Resolution on the Election of Mr. Jiang Zhiqiang as the Chairman of the Supervisory Committee of the Company (《關於選舉江志強先生為公司監事會主席的議案》).



## Section 9 Corporate Governance Report

### 4. The Second Meeting of the Fourth Session of the Supervisory Committee

The second meeting of the fourth session of the Supervisory Committee was convened on 28 August 2019, which considered and approved the followings: 2019 Interim Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2019年中期報告》), 2019 Interim Report on Compliance Management of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2019年中期合規管理工作報告》), Resolution on Determining the Maximum Transaction Amount between the Company and Specific Related Parties (《關於確定公司與特定關聯方交易金額上限的議案》), Resolution on Confirming the Connected Transactions of the Company for Recent Three Years and First Quarter (《關於確認公司最近三年及一期關聯交易的議案》).

## III. Board of Directors

### Composition of the Board

As at the end of the Reporting Period, the 4th session of the Board comprised nine Directors, including one executive Director, namely Mr. Ge Xiaobo (President), 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.

All of Directors possess the skills, experience and expertise either in the industry or relevant to the management of the business of the Company.

#### (I) Chairman and President

As at the end of the Reporting Period, the positions of the chairman and president of the Company are held by different persons, so as to ensure the independence of their duties and balance of authorization. The Non-executive Director, Mr. Yao Zhiyong served as the chairman of the Board and the executive Director, Mr. Ge Xiaobo served as the president. Their duties and authorities are clearly divided and specified in the Articles of Association.

The chairman of the Board is the legal representative of the Company. The chairman, Mr. Yao Zhiyong, leads the Board in determining the Company's development strategy to ensure the effective operation and fulfillment of duties of the Board, and fully discusses the issues within the scope of the Board's duties, so as to ensure that the Directors can receive true, accurate, complete and timely information for making decisions. The chairman of the Board shall ensure that the Company can comply with well-established corporate governance procedures and the decisions of the Board are in the best interest of the Company and its shareholders as a whole. During the Reporting Period, Mr. Ge Xiaobo, the president, manages the business operations of the Company, organizes the execution of the Board's resolutions, and reports relevant work to the Board.



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### (II) Non-executive Directors and Independent Non-executive Directors

As at the end of the Reporting Period, the Company had five non-executive Directors and three independent non-executive Directors. The Company entered into a service contract with each non-executive Director and independent non-executive Director, the term of which commences from 13 June 2019, or the date on which such qualification was approved by CSRC (whichever is later) and will end till the expiration of term of the fourth session of the Board.

The Company confirmed that it had received annual confirmations issued by each independent non-executive Director in respect of their independence according to Rule 3.13 of the Listing Rules. The Company further confirmed the independence of the independent non-executive Directors.

### (III) Relationship Between Board Members

None of the Directors, Supervisors and senior management of the Company has any relationship (including financial, business, family or other material/relevant relations) between each other.

### (IV) Roles and Responsibilities of the Board

The Board is responsible for the leadership, control and promotion of success of the Company by directing and supervising its business operations in the interests of the shareholders through the ways of formulating strategic directions and monitoring the financial and management performance of the Company.

## Section 9 Corporate Governance Report

### (V) Respective Duties of the Board and the Management

The powers and duties of the Board and the management have been clearly specified to ensure adequate check and balance for sound corporate governance and internal control. The Board is primarily responsible for the following duties: convening a General Meeting, and reporting work thereon; implementing the resolutions of the General Meeting; resolving on the Company's business plans and investment plans; formulating the Company's profit distribution proposal and loss recovery proposal; formulating proposals for the increase or reduction of the Company's registered capital and for the issuance and listing of the debentures or other securities; drawing up plans for any substantial acquisition, re-purchasing the shares of the Company; developing plans for the merger, division, transformation and dissolution of the Company; deciding on the setup of Company's internal management bodies and branches; appointing or removing the Company's president, Secretary to the Board, chief compliance officer, the chief risk officer according to the nomination by the chairman; appointing or removing the Company's deputy president, chief financial officer and personnel actually performing the above duties according to the nomination by the president and determining their remunerations, incentives and punishments; formulating the basic management system of the Company, etc.

The management is primarily responsible for organizing the implementation of the production, operation and management works of the Company, organizing the implementation of the resolutions of the Board and reporting work to the Board; organizing the implementation of the Company's annual business plans and investment plans; formulating the Company's specific rules; proposing wages, benefits, incentives and punishments for the Company's employees; and determining the appointment and dismissal of the Company's employees, etc.

## Section 9 Corporate Governance Report

### (VI) Directors' Performance During the Reporting Period

#### 1. Directors' attendance at the meetings

The attendance of Directors at the meetings during the Year is set out below:

Name of Directors	Meetings attended/held during the term of office							
	Board	Board Attendance	Audit Committee	Remuneration and Nomination Committee	Risk Control Committee	Strategy Committee	General Meetings	General Meetings Attendance
<i>Executive Director</i>								
Ge Xiaobo	2/2	100%	N/A	N/A	N/A	0/0	0/0	N/A
Peng Yanbao	4/4	100%	N/A	N/A	N/A	2/2	0/3	0%
<i>Non-executive Directors</i>								
Yao Zhiyong <sup>1</sup>	6/6	100%	N/A	N/A	3/3	2/2	3/3	100%
Hua Weirong	6/6	100%	N/A	4/4	3/3	2/2	3/3	100%
Zhou Weiping	6/6	100%	1/1	N/A	3/3	2/2	0/3	0%
Liu Hailin	6/6	100%	N/A	N/A	3/3	N/A	3/3	100%
Zhang Weigang	6/6	100%	N/A	N/A	N/A	N/A	3/3	100%
<i>Independent Non-executive Directors</i>								
Lu Yuanzhu <sup>2</sup>	6/6	100%	4/4	2/2	N/A	N/A	3/3	100%
Wu Xingyu <sup>3</sup>	6/6	100%	4/4	4/4	3/3	N/A	3/3	100%
Chu, Howard Ho Hwa	3/3	100%	3/3	N/A	N/A	1/1	0/0	N/A
Lee Pak Hay	3/3	100%	N/A	2/2	N/A	1/1	3/3	100%

Notes: 1. Mr. Yao Zhiyong is the chairman of the Board who is also the chairman of the Strategy Committee and Risk Control Committee.

2. Mr. Lu Yuanzhu has replaced Mr. Lee Pak Hay as the chairman of the Remuneration and Nomination Committee since 13 June 2019.

3. Mr. Wu Xingyu is the chairman of the Audit Committee.

#### 2. Directors' Voting

The Directors agreed that, during the Reporting Period, they had not voted against or abstained from voting on all the resolutions of the Board and resolutions of committees in which they cast their votes.

## Section 9 Corporate Governance Report

### 3. *Performance of Independent Non-executive Directors*

During the Reporting Period, the independent non-executive Directors of the Company complied with the relevant requirements under laws, regulations and the Articles of Association, and had adequate time and commitment to perform their duties. The independent non-executive Directors were not affected by the Substantial Shareholders of the Company and other interested units or individuals of the Company when making their independent judgements in the decision-making of the Company and did their best to protect the interest of the minority shareholders of the Company and exercised their duties and authorizations as independent non-executive Directors.

During the Reporting Period, the independent non-executive Directors did not object any relevant matters of the Company.

After reviewing (a) the annual confirmation of the time commitment contributed by each Director; (b) the directorships and major commitments of each Director; and (c) the attendance rate of each Director at the Board meetings and the respective Board committee meetings as well as General Meetings, the Board is satisfied that all Directors have contributed sufficient time in performing their responsibilities during the year.

As at the end of the Reporting Period, the chairman of the Board also held one meeting with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of Executive Director.

#### **(VII) Insurance Coverage of Directors**

The Company had arranged appropriate insurance coverage in relation to any legal actions which may arise against the Directors.

#### **(VIII) Training for Directors**

The Directors confirmed that they had complied with Code Provision A.6.5 of the CG Code in relation to the training of Directors. During the Reporting Period, Mr. Yao Zhiyong, Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Liu Hailin, Mr. Zhang Weigang, Mr. Lu Yuanzhu and Mr. Wu Xingyu attended the guided training under the compliance operation of Hong Kong listed companies and responsibilities of directors.

## Section 9 Corporate Governance Report

### (IX) Board Meetings and Procedures

During the Reporting Period, the Board convened a total of 6 Board meetings. The chairman of the Board convenes regular Board meetings and the notices of Board meetings shall be sent to all Directors in writing 10 working days before the meetings. A regular Board meeting does not include the practice of obtaining consent from the Board through circulating written resolutions.

The Directors may, before the meeting, inquire about the information needed for decision making from relevant persons or institutions such as the office of the Board, the convener of the meeting, the president and other senior management members, committees, accounting firm and law firm, or may, while the meeting is underway, suggest to the chairman of the meeting that the aforesaid persons or representatives of institutions to attend at the meeting to make relevant explanations, at the expense of the Company.

For a regular Board meeting, the Secretary to the Board (or the competent office of the Board) is responsible for collecting draft proposals, which shall be submitted by proponents 14 days before the date of the meeting together with explanatory materials. After summarising relevant materials, the Secretary to the Board shall submit the time, place and agenda of the Board meeting to the Chairman. Before giving the notice on convening a regular Board meeting, the Board of Directors Office shall fully consult all Directors to form the initial proposal and then submit it to the Chairman for finalizing the proposal. The Chairman, if necessary, shall consult the president and other senior management personnel before finalizing the proposal.

For a special meeting of the Board, it shall give a meeting notice in writing to all Directors five days before the meeting. When a special meeting needs to be held as early as possible in case of emergency, the meeting notice is allowed to be given by telephone or otherwise verbally at any time provided that the convener makes necessary explanations at the meeting.

When a Director and the legal persons and natural persons involved in the resolutions of the Board meeting have certain interests or connection, such Director shall not exercise his/her voting rights on such resolutions nor can he/she exercise any voting rights on behalf of other Directors. Such Board meeting may be held if it is attended by more than one half of the unconnected and uninterested Directors, and the resolutions of the Board meeting shall be passed by more than one half of the unconnected and uninterested Directors.

The Secretary to the Board shall arrange the Board of Directors Office staff to keep the minutes of the Board meeting. A Director present at the meeting shall have the right to require an explanatory note to be made in the minutes in respect of his speech at the meeting. The minutes of Board meeting shall be kept by the secretary to the Board as files of the Company in accordance with laws. The Secretary to the Board shall make the minutes of meetings openly available for inspection in any reasonable period of time by any Director, who has made a reasonable notice in respect thereto.

## Section 9 Corporate Governance Report

### IV. Supervisory Committee

#### (I) Supervisors' attendance at the meetings of the Supervisory Committee

Name of Supervisors	Number of meetings required to attend	Number of meetings attended
Jiang Zhiqiang	4	4
Ren Jun	4	4
Zhou Weixing	4	4
Shen Ying	4	4
Yu Lei	4	4

#### (II) During the Reporting Period, the Supervisory Committee of the Company had no objection to the matters supervised.

### V. Board Committees

For the purpose of corporate governance, the corporate governance policies formulated by the Company shall state clearly that the Board is responsible for formulating and reviewing corporate governance policies and practices of the Company; reviewing and monitoring training and continuous professional development of the Directors and senior management of the Company; reviewing and monitoring policies and practices of the Company in compliance with laws and regulatory requirements; formulating, reviewing and monitoring the code of conduct and compliance manual for employees and the Directors of the Company; and reviewing the compliance by the Company with the CG Code as set out in Appendix 14 of the Listing Rules and the disclosures in the Corporate Governance Report.

To assist the Board in executing its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee, Remuneration and Nomination Committee, Strategy Committee and Risk Control Committee.

Clear written terms of reference of all the Board Committees are provided to respective members of these Committees. Details of the Board Committees are set out as follows:

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### (I) Audit Committee

The Audit Committee comprises three non-executive Directors, namely Mr. Wu Xingyu (Chairman), Mr. Lu Yuanzhu and Mr. Chu, Howard Ho Hwa, being independent non-executive Directors.

The specific written terms of reference of the Audit Committee are available on the websites of Stock Exchange and the Company for reference. The main responsibilities of the Audit Committee are:

1. to assist the Board in fulfilling its responsibilities by supervising financial and other reporting, and providing an independent review as to the effectiveness of the risk management and internal controls of the Group, and as to the adequacy of the external and internal audits;
2. to be primarily responsible for making recommendations to the Board in relation to the appointment, re-appointment and removal of the authorized independent auditors (“External Auditors”), and to approve the remuneration and terms of engagement of External Auditors, and dealing with any questions of their resignation or dismissal;
3. to serve as a focal point for communication between other Directors, External Auditors and IA Staff as regards to financial and other reporting, risk management, internal controls, duties of External Auditors and internal auditors or any person responsible for internal audit function (“IA Staff”) and such other matters as the Board may determine from time to time;
4. to review and monitor External Auditors’ independence and objectivity and the effectiveness of the audit procedures in accordance with applicable standards;
5. to review and monitor the effectiveness of the financial control, internal control and risk management systems; and
6. other responsibilities as required in the Terms of Reference of the Audit Committee.

During the Reporting Period, the Audit Committee convened a total of 4 meetings. The Audit Committee mainly discussed about the following issues: the Annual Report for the Year 2018, the Final Accounts Report for the Year 2018, the Internal Control Evaluation Report for the Year 2018, special audit report on major related party transactions for the year 2018, confirmation of the related party list of the Company, determination of the maximum amount of transactions between the Company and particular related parties, estimated ordinary related party transaction of the Company for the year 2020, revision of the terms of reference and procedures of the Audit Committee, formulation of profit distribution policies of the Company, authorization for debt financing, Hua Ying Securities acting as the lead underwriter of the bonds of Jiangsu Asset, reappointment of annual audit institution, changes of accounting policies, Interim Report for the Year 2019, special report of utilization of proceeds from previous issuance and the A Shares IPO related matters of the Company, and made the recommendations to the Board. At the same time, the Audit Committee also performed its duty on reviewing the 2019 annual results and performed other responsibilities as set out in the Code.



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### (II) Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises three non-executive Directors, namely Mr. Lu Yuanzhu (Chairman), Mr. Wu Xingyu, being independent non-executive Directors and Mr. Hua Weirong, being a non-executive Director.

The specific written terms of reference of the Remuneration and Nomination Committee are available on the websites of the Stock Exchange and the Company for reference. The main responsibilities of the Remuneration and Nomination Committee are:

1. to consult the chairman and/or chief executive officer about their remuneration proposals for other executive Directors;
2. to make recommendations to the Board regarding the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for formulating remuneration policy;
3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The remuneration packages should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
5. to make recommendations to the Board on the remuneration of non-executive Directors;
6. to review the structure, size and composition (including skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
7. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection and of individuals nominated for directorships;
8. to assess the independence of independent non-executive Directors of the Company;
9. to make recommendations to the Board on the appointment or re-appointment of Directors and succession plan for Directors, especially for chairman and chief executive officer; and
10. other responsibilities as required in the Terms of Reference and Procedures of the Remuneration and Nomination Committee.

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During the Reporting Period, the Remuneration and Nomination Committee convened a total of 4 meetings. The Remuneration and Nomination Committee mainly discussed and made recommendations to the Board in relation to the following issues: annual remuneration distribution scheme of Directors and senior management, the annual assessment report of chief compliance officer, amendments to the terms of reference of the Remuneration and Nomination Committee, nomination of the members of the 4th session of the Board, implementation of professional manager system and tenure assessment and appointment of senior management of the Company and other matters. The Remuneration and Nomination Committee formulated the remuneration policies for professional managers to advise the Board regarding the remuneration package of professional managers. For the Board diversity policy of the Company, please refer to the relevant contents in the 14th paragraph of this section. The Remuneration and Nomination Committee also discussed and made the recommendations on the Board diversity policy.

### (III) Strategy Committee

During the Reporting Period, the Strategy Committee comprises five Directors, namely Mr. Ge Xiaobo, being an executive Director, Mr. Yao Zhiyong (Chairman), Mr. Hua Weirong and Mr. Zhou Weiping, being non-executive Directors, and Mr. Chu, Howard Ho Hwa, being an independent non-executive Director.

The specific written terms of reference of the Strategy Committee are available on the websites of Stock Exchange and the Company for reference. The main responsibilities of the Strategy Committee are:

1. to study and review the strategic development plans of the Company and making recommendations to the Board;
2. to implement information exchange and research within the industry, understand the development and trend of macro-economy and securities industry and prepare specific strategic reports;
3. to conduct preliminary review of the Company's annual operating plans and strategic capital allocation plans and make recommendations to the Board;
4. to study major investment financing programs which require to be approved by the Board and the Risk Control Committee as stated in the Articles of Association or in the terms of reference and procedures of the Risk Control Committee and make recommendations to the Board;
5. to study major capital operation and assets management projects which require to be approved by the Board as stated in the Articles of Association and make recommendations to the Board;
6. to evaluate the balanced development of various business segments and make recommendations to the Board;

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7. to review the major constitutional restructuring and organizational structure plans and make recommendations to the Board;
8. to study other important matters affecting the Company's development and make recommendations to the Board; and
9. other responsibilities as required in the Terms of Reference and Procedures of the Strategy Committee.

During the Reporting Period, the Strategy Committee convened a total of 2 meetings. The Strategy Committee mainly discussed and made recommendation to the Board in relation to the following issues: principal business scale for the year, cancellation of the OTC Marketing Department, implementation of professional manager system and tenure assessment, extension of the validity period of the General Meeting resolutions of the Company relating to the IPO and listing of A Shares, the general mandate to issue Domestic Shares and/or H Shares.

### (IV) Risk Control Committee

The Risk Control Committee comprises five Directors, namely Mr. Yao Zhiyong (Chairman), Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Liu Hailin, being non-executive Directors, and Mr. Wu Xingyu, being an independent non-executive Director.

The specific written terms of reference of the Risk Control Committee are available on the websites of Stock Exchange and the Company for reference. The main responsibilities of the Risk Control Committee are:

1. to review and give opinion on the overall objectives and basic policies of compliance management and risk management;
2. to review and give opinion on the establishment of specific departments and their duties of compliance management and risk management;
3. to evaluate and give opinion on the risks of the major decisions required to be approved by the Board and solutions to solve such major risks;
4. to review and give opinion on regular compliance reports and risk evaluation reports required to be approved by the Board; and
5. other responsibilities as required in the Terms of Reference and Procedures of the Risk Control Committee.

## Section 9 Corporate Governance Report

During the Reporting Period, the Risk Control Committee convened a total of 3 meetings. The Risk Control Committee mainly discussed the review of policies and practices in respect of the compliance with laws and regulatory requirements and made recommendations to the Board. At the same time, the Risk Control Committee also performed its duty on review of risk management, revision of the risk preference and internal control system and reporting of effectiveness of internal audit function.

### VI. Securities Transactions of Directors, Supervisors and Relevant Employees

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors, Supervisors and relevant employees' securities transactions. Having made specific enquiries with all Directors, Supervisors and relevant employees, all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code as of the end of the Reporting Period.

### VII. Remuneration of Senior Management

For details of the emoluments of senior management as disclosed by the Company by remuneration range during the Reporting Period, please refer to section 8 "I. Changes in Shareholdings and Remuneration Information of Current and Resigned Directors, Supervisors and Senior Management During the Reporting Period" of this report.

### VIII. Risk Management and Internal Control

The Board acknowledges its responsibility for maintaining and reviewing the effectiveness of the Company's risk management and internal control system. The risk management and internal control system is implemented to minimize the risks to which the Company is exposed as much as possible and used as a management tool for the day-to-day operation of business. Those systems aim to manage rather than eliminate the risk of failing to achieve the business objectives and only provide reasonable but not absolute assurance of not having any material misrepresentation or losses. At the same time, the Audit Committee and the Risk Control Committee of the Company are responsible for its internal audit.

The management is primarily responsible for the design, implementation and maintenance of the risk management and internal control system to safeguard the shareholders' investment interests and assets of the Company. The management monitors the business activities closely and reviews the financial results of operations against budgets/forecast on a monthly basis. Proper controls are in place for the recording of complete, accurate and timely accounting and management information. Regular reviews and audits are carried out to ensure that the consolidated financial statements are prepared in accordance with generally accepted accounting principles, the Company's accounting policies and applicable laws and regulations.

## Section 9 Corporate Governance Report

During the Reporting Period, the management conducted reviews on the effectiveness of the Company's risk management and internal control system with a view to identify any areas that need improvement. The approach of the review included conducting interviews with relevant management and staff members, reviewing relevant documentation of the risk management and internal control system and evaluating findings on any deficiencies in the design of the risk management and internal controls. The reviews covered major operating aspects of the business of the Company, including brokerage business, assets management business, credit trading business and securities investment of the Company and other operating segments. Proper management of risks, including credit risk, market risk, liquidity risk, operational risk, reputation risk, concentration risk and compliance risk, is also important to the business of the Company. The Company has implemented policies and procedures on these segments and continuous revisions on the relevant policies and procedures will be made from time to time. Monitoring of the internal control system and risk management mainly rest on Compliance and Legal Department, Risk Management Department and Audit and Supervision Department.

The Company has established related anti-fraudulent management system, which clearly stated the concept and form of fraud, responsibility body and regular department, responsibility attribution, fraud prevention and control, and listed the critical information like whistleblowing hotline, whistleblowing mailbox, fraud whistleblowing, investigation, reporting process and remedial measures and punishment. At the same time, the Company has set up an independent Audit and Supervision Department, which are delegated as the regular department of the Company for anti-fraudulent works.

The Company has established related information disclosure management system, which clearly stated the basic principles of information disclosure, content, disclosure management procedures and confidentiality measures, etc. The system also explicitly defined the procedures of disclosing inside information and made the information that may need to be disclosed into written documents for relevant person in charge to review their truth, accuracy and completeness. Upon confirmation, the documents shall be submitted to the Secretary to the Board and the Company Secretary for further review as soon as possible. The information must be strictly confidential in the process. If the necessary confidentiality cannot be ensured, or the information has been leaked, public disclosure would be made in a timely manner. The Company appointed the Secretary to the Board and the Company Secretary to be responsible for the information disclosure of the Company, and the Board of Directors Office is the specific executive body responsible for the information disclosure of the Company.

The Company has established connected transaction management system, which clearly stated the definition of Connected Persons under the Listing Rules, as well as explained the definition and type of Connected Transactions under the Listing Rules. It standardized review and approval body for Connected Transactions, reporting process, auditing supervision, legal liability and punishment requirements. The Secretary to the Board of the Company shall be responsible for managing the files for Connected Persons and collection, disclosure, reporting of Connected Transactions and their submission for approval. The Company Secretary shall assist the Secretary to the Board or, under delegation of the Secretary to the Board, to conduct related matters. The Board of Directors Office is the specific executive body.

## Section 9 Corporate Governance Report

The Company has established the relevant system for external investment, which clearly specified the decision authority for external investment, daily management, transfer and recovery, major events reporting and information disclosure, etc. At the same time, the respective audit department of the Company will monitor and rectify investment projects according to their responsibilities and report the same to the project investment approval authority for discussion and handling.

The Company has established the relevant system for external guarantee, which clearly specified the review and approval procedures for external guarantee object, management, information disclosure and the responsibilities of the person-in-charge, etc. At the same time, any department and person-in-charge involved in the guarantee issues of the Company has the obligation to report the external guarantee to the Secretary to the Board in a timely manner, and provides the documents required for information disclosure.

The Board and the Audit Committee have conducted a review on the effectiveness of risk management and internal control system of the Company. The review covered all significant supervision and control, including financial, operational and compliance controls and risk management functions as well as resources, staff qualifications and experience, the adequacy of staff training programs and relevant budget of the Company's accounting and financial reporting function. The Board considered that the Company's risk management and internal control system are effective and adequate.

### IX. Communication with Shareholders

The General Meetings shall be the highest authority of the Company. All shareholders exercise their power through the General Meetings. The Company formulates Rules of Procedure of General Meeting to ensure the compliance of the convening and holding of General Meetings. The Company explicitly specifies shareholders' rights in the Articles of Association to ensure the rights of shareholders, especially the right to be informed of the minority shareholders. The Company treats all shareholders impartially.

There are persons specially designated for contacting with Shareholders. The Company attaches great importance to their opinions and suggestions and tries to meet their reasonable requests in time. The Company sets up "Investor Relations" column on its website [www.glsc.com.cn](http://www.glsc.com.cn) for publishing such information as announcements and financial data of the Company. Shareholders can also call the Company directly to inquire about relevant information, and the Company will deal with such inquiry in a timely and proper manner.

The Company welcomes all Shareholders to attend General Meetings and facilitates their attendance to the range permitted. The Company's Directors, Supervisors and senior management will attend General Meetings. According to Provision E.1.2 of CG Code, chairman and chairperson of the Audit Committee, Remuneration and Nomination Committee, and other committees of the Board shall attend annual General Meeting and answer questions at the meeting. The management of the Company shall ensure External Auditors to attend annual General Meeting and answer relevant questions put forward by Shareholders.

### X. Shareholders' Rights

The Company convenes and holds General Meetings strictly according to the Articles of Association and Rules of Procedure for General Meetings to guarantee the equal status and full exercise of rights for all Shareholders, especially the minority Shareholders. All of the Company's Directors, Supervisors and senior management shall attend General Meetings in accordance with Articles of Association and answer questions from Shareholder.



## Section 9 Corporate Governance Report

### Procedures of convening General Meetings and proposing resolutions at the General Meeting

Pursuant to the procedures set out in Article 8.08 of the Articles of Association which states that “Shareholder(s) severally or jointly holding more than 10% shares of the Company shall have the right to request the Board to convene an extraordinary General Meeting, and shall put forward such request to the Board in writing. The Board shall, pursuant to the relevant laws, administrative regulations and the Articles of Association, give a written reply stating its consent or reject for the convening of the extraordinary General Meeting within 10 days after receiving the proposal. If the Board agrees to convene the extraordinary General Meeting, it shall serve a notice of such meeting within 5 days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. If the Board does not agree to hold the extraordinary General Meeting or fails to give any reply within 10 days after receiving the proposal, shareholder(s) severally or jointly holding more than 10% shares of the Company shall be entitled to propose to the Supervisory Committee to convene an extraordinary General Meeting, and shall put forward such request to the Supervisory Committee in writing. If the Supervisory Committee agrees to convene the extraordinary General Meeting, it shall serve a notice of such meeting within 5 days after receiving the said request. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. In the case of failure to issue the notice for the General Meeting within the stipulated term, the Supervisory Committee shall be deemed as failing to convene and preside over the General Meeting. As a result of its failure to do so, the shareholder(s) severally or jointly holding more than 10% shares of the Company for more than 90 consecutive days may convene and preside over such meeting by itself/themselves. All reasonable expenses incurred for such meeting convened by the shareholders as a result of the failure of the Board of Directors to convene a meeting as required by the above request(s) shall be borne by the Company and be set off against sums owed by the Company to the defaulting Directors.” and Article 8.23 “Shareholder(s) severally or jointly holding more than 3% shares of the Company may submit written provisional proposals to the convener 10 days before a General Meeting is convened. The convener shall issue a supplementary notice of the General Meeting to give details of the provisional proposals within 2 days after the receipt thereof, and publish the contents of provisional proposals. Save as specified in the preceding paragraph, the convener shall not change the proposal set out in the notice of the General Meeting or add any new proposal after the said notice is served”, the shareholders may convene an extraordinary General Meeting or shareholders class meeting. The shareholders may attend General Meetings and exercise voting rights either in person or by proxy. The minutes together with the attendance record of shareholders and the powers of attorney of the proxies shall be kept at the Company’s premises. Shareholders may have access to copies of the minutes free of charge during the office hours of the Company. The Articles of Association has been disclosed on the websites of the Company and the Stock Exchange. The Company encourages shareholders to attend the General Meeting, and make suggestions by the following ways: make direct questions with the Board and the Board committees on the matters in relation to operation and governance at the General Meetings, or submit the company secretary such suggestions by the following manners: (i) to deliver in writing with the address of office of the Company in the PRC: 12/F, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC; Postal Code: 214000, or (ii) Email: glsc-ir@glsc.com.cn.



### XI. Amendments to the Articles of Association

During the Reporting Period, one round of amendments to the Articles of Association was made and was approved at the General Meeting held on 13 June 2019. Details of the amendments to the Articles of Associations are stated in the circular published on the websites of the Company and Stock Exchange on 28 April 2019.

### XII. Investor Relationship

Dedicated to becoming an elite listed company in Hong Kong capital markets, the Company has always given priority to continuous enhancement of Shareholders' value, paid high attention to investor relationship management, gradually established smooth two-way communication channels with investors and kept on improving the corporate governance structure. During the Reporting Period, the Company communicated with investors by ways of telephone calls, emails and receiving visitors, and treated all investors equally to ensure that all Shareholders can fully exercise their rights.

During the Reporting Period, the Company disclosed information in a truthful, accurate, complete and timely manner in strict accordance with laws, regulations and regulatory provisions, to ensure that investors are able to know about the Company's material matters in time and thereby protecting their interests to the greatest extent.

### XIII. Company Secretary

Mr. Wang Jie, the Secretary to the Board of the Company, is responsible for making recommendations to the Board of Directors for the corporate governance and ensuring the policies and procedures of the Board, applicable laws, rules and regulations are observed. In order to maintain sound corporate governance and comply with the Listing Rules and applicable Hong Kong laws, Ms. Lin Fanyu, the Company Secretary of the Company, assists Mr. Wang Jie in fulfilling the duties as the Secretary to the Board. Ms. Lin Fanyu is an employee of the Company. The main contact person of the Company is Ms. Lin Fanyu, the Company Secretary of the Company. As at the end of the Reporting Period, Ms. Lin Fanyu received no less than 15 hours of professional trainings in accordance with Rule 3.29 of the Listing Rules.

### XIV. Board Diversity Policy

The Company has adopted the Board diversity policy according to Provision A.5.6 of the CG Code. The Company's Board diversity policy can be summarized as follows: the Company recognizes the importance of Board diversity to corporate governance and the Board's effectiveness. The Board diversity policy established by the Company is to set out the basic principles to be followed to ensure that the members of the Board have the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effective operation of the Board and to maintain high standards of corporate governance. The nomination and appointments of members of the Board will continue to be made on a merit basis based on the Company's daily business needs from time to time while taking into account the benefits of Board member diversity. Selection of the Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industrial experience and professional experience. The Company offers advices to the Board in respect of the appointment or reappointment of Directors and the Director succession plans through the Remuneration and Nomination Committee, and the advices will take effect after being reviewed and passed by the Board and the General Meeting successively.

## Section 9 Corporate Governance Report

### XV. Responsibilities of Directors Concerning Financial Statements

The declarations of the responsibilities of Directors concerning financial statements set out hereinafter and the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” in the Independent Auditor’s Report of this report shall be read jointly. The declarations of the responsibilities of the same shall be understood severally.

All the Directors of the Company confirmed their responsibility of preparing the financial statements that can truly reflect the Company’s operating results for each financial year. To the knowledge of the Directors, no event or circumstance that may cause material adverse impact on the Company’s continuous operations needs to be reported.

### XVI. Audit Committee

The Audit Committee of the Board of the Company has reviewed the annual results of the Company and the Group for the year 2019, as well as the audited consolidated financial statements for 2019 prepared in accordance with IFRS.

### XVII. Auditor’s Independence and Remuneration

The Audit Committee is mandated to review and monitor the independence of the auditors to ensure objectivity and effectiveness of the financial statements during the audit process in accordance with applicable standards. The Audit Committee was of the view that the Company’s auditor, Deloitte Touche Tohmatsu is independent and made certain recommendations to the Board. In order to maintain the independence of the external auditor, unless the non-audit works meet the criteria as defined in the Listing Rules and have received prior approval from the Audit Committee, the Company will not appoint external auditors to engage in non-audit works.

During the Reporting Period, Deloitte Touche Tohmatsu has rendered services to the Company and the remuneration paid/payable by the Company to Deloitte Touche Tohmatsu is set out as follows:

Service rendered	Fees paid/payable in RMB ten thousand
Audit services	9.5
Non-audit services	
Review of the Interim Financial Report	3.5

### XVIII. Other Matters

#### (I) Internal Control

##### 1. Responsibility Statement on Internal Control

It is the responsibility of the Board of the Company to establish a comprehensive and effectively implemented internal control, evaluate its effectiveness, and truthfully disclose the internal control evaluation reports in accordance with the requirements of the enterprise internal control regulated system. The Board, Supervisory Committee and Directors, Supervisors and senior management of the Company warrants that the contents in this report do not contain any false representation, misleading statement or material omission, and jointly and severally accept the legal responsibility regarding the truthfulness, accuracy and completeness of the content of the report.

##### 2. Basis of Establishment of Internal Control and Development of Internal Control System

The Company emphasized the development of internal rules and regulations and management system. A comprehensive corporate internal control system has been established by the Company in accordance with the Company Law, Securities Law, Fundamental Norms on Enterprise Internal Control, Listing Rules and its supporting guidance and the supervision requirements on internal control from CSRC, and the Company places the development of internal control throughout the operation and development of the Company, and adheres to the principles of giving priority to system procedures (制度流程先行) during the business operation, constantly perfect the internal control system, regulate system enforcement, enhance supervision and inspection and promote the continuous and sound development for the Company.

The Company has established an internal system which covers environment control, business control, capital management and accounting control, information system control, human resources and remuneration management, compliance management and risk control. The internal control set up by the Company includes various mechanisms such as prior prevention, supervision when incident occurred and post examination, which formed a comprehensive and systematic internal control system with check and balance among different internal positions in a department and different departments, and have independent supervision by the Compliance and Legal and Risk Management Department, and Audit and Supervision Department.

## Section 9 Corporate Governance Report

### 3. Conclusion of Internal Control Evaluation and Opinions of Internal Control Auditing Report

According to the provisions of the Fundamental Norms on Enterprise Internal Control and its supporting guidance as well as the requirements of other relevant laws and regulations, the Company conducted self-evaluation regarding the effectiveness of internal control design and operation of the Company as at 31 December 2019.

The Company puts great importance on the construction and improvement of internal control system and regards the internal control management and compliance culture as an important element of corporate development strategy. The Company sets up a more regulated corporate governance structure which formed an internal control system with clear responsibilities and duties, with check and balance. The Company established and perfected a more integrated internal control system in which different control measures have covered different segments such as prior prevention beforehand, supervision when incident occurred and post examination on each business, and established a more comprehensive compliance governance system. There is no material defect in the corporate internal control system, or exists any major deviation during the process of operation activities. The internal control system of the Company is effective as a whole which can effectively protect the legality and compliance of corporate operation management and assets security to prevent the existence of major and significant defects. During the Reporting Period, there was no material internal control problems. The Company and its Directors, Supervisor and senior management were free from any penalty by CSRC, SAC, stock exchange, Financial Futures Exchange and any public censure. The risk that may be caused by common defects is under control in which they will not result in any significant impact on the quality of corporate operation management activities and the achievements of financial targets, and we have conscientiously implemented the rectification. There was no major change on internal control that would make substantial impact on the evaluation conclusion from the date of corporate internal control report to the date of publishing the internal control evaluation report.

The Company noticed that internal control should follow and adapt to the operation scale, business scope, competition situation and risk level of the Company with timely adjustment as the conditions change. The Company will continue to improve the internal control system, regulate the enforcement of internal control system and enhance the supervision and inspection on internal control for the purpose of facilitating the healthy and sustainable development of the Company.

The attestation opinion on the internal control of the Company in 2019 issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP was: “we are of the opinion that, in accordance with the requirements of the Fundamental Norms on Enterprise Internal Control, Guolian Securities had maintained an effective internal control on the financial statements in all major respects as at 31 December 2019”.

## Section 9 Corporate Governance Report

### (II) Development Compliance Management System and Compliance Inspection

According to the requirements of the “Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies” (《證券公司和證券投資基金管理公司合規管理辦法》) of CSRC and the “Guidelines on the Implementation of Compliance Management of Securities Companies” (《證券公司合規管理實施指引》) of SAC (hereinafter collectively referred to as “New Rules”), through integrating with actual operation development situation, the Company further improved the compliance management mechanism and organization construction, and carried out all works in respect of compliance management, which enabled the Company to achieve a stable and orderly development for the various businesses of the Company.

#### I. Amend compliance management systems, enhance system development

The Company further improved the setup of its compliance management system according to its business development and regulatory requirements. In 2019, the Company revised and issued four systems, including the “Management Rules for Customer Money Laundering Risk Classification of Guolian Securities Co., Ltd.” (《國聯證券股份有限公司客戶洗錢風險等級劃分管理細則》) and “Management Rules for Large and Suspicious Transaction Reporting of Guolian Securities Co., Ltd.” (《國聯證券股份有限公司大額交易和可疑交易報告管理細則》) and put forward five additional systems, including “Administrative Measures for the Compliance Management of STAR Market Business of Guolian Securities Co., Ltd.” (《國聯證券股份有限公司科創板業務合規管理辦法》), “Management Rules for Customer Identification and Customer Identity Information and Transaction Records Preservation of Guolian Securities Co., Ltd.” (《國聯證券股份有限公司客戶身份識別和客戶身份資料及交易記錄保存管理細則》) and “Implementation Rules for Anti-Money Laundering Information Report of Guolian Securities Co., Ltd.” (《國聯證券股份有限公司反洗錢信息報告實施細則》).

#### II. Strengthen compliance monitoring and implement control measures effectively

According to the rules and regulations of Shanghai and Shenzhen Stock Exchanges and their relevant requirements, the Company added the relevant modules on abnormal transactions monitoring for STAR Market stocks to its abnormal transaction monitoring system, and achieved the transaction behavior management function for investors participating in STAR Market stocks trading. The Company also optimized the system monitoring threshold, enhanced monitoring efficiency, further improved the abnormal transactions monitoring system and had effectively strengthened the internal compliance management.

## Section 9 Corporate Governance Report

The Company arranged specially-assigned personnel to monitor the compliance of employees' investment behaviors according to regulatory requirements, collect their personal information (mobile phone number, ID card number, etc.), MAC address of employees' office equipment and other key data, compare the personal information and trading system data on a real-time basis and achieve real-time pre-warning and monitoring of employees' illegal participation in securities trading through the employee MAC address monitoring, employee mobile phone entrusted monitoring and other modules, and has effectively strengthened its real-time management, detected and dealt with risk issues arising from non-standard practice of employees in a timely manner and standardized their professional code of conduct.

According to the requirements of CSRC, the Company actively carried out OTC financing compliance monitoring, and optimized the original financing monitoring system by upgrading the Hang Seng Suspected Financing Monitoring System V2.0 module. On the basis of the single indicator of the original financing monitoring system, a multi-index scenario-based suspected financing monitoring module was added, which further improved the screening model of suspected financing accounts in terms of obvious financing cycles, differentiated trading behaviors of the same account with different cycles, and differences in trading sites for post-password modification or transfer, and systemic monitoring of illegal violations such as virtual sub-accounts, suspected sites, and suspected third-party access.

### III. Optimize compliance assessment mechanism and strengthen compliance performance security

According to the "Administrative Measures for the Remuneration and Assessment of Compliance Management Personnel of Guolian Securities Co., Ltd." (《國聯證券股份有限公司合規管理人員薪酬與考核管理辦法》) and "Administrative Measures for Compliance Risk Control Personnel of Guolian Securities Co., Ltd." (《國聯證券股份有限公司合規風控人員管理辦法》), the Compliance and Legal Department formulated and issued the "2019 Annual Assessment Plan for Compliance Management Personnel of Guolian Securities Co., Ltd." (《國聯證券合規管理人員2019年度考核方案》) to function appropriately the assessment of the full-time, part-time compliance management personnel of the major business departments of headquarters of the Company, branch offices (including securities branches), compliance officers of subsidiaries and compliance management personnel of the Compliance and Legal Department, with the assessment weighing meeting the regulatory requirements.

In 2019, the Compliance and Legal Department further refined the assessment indicators of compliance management personnel by adding quantitative scoring standards, and took quantified work content and work results as an important basis and standard for assessments, which make the assessment scores more objective and prudent. The assessment process of compliance management personnel of branches and business departments of the headquarters was conducted through the OA office platform, which improved the efficiency of assessment and evaluation, and made the archives of assessment materials more standardized and optimized.



## Section 9 Corporate Governance Report

### IV. Strictly implement compliance inspection and promote business development effectively

The Compliance and Legal Department organized compliance inspection on operation department and branches in accordance with supervision requirements and inspection plans. In 2019, the Compliance and Legal Department conducted on-site compliance inspection on Shanghai Branch Office and its sub-ordinate unit, Shanghai Tianlin Road Securities Branch, Guangzhou Binjiang East Road Securities Branch, Taizhou Jichuan East Road Securities Branch, Nanning Minzu Avenue Securities Branch, Hubei Branch Office and its sub-ordinate unit, Wuhan Xinhua Road Securities Branch, Yangzhou Xincheng Henan Road Securities Branch, Changzhou Branch Office and its sub-ordinate unit, Changzhou Hengshan Road Securities Branch. It implemented special inspection on the compliance management work of the suitability management of the Company, research and consultancy business of the Research Department, asset management business, bond business, and private equity subsidiary of Guolian Capital and other businesses. Comments or suggestions regarding the problems spotted during inspection were put forward by the Compliance and Legal Department, which required the inspection department to conduct proactive rectification and give feedback and implement subsequent follow up works.

### (III) Working Information of Audit and Supervision Department

The objective of the Audit and Supervision Department is to perfect corporate internal control, facilitate continuous regulated development, ensure the legality and compliance of operation of the Company and to prevent risks. The department adheres to the vision of prudence and practicability, seeking truth from facts, team cooperation, and innovative development, entwining the operation developing target of the Company, actively organizes and conducts different auditing works, practically implement the functions of the departments according to annual audit and supervision work plan. The Company completed 56 auditing and supervisory reports under different aspects, of which, 1 was the annual compliance effectiveness evaluation of the Company, 23 were resignation audit reports, 2 were branch comprehensive inspection reports, 24 were mandatory off-duty audit reports and 6 were special project inspection. The audit inspection projects covered brokerage business, credit transactions, financial management, compliance management, internal control and personal management etc. Through organizing on-site audits, they can objectively reflect the conditions of implementing national laws and regulations, industry standards and corporate system of the auditee and also the operation management conditions. Regarding the problems and deficiencies discovered during audit, the department provides audit rectification measures and suggestions in time, and strives to urge the implementation of audit rectification issues, which thereby promotes and supports the regulated development of the different businesses of the Company.



## Section 10 Environmental, Social and Governance Report

### Environment

The Company continues to promote environmental protection and energy conservation and adopts measures to reduce energy and resources consumption and emissions of the Company to minimize the impact of daily corporate operations to the surrounding environment.

#### Low-carbon Operation

The Company has formulated “The Management Measures for Headquarters Office Area” and requires all departments and divisions to conform so as to improve energy utilization efficiency. The Company mainly utilizes electricity, limited natural gas and paper in its day-to-day business operations. In 2019, the Company consumed 6,646.36MWh of energy, of which electricity consumption accounted for 97% of the total and also 9.94 tonnes of paper.

	2017	2018	2019
Total GHG emissions equivalents (tonnes)	4,968.65	4,837.59	4,529.06
Intensity of GHG emissions (tonnes/hm <sup>2</sup> )	619.93	602.33	523.54
Total energy used (MWh)	7,180.24	7,105.41	6,646.36
Intensity of energy used (MWh/hm <sup>2</sup> )	895.87	884.70	768.29
Paper usage volume (tonnes)	15.30	13.24	9.94

To reduce electricity consumption during the operation, the Company puts energy conservation as an important consideration factor from decoration design to daily management of the premises.



- The Company always looks from the environmentally-friendly perspective for business premises decoration, pays attention to protecting the energy conservation structures and facilities of the buildings.
- Give priority to electricity-saving appliances and equipment. In 2019, the Headquarters completed its office renovation by replacing the original 28-watt fluorescent tubes with 18-watt LED lights.
- Employees are required to turn off lights and computers during non-working hours. The Company also arranges security guard patrolling to ensure all idle electric appliances are turned off.
- The Headquarters requires the flexible use of ice blocks for cooling purpose to reduce the use of air-conditioners in the office during weekends in the summer.
- Promote the re-use of old assets and equipment by sharing idle resources in the Company on a long-term basis, cut down new purchases to reduce social resources consumption.

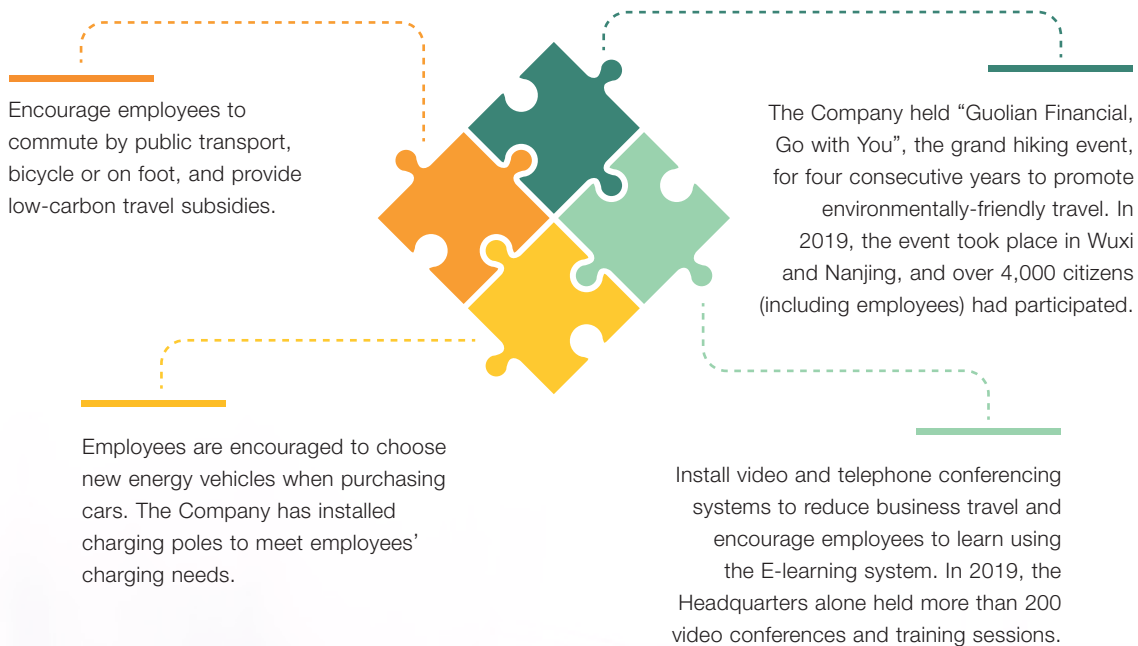
## Section 10 Environmental, Social and Governance Report

Besides electricity, paper is a major resource consumed by the Company. The Company has taken measures to reduce paper consumption during office works and business processing.

- Increase employees' awareness of resources conservation. Require staff to print on both sides of paper and re-use one-sided printed paper to avoid wastage. Place recycling boxes for waste paper in the public area of the premises.
- Use electronic system or email for the transmission of internal communications to reduce the use of paper for printing.
- Give priority to FSC-certified paper.
- Completed the construction of Office Automation System and perfect the mobile and online sales office as well as "One Counter System" to enhance the level of business automation. Set up a paperless office environment except for necessary printed agreements.

### Low-carbon Travel

The Company promotes low-carbon travel and encourages employees to take public transportation to reduce the use of cars and emissions.



## Section 10 Environmental, Social and Governance Report

### Emission Reduction

As a financial institution, the Company's main workplaces are securities branches and offices. No industrial waste water and waste gas are produced during our operations. The sanitary sewage produced by the Company is discharged through the municipal sewage system.

The Company pays attention to raising employees' awareness of water conservation, posting water conservation slogans, choosing water-saving taps, as well as conducting pressure testing for 24 hours after pipe laying to avoid wasting water caused by running, overflowing, dripping and leaking. In 2019, the Company consumed 28,982.07 tonnes of municipal water.

The non-hazardous wastes generated by the Company are mainly domestic wastes and construction wastes due to securities branches decoration. The domestic wastes are sorted by the property management company while the construction wastes are properly disposed of by the constructors to reduce the impact on neighboring areas. In 2019, The Company produced 303.15 tonnes of non-hazardous wastes.

The only hazardous wastes that the Company produced are batteries, which are mainly ordinary dry cells and UPS batteries. The ordinary dry cells are recycled by the property management company while the expired UPS batteries which need to be replaced are specifically recycled by the vendors. In 2019, the Company produced 17.25 tonnes of hazardous wastes; representing a huge increase from 2018 due to the replacement of some aging UPS batteries.

	2017	2018	2019
Total water resource consumed (municipal water)(tonnes)	30,178.34	27,894.69	28,982.07
Intensity of water consumed (tonnes/hm <sup>2</sup> )	3,765.30	3,473.20	3,350.18
Total hazardous wastes produced (tonnes)	8.97	0.61	17.25
Intensity of hazardous wastes produced (tonnes/hm <sup>2</sup> )	1.12	0.08	1.99
Total non-hazardous wastes produced (tonnes)	660.08	480.94	303.15
Intensity of non-hazardous wastes produced (tonnes/hm <sup>2</sup> )	82.35	59.88	35.04

## Section 10 Environmental, Social and Governance Report

The environmental relevant statistics during the Reporting Period are summarized as follows:

Name of Indicator	Indicator unit	2017	2018	2019
Total GHG emissions equivalents	Tonnes	4,968.65	4,837.59	4,529.06
GHG (Scope 1) emissions equivalents	Tonnes	32.02	36.39	45.18
GHG (Scope 2) emissions equivalents	Tonnes	4,936.63	4,801.20	4,483.88
Intensity of GHG emissions	Tonnes/hm <sup>2</sup>	619.93	602.33	523.54
Total air emissions	Tonnes	N/A	N/A	N/A
Total hazardous wastes produced	Tonnes	8.97	0.61	17.25
Intensity of hazardous wastes produced	Tonnes/hm <sup>2</sup>	1.12	0.08	1.99
Total non-hazardous wastes produced	Tonnes	660.08	480.94	303.15
Domestic wastes	Tonnes	339.08	330.26	281.65
Construction wastes	Tonnes	321.00	150.68	21.50
Intensity of non-hazardous wastes produced	Tonnes/hm <sup>2</sup>	82.35	59.88	35.04
Total water consumed (municipal water)	Tonnes	30,178.34	27,894.69	28,982.07
Intensity of water consumed	Tonnes/hm <sup>2</sup>	3,765.30	3,473.20	3,350.18
Total energy used	MWh	7,180.24	7,105.41	6,646.36
Electricity	MWh	7,023.59	6,927.39	6,425.34
Natural Gas	MWh	156.65	178.02	221.02
Intensity of energy used	MWh/hm <sup>2</sup>	895.87	884.70	768.29
Paper consumed	Tonnes	15.30	13.24	9.94

Note: The denominator used to calculate the intensity is the floor area (hm<sup>2</sup>) used by the Company.

## Section 10 Environmental, Social and Governance Report

### II. Society and Governance Report

During the process of achieving high quality self-development, the Company pays attention to the needs of all stakeholders, including employees, customers, suppliers and communities, and conducts the operation in accordance with the laws and regulations, with an effort to achieve staff happiness, customer satisfaction and social recognition as well as seeking for a harmonious development to maximize the interests of all stakeholders.

#### (I) Employment

The Company always adheres to its human-oriented philosophy, strictly implements laws and regulations, which include the “Labour Law of the PRC” and “Labour Contract Law of the PRC” and observes compliance employment according to laws to ensure employees are entitled to equal employment, choice of employment, labour remuneration, rest and paid holidays, work safety and health protection, vocational skill training, social insurance and benefits and other labour rights as required by laws. The Company continues to optimize human resources deployment by improving talent selection mechanism and recruitment process. The Company executes labour contracts with each employee and is in line with the principle of lawfulness, compliance, equality, voluntariness, unanimity, integrity and trustworthiness. The Company abides the principle of openness, equality and justice with respect to its human resources management, including recruitment, training, remuneration, appraisal and staff development and prevents discriminative behaviours of all forms to assure employees to receive diversified development amid healthy working environment.

#### Remuneration and Welfare Policy

The Company continues to improve a remuneration system that determines remuneration and distributes income on the basis of job position and performance-related appraisal results. The staff remuneration of the Company comprises fixed salary, performance-based incentives and welfares. The post salary is relatively a fixed part of remuneration, and is the basic annual income of staff. The fixed salary of the staff is mainly determined after comprehensive evaluation of the relevant factors such as employees’ job responsibilities, their education background, knowledge and skills, past experience, consideration of market salary standards. In 2019, the Company optimized ranking salary, an important component of the ranking system, and put forward the proposals for optimization and adjustment through market benchmarking analysis to enable the salary mechanism more in line with the current market situation, so as to meet the needs of the Company’s future human resources development and the introduction of outstanding talents. Drawn from the annual profit, performance-based incentives is linked up with operating conditions and business performances of the Company and the departments for the year and distributed according to the appraisal results of department and staff performances. In strict compliance with the performance and contribution orientation, the distribution of performance-based incentives is in favour of business departments with high profit contribution to the Company and employees with prominent work performance while due consideration is also channeled to the middle-back end supportive departments.

## Section 10 Environmental, Social and Governance Report

The Company established an all-round welfare benefit system for staff. Apart from statutory welfares such as social insurance and housing provident fund provided to employees according to relevant state provisions, the Company offered supplemental medical insurance and accident insurance to staff to free them from future worries and troubles. Under the principle of voluntary participation, the Company set up group annuity scheme to improve staff's living standards after their retirement. The Company organized physical examinations and arranged diverse cultural activities such as staff football, badminton, table tennis and basketball for staff regularly to enrich their after-office-hour cultural life. The labour union proactively extended its sincere regards to the retired and financially-difficult staff of the Company, organised donation activities for hospitalized staff with serious illnesses and provided them with help and care both materially and mentally.

### **Dismissal, Recruitment and Promotion Policy**

The Company is in strict compliance with the state and local laws and regulations and the company regulations to handle the procedures regarding staff introduction and resignation and strives to build a harmonious labour relationship. Based on an annual recruitment plan, the Company follows the principle of "equal opportunity, fair competition, comprehensive review and talent selection" to conduct its recruitment work, persists in standardized process and comprehensive assessment and pays attention to its channel and approach improvement and innovation, so as to greatly attract talents for the development of the Company, and the total number of staff recruited was 214 for the year. The Company cooperates with local human resources service centre and higher learning institutions, organizes multiple scientific research practices, internship programs and internship camp to attract college students practicing their internships in the Company, a total of 191 trainees was recruited during the year. This will provide students with a platform to improve their practical ability and build a positive employer image on the one hand and help various departments to select talents through practical work on the other.

The Company revised the "Management Measures on the Ranking System of Guolian Securities Co., Ltd." (《國聯證券股份有限公司職級體系管理辦法》), and improved the operation rules for ranking adjustment based on performance and by refining and perfecting the requirements for ranking appointment, and closely linked the ranking system to broadband compensation and performance management to form a more reasonable and market-oriented employee ranking management mechanism.

## Section 10 Environmental, Social and Governance Report

### **Working Hours and Holiday Policy**

The Company sets up a standard working hour system in conformity with the relevant state provisions. The Company revises the attendance and leave management measures and overtime management measures respectively, and calculates attendance and wage on a monthly basis. The Company makes reasonable arrangement for overtime works according to work needs, pay wages and fix time-off-in-lieu for workers in line with the laws. All employees are entitled to statutory holidays and weekends. Paid-annual leave system is also put into practice to ensure staff has the legal right to rest.

### **Equality and Anti-discrimination Policy**

The Company formulates human resources management systems and staff manual to define the rights and obligations of the Company and staff, protect the legal interests of both parties and establish complete, equal and impartial labour relationship. In strict compliance with the state's laws, regulations and policies relating to protection of female staff interests, the Company has organised physical examinations for female staff and all kinds of amateur cultural activities regularly to ensure female staffs are treated equally and their interests are protected. The Company enters into labor contracts with all employees in strict accordance with national laws and regulations, and contracts signing and renewal are subject to the examination and approval procedures of the Company.



## Section 10 Environmental, Social and Governance Report

### Diversified Policy

The Company insists on implementing the strategy of invigorating the enterprise through human resources development, continuously improves the environment for talent development and strives to push forward the co-development between staff and the Company. According to the requirements of national laws and regulations and internal management, the Company formulated and revised the relevant human resource management systems in a timely manner, and constantly improves the human resource management system to be in line with the Company's development.

In 2019, the Company revised and improved the Guidance on Staff Position Management and Career Development of Guolian Securities Co., Ltd. (《國聯證券股份有限公司員工職位管理與生涯發展指引》), Management Measures on the Attendance and Leave of Guolian Securities Co., Ltd. (《國聯證券股份有限公司考勤與休假管理辦法》), Management Measures on Overtime of Guolian Securities Co., Ltd. (《國聯證券股份有限公司加班管理辦法》), Management Measures on the Deferred Payment of Performance-based Remuneration of Guolian Securities Co., Ltd. (《國聯證券股份有限公司績效薪酬延期支付管理辦法》), and newly formulated Management Measures on the Performance Evaluation of Guolian Securities Co., Ltd. (《國聯證券股份有限公司績效考核管理辦法》), Rules on the Implementation of Fixed Salary for Information Technology Personnel of Guolian Securities Co., Ltd. (《國聯證券股份有限公司信息技術人員定薪執行細則》), Management Measures on the Remuneration and Assessment of Compliance Officers and Compliance Managers of Guolian Securities Co., Ltd. (《國聯證券股份有限公司合規負責人及合規管理人員薪酬與考核管理辦法》), to better playing the role of the basic human resources management system by revising and improving the business module system and rules related to rankings, assessment and remuneration, as well as the management measures for special personnel. The Company constantly improved the effective cadre cultivation and development mechanism; seek, develop and cultivate back-up management in a reasonable manner, uphold the decent guidance on personnel placement to select a number of talents with high comprehensive quality into the management back-up of the Company through open recommendation, organize excursion and open job competition; vigorously introduced high-end and core talents through internal referrals so as to bolster the diversity of staff structures and provide intellectual support for corporate development. At present, the management of the Company holding either bachelor degrees or above has accounted for approximately 97.38% of the total, representing a high quality pool of human resources with well-educated background and strong market competitiveness.

## Section 10 Environmental, Social and Governance Report

During the Reporting Period, the statistics relating to employment were summarised as follows:

Indicators	Unit	2019
<b>Total staff</b>	Employees	1,316
<b>Among which: (by work location)</b>		
Domestic	Employees	1,316
Overseas	Employees	0
<b>Among which: (by labour contract type)</b>		
Indefinite term	Employees	555
Fixed term	Employees	761
A term until completion of certain work	Employees	0
<b>Among which: (by age group)</b>		
29 or below	Employees	337
30-39	Employees	694
40-49	Employees	212
50-54	Employees	45
55 or above	Employees	28
<b>Among which: (by gender)</b>		
Male	Employees	700
Female	Employees	616
<b>New employees during the Reporting Period</b>	Employees	170
<b>Staff loss ratio during the year</b>	%	20.07%

## Section 10 Environmental, Social and Governance Report

### (II) Health and Safety

The Company strictly implements its safety production management system and fire safety management system in taking special actions to identify and rectify potential safety hazards. According to the characteristics of the securities industry, and with customer safety and information security as the main focus, the Company stresses on strengthening the identification of hidden dangers in the aspects of basic safety production, information system security operation, electrical lines and equipment, fire control facilities and equipment, safe evacuation passageway, door head advertising, project safety, etc. to effectively prevent and control safety accidents. The Company carries out traffic safety education activities to guide employees to raise traffic safety awareness, strictly abides by traffic safety rules, and prohibits all kinds of traffic violations. The Company firmly adheres to working on shifts during holidays and strengthens safety patrol inspection. During the Reporting Period, the Company operated safely without any safety accidents.

The Company cares for the health of its staff and provides a healthy and safe working environment. The Company attaches great importance in strengthening health protection, organizes regular physical health examination for staff and specialized physical examination for female staff. The Company offers dormitories for eligible staff. The headquarters of the Company have canteens for staff dining convenience. The Company pays high temperature work subsidy on a timely basis according to state regulations.

The Company assures the legitimate vacation rights and benefits of its female staff during pregnancy, birth-giving and lactation period. The Company strictly complies with the relevant occupational health and safety regulations including “Measures on Identification of Work-related Injuries” (《工傷認定辦法》) and “Regulations of Insurance for Work-related Injuries” (《工傷保險條例》).

## Section 10 Environmental, Social and Governance Report

### (III) Development and Training

In order to adapt to the trend of innovative development of the industry and personnel development and training, constantly improve the comprehensive qualities of the Company's staff and ensure continuous development of the Company's operation, the Company attaches great importance to staff trainings and keeps on improving and optimizing staff training system. The first measure is to optimize and adjust the training focus: to enable the training resources be inclined to the front-line business departments to improve the business capabilities of employees according to the Company's strategic development goals. The second measure is to organize and implement various types of face-to-face training activities, such as organizing 18 business lecture hall seminars, new employee induction closed-loop training, training camps for the head of business department, HR position business exchange meetings, special training for institutional and wealth management lines, etc. Meanwhile, the Company organized and designated staff to participate in 19 comprehensive financial training sessions and 11 special training sessions. The third measure is to intensify online training and learning, including assigned study of compulsory courses, post-education remote trainings for all staff, online trainings for new staff, online examinations and surveys. The fourth measure is to continue to promote staff external learning, such as selecting approximately 500 employees by category and by batch to take part in various learning activities held by superior departments, professional institutions and renowned colleges and universities according to the business requirements and training plans of the Company. The fifth measure is to strengthen the establishment of online learning platform and management system of the Company. OA knowledge central function and E-learning learning platform are improved. At present, there are more than 900 pieces of learning documents in total with a total number of over 67,000 employee-headcount participated in learning. There are altogether over 800 internal courses in the platform with approximately 200 internal training courses newly launched in 2019.

## Section 10 Environmental, Social and Governance Report

During the Reporting Period, the Company carried out various methods of education trainings, such as face-to-face trainings, online study and external trainings, with a total of 86,720 employee-headcount who have participated in such trainings. The investment in trainings was RMB2,430,000. During the Reporting Period, the statistics of the Company relating to training performance was summarized as follows:

Indicators	Unit	2019
<b>Total training hours</b>	Hours	63,532
<b>Training hours of employees participating in trainings (by training content)</b>		
Online study	Hours	57,229
External trainings	Hours	6,000
Face-to-face trainings	Hours	303
<b>Average training hours per employee-headcount participating in training</b>	Hours	47

### (IV) Labour Standard

The Company strictly complies with the management policies set out in the relevant standards, rules and regulations prevailing across the world as well as of the country and locations of operation with respect to the prevention of child labor or forced labor. The Company prohibits any employment of child labor and forced labor and adheres to normative employment under the laws. During the Reporting Period, the Company did not have any non-compliance with the relevant standards, rules and regulations prevailing across the world as well as of the country and locations of operation in connection with child labor and forced labor.

## Section 10 Environmental, Social and Governance Report

### (V) Product Liability<sup>1</sup>

#### Service Quality

The Company strictly complies with Contract Law, Securities Law and other relevant management measures, temporary provisions and implementing regulations. During the Reporting Period, there was no violation of relevant laws and regulations.

The Company adheres to the service philosophy of “Guolian Securities, All for You”. By keeping customer-prioritized and regarding customers as the most valuable treasures of an enterprise, we always regard protecting investors’ interests as our responsibility and strive to provide quality service for customers and minority shareholders continuously.

The Company stringently implemented the moderate management requirements of investors and established smooth customer communication and coordination mechanism and sound complaint system arrangement. During 2019, the Company received a total of 27 customer complaints, which were properly handled through timely coordination by business center and branch tracking service. Customer satisfaction was improving and interests of investors were sufficiently safeguarded.

#### Customer Privacy

The Company strictly complies with the requirements of laws in the location where it operates to protect customer privacy. During the Reporting Period, there was no complaint of verified customer privacy leakage by the Company. The Company has a sound confidentiality management system in place, and has established the customer management system with operation mechanism at different levels and at different authorities. At the same time, in order to protect customer information security, the Company has established a customer information database. The Company regards customer information security as the guarantee for an enterprise to maintain the healthy development of customer relationship.

<sup>1</sup> As the Group is mainly engaged in the securities brokerage, investment banking, asset management and investment, proprietary trading and credit transactions and other businesses, during the Reporting Period, no disclosure was made regarding the indicators relating to product quality, packaging materials, advertisement, labels which were not of significant environmental related issues to the Company and hence not applicable to us.

## Section 10 Environmental, Social and Governance Report

### Investor Education

The investor education services of the Company abide the principles of long-term, suitability, effectiveness and standardization. “Taking the national investment education base as a base, promoting development with insurance coverage and facilitating services with science and technology” have always been the guiding principles, innovative thinking, project facilitation, pragmatic implementation and consolidation and improvement that regulatory authorities and self-disciplinary organizations are adhering to. Ensuring investors to understand capital market business and various financial products knowledge, establish decent investment philosophy and enhance investment and wealth management ability; familiar with the laws and regulations of capital market to strength risk prevention consciousness; we will effectively protect the legitimate rights and interests of investors and constantly improve their service quality and standards. At the same time, we will help the social public to understand the securities industry, consciously maintain market financial order, and promote the standardized development of capital market.

In its business course of agency sales businesses of financial products that include securities brokerage business, asset management business and securities investment fund, provision of intermediary introduction business for futures companies, margin financing and securities lending business, stock options derivatives business and securities investment advisory business, the Company strengthened various investor education services in strict compliance with the regulatory requirements of CSRC and the self-discipline rules of SAC. The investor education services of the Company have been integrated into all aspects such as opening (canceling) accounts, securities transactions, depositing and withdrawal of funds, securities marketing, information disclosure and eligibility management, and complete and detailed investor services rules and standards are in place.

### (VI) Anti-corruption

In strict compliance with relevant laws and regulations, the Company promotes compliance management and operation and strengthens the construction of integrity system while absolutely resisting commercial bribery. The Company has formulated relevant management systems in respect of clean employment management, clean administration construction accountability management, accountability appraisal as well as party conduct and clean administration construction education, staff violation treatment and leadership accountability and so on. Also, the Company has carried out anti-corruption education and training and developed convenient and effective monitoring network through various methods including whistleblowing platform, whistleblowing hotline and electronic mails, with an objective to penalize cases of commercial bribery and commercial corruption severely.



## Section 10 Environmental, Social and Governance Report

The Company carries out disciplinary inspection and supervision training to promote the professional supervision and audit capability and focuses on investment merger & acquisition, procurement bidding, operation management, etc. to conduct supervision and checking and urge the rectification of identified problems.

The Company earnestly organizes and implements the requirements of anti-money laundering, clarifies the focus of anti-money laundering, improves relevant internal control system, specifies and implements supervision requirements, improves the anti-money laundering monitoring system, further strengthens the anti-money laundering management and inspection, and continues to improve staff's awareness of anti-money laundering. Meanwhile, the Company improves the anti-money laundering working quality and carries out anti-money laundering training and publicity proactively.

During the Reporting Period, the management of anti-corruption and anti-money laundering was summarized as follows:

Indicators	Unit	2019
<b>Number of corruption and bribery cases</b>	Cases	0
Number of employees punished for corruption and bribery	Employees	0
Times of anti-corruption and anti-money laundering education publicity	Times	2
Number of employees participating in anti-corruption and anti-money laundering education	Employees	61,094
Times of disciplinary inspection and supervision business training	Times	7
Number of employees participating in disciplinary inspection and supervision business training	Employees	216
Total hours of disciplinary inspection and supervision business training	Hours	375

## Section 10 Environmental, Social and Governance Report

### (VII) Community Investment

The Company's community investment objective is to achieve a harmonious development in conjunction with the place where the operation is located. In addition to helping community welfare, the Company also leverages on the professional advantages and relies on business operation to contribute to the development of the community where the operation is located. The Company requires itself to follow the corporate development vision of "becoming a respected investment bank". Being respected does not only reflect its professional business accomplishment, but also requires corporate social responsibility practice.

In 2019, the Company and its wholly-owned subsidiary Hua Ying Securities continued its targeted poverty alleviation works. In Susong County, Anhui Province, we set up a love and care fund and donated RMB80,000 in total, helping 50 poverty-stricken students throughout the year. At Gaoling Central Elementary School in Susong County, our donations include books valuating of RMB8,000 and the second "Guolian Care and Love Library" (國聯愛心書屋). At Tianba Primary School in Hezhang County, we donated RMB100,000 to construct the "Recording and Broadcasting Classrooms" (錄播電教室), and conducted extra-curricular classes in teaching financial and business education to broaden the vision of teachers and students. In Susong and Poyang, we carried out training on the themes of STAR Market and economic situation analysis, current status of the bond market and bond financing to provide local enterprises with feasibility advice and guidance on broadening direct financing channels.

The Company is enthusiastic about public welfare and actively fulfilling its corporate social responsibility by actively organizing staff to donate RMB183,000 to the "Red Cross Humanity Donation by Ten Thousand People" activity organized by the Wuxi Municipal Propaganda Department, Municipal Civilization Office, Municipal Labor Committee and Municipal Red Cross. The Company further donated a total of RMB92,000 to the "Warming Heart and Offering Love" charitable and donating activity jointly organized by Wuxi Municipal Propaganda Department, Municipal Civilization Office, Municipal Charity Association, Working Committee of Municipal Authorities, Municipal Bureau of Civil Affairs and Municipal General Labor Union and other departments.

The Company focused on humanistic care and actively carried out activities of helping those in need and caring for staff. Throughout the year, the Company assisted 15 employees, with total expenditure amounting RMB114,800, and showed our concerns to over 130 employees with a total expenditure of RMB180,000, helping them to solve their practical difficulties and enhance their sense of gaining. At the same time, the Company actively promoted corporate spiritual civilization works, and was awarded the title of "Civilized Unit of Jiangsu Province" (江蘇省文明單位) by the Spiritual Civilization Development Steering Commission of Jiangsu Province (江蘇省精神文明建設指導委員會).

# Independent Auditor's Report

# Deloitte.

# 德勤

To the Shareholders of Guolian Securities Co., Ltd.

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

## Opinion

We have audited the consolidated financial statements of Guolian Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 174 to 308, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Key audit matter

### *Consolidation of Structured Entities*

We identified consolidation of structured entities as a key audit matter due to the key judgement exercised by the management of the Group in assessing and concluding whether the Group controls the structured entities.

The Group consolidated the structured entities which it controlled. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

The Group held interests as investor or acted as investment manager in various structured entities including collective asset management schemes and investment funds. The Group considered its power, arising from the rights entitled directly or indirectly, over the structured entities, and assessed whether the combination of investments it held together with its remuneration created exposure to variability of returns from the structured entities that are of such significance that it indicated the Group controlled the structured entities and should consolidated these structured entities.

The carrying amount of the interests in unconsolidated structured entities held by the Group was disclosed in Note 55, whilst the carrying amount of the Company's investments in consolidated structured entities was presented in Note 57.

## How our audit addressed the key audit matter

Our procedures in relation to this key audit matter included:

- Understanding the process and internal controls of the management in determining the consolidation scope of the structured entities;
- Checking the documents and information used by the management in assessing the consolidation criteria of significant structured entities against the related agreements and other related service agreements of structured entities newly established, invested or with changes in the proportion of ownership interests or contractual terms during the year;
- Assessing management judgement in determining the scope of consolidation for each of the abovementioned structured entities and the conclusion about whether or not the consolidation criteria are met.

## Independent Auditor's Report

### Key audit matter

### How our audit addressed the key audit matter

#### *Expected credit loss assessment of margin accounts receivable and equity securities held under resale agreements*

We identified the expected credit loss (ECL) assessment of margin accounts receivable and equity securities held under resale agreements as a key audit matter as these financial assets are material to the Group, and the management of the Group exercises significant judgements and estimation to assess and measure ECL.

Significant judgements by the Group in ECL measurement includes assessing whether the credit risk of an asset has significantly increased and whether an asset is credit-impaired, using appropriate models and assumptions, determining the key inputs including probability of default (PD), loss given default (LGD), exposure at default (EAD) and forward-looking information.

As at 31 December 2019, the Group held margin accounts receivable of RMB4,644,542 thousands, less impairment allowance of RMB6,145 thousands as disclosed in Note 30 and equity securities held under resale agreements of RMB2,750,098 thousands, less impairment allowance of RMB171,907 thousands as disclosed in Note 26.

Our procedures in relation to this key audit matter included:

- Understanding the relevant accounting policies and evaluating controls of the management over the measurement of ECL provision of margin accounts receivable and equity securities held under resale agreements;
- Evaluating the appropriateness of the ECL model, including the determination of significant increase in credit risk, the critical assumptions and parameters used in the model, the determination of significant increase in credit risk, and forward-looking information used in the model;
- Selecting samples on the credit review performed by the Group and reviewing the parameters and judgement made by the management including the stages of the financial assets, PD and LGD, the expected future cash flow, financial condition of counterparties and guarantors, and the realisation of collateral held;
- Checking the calculation process of the management on the expected credit loss of margin accounts receivable and equity securities held under resale agreements.

### Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Independent Auditor's Report

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



## Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ma Hing Fai.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

21 February 2020

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Revenue			
– Commission and fee income	6	832,901	660,961
– Interest income under effective interest method	7	863,806	883,729
Net investment gains/(losses)	8	421,132	(54,502)
Other income	9	5,732	6,627
<b>Total revenue, net gains and other income</b>		<b>2,123,571</b>	1,496,815
Commission and fee expenses	10	(159,151)	(109,239)
Interest expenses	11	(366,433)	(406,758)
Staff costs	12	(645,354)	(477,079)
Depreciation and amortization	13	(140,467)	(64,357)
Other operating expenses	14	(158,483)	(223,388)
Impairment losses under expected credit loss model, net of reversal	15	12,436	(153,892)
<b>Total expenses</b>		<b>(1,457,452)</b>	(1,434,713)
Share of results of associates		6,599	(11,514)
Other gains, net	16	13,767	21,064
<b>Profit before income tax</b>		<b>686,485</b>	71,652
Income tax expense	17	(165,142)	(21,064)
<b>Profit for the year</b>		<b>521,343</b>	50,588
Attributable to:			
Shareholders of the Company		521,343	50,588
		521,343	50,588
<b>Earnings per share (Expressed in RMB per share)</b>			
– Basic	18	0.27	0.03

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
<b>Profit for the year</b>	<b>521,343</b>	50,588
Other comprehensive expense for the year, net of tax	-	-
<b>Total comprehensive income for the year</b>	<b>521,343</b>	50,588
Attributable to:		
Shareholders of the Company	521,343	50,588

# Consolidated Statement of Financial Position

As at 31 December 2019

	NOTES	2019/12/31 RMB'000	2018/12/31 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	20	88,137	95,452
Right-of-use assets	21	171,929	—
Intangible assets	22	50,297	35,894
Interests in associates	24	104,201	113,562
Other non-current assets	25	42,232	40,097
Financial assets held under resale agreements	26	412,630	799,536
Financial assets at fair value through profit or loss	31	117,543	159,012
Deferred income tax assets	27	38,149	80,117
Refundable deposits	28	64,634	72,494
<b>Total non-current assets</b>		<b>1,089,752</b>	1,396,164
<b>Current assets</b>			
Other current assets	29	166,045	68,442
Margin accounts receivable	30	4,638,397	2,953,817
Financial assets held under resale agreements	26	3,014,297	6,598,885
Financial assets at fair value through profit or loss	31	8,105,403	2,826,918
Clearing settlement funds	32	2,100,538	2,030,925
Cash held for brokerage clients	33	6,547,713	4,027,017
Cash and bank balances	34	2,757,258	1,381,608
<b>Total current assets</b>		<b>27,329,651</b>	19,887,612
<b>Total assets</b>		<b>28,419,403</b>	21,283,776
<b>Equity and liabilities</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	35	1,902,400	1,902,400
Share premium	36	2,178,478	2,178,478
Reserves	36	1,907,669	1,760,002
Retained earnings		2,078,779	1,808,304

# Consolidated Statement of Financial Position

As at 31 December 2019

	NOTES	2019/12/31 RMB'000	2018/12/31 RMB'000
<b>Total equity attributable to shareholders of the Company</b>		<b>8,067,326</b>	7,649,184
<b>Total equity</b>		<b>8,067,326</b>	7,649,184
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bonds in issue	37	2,300,000	4,200,000
Lease liabilities	38	107,925	–
Deferred income tax liabilities	27	1,163	3,342
<b>Total non-current liabilities</b>		<b>2,409,088</b>	4,203,342
<b>Current liabilities</b>			
Other current liabilities	39	526,667	286,579
Current income tax liabilities		6,953	6,897
Bonds in issue	37	4,155,028	2,373,522
Lease liabilities	38	64,725	–
Contract liabilities	41	3,544	7,512
Due to other financial institutions	42	200,285	–
Derivative financial liabilities	43	–	940
Financial assets sold under repurchase agreements	44	3,692,992	10,014
Financial liabilities at fair value through profit or loss	45	1,080,462	1,151,165
Accounts payable to brokerage clients	46	8,212,333	5,594,621
<b>Total current liabilities</b>		<b>17,942,989</b>	9,431,250
<b>Total liabilities</b>		<b>20,352,077</b>	13,634,592
<b>Total equity and liabilities</b>		<b>28,419,403</b>	21,283,776

The consolidated financial statements on pages 174 to 308 were approved and authorised for issue by the Board of Directors on 21 February 2020 and signed on behalf by:

**Yao Zhiyong**

Chairman of the Board and non-Executive Director

**Ge Xiaobo**

Executive Director and President

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to shareholders of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Reserves	Retained earnings	Subtotal		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 31 December 2018</b>	<b>1,902,400</b>	<b>2,178,478</b>	<b>1,760,002</b>	<b>1,808,304</b>	<b>7,649,184</b>	-	<b>7,649,184</b>
Adjustment (see Note 2)	-	-	-	(8,081)	(8,081)	-	(8,081)
<b>Balance at 1 January 2019 restated</b>	<b>1,902,400</b>	<b>2,178,478</b>	<b>1,760,002</b>	<b>1,800,223</b>	<b>7,641,103</b>	-	<b>7,641,103</b>
Profit for the year	-	-	-	521,343	521,343	-	521,343
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>521,343</b>	<b>521,343</b>	<b>-</b>	<b>521,343</b>
Dividends recognized as distribution	-	-	-	(95,120)	(95,120)	-	(95,120)
Appropriation to reserves	-	-	147,667	(147,667)	-	-	-
<b>Balance at 31 December 2019</b>	<b>1,902,400</b>	<b>2,178,478</b>	<b>1,907,669</b>	<b>2,078,779</b>	<b>8,067,326</b>	<b>-</b>	<b>8,067,326</b>
<b>Balance at 1 January 2018</b>	<b>1,902,400</b>	<b>2,178,478</b>	<b>1,715,660</b>	<b>1,802,058</b>	<b>7,598,596</b>	<b>-</b>	<b>7,598,596</b>
Profit for the year	-	-	-	50,588	50,588	-	50,588
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,588</b>	<b>50,588</b>	<b>-</b>	<b>50,588</b>
Dividends recognized as distribution	-	-	-	-	-	-	-
Appropriation to reserves	-	-	44,342	(44,342)	-	-	-
<b>Balance at 31 December 2018</b>	<b>1,902,400</b>	<b>2,178,478</b>	<b>1,760,002</b>	<b>1,808,304</b>	<b>7,649,184</b>	<b>-</b>	<b>7,649,184</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
<b>Cash flows from operating activities</b>		
Profit before income tax	686,485	71,652
Adjustments for:		
Depreciation and amortisation	140,467	64,357
Impairment losses, net of reversal		
– financial assets and other items under expected credit loss model	(12,436)	153,892
Net gains on disposal of property and equipment and intangible assets	(187)	(45)
Unrealised fair value change of financial instruments at fair value through profit or loss	(212,503)	42,678
Foreign exchange gains	(6,044)	(13,605)
Share of (profit)/loss of associates	(6,599)	11,514
Interest expense on bonds in issue	318,647	349,966
Interest expense on lease liabilities	8,996	–
Realised gains from disposal of financial instruments at fair value through profit or loss	(104,099)	(16,486)
Dividends and interest received from financial instruments at fair value through profit or loss	(15,748)	(6,541)
<b>Operating cash flows before movements in working capital</b>	<b>796,979</b>	<b>657,382</b>
Net (increase)/decrease in margin accounts receivable	(1,680,706)	1,797,661
Net (increase)/decrease in financial assets at fair value through profit or loss	(5,031,340)	626,301
Net decrease/(increase) in financial assets held under resale agreements	3,263,749	(634,688)
Net decrease in refundable deposits	7,860	33,796
Net (increase)/decrease in cash held for brokerage clients	(2,520,696)	628,075
Net (increase)/decrease in clearing settlement funds	(35,298)	567,434
Net increase in other assets	(111,920)	(37,386)
Net increase/(decrease) in accounts payable to brokerage clients	2,617,712	(1,284,431)
Net increase/(decrease) in financial assets sold under repurchase agreements	3,682,978	(288,262)
Net increase/(decrease) in due to other financial institutions	200,285	(608,925)
Net increase in other liabilities	281,855	98,078
Net decrease in financial liabilities at fair value through profit or loss and derivative financial liabilities	(65,970)	(550,891)
Cash generated from operations	1,405,488	1,004,144
Income taxes paid	(164,700)	(84,424)
<b>Net cash generated from operating activities</b>	<b>1,240,788</b>	<b>919,720</b>



# Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	NOTE	2019 RMB'000	2018 RMB'000
<b>Cash flows from investing activities</b>			
Dividends and interest received from investments		15,748	6,541
Proceeds on disposal of property and equipment and intangible assets		696	817
Purchase of property and equipment, intangible assets and other long-term assets		(84,680)	(82,219)
Cash paid for purchase of financial instruments at fair value through profit or loss		(6,230,115)	(830,192)
Cash received from disposal of financial instruments at fair value through profit or loss		6,337,941	688,228
Capital reduction of an interest in an associate		15,960	-
<b>Net cash generated from/(used in) investing activities</b>		<b>55,550</b>	<b>(216,825)</b>
<b>Cash flows from financing activities</b>			
Cash received from additional bonds in issue		2,660,000	3,000,000
Repayments of leases liabilities		(77,026)	-
Cash paid from repayment of bonds in issue		(2,780,000)	(3,200,000)
Interest expense of bonds in issue		(317,141)	(290,233)
Dividends paid		(95,120)	-
<b>Net cash used in financing activities</b>		<b>(609,287)</b>	<b>(490,233)</b>
Effect of exchange rate changes on the balance of cash held in foreign currencies		6,044	13,605
Net increase in cash and cash equivalents		687,051	212,662
Cash and cash equivalents at the beginning of the year		3,269,553	3,043,286
<b>Cash and cash equivalents at the end of the year</b>	47	<b>3,962,648</b>	3,269,553

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 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 (the “Hong Kong Stock Exchange”) on 6 July 2015. Under the 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 31 December 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.

As of 31 December 2019, the Company has established a total of 100 branches, including 13 branch offices and 87 securities branches, which are mainly located in Jiangsu province.

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, investment management, proprietary investment in venture capital, industrial investment, equity investment, asset management, introducing broker for futures companies, margin financing and securities lending, and agency sale of financial broker products.

These consolidated financial statements were authorised for issue by the Board of Directors (the “Board”) on 21 February 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 2. Application of new and amendments to international financial reporting standards

In the current year, the Group has applied for the first time the following new and amendments to International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”).

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
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 year has had no material impact on the Group’s financial performance and positions for the current and prior years or on the disclosures set out in these consolidated financial statements.

### IFRS 16 Leases

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

#### 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-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard 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.

## 2. Application of new and amendments to international financial reporting standards – continued

### IFRS 16 Leases – continued

#### As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, for certain lease contracts, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if IFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying IFRS 16.C8(b)(i) transition. For the other lease contracts, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings 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;
- 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 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.

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 incremental borrowing rate applied is 4.52%.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 2. Application of new and amendments to international financial reporting standards – continued

#### IFRS 16 Leases – 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 Consolidated Financial Statements

For the year ended 31 December 2019

## 2. Application of new and amendments to international financial reporting standards – continued

### IFRS 16 Leases – continued

#### As a lessee – continued

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

	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 (Note)	1,389
	<hr/> 203,148
By class:	
Land and buildings	202,155
Motor vehicles	993
	<hr/> 203,148

Note: 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 Consolidated Financial Statements

For the year ended 31 December 2019

## 2. Application of new and amendments to international financial reporting standards – continued

### IFRS 16 Leases – 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 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 *Revenue from Contracts with Customers* ("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 consolidated financial statements of the Group for the current year.

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

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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 2. Application of new and amendments to international financial reporting standards – continued

#### IFRS 16 Leases – continued

The following adjustments were made to the amounts recognised in the 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
<b>Non-current Assets</b>			
Right-of-use assets	–	203,148	203,148
Deferred income tax assets	80,117	2,694	82,811
<b>Current Assets</b>			
Other current assets	68,442	(10,041)	58,401
<b>Equity</b>			
Retained earnings	1,808,304	(8,081)	1,800,223
<b>Current Liabilities</b>			
Other current liabilities	286,579	(2,498)	284,081
Lease liabilities	–	62,283	62,283
<b>Non-current liabilities</b>			
Lease liabilities	–	144,097	144,097

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 2. Application of new and amendments to international financial reporting standards – continued

### New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs which are relevant to the Group that have been issued but are not yet effective.

Amendments to IFRS 3	Definition of a Business <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>4</sup>
Amendments to IAS 1 and IAS 8	Definition of Material <sup>3</sup>
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform <sup>3</sup>

<sup>1</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 3. Significant accounting policies and basis of preparation

### Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs which comprise all standards and interpretations approved by the IASB and the disclosures required by the Rules Governing the Listing of Securities (“Listing Rules”) on the Hong Kong Stock Exchange and Hong Kong Companies Ordinance (“CO”).

### Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis (except for financial instruments that are measured at fair values) at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Share-based Payment* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Basis of preparation – continued

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities (“SEs”)) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in an investee are sufficient to give it power, including:

- the size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

## 3. Significant accounting policies and basis of preparation – continued

### Basis of consolidation – continued

When the Group has decision-making rights (a decision maker) over a structured entity, the Group considers the overall relationship with the relevant structured entity and other investors involved with the structured entity, in particular all the factors below, in determining whether the Group is acting as an agent or principal:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreement(s); and
- the Group's exposure to variability of returns from other interests that it holds in the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income and expense of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Basis of consolidation – continued

#### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* ("IFRS 9"), when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

## 3. Significant accounting policies and basis of preparation – continued

### Business combinations – continued

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Business combinations – continued

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

## 3. Significant accounting policies and basis of preparation – continued

### Investments in associates

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Investments in associates – continued

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Property and equipment

Property and equipment are tangible assets that are held for use in the supply of services, or for administrative purpose (other than construction in progress). Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress for supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

Classes	Estimated residual value rates	Useful lives
Buildings	0 – 5%	30 years
Motor vehicles	0 – 5%	6 years
Electronics and other equipment	0 – 5%	2 – 5 years

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Intangible assets

#### Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

### Leases

#### 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 or arising from business combinations 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, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

## 3. Significant accounting policies and basis of preparation – continued

### Leases – continued

#### The Group 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.

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of buildings/motor vehicles/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*

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.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Leases – continued

#### The Group 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 are 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.

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under 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.

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.



## 3. Significant accounting policies and basis of preparation – continued

### Leases – continued

#### The Group as a lessee – continued

##### *Lease liabilities – continued*

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.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

##### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Leases – continued

#### The Group as a lessee – continued

##### *Lease modifications – continued*

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.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

#### The Group as a lessor

##### *Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Upon application of IFRS 16 on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

## 3. Significant accounting policies and basis of preparation – continued

### Leases – continued

#### The Group as a lessor – continued

##### *Allocation of consideration to components of a contract*

When a contract includes both leases and non-lease components, the Group applies 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.

### Foreign currencies

In preparing the financial statements of each individual group entities, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

### Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the PRC, including social insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

### Contributions to pension schemes and annuity plans

Payments to defined contribution retirement benefits plan are charged as expenses when employees have rendered service entitling them to the contributions.

### Short-term benefit

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

## 3. Significant accounting policies and basis of preparation – continued

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Taxation – continued

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 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, and deferred tax assets and liabilities are recognised accordingly.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

## 3. Significant accounting policies and basis of preparation – continued

### Financial instruments – continued

#### Financial assets

##### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/ initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Financial instruments – continued

#### Financial assets – continued

##### *Classification and subsequent measurement of financial assets – continued*

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) *Debt instruments classified as at FVTOCI*

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of change in equity. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) *Equity instruments designated as at FVTOCI*

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the change in equity; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

## 3. Significant accounting policies and basis of preparation – continued

### Financial instruments – continued

#### Financial assets – continued

##### *Classification and subsequent measurement of financial assets – continued*

###### *(iii) Equity instruments designated as at FVTOCI – continued*

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "net investment gains" line item in profit or loss.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

###### *(iv) Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "net investment gains" line item.

##### ***Impairment of financial assets and other items subject to impairment assessment under IFRS 9***

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, margin accounts receivable, accounts receivable and other receivables in other current assets and refundable deposits), and other items (loan commitments) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Financial instruments – continued

#### Financial assets – continued

##### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued*

The Group always recognises lifetime ECL for account receivables. The ECL on account receivables are assessed individually for debtors with significant balances and/or collectively using a provision matrix with aging groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

##### (i) *Significant increase in credit risk*

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

- debtor fails to pay the principal and interest as per the due date of the contract and the number of days overdue;
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;

## 3. Significant accounting policies and basis of preparation – continued

### Financial instruments – continued

#### Financial assets – continued

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued*

(i) *Significant increase in credit risk – continued*

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor;
- significant deterioration in the value of collateral or quality of guarantee or credit enhancements provided by a third party. These changes are expected to reduce the debtor's financial incentive to repay the debt within the time limit specified in the contract or affect the probability of default.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Financial instruments – continued

#### Financial assets – continued

##### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued*

(ii) *Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.
- (f) purchase or originate a financial asset at a substantial discount, which reflects the fact that a credit loss has occurred.

## 3. Significant accounting policies and basis of preparation – continued

### Financial instruments – continued

#### Financial assets – continued

##### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued*

(iv) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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

For ECL on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Financial instruments – continued

#### Financial assets – continued

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued*

(v) *Measurement and recognition of ECL – continued*

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments including account receivables are grouped based on shared credit risk characteristics. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

- (a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and
- (b) the cash flows that the Group expects to receive if the loan is drawn down.

Except for investments in debt instruments that are measured at FVTOCI and loan commitments, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of account receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the debt investment revaluation reserve without reducing the carrying amounts of these debt instruments.



## 3. Significant accounting policies and basis of preparation – continued

### Financial instruments – continued

#### Financial assets – continued

##### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

##### *Financial assets sold under repurchase agreements and financial assets held under resale agreements*

Financial assets sold subject to repurchase agreements, which do not result in derecognition of the financial assets, are continued to be recorded as financial assets at FVTPL or debt instruments measured at amortized cost as appropriate. The corresponding liability is included in "financial assets sold under repurchase agreements". Consideration paid for financial assets held under agreements to resell are recorded as "financial assets held under resale agreements". Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Financial instruments – continued

#### Financial assets – continued

##### *Securities lending*

The Group lends securities to clients and the cash collateral balances required under the securities lending agreements and the interest arisen from the cash collateral are included in “accounts payable to brokerage clients”. For those securities held by the Group that are lent to clients, they are not derecognised and are continued to be recorded as financial assets at FVTPL.

#### Financial liabilities and equity instruments

##### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

## 3. Significant accounting policies and basis of preparation – continued

### Financial instruments – continued

#### Financial liabilities and equity instruments – continued

##### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Financial instruments – continued

#### Financial liabilities and equity instruments – continued

##### *Financial liabilities at FVTPL – continued*

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

##### *Financial liabilities at amortised cost*

Financial liabilities including due to other financial institutions, accounts payable to brokerage clients, other payables, bonds in issue and financial assets sold under repurchase agreements are subsequently measured at amortised cost, using the effective interest method.

##### *Derecognition and substantial modification of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

## 3. Significant accounting policies and basis of preparation – continued

### Financial instruments – continued

#### Financial liabilities and equity instruments – continued

##### *Derecognition and substantial modification of financial liabilities – continued*

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

##### *Non-substantial modifications of financial liabilities*

For non-substantial modifications of financial liabilities that do not result in derecognition, at the point of modification, the carrying amount of the relevant financial liabilities is revised for directly attributable transaction costs and any consideration paid to or received from the counterparty. The effective interest rate is then adjusted to amortise the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument.

##### **Derivative financial instruments**

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

##### *Embedded derivatives*

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Financial instruments – continued

#### Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

## 3. Significant accounting policies and basis of preparation – continued

### Revenue from contracts with customers – continued

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

### Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

### Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

#### *Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Revenue from contracts with customers – continued

#### Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

#### Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

## 3. Significant accounting policies and basis of preparation – continued

### Revenue from contracts with customers – continued

#### Principal versus agent – continued

The Group's revenue mainly comes from the following types of business:

#### *Commission and fee income*

- (a) Commission and fee income arising from securities brokerage services is recognised on the date of the securities transaction;
- (b) Commission and fee income arising from investment banking services is recognised when the contractual obligations are fulfilled;
- (c) Commission and fee income arising from asset management services is recognized in accordance with the conditions and proportions agreed in the contract when management services meets the relevant revenue recognition conditions.

#### *Other income*

Other income is recognised when the contractual obligations are fulfilled.

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and the amount of the obligation can be reliably estimated.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. Significant accounting policies and basis of preparation – continued

### Impairment on tangible and intangible assets other than goodwill and financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) or in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

## 4. Key sources of estimation uncertainty and critical accounting judgment

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Group reviewed the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Consolidation of structured entities

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

The Group held interests as investor or acted as investment manager in various structured entities including collective asset management schemes and investment funds. The Group considered its power, arising from the rights entitled directly or indirectly, over the structured entities, and assessed whether the combination of investments it held together with its remuneration created exposure to variability of returns from the structured entities that are of such significance that it indicated the Group controlled the structured entities and should consolidated these structured entities.

### Expected credit losses of advances to customers

The Group estimates the amount of loss allowance for ECL on its margin accounts receivable and financial assets held under resale agreements. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of margin accounts receivable and financial assets held under resale agreements. The assessment of the credit risk of margin accounts receivable and financial assets held under resale agreements involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly. Refer to Note 52 for more details on ECL.

The following significant judgements and estimation are required in applying the accounting requirements for measuring the ECL:

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 4. Key sources of estimation uncertainty and critical accounting judgment – continued

### Expected credit losses of advances to customers – continued

#### Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Details of advances to customers are set out in Notes 26 and 30.

#### Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

#### Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of assets, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

#### Forward-looking information

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

## 4. Key sources of estimation uncertainty and critical accounting judgment – continued

### Expected credit losses of advances to customers – continued

#### Probability of default (PD)

PD constitutes a key input in measuring ECL. 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.

#### Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

#### Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments and discounted cash flow analysis, to the extent practical market observable inputs and data, such as interest rate yield curves, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

#### Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realisation of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognised in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the deductible temporary differences are disclosed in Note 27.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 5. Segment analysis

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

- (a) Securities brokerage: securities trading and brokering services;
- (b) Credit transaction: providing financial leverage for brokerage clients, securities-backed lending and securities repurchase businesses;
- (c) Investment banking: corporate finance and financial advisory services to institutional clients and market maker business;
- (d) Proprietary trading: trading in financial products;
- (e) Asset management and investment: direct investments and funds related business, in addition to portfolio management and maintenance, investment advisory and transaction execution services;
- (f) Other businesses: including 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 year ended 31 December 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.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 5. Segment analysis – continued

Year ended 31 December 2019

	Securities brokerage RMB'000	Credit transaction RMB'000	Investment banking RMB'000	Proprietary trading RMB'000	Asset management and investment RMB'000	Other Business RMB'000	Elimination RMB'000	Total RMB'000
<b>Total revenue, net gains and other income</b>	657,563	601,626	315,337	443,927	76,076	33,570	(4,528)	2,123,571
Commission and fee income								
– external	506,444	3,077	257,124	-	66,256	-	-	832,901
– internal	-	-	4,528	-	-	-	(4,528)	-
Interest income								
– external	151,043	598,549	19,461	43,215	23,534	28,004	-	863,806
– internal	-	-	-	-	-	-	-	-
Net investment gains/(losses)								
– external	-	-	34,224	400,712	(13,804)	-	-	421,132
– internal	-	-	-	-	-	-	-	-
Other income								
– external	76	-	-	-	90	5,566	-	5,732
– internal	-	-	-	-	-	-	-	-
<b>Total expenses</b>	(511,052)	(311,461)	(246,584)	(22,769)	(30,375)	(336,313)	1,102	(1,457,452)
<b>Operating profit/(loss)</b>	146,511	290,165	68,753	421,158	45,701	(302,743)	(3,426)	666,119
Other gains/(losses), net								
– external	(116)	(1,869)	1,310	-	484	13,958	-	13,767
– internal	-	-	-	-	-	-	-	-
Share of profits of investments in associates	-	-	-	-	5,227	1,372	-	6,599
<b>Profit/(Loss) before income tax</b>	146,395	288,296	70,063	421,158	51,412	(287,413)	(3,426)	686,485
<b>Total assets</b>	8,003,055	7,967,010	1,142,611	7,257,153	1,497,399	3,639,860	(1,087,685)	28,419,403
<b>Total liabilities</b>	7,631,297	7,294,716	124,184	3,784,743	1,121,590	392,121	3,426	20,352,077
Supplemental information								
Interests in associates	-	-	-	-	3,999	100,202	-	104,201
Interest expenses	36,774	315,806	1,497	13,011	447	-	(1,102)	366,433
Depreciation and amortisation	57,663	160	25,206	432	2,376	54,630	-	140,467
Impairment losses/(reversal)	100	(13,712)	52	98	1,514	(488)	-	(12,436)
Capital expenditure	59,618	493	6,832	967	2,312	50,566	-	120,788

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 5. Segment analysis – continued

Year ended 31 December 2018

	Securities brokerage RMB'000	Credit transaction RMB'000	Investment banking RMB'000	Proprietary trading RMB'000	Asset management and investment RMB'000	Other Business RMB'000	Elimination RMB'000	Total RMB'000
<b>Total revenue, net gains and other income</b>	531,343	635,653	257,997	(14,688)	66,437	29,696	(9,623)	1,496,815
Commission and fee income								
– external	401,750	1,110	194,907	–	63,194	–	–	660,961
– internal	–	–	9,623	–	–	–	(9,623)	–
Interest income								
– external	129,323	634,543	30,551	49,132	16,841	23,339	–	883,729
– internal	–	–	–	–	–	–	–	–
Net investment gains/(losses)								
– external	–	–	22,916	(63,820)	(13,598)	–	–	(54,502)
– internal	–	–	–	–	–	–	–	–
Other income								
– external	270	–	–	–	–	6,357	–	6,627
– internal	–	–	–	–	–	–	–	–
<b>Total expenses</b>	(460,228)	(538,492)	(187,914)	(3,243)	(26,755)	(220,006)	1,925	(1,434,713)
<b>Operating profit/(loss)</b>	71,115	97,161	70,083	(17,931)	39,682	(190,310)	(7,698)	62,102
Other gains/(losses), net								
– external	37	–	2,750	(96)	(248)	18,621	–	21,064
– internal	–	–	–	–	–	–	–	–
Share of losses of investments in associates	–	–	–	–	(2,203)	(9,311)	–	(11,514)
<b>Profit/(Loss) before income tax</b>	71,152	97,161	72,833	(18,027)	37,231	(181,000)	(7,698)	71,652
<b>Total assets</b>	5,360,314	9,240,650	1,036,678	2,920,801	1,621,604	2,191,474	(1,087,745)	21,283,776
<b>Total liabilities</b>	5,135,640	7,053,999	57,930	28,698	1,163,960	186,667	7,698	13,634,592
Supplemental information								
Interests in associates	–	–	–	–	14,732	98,830	–	113,562
Interest expenses	25,863	373,910	7,620	7	1,283	–	(1,925)	406,758
Depreciation and amortisation	18,026	182	3,527	16	803	41,803	–	64,357
Impairment losses/(reversal)	–	154,415	(74)	–	(639)	190	–	153,892
Capital expenditure	28,028	–	8,518	399	4,280	40,994	–	82,219

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 6. Commission and fee income

	2019	2018
	RMB'000	RMB'000
Securities brokerage	506,444	401,750
Underwriting and sponsorship	181,644	123,163
Investment consultancy and financial advisory	75,480	71,744
Asset management <sup>(a)</sup>	66,256	63,194
Others	3,077	1,110
	<b>832,901</b>	660,961

Note a: The Group provides asset management services in respect of various asset management schemes. Performance obligation is satisfied over the term of respective asset management schemes. Management fees of asset management schemes are recognised to the extent that it is highly probable that such recognition will not result in a significant revenue reversal in the future when the uncertainty associated with the quantum of management fees is subsequently resolved. Therefore, management fees of asset management schemes can only be recognised when they are determinable based on actual performance measurement.

Note b: As at 31 December 2019, the Group expected that performance obligation would be satisfied within one year for most existing contracts.

## 7. Interest income under effective interest method

	2019	2018
	RMB'000	RMB'000
Interest income from margin financing	258,514	288,671
Interest income from bank deposits	207,902	190,863
Interest income from financial assets held under resale agreements	397,390	404,195
	<b>863,806</b>	883,729

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 8. Net investment gains/(losses)

	2019	2018
	RMB'000	RMB'000
Realised gains/(losses) from disposal of financial assets at fair value through profit or loss	120,859	(53,809)
Distribution to interest holders of consolidated SEs	(53,447)	(41,822)
Dividends and interest income from financial assets at fair value through profit or loss	116,845	100,505
Net realised gains/(losses) from derivative financial instruments	24,372	(16,698)
Unrealised fair value change of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	203,441	(43,409)
– Derivative financial instruments	4,329	(4,329)
– Financial liabilities at fair value through profit or loss	4,733	5,060
	421,132	(54,502)

## 9. Other income

	2019	2018
	RMB'000	RMB'000
Operating lease income	4,567	6,106
Others	1,165	521
	5,732	6,627

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 10. Commission and fee expenses

	2019	2018
	RMB'000	RMB'000
Securities brokerage	146,795	107,128
Underwriting and sponsorship	8,491	94
Investment consultancy and financial advisory	2,598	–
Asset management	1,267	2,017
	<b>159,151</b>	109,239

## 11. Interest expenses

	2019	2018
	RMB'000	RMB'000
Interest expense on bonds in issue	314,117	349,966
Interest expense on financial assets sold under repurchase agreement	13,051	8,862
Interest expense on accounts payable to brokerage clients	29,683	25,910
Interest expenses on due to other financial institutions	586	22,020
Interest expense on lease liabilities	8,996	–
	<b>366,433</b>	406,758

## 12. Staff costs (including directors' and supervisors' remuneration)

	2019	2018
	RMB'000	RMB'000
Salaries and bonus	505,185	340,455
Pension	73,265	72,509
Other social security	39,369	38,214
Labour union funds and employee education funds	6,989	6,371
Other welfares	20,546	19,530
	<b>645,354</b>	477,079

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 12. Staff costs (including directors' and supervisors' remuneration) – continued

#### 12.1 The five highest paid individuals

The five highest paid employees of the Group during the year included one director (2018: nil), details of whose remuneration are set out in Note 12.2. Details of the remuneration for the year of the remaining four (2018: five) highest paid employees who are neither a director nor supervisor of the Company are as follows:

	2019	2018
	RMB'000	RMB'000
Salaries allowances and other welfares	8,134	8,526
Bonus	7,728	4,231
	<b>15,862</b>	12,757

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of Employees	
	2019	2018
HKD1,000,001 to HKD3,000,000	2	4
HKD3,000,001 to HKD5,000,000	2	1
	<b>4</b>	5

The Group has not provided any compensations to any of the directors and supervisors of the Company or the five highest paid individuals as incentive for them to join the Group, rewarding for joining the Group or for leaving the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 12. Staff costs (including directors' and supervisors' remuneration) – continued

### 12.2 Directors' and supervisors' emoluments

The remuneration of directors and supervisors of the Company is set out below:

For the year ended 31 December 2019

Name	Fees RMB'000	Salaries RMB'000	Housing allowance RMB'000	Pension RMB'000	Other welfares RMB'000	Annual bonus RMB'000	Total RMB'000
<b>Executive Directors</b>							
Ge Xiaobo (appointment came into effect on 23 October 2019)	-	275	20	23	17	3,000	3,335
Peng Yanbao (appointed on 16 June 2016 and resigned on 23 October 2019)	-	280	18	24	58	-	380
<b>Non-executive Directors</b>							
Yao Zhiyong (Chairman) (appointed on 8 March 2017)	-	-	-	-	-	-	-
Hua Weirong (appointed on 16 June 2016)	-	-	-	-	-	-	-
Zhou Weiping (appointed on 16 June 2016)	-	-	-	-	-	-	-
Liu Hailin (appointed on 16 June 2016)	-	-	-	-	-	-	-
Zhang Weigang (appointed on 16 June 2016)	-	-	-	-	-	-	-
Wu Xingyu (appointed on 8 November 2018)	120	-	-	-	-	-	120
Zhu Hehua (appointed on 27 June 2019)	60	-	-	-	-	-	60
Li Baixi (appointed on 5 July 2016 and resigned on 27 June 2019)	60	-	-	-	-	-	60
Lu Yuanzhu (appointed on 10 March 2017)	120	-	-	-	-	-	120
<b>Supervisors</b>							
Jiang Zhiqiang (appointed on 10 March 2017)	-	390	32	38	84	1,050	1,594
Zhou Weixing (appointed on 16 June 2016)	-	-	-	-	-	-	-
Ren Jun (appointed on 10 March 2017)	-	-	-	-	-	-	-
Shen Ying (appointed on 16 June 2016)	-	131	25	38	21	100	315
Yu Lei (appointed on 16 June 2016)	-	170	32	38	41	160	441
	360	1,246	127	161	221	4,310	6,425



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 12. Staff costs (including directors' and supervisors' remuneration) – continued

#### 12.2 Directors' and supervisors' emoluments – continued

For the year ended 31 December 2018

Name	Fees RMB'000	Salaries RMB'000	Housing allowance RMB'000	Pension RMB'000	Other welfares RMB'000	Annual bonus RMB'000	Total RMB'000
<b>Executive Director</b>							
Peng Yanbao (appointed on 16 June 2016)	-	600	29	43	89	235	996
<b>Non-executive Directors</b>							
Yao Zhiyong (Chairman) (appointed on 8 March 2017)	-	-	-	-	-	-	-
Hua Weirong (appointed on 16 June 2016)	-	-	-	-	-	-	-
Zhou Weiping (appointed on 16 June 2016)	-	-	-	-	-	-	-
Liu Hailin (appointed on 16 June 2016)	-	-	-	-	-	-	-
Zhang Weigang (appointed on 16 June 2016)	-	-	-	-	-	-	-
Wu Xingyu (appointed on 8 November 2018)	20	-	-	-	-	-	20
Chen Qingyuan (appointed on 16 June 2016 and retired on 8 November 2018)	100	-	-	-	-	-	100
Li Baixi (appointed on 5 July 2016)	120	-	-	-	-	-	120
Lu Yuanzhu (appointed on 10 March 2017)	120	-	-	-	-	-	120
<b>Supervisors</b>							
Jiang Zhiqiang (appointed on 10 March 2017)	-	480	29	43	82	171	805
Zhou Weixing (appointed on 16 June 2016)	-	-	-	-	-	-	-
Ren Jun (appointed on 10 March 2017)	-	-	-	-	-	-	-
Shen Ying (appointed on 16 June 2016)	-	127	27	37	25	65	281
Yu Lei (appointed on 16 June 2016)	-	170	29	43	38	100	380
	360	1,377	114	166	234	571	2,822

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 12. Staff costs (including directors' and supervisors' remuneration) – continued

### 12.2 Directors' and supervisors' emoluments – continued

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company. The non-executive directors' emoluments shown above were for their services as directors of the Company.

In addition to the directors' remuneration disclosed above, certain directors are not paid directly by the Company but receive remuneration from the Company's holding company, in respect of their services to the larger group which includes the Company and its subsidiaries. No apportionment has been made as the qualifying services provided by these directors to the Company and its subsidiaries are incidental to their responsibilities to the larger group.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

### 12.3 Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## 13. Depreciation and amortisation

	2019	2018
	RMB'000	RMB'000
Depreciation of property and equipment	25,205	26,252
Amortisation of intangible assets	32,168	24,887
Amortisation of long-term prepaid expense	17,574	13,218
Depreciation of right-of-use assets	65,520	–
	140,467	64,357

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 14. Other operating expenses

	2019	2018
	RMB'000	RMB'000
Tax and surcharges	10,709	9,126
Rentals	3,138	69,667
Office expenses	28,051	22,772
Marketing and distribution expenses	17,231	17,430
Securities investors protection fund	7,555	10,556
Travelling expenses	17,679	17,121
Postage and communication expenses	28,396	28,708
Consulting expenses	6,626	8,217
Professional service expenses	6,902	7,937
Auditor's remuneration		
– audit services (Note)	3,340	2,766
Others	28,856	29,088
	<b>158,483</b>	<b>223,388</b>

Note: Auditor's remuneration for statutory audit of the Group for the year ended 31 December 2019 was included in auditor's remuneration (2018: the same). The statutory financial statements were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (2018: the same).

## 15. Impairment losses under expected credit loss model, net of reversal

	2019	2018
	RMB'000	RMB'000
Margin accounts receivable	(3,874)	(4,815)
Accounts receivable and other receivables	1,278	185
Financial assets held under resale agreements	(9,840)	158,522
	<b>(12,436)</b>	<b>153,892</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 16. Other gains, net

	2019	2018
	RMB'000	RMB'000
Foreign exchange gains	6,044	13,605
Others	7,723	7,459
	<b>13,767</b>	21,064

## 17. Income tax expense

	2019	2018
	RMB'000	RMB'000
Current income tax expense		
– Mainland China	122,659	78,493
Deferred taxation		
– Mainland China (Note 27)	42,483	(57,429)
Income tax		
– Mainland China	<b>165,142</b>	21,064

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 17. Income tax expense – continued

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of 25%. The major reconciliation items are as follows:

	2019	2018
	RMB'000	RMB'000
Profit before income tax	686,485	71,652
Tax calculated at applicable statutory tax rate of 25%	171,621	17,913
Income not subject to tax	(7,719)	(1,795)
Expense/loss not deductible for tax purposes	1,786	4,859
Adjustment in respect of prior years	(546)	87
	165,142	21,064

## 18. Earnings per share

### 18.1 Basic earnings per share

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

	2019	2018
Profit attributable to shareholders of the Company (RMB'000)	521,343	50,588
Weighted average number of ordinary shares in issue (in thousand)	1,902,400	1,902,400
Basic earnings per share (in RMB)	0.27	0.03

### 18.2 Diluted earnings per share

For the year ended 31 December 2019, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share (2018: the same).

## 19. Dividends

No dividend has been proposed for the year ended 31 December 2019 since the end of the reporting period (2018: RMB0.05 per share, amounting to a total dividend of RMB95,120 thousand).

Under the “Company Law” of the PRC, the Company’s Articles of Association and in accordance with the requirements of CSRC, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (1) Making up cumulative losses from prior years, if any;
- (2) 10% of the Company’s profit is appropriated to the non-distributable statutory surplus reserve;
- (3) 10% of the Company’s profit is appropriated to the non-distributable general reserve;
- (4) 10% of the Company’s profit is appropriated to the non-distributable transaction risk reserve;
- (5) 10% of the Company’s management fee income from the large aggregate asset management plan is appropriated to the non-distributable transaction risk reserve;
- (6) Appropriations to the discretionary surplus reserve with approval from the General Meeting of Shareholders. These funds form part of the shareholders’ equity.

In accordance with the relevant regulations, upon the occurrence of certain events, the net profit after tax of the Group for the purpose of profit distribution is deemed to be the lesser of (1) the retained earnings determined in accordance with the People’s Republic of China Generally Accepted Accounting Principles (“PRC GAAP”) and (2) the retained earnings determined in accordance with IFRSs.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 20. Property and equipment

	Buildings RMB'000	Motor vehicles RMB'000	Electronics and other equipment RMB'000	Total RMB'000
<b>Cost</b>				
1 January 2019	155,303	8,467	178,785	342,555
Additions	–	246	18,154	18,400
Disposals	–	(2,246)	(12,479)	(14,725)
31 December 2019	155,303	6,467	184,460	346,230
<b>Accumulated depreciation</b>				
1 January 2019	(95,129)	(8,284)	(143,690)	(247,103)
Additions	(5,530)	(141)	(19,534)	(25,205)
Disposals	–	2,246	11,969	14,215
31 December 2019	(100,659)	(6,179)	(151,255)	(258,093)
<b>Carrying amount</b>				
31 December 2019	54,644	288	33,205	88,137



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 20. Property and equipment – continued

	Buildings RMB'000	Motor vehicles RMB'000	Electronics and other equipment RMB'000	Total RMB'000
<b>Cost</b>				
1 January 2018	155,303	8,753	163,443	327,499
Additions	–	–	23,878	23,878
Disposals	–	(286)	(8,536)	(8,822)
31 December 2018	155,303	8,467	178,785	342,555
<b>Accumulated depreciation</b>				
1 January 2018	(89,599)	(8,215)	(131,086)	(228,900)
Additions	(5,530)	(355)	(20,367)	(26,252)
Disposals	–	286	7,763	8,049
31 December 2018	(95,129)	(8,284)	(143,690)	(247,103)
<b>Carrying amount</b>				
31 December 2018	60,174	183	35,095	95,452

For the year ended 31 December 2019, gains from disposal of property and equipment amounted to RMB399 thousand (2018: RMB45 thousand).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 21. Right-of-use assets

	Buildings RMB'000	Motor Vehicles RMB'000	Total RMB'000
<b>Cost</b>			
1 January 2019	307,217	1,752	308,969
Additions	36,108	–	36,108
Disposals	(3,031)	–	(3,031)
31 December 2019	340,294	1,752	342,046
<b>Accumulated depreciation</b>			
1 January 2019	105,062	759	105,821
Additions	64,854	666	65,520
Disposals	(1,224)	–	(1,224)
31 December 2019	168,692	1,425	170,117
<b>Carrying amount</b>			
1 January 2019	202,155	993	203,148
31 December 2019	171,602	327	171,929

The Group leases buildings and vehicles for its operations. Lease contracts are entered into for term of 12 months to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended 31 December 2019, total cash outflow for leases amounts to RMB80,164 thousand.

Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16 amounts to RMB 2,789 thousand. Expense relating to leases of low value assets excluding short-term leases of low value assets amounts to RMB 349 thousand.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 21. Right-of-use assets – continued

As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 14.

In addition, lease liabilities of RMB172,650 thousand are recognised with related right-of-use assets of RMB171,929 thousand as at 31 December 2019 (Note 38). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at 31 December 2019, the Group did not enter into any lease that is not yet commenced.

## 22. Intangible assets

	Trading rights RMB'000	Computer software RMB'000	Total RMB'000
<b>Cost</b>			
1 January 2019	600	129,960	130,560
Additions	–	46,571	46,571
Disposals	–	(22,437)	(22,437)
31 December 2019	600	154,094	154,694
<b>Accumulated amortisation</b>			
1 January 2019	(460)	(94,206)	(94,666)
Additions	(60)	(32,108)	(32,168)
Disposals	–	22,437	22,437
31 December 2019	(520)	(103,877)	(104,397)
<b>Carrying amount</b>			
31 December 2019	80	50,217	50,297

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 22. Intangible assets – continued

	Trading rights RMB'000	Computer software RMB'000	Total RMB'000
<b>Cost</b>			
1 January 2018	600	112,724	113,324
Additions	–	34,199	34,199
Disposals	–	(16,963)	(16,963)
31 December 2018	600	129,960	130,560
<b>Accumulated amortisation</b>			
1 January 2018	(400)	(86,342)	(86,742)
Additions	(60)	(24,827)	(24,887)
Disposals	–	16,963	16,963
31 December 2018	(460)	(94,206)	(94,666)
<b>Carrying amount</b>			
31 December 2018	140	35,754	35,894

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 23. Principal subsidiaries

### General information of principal subsidiaries

The following were principal subsidiaries of the Group as at 31 December 2019. The equity interests in these subsidiaries were all ordinary shares and directly held by the Company and the percentage of ownership held by the Group represented the voting rights of the Group. The registered addresses were also their business locations.

Name of subsidiary	Date of establishment	Place of Registration	Registered capital	Equity interests held by the Group		Principal activities
				31 December 2019	31 December 2018	
Hua Ying Securities Co., Ltd.	April 2011	Wuxi, PRC	800,000	100.00%	100.00%	Underwriting and sponsor
Guolian Tongbao Capital Investment Co., Ltd.	January 2010	Wuxi, PRC	200,000	100.00%	100.00%	Investment Management
Wuxi Guolian Chuangxin Capital Co., Ltd	July 2019	Wuxi, PRC	500,000	100.00%	–	Capital Investment

Note: As at 31 December 2019, all the principal subsidiaries of the Group are limited liability companies (corporate owned) registered under PRC law.

## 24. Interests in associates

Set out below are the associates of the Group as at 31 December 2019. Investments in associates as listed below are held directly by the Company; the country of incorporation or registration is also their principal place of business.

### Nature of investments in associates as at 31 December 2019

	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Management method
Zhonghai Fund Management Co., Ltd.	China	33.41%	Note (i)	Equity
Wuxi Guolian Lingxiang SME Investment Company (L.P.)	China	35.82%	Note (ii)	Equity

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 24. Interests in associates – continued

### Nature of investments in associates as at 31 December 2019 – continued

Note i: Zhonghai Fund Management Co., Ltd., invested by the Company, provides funds distribution, asset management and other services authorised by the CSRC.

Note ii: Wuxi Guolian Lingxiang SME investment Company (L.P.) is a Limited Liability Partnership invested by Guolian Tongbao Capital Investment Co., Ltd., 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 interests in the associates.

	2019	2018
	RMB'000	RMB'000
Balance at beginning of the year	113,562	125,076
Share of profit/(loss)	6,599	(11,514)
Capital reduction	(15,960)	–
Balance at end of the year	104,201	113,562

The results of the Group's principal associate, and its aggregated assets (including goodwill) and liabilities, are as follows:

	Zhonghai Fund Management Co., Ltd.	
	2019	2018
	RMB'000	RMB'000
Carrying amount of total assets	366,843	396,153
Carrying amount of net assets	323,253	322,885
Amounts of the Group's share thereon	100,202	98,830
Revenue	147,305	177,388
Profit/(loss) for the year	367	(28,379)
Profit/(loss) for the year attributable to shareholders of the Company	4,110	(27,869)
Amounts of the Group's share of profit/(loss) for the year	1,372	(9,311)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 24. Interests in associates – continued

Reconciliation of the above consolidated financial statements to the carrying amount of the interest in the above associate recognised in the financial statements:

	Zhonghai Fund Management Co., Ltd.	
	2019/12/31	2018/12/31
	RMB'000	RMB'000
Equity attributable to equity holders of the associate	299,923	295,818
Proportion of equity interests held by the Group	33.41%	33.41%
Carrying Amount	100,202	98,830

The information of Wuxi Guolian Lingxiang SME Investment Company (L.P.) is as follows:

	Wuxi Guolian Lingxiang SME Investment Company (L.P.)	
	2019	2018
	RMB'000	RMB'000
Carrying amount of total assets	11,167	44,187
Carrying amount of net assets	11,167	44,196
Amounts of the Group's share thereon	3,999	14,732
Profit/(loss) for the year	15,690	(6,649)
Amounts of the Group's share of profit/(loss) for the year	5,227	(2,203)

## 25. Other non-current assets

Long-term prepaid assets:	2019	2018
	RMB'000	RMB'000
Balance at beginning of the year	40,097	29,173
Additions	19,709	24,142
Amortisation	(17,574)	(13,218)
Balance at end of the year	42,232	40,097



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 26. Financial assets held under resale agreements

	2019/12/31	2018/12/31
	RMB'000	RMB'000
<b>Non-current assets</b>		
Analysed by asset type:		
– Equity securities	415,101	814,974
Less: Impairment allowance	(2,471)	(15,438)
	412,630	799,536
Analysed by market:		
– Shanghai Stock Exchange	6,092	29,716
– Shenzhen Stock Exchange	406,538	769,820
	412,630	799,536
<b>Current assets</b>		
Analysed by asset type:		
– Equity securities	2,334,997	4,928,900
– Debt securities	848,736	1,836,294
Less: Impairment allowance	(169,436)	(166,309)
	3,014,297	6,598,885
Analysed by market:		
– Interbank market	328,666	595,481
– Shanghai Stock Exchange	886,176	1,928,339
– Shenzhen Stock Exchange	1,799,455	4,075,065
	3,014,297	6,598,885

The Group received equity securities and debt securities as collaterals in connection with the purchase of assets under resale agreements. Certain of these collaterals can be resold or re-pledged. As at 31 December 2019, there is no collaterals accepted by the Group that can be resold or re-pledged for financial assets sold under repurchase agreement. (31 December 2018: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 26. Financial assets held under resale agreements – continued

The following tables show reconciliation of loss allowances that has been recognised for financial assets held under resale agreements.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2019	16,840	11,122	153,785	181,747
Changes in the loss allowance:				
– Transfer to Stage 1	854	(854)	–	–
– Transfer to Stage 2	(1,361)	1,361	–	–
– Transfer to Stage 3	–	–	–	–
– Charged to profit or loss	(10,280)	560	(120)	(9,840)
As at 31 December 2019	6,053	12,189	153,665	171,907

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2018	19,139	4,086	–	23,225
Changes in the loss allowance:				
– Transfer to Stage 1	730	(730)	–	–
– Transfer to Stage 2	(3,609)	3,609	–	–
– Transfer to Stage 3	–	(4,623)	4,623	–
– Charged to profit or loss	580	8,780	149,162	158,522
As at 31 December 2018	16,840	11,122	153,785	181,747

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 26. Financial assets held under resale agreements – continued

The tables below details the credit risk exposures of the Group's financial assets held under resale agreements, which are subject to ECL assessment.

As at 31 December, 2019

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	2,511,381	933,788	153,665	3,598,834

As at 31 December, 2018

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	6,030,017	1,131,236	418,915	7,580,168

In 2019, the gross carrying amount of the Group's financial assets held under resale agreements in stage 1 decreased, and the amount of the loss allowances in this stage decreased accordingly. Partial repayment of principal resulted in decrease of the gross carrying amount of financial assets held under resale agreements in stage 3, and 100% provision was provided for the remaining carrying amount.

In 2018, the net increase in the gross carrying amount of the Group's financial assets held under resale agreements in stage 2 was mainly due to the transfer of the gross carrying amount from stage 1, and the amount of loss allowances in stage 2 increased. The gross carrying amount of financial assets held under resale agreements in stage 3 all transferred from stage 2, and the amount of loss allowances in stage 3 increased.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 27. Deferred income tax assets and liabilities

- (1) For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Deferred income tax assets	38,149	80,117
Deferred income tax liabilities	(1,163)	(3,342)
	36,986	76,775

- (2) The gross movements in deferred income tax assets during the year are as follows:

	Impairment losses	Changes in fair value of financial assets at fair value through profit or loss	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2018</b>	9,926	8,629	12,966	31,521
Credit/(charge) to profit or loss	38,450	15,835	(4,248)	50,037
<b>At 31 December 2018</b>	48,376	24,464	8,718	81,558
Adjustment (Note 2)	–	–	2,694	2,694
<b>As at 1 January 2019 (restated)</b>	48,376	24,464	11,412	84,252
(Charge)/Credit to profit or loss	(3,177)	(24,464)	11,755	(15,886)
<b>At 31 December 2019</b>	45,199	–	23,167	68,366

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 27. Deferred income tax assets and liabilities – continued

(3) The gross movements in deferred income tax liabilities during the year are as follows:

	Changes in fair value of financial assets at fair value through profit or loss RMB'000	Other RMB'000	Total RMB'000
<b>As at 1 January 2018</b>	–	12,175	12,175
Charge/(credit) to profit or loss	3,902	(11,294)	(7,392)
<b>At 31 December 2018</b>	3,902	881	4,783
Charge/(credit) to profit or loss	27,478	(881)	26,597
<b>At 31 December 2019</b>	31,380	–	31,380

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 28. Refundable deposits

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Deposits to Stock Exchanges		
– Shanghai Stock Exchange	36,203	36,481
– Shenzhen Stock Exchange	27,343	21,736
– China Beijing Equity Exchange	1,088	400
Deposits to futures brokers		
– Guolian Futures Co., Ltd. (“Guolian Futures”)	–	13,877
	<b>64,634</b>	<b>72,494</b>

## 29. Other current assets

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Accounts receivable (Note i)	93,040	25,118
Prepaid expenses	12,008	20,105
Other receivables (Note ii)	10,693	13,659
Others	53,118	11,297
Less: Impairment allowance	(2,814)	(1,737)
	<b>166,045</b>	<b>68,442</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 29. Other current assets – continued

Note i: Account receivables

The aging analysis of accounts receivables based on the date of rendering services is as follows:

	2019/12/31		2018/12/31	
	Amount	Impairment	Amount	Impairment
		allowance		allowance
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 1 year	92,868	71	24,926	27
1 to 2 years	172	–	192	–
	<b>93,040</b>	<b>71</b>	<b>25,118</b>	<b>27</b>

In accordance with the requirements of IFRS 9, the Group adopts a simplified method to measure the expected credit loss for account receivables, that is, the Group always recognizes lifetime ECL for account receivables. As at 31 December 2019, accounts receivable of the Group were not credit-impaired (2018: the same). As at 31 December 2019, the credit risk exposure of account receivables amounted to RMB92,969 thousand (2018: RMB25,091 thousand).

Note ii: Other receivables

Other receivables of the Group mainly include refundable rental deposits.

The tables below details the credit risk exposures of the Group's other receivables, which are subject to ECL assessment.

As at 31 December 2019

	Stage 1	Stage 2	Stage 3	Total
	12m ECL	Lifetime ECL	Lifetime ECL	
	(not credit-impaired)	(credit-impaired)	(credit-impaired)	
	RMB'000	RMB'000	RMB'000	RMB'000
Gross carrying amount	3,234	5,926	1,533	10,693

As at 31 December, 2018

	Stage 1	Stage 2	Stage 3	Total
	12m ECL	Lifetime ECL	Lifetime ECL	
	(not credit-impaired)	(credit-impaired)	(credit-impaired)	
	RMB'000	RMB'000	RMB'000	RMB'000
Gross carrying amount	7,934	4,769	956	13,659



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 29. Other current assets – continued

Note ii: Other receivables – continued

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2019	294	460	956	1,710
Changes in the loss allowance:				
– Transfer to Stage 1	–	–	–	–
– Transfer to Stage 2	(426)	426	–	–
– Transfer to Stage 3	–	(109)	109	–
– Write-offs	–	–	(201)	(201)
– Charged to profit or loss	352	213	669	1,234
As at 31 December 2019	220	990	1,533	2,743

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2018	1,540	–	–	1,540
Changes in the loss allowance:				
– Transfer to Stage 1	–	–	–	–
– Transfer to Stage 2	(1,272)	1,272	–	–
– Transfer to Stage 3	–	(861)	861	–
– Charged to profit or loss	26	49	95	170
As at 31 December 2018	294	460	956	1,710

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 30. Margin accounts receivable

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Margin accounts receivable	4,644,542	2,963,836
Less: Impairment allowance	(6,145)	(10,019)
	<b>4,638,397</b>	<b>2,953,817</b>

Margin accounts are the funds the Group lends to the customers in margin financing and securities lending business. As at 31 December 2019, impairment allowance amounting to RMB6,145 thousand was provided (31 December 2018: RMB10,019 thousand).

Margin accounts receivable as at 31 December 2019 is secured by the customers' securities as collateral with undiscounted market value of approximately RMB14,230,772 thousand (31 December 2018: RMB7,937,066 thousand).

The following tables show reconciliation of loss allowances that has been recognised for margin accounts receivable.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2019	3,506	765	5,748	10,019
Changes in the loss allowance:				
– Transfer to Stage 1	442	(442)	–	–
– Transfer to Stage 2	(753)	762	(9)	–
– Transfer to Stage 3	–	–	–	–
– Write-offs	–	–	–	–
– Charged to profit or loss	401	1,464	(5,739)	(3,874)
As at 31 December 2019	<b>3,596</b>	<b>2,549</b>	<b>–</b>	<b>6,145</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 30. Margin accounts receivable – continued

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2018	1,946	340	12,644	14,930
Changes in the loss allowance:				
– Transfer to Stage 1	4	(4)	–	–
– Transfer to Stage 2	(198)	202	(4)	–
– Transfer to Stage 3	–	(88)	88	–
– Write-offs	–	–	(96)	(96)
– Charged to profit or loss	1,754	315	(6,884)	(4,815)
As at 31 December 2018	3,506	765	5,748	10,019

The tables below details the credit risk exposures of the Group's margin accounts receivable, which are subject to ECL assessment.

#### As at 31 December, 2019

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	4,447,826	196,716	–	4,644,542

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 30. Margin accounts receivable – continued

As at 31 December, 2018

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	2,829,777	110,474	23,585	2,963,836

In 2019, the gross carrying amount of the Group's margin accounts receivable in stage 2 increased, and the amount of the loss allowances of this stage increased as well. As at 31 December 2019, there was no balance of margin accounts receivable in stage 3, and the loss allowances of this stage reversed accordingly.

In 2018, the carrying amount of margin accounts receivable in stage 3 was partially repaid, and the loss allowances of this stage reversed accordingly.

### 31. Financial assets at fair value through profit or loss

#### Non-current assets

	2019/12/31 RMB'000	2018/12/31 RMB'000
<b>Financial assets mandatorily measured at fair value through profit or loss under IFRS 9</b>		
Investment in unlisted companies	99,742	118,245
Debt instruments	–	13,811
Collective asset management schemes	17,801	26,956
<b>Total non-current assets</b>	<b>117,543</b>	159,012
<b>Analysed as:</b>		
Unlisted	117,543	159,012

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 31. Financial assets at fair value through profit or loss – continued

### Current assets

	2019/12/31	2018/12/31
	RMB'000	RMB'000
<b>Financial assets mandatorily measured at fair value through profit or loss under IFRS 9</b>		
Debt securities	6,736,418	1,744,022
Equity securities	560,417	702,125
Investment funds	321,740	307,061
Asset backed securities	220,084	23,657
Collective asset management schemes	266,744	50,053
<b>Total current assets</b>	<b>8,105,403</b>	<b>2,826,918</b>
	<b>8,222,946</b>	<b>2,985,930</b>
<b>Analysed as:</b>		
Listed in Hong Kong	62,683	70,833
Listed outside Hong Kong	7,492,657	2,406,047
Unlisted	550,063	350,038
	<b>8,105,403</b>	<b>2,826,918</b>

As at 31 December 2019, the fair value of securities of the Group which have been placed as collateral was RMB4,171,893 thousand (31 December 2018: RMB10,515 thousand).

## Notes to the Consolidated Financial Statements

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### 32. Clearing settlement funds

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Clearing settlement funds held for clients	1,740,470	1,705,172
Proprietary clearing settlement funds	360,068	325,753
	<b>2,100,538</b>	2,030,925

### 33. Cash held for brokerage clients

The Group maintains separate banking accounts with banks and authorised institutions for clients' monies arising from the normal course of business. The Group records these monies as cash held for brokerage clients under current assets, and recognises them as due to clients given that they are held liable for any loss or appropriation of these monies. Cash held for brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions as per CSRC regulations.

### 34. Cash and bank balances

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Bank balances	2,757,258	1,381,608
	<b>2,757,258</b>	1,381,608

# Notes to the Consolidated Financial Statements

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## 35. 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:

	2019/12/31	2018/12/31
Issued and fully paid ordinary share of RMB1 each (in thousand)		
Domestic shares	1,459,760	1,459,760
H shares	442,640	442,640
	<b>1,902,400</b>	1,902,400
Share Capital (RMB'000)		
Domestic shares	1,459,760	1,459,760
H shares	442,640	442,640
	<b>1,902,400</b>	1,902,400

On 6 July 2015, the Company completed its initial public offering of 402,400 thousand H shares on the Main Board of the Hong Kong Stock Exchange.

The excess of RMB2,042,840 thousand over the par value of RMB402,400 thousand for the 402,400 thousand ordinary shares issued, net of the relevant incremental costs of RMB94,922 thousand directly contributed to the newly issued shares, was credited to "share premium".

According to the relevant PRC requirements, existing shareholders of the state-owned shares of the Company have converted an aggregate of 40,240 thousand shares into H shares on a one-for-one basis. Total amount of RMB253,995 thousand from the proceeds of such shares has been paid to the National Council for Social Security Fund of the PRC.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 36. Share premium and reserves

	Share Premium	Surplus reserve <sup>(1)</sup>	General reserve <sup>(2)</sup>	Transaction risk reserve <sup>(2)</sup>	Other reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2018</b>	2,178,478	485,621	641,500	603,356	(14,817)	3,894,138
Appropriation to surplus reserve	–	14,751	–	–	–	14,751
Appropriation to general reserve	–	–	14,840	–	–	14,840
Appropriation to transaction risk reserve	–	–	–	14,751	–	14,751
<b>As at 31 December 2018</b>	2,178,478	500,372	656,340	618,107	(14,817)	3,938,480
<b>As at 1 January 2019</b>	2,178,478	500,372	656,340	618,107	(14,817)	3,938,480
Appropriation to surplus reserve	–	48,589	–	–	–	48,589
Appropriation to general reserve	–	–	50,489	–	–	50,489
Appropriation to transaction risk reserve	–	–	–	48,589	–	48,589
<b>As at 31 December 2019</b>	<b>2,178,478</b>	<b>548,961</b>	<b>706,829</b>	<b>666,696</b>	<b>(14,817)</b>	<b>4,086,147</b>

(1) Surplus reserve

Pursuant to the Company Law of the PRC, the Company's Articles of Association and resolutions of the Board, the Company is required to appropriate 10% of its profit net of the previous years' losses to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, or converted into capital of the Company, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

(2) General reserve and transaction risk reserve

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No.320) issued on 18 December 2007, the Company appropriates 10% of its profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No.320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% from its profit to the transaction risk reserve.

In accordance with the requirements of the CSRC's guidance about regulating financial institutions in the asset management business for collective asset management business of securities and interim measures on the supervision and administration of risk reserves of securities investment funds publicly raised, the Company appropriates 10% from its management fee income from the collective asset management schemes to the general risk reserve since November 2018.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 37. Bonds in issue

	2019/12/31	2018/12/31
	RMB'000	RMB'000
<b>Current</b>		
Corporate bonds with fixed rate – 2019	–	800,000
Corporate bonds with fixed rate – 2019	–	500,000
Corporate bonds with fixed rate – 2020 <sup>(a)</sup>	700,000	–
Corporate bonds with fixed rate – 2020 <sup>(b)</sup>	1,000,000	–
Corporate bonds with fixed rate – 2020 <sup>(c)</sup>	1,000,000	–
Income certificates	–	300,000
Income certificates <sup>(d)</sup>	300,000	620,000
Short term financing bond <sup>(e)</sup>	1,000,000	–
Interest payable	155,028	153,522
	<b>4,155,028</b>	2,373,522
<b>Non-Current</b>		
Corporate bonds with fixed rate – 2020 <sup>(a)</sup>	–	700,000
Corporate bonds with fixed rate – 2020 <sup>(b)</sup>	–	1,000,000
Corporate bonds with fixed rate – 2020 <sup>(c)</sup>	–	1,000,000
Subordinated bonds with fixed rate – 2021 <sup>(f)</sup>	1,500,000	1,500,000
Subordinated bonds with fixed rate – 2022 <sup>(g)</sup>	800,000	–
	<b>2,300,000</b>	4,200,000
	<b>6,455,028</b>	6,573,522

(a) 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.

(b) 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.

(c) 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 37. Bonds in issue – continued

- (d) On 25 September 2019, the Company issued RMB300,000 thousand of income certificate with a term of 183 days and an interest rate of 3.50% per annum paid at maturity (As at 31 December 2018, income certificates were with a maturity ranging from 1 to 12 months and interest rates ranging from 4.00% to 5.10% per annum paid at maturity).
- (e) On 21 October 2019, the Company issued RMB1,000,000 thousand of short term financing bond with a term of 91 days and an interest rate of 3.15% per annum paid at maturity.
- (f) 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.
- (g) 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.

## 38. Lease liabilities

	2019/12/31
	RMB'000
<b>Lease liabilities payable:</b>	
Within one year	64,725
Within a period of more than one year but not more than two years	37,147
Within a period of more than two years but not more than five years	54,250
Within a period of more than five years	16,528
	<b>172,650</b>
Less: Amount due for settlement with 12 months shown under current liabilities	(64,725)
	<b>107,925</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 39. Other current liabilities

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Salaries, bonus, allowances and benefits payable (Note 40)	259,074	120,731
Accounts payable	222,399	116,992
Other taxes payable	16,829	23,190
Securities investor protection fund	3,824	4,116
Provisions (Note 49)	1,869	–
Others	22,672	21,550
	<b>526,667</b>	<b>286,579</b>

## 40. Payroll and welfare

	1 January 2019	Current year charge	Current year payment	31 December 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and bonus	119,720	505,185	(366,860)	258,045
Pension	564	73,265	(73,245)	584
Other social security	435	39,369	(39,366)	438
Other welfare	–	20,546	(20,546)	–
Labour union funds and employee education funds	12	6,989	(6,994)	7
	<b>120,731</b>	<b>645,354</b>	<b>(507,011)</b>	<b>259,074</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 40. Payroll and welfare – continued

	1 January 2018 RMB'000	Current year charge RMB'000	Current year payment RMB'000	31 December 2018 RMB'000
Salaries and bonus	156,516	340,455	(377,251)	119,720
Pension	564	72,509	(72,509)	564
Other social security	470	38,214	(38,249)	435
Other welfare	325	19,530	(19,855)	–
Labour union funds and employee education funds	7	6,371	(6,366)	12
	157,882	477,079	(514,230)	120,731

### 41. Contract liabilities

	2019/12/31 RMB'000	2018/12/31 RMB'000
Investment banking service fees received in advance	3,544	7,512

### 42. Due to other financial institutions

	2019/12/31 RMB'000	2018/12/31 RMB'000
Due to China Securities Finance Corporation Limited	200,285	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 43. Derivative financial instruments

	31 December 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Futures contracts	-	-	-	-
Listed options	-	-	-	940
	-	-	-	940

### (1) Futures contracts

	31 December 2019		31 December 2018	
	Contractual value	Fair value	Contractual value	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000
SIF	-	-	126,151	(4,326)
Less: Cash paid as settlement		-		4,326
Net position of SIF contracts		-		-

The future contracts 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, as at 31 December 2019, there is no such derivative financial instruments.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 44. Financial assets sold under repurchase agreement

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Analysed by asset type		
– Debt securities	3,692,992	10,014

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Analysed by market		
– Interbank market	3,115,826	10,014
– Shanghai Stock Exchange	577,166	–
	3,692,992	10,014

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Analysed by transaction type:		
– Pledged	3,692,992	10,014

As at 31 December 2019 and 2018, the fair value of the financial assets at fair value through profit or loss that had been placed as financial assets sold under repurchase agreements of the Group were listed as below:

	2019/12/31	2018/12/31
	RMB'000	RMB'000
<b>Pledged</b>		
Financial assets at fair value through profit or loss	4,103,880	10,515

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 45. Financial liabilities at fair value through profit or loss

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Interests of other holders in consolidated SEs	1,080,462	1,151,165

Interests of other holders in consolidated structured entities consist of third-party unit holders' interests in these consolidated structured entities. The Group designates these financial liabilities as financial liabilities at fair value through profit or loss because the financial assets of the consolidated structured entities are mainly measured on a fair value basis, the designation can significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

## 46. Accounts payable to brokerage clients

Accounts payable to brokerage clients mainly include money held for clients placed at banks and at clearing houses by the Group, and are interest bearing at the prevailing market interest rates. The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collaterals received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collaterals stipulated are repayable on demand.

As at 31 December 2019, cash collaterals received from clients for margin financing and securities lending arrangements amounted to RMB646,093 thousand (31 December 2018: RMB487,950 thousand), and are included in the Group's accounts payable to brokerage clients.

## 47. Cash and cash equivalents

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

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Bank balances (Note)	2,755,026	1,378,661
Proprietary clearing settlement funds	360,068	325,753
Cash equivalents		
– Financial assets held under resale agreements with original maturity less than 3 months	847,554	1,565,139
	3,962,648	3,269,553

Note: Bank balances do not include interest receivable from deposits.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 48. Transfer of financial assets

In the normal course of business, the Group enters into certain transactions in which it transfers recognised financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognises all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognise these assets.

### (1) Securities lending

Transferred financial assets that do not qualify for derecognition include securities lent to clients for them to sell, for which the clients are required to provide collaterals that could fully cover the credit exposure of the securities lent, and have the obligation to return the securities to the Group in accordance with the contracts. In certain circumstances, if the securities increase or decrease in value, the Group may require additional collaterals from the clients or have to return part of the collaterals it holds to the clients. In these instances, the Group believes that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them.

### (2) Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as “collateral” for the liabilities because the Group retain substantially all the risks and rewards of these securities.

The proceeds from selling such securities are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangements.

The following table analyses the carrying amount of the above mentioned financial assets transferred to the third parties or customers that did not qualify for derecognition and their associated financial liabilities:

	2019/12/31		2018/12/31	
	Carrying amount of transferred assets RMB'000	Carrying amount of related liabilities RMB'000	Carrying amount of transferred assets RMB'000	Carrying amount of related liabilities RMB'000
Financial assets at fair value through profit or loss	4,124,530	(3,692,992)	18,251	(10,014)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 49. Commitments and contingent liabilities

### (1) Capital commitments

As at 31 December 2019, the Group was not involved in any material capital commitments (31 December 2018: the same).

### (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:

	2018/12/31 RMB'000
Within 1 year	71,406
1 to 3 years	83,069
Over 3 years	55,577
	<hr/>
	210,052

### (3) Legal proceedings

As at 26 November 2019, the Company received a notice of response to a lawsuit filed by a client in Wuxi Intermediate People's Court of Jiangsu Province against the Company over the dispute over securities pledged repurchase transaction. The amount involved was RMB55,517,000. A court hearing was held at Wuxi Intermediate People's Court of Jiangsu Province on 30 December 2019. As of 31 December 2019, the case was sub judice and the Company has recognised provisions of RMB1,869 thousand in respect of the above case as at 31 December 2019 (31 December 2018: nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 50. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bonds in issue	Lease Liabilities	Dividend Payable	Total
At 1 January 2018	6,713,789	-	-	6,713,789
Financing cash flows				
– Additional bonds in issue	3,000,000	-	-	3,000,000
– Repayment of bonds in issue	3,200,000	-	-	3,200,000
– Interest paid	(290,233)	-	-	(290,233)
Non-cash changes				
– Interest expenses	349,966	-	-	349,966
At 31 December 2018	6,573,522	-	-	6,573,522
Adjustment				
– upon application of IFRS 16	-	206,380	-	206,380
At 1 January 2019 (restated)	6,573,522	206,380	-	6,779,902
Financing cash flows				
– Additional bonds in issue	2,660,000	-	-	2,660,000
– Repayment of bonds in issue	(2,780,000)	-	-	(2,780,000)
– Repayment of principal of lease liabilities	-	(69,429)	-	(69,429)
– Interest paid	(317,141)	(7,597)	-	(324,738)
– Dividends paid	-	-	(95,120)	(95,120)
Non-cash changes				
– Interest expenses	318,647	8,996	-	327,643
– Dividends declared	-	-	95,120	95,120
– New leases	-	34,300	-	34,300
At 31 December 2019	6,455,028	172,650	-	6,627,678

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 51. Related party transactions

### 51.1 Transactions and balances with the Company's controlling shareholder – Guolian Group

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 31 December 2019, Guolian Group directly held 28.59 % of the equity interest in the Company. In addition, Guolian Group also indirectly held equity interest in Company through its subsidiaries of Guolian Trust Co., Ltd. (“Guolian Trust”), Wuxi Guolian Municipal Electric Power Company (“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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 2019, Wuxi Huaguang Boiler held 1.53% of the equity interest in the Company.

#### Transactions during the year

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Income from providing securities brokerage services	<1	1,061
Income from providing asset management services	50	89
Income from providing bond underwriting services	13,019	5,660

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 51. Related party transactions – continued

### 51.1 Transactions and balances with the Company's controlling shareholder – Guolian Group – continued

#### Balances at the end of the year

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Cash held for brokerage clients	7,995	7,522

In addition to the related party transactions above, the Company provided asset management services for Wuxi Guolian Development (Group) Co., Ltd. As at 31 December 2019, the assets under investment management amounted to approximately RMB67,196 thousand (31 December 2018: RMB67,473 thousand). For the year ended 31 December 2019, the asset management fee income was RMB50 thousand (31 December 2018: RMB89 thousand).

### 51.2 Other related party transactions and balances

The table below lists the Group's other significant related parties and the Group's major shareholders as at 31 December 2019.

Significant related legal entities	The relationship with the Group
Guolian Trust	Fellow subsidiary
Guolian Futures	Fellow subsidiary
Wuxi Huaguang Boiler	Fellow subsidiary
Wuxi Guolian Xincheng Investment Co., Ltd. ("Guolian Xincheng")	Fellow subsidiary
Wuxi Guolian Property Management Co., Ltd. ("Guolian Property Management")	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
CITIC Securities Company Limited ("CITIC") (Note)	The director of the Company acted as a senior management personnel of CITIC
China Asset Management Co., Ltd ("China AMC") (Note)	The director of the Company acted as a director of China AMC

Note: Mr Ge Xiaobo has been appointed as Director of the Company since 13 June 2019. Mr Ge acted as senior management personnel of CITIC and director of China AMC, therefore CITIC and China AMC has become related legal entities of the Company since then.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 51. Related party transactions – continued

### 51.2 Other related party transactions and balances – continued

#### Transactions during the year

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Income from providing securities brokerage services		
– Guolian Trust	3,624	3,600
– Zhonghai Fund Management Co., Ltd.	3,065	3,721
– Guolian Futures	581	398
– Others	1,816	838
Income from providing fund distribution services		
– Zhonghai Fund Management Co., Ltd.	45	213
– Others	426	–
Income from providing financial advisory services		
– Wuxi Huaguang Boiler	265	5,811
– Wuxi Guolian Investment Co., Ltd	–	2,547
– Wuxi SASAC	75	19
– Others	2,605	1,049
Income from providing asset management services		
– Others	1,340	576
Rental income		
– Guolian Life Insurance Company Limited	1,653	3,525
– Guolian Futures	1,036	1,065
– Guolian Property Management	61	61
Rental expense		
– Guolian Xincheng	–	12,054
– Guolian Life Insurance Company Limited	–	1,495
– Others	1,078	1,071
Interest expense of lease obligation		
– Guolian Xincheng	2,159	–
– Guolian Life Insurance Company Limited	606	–
– Others	3	–
Expense for receiving services		
– Guolian Property Management	3,649	2,554
– Guolian Futures	882	620
– Others	225	287

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 51. Related party transactions – continued

### 51.2 Other related party transactions and balances – continued

Balances at the end of the year

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Accounts payable		
– Guolian Futures	80	80
– Guolian Life Insurance Company Limited	50	1,903
Lease obligation		
– Guolian Xincheng	42,606	–
– Guolian Life Insurance Company Limited	10,632	–
Contract Liabilities		
– Others	11	–
Other receivable		
– Guolian Xincheng	479	611
Clearing settlement funds		
– Guolian Futures	14,768	33,797
Refundable deposits		
– Guolian Futures	–	13,877
Cash held for brokerage clients		
– Others	67,835	14,830

During the year ended 31 December 2019, the Group entered into new lease agreements for the use of buildings with Guolian Xincheng for 1 year. The Group has recognised an addition of right-of-use asset and lease liabilities amounted to RMB1,795 thousand and RMB134 thousand respectively. The expenses related to short-term lease and low value leases with related parties amounted to RMB1,708 thousand.

In addition to the related party transactions above, the Company provided asset management services for other related parties. As at 31 December 2019, the assets under investment management for other related party amounted to approximately RMB1,666,844 thousand (31 December 2018: RMB685,676 thousand). For the year ended 31 December 2019, the asset management fee income was RMB1,340 thousand (2018: RMB674 thousand).

## 51. Related party transactions – continued

### 51.2 Other related party transactions and balances – continued

#### Balances at the end of the year – continued

As at 31 December 2019, the Group held shares issued by CITIC with carrying amount of RMB243 thousand and wealth management products issued by China AMC with carrying amount of RMB55,464 thousand (2018: Not applicable).

For the year ended 2019, the Group's bond transactions with CITIC and products managed by China AMC amounted to RMB141,440 thousand and RMB31,198 thousand respectively (2018: Not applicable).

### 51.3 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.

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Short term employee benefits	15,701	5,604
Post-employment benefits	795	813
	<b>16,496</b>	<b>6,417</b>

## 52. Financial risk management

### 52.1 Summary

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 Consolidated Financial Statements

For the year ended 31 December 2019

## 52. Financial risk management – continued

### 52.1 Summary – 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 compliance risk control 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 compliance risk control department supervises, evaluates and reports on the relevant work of the functional departments.

### 52.2 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, accounts receivable and other receivables in 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 31 December 2019, the Group's collateral value is sufficient to mitigate the credit risk in margin financing.

## 52. Financial risk management – continued

### 52.2 Credit risk – continued

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.

#### Expected credit loss

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 52. Financial risk management – continued

### 52.2 Credit risk – continued

#### Expected credit loss – continued

The factors the group considers whether credit risk increases significantly refer to Note 4. In particular, for margin accounts receivable and financial assets held under resale agreement, the group generally believes that when the the coverage ratio of risk exposure to underlying collateral reaches the warning line, the credit risk increases significantly and needs to be transferred to “stage 2”, and when the coverage 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.

- 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).

During the year ended 31 December 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.

## 52. Financial risk management – continued

### 52.2 Credit risk – continued

#### Expected credit loss – continued

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

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

Impairment and loss allowance	2019/12/31			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	RMB'000
Margin accounts receivable	3,596	2,549	–	6,145
Financial assets held under resale agreements	6,053	12,189	153,665	171,907
Other receivables	220	990	1,533	2,743
<b>Total</b>	<b>9,869</b>	<b>15,728</b>	<b>155,198</b>	<b>180,795</b>

In accordance with the requirements of IFRS 9, the Group adopts a simplified method to measure the expected credit loss for account receivables, that is, the Group always recognizes lifetime ECL for account receivables. As at 31 December 2019, the gross carrying amount of account receivables is RMB93,040 thousand, less impairment allowance of RMB71 thousand.

The Group's credit risk also arises from the securities. If a customer fails to deposit sufficient trading funds, the Group may use their own funds to complete the settlement. The Group requires customers to deposit all cash required in trading before they settle on behalf of customers, so as to mitigate and manage the credit risk properly.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 52. Financial risk management – continued

### 52.2 Credit risk – continued

#### Expected credit loss – continued

(1) *Maximum credit risk exposure*

Before considering collateral or other credit enhancement methods, the maximum credit risk exposure is the carrying amount of financial assets (net of provisions for impairment). The maximum credit risk exposure of the Group is as follows:

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Refundable deposits	64,634	72,494
Other current assets	100,919	37,040
Margin accounts receivable	4,638,397	2,953,817
Financial assets held under resale agreements	3,426,927	7,398,421
Financial assets at fair value through profit or loss		
– Debt securities	6,736,418	1,744,022
– Asset Backed Securities	220,084	23,657
– Debt instrument	–	13,811
Clearing settlement funds	2,100,538	2,030,925
Cash held for brokerage clients	6,547,713	4,027,017
Cash and bank balances	2,757,258	1,381,608
	<b>26,592,888</b>	19,682,812

## 52. Financial risk management – continued

### 52.2 Credit risk – continued

#### Expected credit loss – continued

#### (2) Credit rating of debt investment

The Group monitors the credit risk profile of the debt securities portfolio held based on credit ratings, which are obtained from major rating agencies in the PRC where debt issuers are located.

	Financial assets at fair value through profit or loss RMB'000
<b>31 December 2019</b>	
AAA	2,350,174
AA- to AA+	1,281,434
A-1	342,192
Unrated	2,982,702
	<b>6,956,502</b>
<b>31 December 2018</b>	
AAA	174,752
AA- to AA+	1,211,878
A- to A+	83,967
Unrated	310,893
	<b>1,781,490</b>

### 52.3 Market risk

#### Summary

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 52. Financial risk management – continued

### 52.3 Market risk – continued

#### 52.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group utilises sensitivity analysis as the main tool for monitoring interest rate risk and measuring the impact of a reasonable and possible change of interest rate on its total profit and equity, assuming all other variables remain unchanged. Debt securities of the Group mainly comprise corporate bonds, and the Group mitigates the interest rate risk through optimising the duration and convexity of its bond portfolio. Interest rate risk in connection with cash held for brokerage customers in bank balances and clearing settlement funds is offset by the associated accounts payable to brokerage clients because their terms match with each other. The table below presents the residual maturities of the Group's financial assets and liabilities before their contractual repricing dates or their maturity dates (whichever are earlier):

As at 31 December 2019	Within 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Non-interest bearing RMB'000	Total RMB'000
<b>Financial assets</b>						
Refundable deposits	-	-	-	-	64,634	64,634
Other current assets	-	-	-	-	100,919	100,919
Margin accounts receivable	2,115,474	2,522,923	-	-	-	4,638,397
Financial assets held under resale agreements	1,614,306	1,399,991	412,630	-	-	3,426,927
Financial assets at fair value through profit or loss	127,613	2,433,046	3,713,955	576,272	1,372,060	8,222,946
Clearing settlement funds	2,100,538	-	-	-	-	2,100,538
Cash held for brokerage clients	6,547,713	-	-	-	-	6,547,713
Cash and bank balances	2,692,258	65,000	-	-	-	2,757,258
	<b>15,197,902</b>	<b>6,420,960</b>	<b>4,126,585</b>	<b>576,272</b>	<b>1,537,613</b>	<b>27,859,332</b>
<b>Financial liabilities</b>						
Bonds in issue	(2,044,682)	(2,056,318)	(2,354,028)	-	-	(6,455,028)
Other current liabilities	-	-	-	-	(247,894)	(247,894)
Financial assets sold under repurchase agreement	(3,692,992)	-	-	-	-	(3,692,992)
Financial liabilities at fair value through profit or loss	-	-	-	-	(1,080,462)	(1,080,462)
Accounts payable to brokerage clients	(8,212,333)	-	-	-	-	(8,212,333)
Lease liabilities	(17,111)	(47,614)	(91,397)	(16,528)	-	(172,650)
Due to other financial institutions	-	(200,285)	-	-	-	(200,285)
	<b>(13,967,118)</b>	<b>(2,304,217)</b>	<b>(2,445,425)</b>	<b>(16,528)</b>	<b>(1,328,356)</b>	<b>(20,061,644)</b>
Interest rate sensitivity gap	<b>1,230,784</b>	<b>4,116,743</b>	<b>1,681,160</b>	<b>559,744</b>	<b>209,257</b>	<b>7,797,688</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 52. Financial risk management – continued

### 52.3 Market risk – continued

#### 52.3.1 Interest rate risk – continued

As at 31 December 2018	Within 3 month RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Non-interest bearing RMB'000	Total RMB'000
<b>Financial assets</b>						
Refundable deposits	-	-	-	-	72,494	72,494
Other current assets	-	-	-	-	37,040	37,040
Margin accounts receivable	952,396	2,001,421	-	-	-	2,953,817
Financial assets held under resale agreements	3,204,687	3,394,198	799,536	-	-	7,398,421
Financial assets at fair value through profit or loss	129,913	354,477	1,144,679	100,035	1,256,826	2,985,930
Clearing settlement funds	2,030,925	-	-	-	-	2,030,925
Cash held for brokerage clients	4,027,017	-	-	-	-	4,027,017
Cash and bank balances	1,381,608	-	-	-	-	1,381,608
	11,726,546	5,750,096	1,944,215	100,035	1,366,360	20,887,252
<b>Financial liabilities</b>						
Bonds in issue	(326,165)	(1,930,452)	(4,316,905)	-	-	(6,573,522)
Other current liabilities	-	-	-	-	(142,658)	(142,658)
Derivative financial liabilities	-	-	-	-	(940)	(940)
Financial assets sold under repurchase agreement	(10,014)	-	-	-	-	(10,014)
Financial liabilities at fair value through profit or loss	-	-	-	-	(1,151,165)	(1,151,165)
Accounts payable to brokerage clients	(5,594,621)	-	-	-	-	(5,594,621)
	(5,930,800)	(1,930,452)	(4,316,905)	-	(1,294,763)	(13,472,920)
Interest rate sensitivity gap	5,795,746	3,819,644	(2,372,690)	100,035	71,597	7,414,332



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 52. Financial risk management – continued

### 52.3 Market risk – continued

#### 52.3.1 Interest rate risk – continued

##### *Sensitivity analysis*

The following table illustrates the potential impact, of a parallel upward or downward shift of 25 basis points in interest rate curves on the Group's net profit and equity for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of the reporting period.

The sensitivity analysis on net profit and equity is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behaviour, basis risk or any prepayment options on debt securities into consideration. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparallel yield curve movements.

	2019/12/31	2018/12/31
	RMB'000	RMB'000
<b>Net profit and equity</b>		
Increase by 25 bps	5,997	16,262
Decrease by 25 bps	(5,713)	(16,236)

When conducting interest rate sensitivity analysis, the Group makes the following general assumptions in determining commercial terms and financial parameters:

- different interest-bearing assets and interest-bearing liabilities have the same amplitude of interest rate volatility;
- all assets and liabilities are repriced in the middle of relevant period;
- analysis is based on the static gap on the financial position reporting date, without considering subsequent changes;

## 52. Financial risk management – continued

### 52.3 Market risk – continued

#### 52.3.1 Interest rate risk – continued

##### *Sensitivity analysis – continued*

- impact of interest rate changes on customer behaviors not considered;
- interest rate of demand deposits moving in the same direction and extend; and
- necessary measures that may be adopted by the Group in response to interest rate changes not considered.

#### 52.3.2 Currency risk

The Group operates principally in the PRC. The majority of recognised assets and liabilities are denominated in RMB and the majority of transactions are settled in RMB. The Group does not hold or issue any derivative financial instruments to manage its exposure to foreign currency risk.

As at 31 December 2019, other than deposits with banks denominated in US dollar and Hong Kong dollar totalling RMB368,993 thousand (31 December 2018: RMB369,480 thousand), the Group did not have significant assets or liabilities that were denominated in currencies other than RMB. Should foreign currencies had weakened/strengthened by 1% against RMB with all other variables held constant, the profit before income tax would have been RMB3,690 thousand lower/higher for the year ended 31 December 2019 (2018: RMB3,695 thousand).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 52. Financial risk management – continued

### 52.3 Market risk – continued

#### 52.3.3 Price risk

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

The Group's price risk exposure mainly relates to investments in equity securities, investment funds, convertible bonds, exchangeable bonds, derivatives, collective asset management schemes and investment in a segregated managed account whose values will fluctuate as a result of changes in market prices. These investments are all investments in the domestic capital markets. The Group is subject to relatively high market risk due to the high volatility of the domestic stock markets.

The Group's price risk management policy requires setting and managing investment objectives. The directors of the Company manage price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. The Group uses derivatives contracts to economically hedge against certain exposures arising from its investment portfolio.

#### *Sensitivity analysis*

The analysis below shows the impact on profit after income tax and equity due to change in the prices of financial assets, including stocks, funds, derivatives, collective asset management schemes and investment, in a segregated managed account by 10%, assuming all other variables remain unchanged. A positive result indicates an increase in profit after income tax and shareholders' equity, while a negative result indicates otherwise.

	2019/12/31	2018/12/31
	RMB'000	RMB'000
<b>Profit after income tax</b>		
Increase by 10%	94,983	99,307
Decrease by 10%	(94,983)	(99,307)

## 52. Financial risk management – continued

### 52.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to lack of capital or funds. During the normal course of business, the Group may face liquidity risk caused by macroeconomic policy changes, market volatility, poor operations, credit downgrades, mismatches between assets and liabilities, low turnover rate of assets, large underwriting on a firm commitment basis, significant proprietary trading position, or an overly high ratio of long-term investments. If the Group fails to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on the risk indicators, the Group could be subject to penalties by the regulatory authorities in the form of restrictions on the Group's business operations, which would cause adverse impact on the Group's operations and reputation.

The Group manages and controls its funds in a centralised manner. The Company's liquidity risk management principles are comprehensiveness, prudence and foreseeability and its overall objective is to build a sound liquidity risk management system so that it can effectively recognise, measure, monitor and control liquidity risk and ensure that its liquidity needs can be met timely with a reasonable cost. The Group's financial department organises and prepares the cash budget annually and make the financing plan based on the cash budget. Under the approval of the Company, the funds will be raised, scheduled and arranged uniformly in order to ensure the unity of funds demand and cost of the capital control.

Under the approval by the investment decision committee, the financial department confirm the scale and the structure for a high quality liquid assets reserve, by analysing the condition of the Company's business scale, total liability, financing ability, and duration of the asset and liability prudently, so that the liquidity and the risk resistance can be accordingly improved.

The Group invests surplus cash in negotiable bank deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. As at 31 December 2019 the Group held cash and cash equivalents of approximately RMB3,962,648 thousand (31 December 2018: RMB3,269,553 thousand) that is expected to readily generate cash inflows for managing liquidity risk. In addition, the Group held financial assets at fair value through profit or loss amounted to RMB8,105,403 thousand which was presented as current assets as at 31 December 2019 (31 December 2018: RMB2,826,918 thousand), and could be realised within one year to provide a further source of cash if the need arose.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 52. Financial risk management – continued

### 52.4 Liquidity risk – continued

The tables below present the cash flows payable by the Group for non-derivative financial assets and liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows, including both interest and principal cash flows. For items with floating interest rates, the undiscounted amounts are derived using interest rates at the end of the reporting period.

As at 31 December 2019	On demand	Within 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Overdue/Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-derivative financial assets</b>								
Other current assets	-	81,397	7,457	5,797	8,265	817	-	103,733
Margin accounts receivable	-	635,245	1,528,058	2,594,817	-	-	-	4,758,120
Financial assets held under resale agreements	-	1,052,079	644,881	1,511,471	455,726	-	-	3,664,157
Financial assets at fair value through profit or losses	-	69,158	105,466	2,645,005	4,172,485	675,937	1,272,763	8,940,814
Clearing settlement funds	2,100,538	-	-	-	-	-	-	2,100,538
Refundable deposits	550	62,229	-	-	-	1,843	12	64,634
Cash held for brokerage clients	6,547,713	-	-	-	-	-	-	6,547,713
Cash and bank balances	1,503,518	752,496	440,414	65,644	-	-	-	2,762,072
	10,152,319	2,652,604	2,726,276	6,822,734	4,636,476	678,597	1,272,775	28,941,781
<b>Derivative financial instruments settled on a gross basis</b>								
Total inflow	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
<b>As at 31 December 2019</b>								
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-derivative financial liabilities</b>								
Other current liabilities	-	39,085	195,142	4,624	4,659	4,384	-	247,894
Bonds in issue	-	1,007,854	1,044,814	2,202,270	2,434,190	-	-	6,689,128
Financial assets sold under repurchase agreement	-	3,694,077	-	-	-	-	-	3,694,077
Financial liabilities at fair value through profit or losses	676,664	8,911	-	286,474	-	-	108,413	1,080,462
Accounts payable to brokerage clients	8,212,333	-	-	-	-	-	-	8,212,333
Lease liabilities	-	8,504	11,296	52,262	101,105	18,083	-	191,250
Due to other financial institutions	-	-	-	203,259	-	-	-	203,259
	8,888,997	4,758,431	1,251,252	2,748,889	2,539,954	22,467	108,413	20,318,403
<b>Derivative financial instruments settled on a gross basis</b>								
Total outflow	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 52. Financial risk management – continued

### 52.4 Liquidity risk – continued

As at 31 December 2018	On demand	Within 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Overdue/Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-derivative financial assets</b>								
Other current assets	-	20,213	953	5,809	10,100	1,702	-	38,777
Margin accounts receivable	-	303,447	668,273	2,055,308	-	-	-	3,027,028
Financial assets held under resale agreement	-	2,231,992	1,131,346	3,563,315	905,681	-	-	7,832,334
Financial assets at fair value through profit or losses	-	36,670	118,375	544,766	1,566,231	136,548	1,210,759	3,613,349
Clearing settlement funds	2,030,925	-	-	-	-	-	-	2,030,925
Refundable deposits	25,538	37,756	300	750	300	2,291	5,559	72,494
Cash held for brokerage clients	4,027,017	-	-	-	-	-	-	4,027,017
Cash and bank balances	348,748	623,381	414,335	-	-	-	-	1,386,464
	6,432,228	3,253,459	2,333,582	6,169,948	2,482,312	140,541	1,216,318	22,028,388
<b>Derivative financial instruments settled on a gross basis</b>								
Total inflow	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
<b>As at 31 December 2018</b>								
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-derivative financial liabilities</b>								
Other current liabilities	-	124,129	1,593	7,905	4,532	4,499	-	142,658
Bonds in issue	-	122,645	244,815	854,802	5,762,250	-	-	6,984,512
Financial assets sold under repurchase agreement	-	10,033	-	-	-	-	-	10,033
Financial liabilities at fair value through profit or losses	513,395	-	-	430,120	8,559	-	199,091	1,151,165
Accounts payable to brokerage clients	5,594,621	-	-	-	-	-	-	5,594,621
	6,108,016	256,807	246,408	1,292,827	5,775,341	4,499	199,091	13,882,989
<b>Derivative financial instruments settled on a gross basis</b>								
Total outflow	940	-	-	-	-	-	-	940
	940	-	-	-	-	-	-	940

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 52. Financial risk management – continued

### 52.5 Capital management

The Group's objectives of capital management are:

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

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100%;
- The ratio of core net capital divided by total assets shall be no less than 8%;
- The ratio of quality current assets divided by net cash used in next thirty days shall be no less than 100%;
- The ratio of stable funding available divided by stable funding required shall be no less than 100%.

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

## 53. Fair value of financial assets and liabilities

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

### 53.1 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 amortised cost in the statement of consolidated financial position approximate their fair values.

For financial instruments with a short maturity, including cash and bank balances, cash held for brokerage clients, clearing settlement funds, margin accounts receivable, financial assets held under resale agreements, due to other financial institutions, financial assets sold under repurchase agreements and accounts payable to brokerage clients, their fair value approximate their carrying amounts.

In accordance with the related regulations, the Group can put or redeem its refundable deposits with Stock Exchanges, Futures and Commodities Exchanges and China Securities Finance Corporation Limited. The Group assesses the fair value of refundable deposits approximates the carrying amount.

The aggregate fair value of bonds in issue is calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

### 53.2 Financial instruments measured at fair value

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

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 Consolidated Financial Statements

For the year ended 31 December 2019

## 53. Fair value of financial assets and liabilities – continued

### 53.2 Financial instruments measured at fair value – continued

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

Financial assets/liabilities	As at 31 December 2019	As at 31 December 2018	Fair value hierarchy	Valuation technique(s) and key input(s)
<b>Financial assets at fair value through profit or loss</b>				
– Listed debt securities	6,736,418	1,744,022	Level 2	Discounted future cash flows estimated based on contractual amounts and coupon rates at rates that reflects the credit risk of counterparty.
– Asset backed securities	220,084	–	Level 2	Discounted future cash flows estimated based on contractual amounts and coupon rates at rates that reflects the credit risk of counterparty.
– Asset backed securities	–	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	527,065	663,045	Level 1	Quoted bid price in an active market.
– Equity securities listed on National Equities Exchange and Quotation	33,352	39,080	Level 2	Recent transaction prices.
– Investment funds	38,421	7,076	Level 1	Quoted bid price in an active market.
– Investment funds	283,319	299,985	Level 2	Net asset value as published by the fund manager.
– Collective asset management schemes	4,496	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 Consolidated Financial Statements

For the year ended 31 December 2019

## 53. Fair value of financial assets and liabilities – continued

### 53.2 Financial instruments measured at fair value – continued

Financial assets/liabilities	As at 31 December 2019	As at 31 December 2018	Fair value hierarchy	Valuation technique(s) and key input(s)
<b>Financial assets at fair value through profit or loss – continued</b>				
– Collective asset management schemes	214,042	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	66,007	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 instruments	–	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 investments	99,742	118,245	Level 3	Calculated by using asset-based approach or market approach, with an adjustment or discount for lack of marketability.
<b>Derivative financial instruments</b>				
– Listed options liabilities	–	(940)	Level 1	Quoted bid prices in an active market.
<b>Financial liabilities at fair value through profit or loss</b>	<b>(1,080,462)</b>	<b>(1,151,165)</b>	Level 3	Calculated based on the fair value of the underlying investments and other inputs management considers to be appropriate.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 53. Fair value of financial assets and liabilities – continued

### 53.2 Financial instruments measured at fair value – continued

As at 31 December 2019	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	527,065	33,352	–	560,417
– Investment in unlisted companies	–	–	99,742	99,742
– Debt securities	–	6,736,418	–	6,736,418
– Investment funds	38,421	283,319	–	321,740
– Collective asset management schemes	–	214,042	4,496	218,538
– Wealth management products	–	66,007	–	66,007
– Asset backed securities	–	220,084	–	220,084
	565,486	7,553,222	104,238	8,222,946
Liabilities				
Financial liabilities at fair value through profit or loss				
	–	–	(1,080,462)	(1,080,462)
	–	–	(1,080,462)	(1,080,462)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 53. Fair value of financial assets and liabilities – continued

### 53.2 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 year ended 31 December 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 Consolidated Financial Statements

For the year ended 31 December 2019

## 53. Fair value of financial assets and liabilities – continued

### 53.2 Financial instruments measured at fair value – continued

#### Financial instruments in Level 3

The following table presents the changes in Level 3 instruments for the year ended 31 December 2019 and 2018.

	Financial assets at fair value through profit or loss – Collective asset Management scheme	Financial assets at fair value through profit or loss – Debt instruments	Financial assets at fair value through profit or loss – Unlisted equity investments	Financial assets at fair value through profit or loss – Asset Backed Securities
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2019</b>	<b>4,065</b>	<b>13,811</b>	<b>118,245</b>	<b>23,657</b>
Fair value change	431	(13,811)	(6,324)	-
Increase	-	-	-	728
Decrease	-	-	(12,179)	(24,385)
<b>Balance at 31 December 2019</b>	<b>4,496</b>	<b>-</b>	<b>99,742</b>	<b>-</b>
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the year under "Net investment gains"	431	(13,811)	(8,503)	-
<b>Balance at 1 January 2018</b>	<b>95,159</b>	<b>15,922</b>	<b>121,134</b>	<b>50,585</b>
Fair value change	(12,231)	882	5,031	-
Increase	-	-	-	8,237
Decrease	(78,863)	(2,993)	(7,920)	(35,165)
<b>Balance at 31 December 2018</b>	<b>4,065</b>	<b>13,811</b>	<b>118,245</b>	<b>23,657</b>
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the year under "Net investment gains"	(8,112)	910	911	-

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 53. Fair value of financial assets and liabilities – continued

### 53.2 Financial instruments measured at fair value – continued

#### Financial instruments in Level 3 – continued

	Financial liabilities at fair value through profit or loss RMB'000
<b>Balance at 1 January 2019</b>	<b>1,151,165</b>
Gains recognized in profit or loss	48,714
Purchase/issue	394,103
Settlements	(513,520)
<b>Balance at 31 December 2019</b>	<b>1,080,462</b>
Change in unrealized gains or losses for the year include in profit or loss for liabilities held at the end of the year under "Net investment gains"	4,733
	Financial liabilities at fair value through profit or loss RMB'000
<b>Balance at 1 January 2018</b>	<b>1,707,115</b>
Gains recognized in profit or loss	36,762
Purchase/issue	47,710
Settlements	(640,422)
<b>Balance at 31 December 2018</b>	<b>1,151,165</b>
Change in unrealized gains or losses for the year include in profit or loss for liabilities held at the end of the year under "Net investment gains"	5,060

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 53. Fair value of financial assets and liabilities – continued

### 53.2 Financial instruments measured at fair value – continued

#### Financial instruments in Level 3 – 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"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Expected future cash flow.</li> <li>Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the future cash flow, the higher the fair value.</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>
Financial assets at fair value through profit or loss – Unlisted equity investments	Level 3	<ul style="list-style-type: none"> <li>Calculated by using asset-based approach or market approach, with an adjustment or discount for lack of marketability.</li> </ul>	<ul style="list-style-type: none"> <li>Investee's assets and liabilities value or primary financial performance indicators.</li> <li>Comparable listed companies' PE or PB ratios</li> <li>Discount rates that correspond to lack of marketability.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>The higher the value of comparable listed companies' PE or PB ratios, the higher the fair value.</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>
Financial liabilities at fair value through profit or loss	Level 3	<ul style="list-style-type: none"> <li>Calculated based on the fair value of the underlying investments and other inputs management considers to be appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>Expected fair value of the underlying investments.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the fair value of the underlying investments, the higher the fair value.</li> </ul>
Financial assets at fair value through profit or loss – Debt instruments	Level 3	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Expected future cash flow.</li> <li>Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the future cash flow, the higher the fair value.</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>
Financial assets at fair value through profit or loss – Collective asset management scheme	Level 3	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Expected fair value of the underlying investments.</li> <li>Discount rates that correspond to lack of marketability.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the fair value of the underlying investments, the higher the fair value.</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 54. Offsetting financial assets and financial liabilities

The Group has entered into master netting arrangements with counterparties for the future contracts and also with clearing house for un-settled trades. As at 31 December 2019, there is no outstanding future contracts held by the Group.

Except for the enforceable master netting arrangements and the offset-right of the financial assets under the similar agreements disclosed above, the collateral of which, such as financial assets held under resale agreement, financial assets sold under repurchase agreement, margin accounts receivable and etc., are disclosed in the corresponding notes, which are generally not on the net basis in financial position.

## 55. Unconsolidated structured entities

Unconsolidated structured entities of the Group mainly include asset management schemes managed by the Group, asset management schemes or investment funds which the Group invests in but does not act as a manager.

Except for the structured entities that the Group has consolidated, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group has interests in are not significant. The Group did not consider itself being the principal and consequently did not consolidate these structured entities.

The total assets of unconsolidated asset management schemes managed by the Group amounted to RMB37,204,787 thousand as at 31 December 2019 (31 December 2018: RMB22,577,706 thousand).

As at 31 December 2019 and 2018, the interests in unconsolidated structured entities held by the Group included asset management schemes, wealth management products, investment funds and asset backed securities that were classified as financial assets at fair value through profit or loss, and limited partnership classified as interests in associates.

The related carrying amounts and the maximum exposure of interests in unconsolidated structured entities managed by the Group were as follows:

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Asset management schemes	17,801	26,956



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 55. Unconsolidated structured entities – continued

The related carrying amounts and the maximum exposure of interests in unconsolidated structured entities for which the Group did not act as the investment manager were as follows:

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Investment funds	321,740	307,061
Wealth management products	66,007	50,053
Asset management schemes	200,737	–
Asset backed securities	220,084	23,657
Limited Partnership	3,999	14,732
	<b>812,567</b>	395,503

For the years ended 31 December 2019 and 2018, the income from these unconsolidated structured entities held and/or managed by the Group was as follows:

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Net investment gains	36,406	14,253
Fee and commission income	66,256	63,194
	<b>102,662</b>	77,447

For the year ended 31 December 2019, the Group did not provide and had no plan to provide financial support to these unconsolidated structured entities (2018: the same).

## 56. Subsequent events

### Offering of corporate bonds

On 10 January 2020, the Company issued RMB1,000,000 thousand of short term financing bond with a term of 91 days and an interest rate of 2.95% per annum paid at maturity.

On 16 January 2020, the Company issued RMB800,000 thousand of non-public corporate bonds with a term of 3 years and a fixed coupon rate of 4.13% paid annually.

### Impact of the Coronavirus Disease 2019

Since the outbreak of the Coronavirus Disease 2019 (“COVID-19”) across the country in January 2020, the prevention and control of the COVID-19 has been going on throughout the country. The Group will implement the requirements of the Notice on Further Strengthening the Financial Support for Prevention and Control of the COVID-19, which was jointly issued by the People’s Bank of China, the Ministry of Finance, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission and the State Administration of Foreign Exchange, and strengthen financial support for the prevention and control of the COVID-19 epidemic.

At present, the domestic securities market operates smoothly and the Group’s operation is generally stable, while the COVID-19 epidemic may affect the operation of enterprises in certain provinces, cities and certain industries, as well as the overall economic situation, and may have a further impact on the capital market, securities market, securities industry as well as certain businesses of the Group to a certain extent. And the degree of impact will depend on the situation and duration of the epidemic prevention and control, and the implementation of national economic and industrial control policies.

The direction of deepening reform of the capital market remains unchanged, and the impact of the epidemic will not change the overall trend of the securities industry. The Group will continue to pay close attention to the development of the COVID-19 epidemic situation as well as the various control policies, assess and react actively to its impacts on the financial position and operating results of the Group.

Other than those disclosed above, the Group had no material events for disclosure subsequent to 31 December 2019 and up to the date of approval of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 57. Statement of financial position and reserve movement of the company

### Statement of financial position of the Company

	2019/12/31	2018/12/31
	RMB'000	RMB'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property and equipment	86,680	93,029
Right-of-use assets (note)	149,190	–
Intangible assets	50,217	35,754
Investments in subsidiaries	1,087,600	1,087,600
Investments in consolidated structured entities	100,173	146,127
Investment in associates	100,202	98,830
Other non-current assets	37,309	33,184
Financial assets held under resale agreements	412,630	799,536
Financial assets at fair value through profit or loss	110,026	128,682
Deferred income tax assets	34,775	83,923
Refundable deposits	64,222	72,074
<b>Total non-current assets</b>	<b>2,233,024</b>	<b>2,578,739</b>
<b>Current assets</b>		
Other current assets	89,150	43,371
Margin accounts receivable	4,638,397	2,953,817
Financial assets held under resale agreements	2,405,959	6,330,385
Financial assets at fair value through profit or loss	7,103,751	1,324,811
Clearing settlement funds	2,091,545	2,029,140
Cash held for brokerage clients	6,547,713	4,027,017
Cash and bank balances	1,935,348	676,682
<b>Total current assets</b>	<b>24,811,863</b>	<b>17,385,223</b>
<b>Total assets</b>	<b>27,044,887</b>	<b>19,963,962</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 57. Statement of financial position and reserve movement of the company – continued

### Statement of financial position of the Company – continued

	2019/12/31	2018/12/31
	RMB'000	RMB'000
<b>Equity and liabilities</b>		
Share capital	1,902,400	1,902,400
Share premium	2,177,342	2,177,342
Reserves	1,922,486	1,774,819
Retained earnings	1,940,345	1,704,766
<b>Total equity</b>	<b>7,942,573</b>	7,559,327
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Bond in issue	2,293,011	4,185,051
Lease liabilities (note)	104,967	–
<b>Total non-current liabilities</b>	<b>2,397,978</b>	4,185,051
<b>Current liabilities</b>		
Other current liabilities	406,869	243,280
Current income tax liabilities	–	6,897
Lease liabilities (note)	45,007	–
Bonds in issue	4,152,956	2,370,719
Contract liabilities	893	3,127
Derivative financial liabilities	–	940
Accounts payable to brokerage clients	8,212,333	5,594,621
Financial assets sold under repurchase agreements	3,685,993	–
Due to other financial institutions	200,285	–
<b>Total current liabilities</b>	<b>16,704,336</b>	8,219,584
<b>Total liabilities</b>	<b>19,102,314</b>	12,404,635
<b>Total equity and liabilities</b>	<b>27,044,887</b>	19,963,962

Note: The Company has applied IFRS 16 since 1 January 2019 in accordance with transitional provision stated in Note 2. Lease liabilities amounted to RMB165,330 and right-of-use assets amounted to RMB 168,565 were recognised on initial application of IFRS 16, respectively.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 57. Statement of financial position and reserve movement of the company – continued

#### Reserve movement of the Company

	Reserve RMB'000	Retained earnings RMB'000
<b>Balance at 1 January 2018</b>	1,730,477	1,601,595
Profit for the year	–	147,513
<b>Total comprehensive income</b>	1,730,477	1,749,108
Dividends recognized as distribution	–	–
Appropriation to reserves	44,342	(44,342)
<b>Balance at 31 December 2018</b>	1,774,819	1,704,766
Adjustment	–	(7,526)
<b>Balance at 1 January 2019</b>	1,774,819	1,697,240
Profit for the year	–	485,892
<b>Total comprehensive income</b>	1,774,819	2,183,132
Dividends recognized as distribution	–	(95,120)
Appropriation to reserves	147,667	(147,667)
<b>Balance at 31 December 2019</b>	1,922,486	1,940,345