



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



INTERIM REPORT
2020



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Company Information

COMPANY NAME

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

LEGAL REPRESENTATIVE

Mr. Yao Zhiyong

DIRECTORS

Executive Director

Mr. Ge Xiaobo

Non-executive Directors

Mr. Yao Zhiyong (Chairman of the Board)
Mr. Hua Weirong
Mr. Zhou Weiping
Mr. Liu Hailin
Mr. Zhang Weigang

Independent Non-executive Directors

Mr. Lu Yuanzhu
Mr. Wu Xingyu
Mr. Chu, Howard Ho Hwa

SUPERVISORS

Mr. Jiang Zhiqiang (Chairman)
Mr. Zhou Weixing
Mr. Ren Jun
Ms. Shen Ying
Ms. Yu Lei

BOARD COMMITTEES

Strategy Committee

Mr. Yao Zhiyong (Chairman)
Mr. Ge Xiaobo
Mr. Hua Weirong
Mr. Zhou Weiping
Mr. Chu, Howard Ho Hwa

Remuneration and Nomination Committee

Mr. Lu Yuanzhu (Chairman)
Mr. Wu Xingyu
Mr. Hua Weirong

Audit Committee

Mr. Wu Xingyu (Chairman)
Mr. Chu, Howard Ho Hwa
Mr. Lu Yuanzhu

Risk Control Committee

Mr. Yao Zhiyong (Chairman)
Mr. Hua Weirong
Mr. Zhou Weiping
Mr. Liu Hailin
Mr. Wu Xingyu

SECRETARY OF THE BOARD

Mr. Wangjie

COMPANY SECRETARY

Ms. Lin Fanyu

AUTHORIZED REPRESENTATIVES

Mr. Yao Zhiyong
Mr. Ge Xiaobo

HEADQUARTERS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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ACCOUNTANTS

Domestic: Deloitte Touche Tohmatsu
Certified Public Accountants LLP
International: Deloitte Touche Tohmatsu

LEGAL ADVISOR AS TO HONG KONG LAW

Clifford Chance

STOCK CODE

Hong Kong Stock Exchange H Shares Stock Code: 01456
Shanghai Stock Exchange A Shares Stock Code: 601456

SHARE REGISTRAR

For A Shares:
China Securities Depository and Clearing Corporation Limited
Shanghai Branch Office
For H Shares:
Computershare Hong Kong Investor Services Limited

Financial Highlights

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

PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

Items	Six months ended 30 June 2020	Six months ended 30 June 2019	Variance in comparison with the corresponding period of last year (%)
Operating results (RMB'000)			
Total revenue, gains and other income	1,165,305	1,104,456	5.51
Profit before income tax	437,784	470,014	-6.86
Interim profit – attributable to the Company's Shareholders	321,243	356,320	-9.84
Net cash generated by operating activities	-3,208,085	1,763,755	N/A
Earnings per share (RMB/share)			
Basic earnings per share	0.17	0.19	-10.53
Diluted earnings per share	0.17	0.19	-10.53
Profitability index			
– Returns on net assets ^(note 1) (%)	3.90	4.56	Decreased by 0.66 percentage points

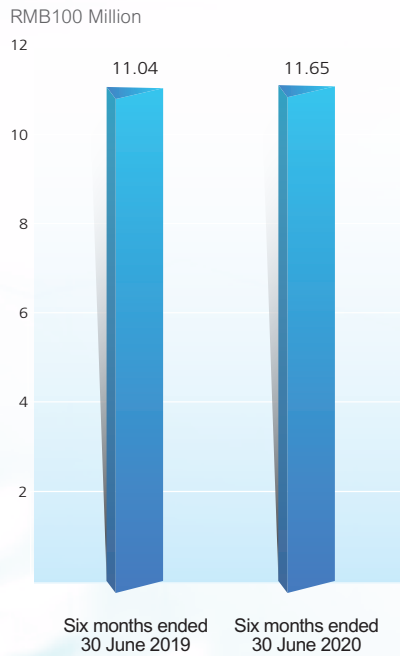
Items	As at 30 June 2020	As at 31 December 2019	Variance in comparison with the end of last year (%)
Scale indicators (RMB'000)			
Total assets	36,932,076	28,419,403	29.95
Total liabilities	28,543,318	20,352,077	40.25
Accounts payable to brokerage clients	10,278,581	8,212,333	25.16
Equity attributable to the Company's Shareholders	8,388,758	8,067,326	3.98
Share capital ('000 shares)	1,902,400	1,902,400	0.00
Net asset value per share attributable to the Company's Shareholders (RMB/share)	4.41	4.24	4.01
Liability-asset ratio ^(note 2) (%)	68.53	60.08	Increased by 8.45 percentage points

Notes:

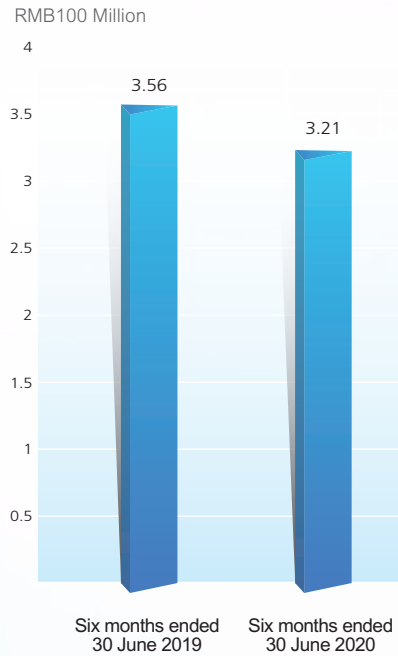
- Prepared in accordance with the relevant requirements of the "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 09) – Calculations and disclosures for the returns on net assets and earnings per share" (as amended in 2010) issued by the CSRC.
- Liability-asset ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients).

Financial Highlights

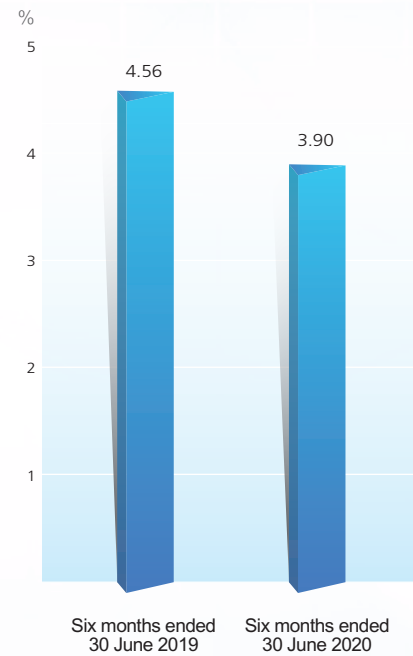
Total revenue, gains and other income



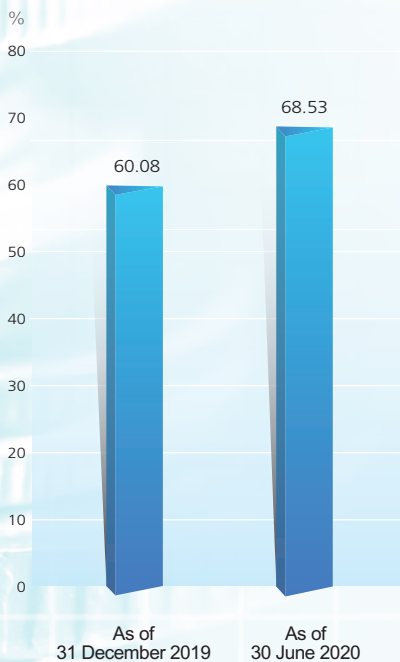
Interim profit – attributable to the Company's Shareholders



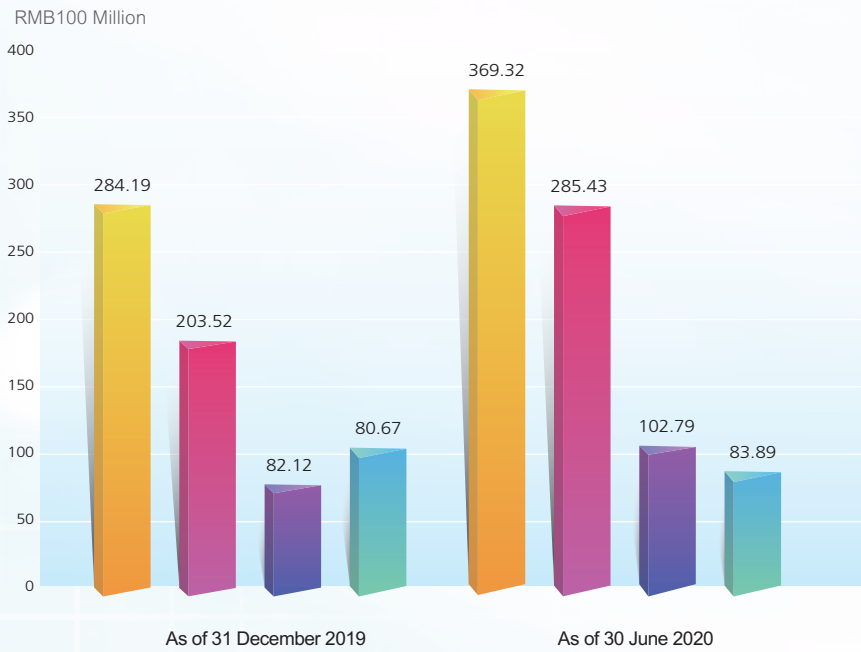
Returns on net assets



Liability-asset ratio



Scale indicators



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

Management Discussion and Analysis

I. ECONOMIC ENVIRONMENT AND MARKET CONDITIONS DURING THE REPORTING PERIOD¹

In the first half of 2020, the global economy was seriously bombarded by COVID-19. While alleviating the pressure on the medical system, the epidemic prevention and control measures also caused major supply disruption and greatly suppressed consumption and investment demand. In the first quarter of the year, China's GDP dropped by 6.8% year on year, which was the first negative growth since the quarterly GDP data was published in 1992. However, with the progress of effective epidemic prevention and control in China and continuous resumption of work and production, the domestic macroeconomic data saw significant recovery since March. The data on industrial added value, investment and consumption rebounded from trough. Meanwhile, falling prices of pork and other food products had driven down CPI and mitigated inflation. In the second quarter, China's GDP grew by 3.2% year on year, taking the lead in entering the track of steady economic growth. According to the forecast of the World Bank, China is likely to become the only major economy with positive economic growth this year.

Subsequently, as the current epidemic situation in China has been effectively controlled, production and business activities are gradually resumed, both the supply and demand see rebound, and domestic demand is expected to recover further. However, overseas epidemic prevention and control are still facing great challenges. As affected by the epidemic, the GDP of major economies such as the United States and Japan have entered a low-speed growth or even negative growth. At present, although some European countries and the United States are trying to propel resumption of work and production for economic recovery, new COVID-19 confirmed cases overseas are remained at elevated levels every day and the augmented trade wars fuel up great uncertainties for China's foreign demand.

In the first half of 2020, the stock market fluctuated tremendously due to the impact of the epidemic. After entering the second quarter, the continuous recovery of economic fundamentals drove the increase of A Share index growth, and the trading volume of Shanghai Stock Exchange and Shenzhen Stock Exchange rose steadily. In the first half of the year, the bond market interest rate first showed a falling trend, then rose thereafter. In the first quarter, the impact of the epidemic on the economy caused the easing of monetary policy, leading to a decline of interest rate. After entering the second quarter, the interest rate went up due to economic recovery and the failure of the expectations of the excessive easing of monetary policy. Overall, divergence was seen among the trends of stock indices. In the first half of the year, the SSE Composite Index dropped by 2.15% to 2,984.67 points, the SZSE Component Index and the GEM index increased by 14.97% and 35.6% to 11,992.4 points and 2,438.2 points respectively. The trading volume of SSE Composite Index and SZSE Component Index were RMB34.81 trillion and RMB53.90 trillion respectively, representing an increase of 13.58% and 39.28% respectively as compared with the same period of last year. By the end of the second quarter, the yield of 10-year China Treasury Bonds was 2.82%, decreased by 33 basis points as compared with that as of the beginning of 2020. For the foreign exchange market, in the first half of 2020, the central parity of RMB against US dollar depreciated by 1,033 basis points to 7.08.

Note:

¹ The relevant data in this section (Economic environment and market conditions during the Reporting Period) all come from Wind Information, and the time of extracting data was 30 June 2020 (if the statisticians revise the data subsequently, then there may be a minor deviation with the extracted value).

Management Discussion and Analysis

As of the end of June 2020, total assets of 134 securities companies were RMB8.03 trillion, representing an increase of 10.6% as compared with that as of the end of 2019, net asset were RMB2.09 trillion, representing an increase of 3.47% as compared with that as of the end of 2019 and net capital was RMB1.67 trillion, representing an increase of 3.09% as compared with that as of the end of 2019. In the first half of 2020, among the 134 securities companies, 124 companies made profits, with operating income of RMB213.404 billion and net profit of RMB83.147 billion, representing a year-on-year increase of 19.3% and 24.7% respectively, a year-on-year improvement in operating performance.

The capital market reform has been accelerated comprehensively since 2020 with the newly amended Securities Law formally put into effect on 1 March. The SSE Composite Index will usher in its first “restructuring” in 30 years; the GEM conducts reform and implements pilot registration system; the NEEQ Select Tier launched rapidly; restrictions on foreign brokers’ business operations in China will be completely lifted, and the opening up of the securities industry will usher in another round of acceleration.

At the same time, it has become a trend to empower the industry with technology, and many securities brokers hope to leverage the fintech for transformation. Since 2020, a number of securities brokers have cooperated with Internet giants in laying out the fintech sector. For example, CICC and Tencent Holdings have jointly established Jinteng Technology (金騰科技); Caitong Securities announced the formal establishment of fintech comprehensive strategic partnership with Ant Financial and Ali-Cloud; DFZQ has carried out in-depth cooperation with Huawei in the cloud computing sector and also with Ali-Cloud in scene application. Meanwhile, several securities companies have increased investments in fintech and hope to build a new wealth management business model leveraging smart technology, such as Ping An Securities and CM Securities, etc. Large securities companies have strong competitiveness in terms of capital strength, risk pricing ability, fintech application and other aspects. Gaining a first-mover advantage in innovative business sector will accelerate securities industry concentration. Moreover, in November 2019, the CSRC indicated clearly that it would create “colossus securities companies”, which will benefit leading securities brokers, exacerbating the situation that “The Stronger Remains As Strong” in the securities industry. The release of “Regulations on Equity Management of Securities Companies” and their ancillary policies will also guide securities companies to achieve differentiated and professional development and reshape the competition layout of securities companies. Small and medium-sized securities companies will face increasingly fierce competition, and taking characteristic-oriented, professional path might become their transformation direction.

II. GENERAL OPERATING SITUATION

During the Reporting Period, the revenue, gains and other income recorded by the Group was RMB1.165 billion, representing a year-on-year increase of 5.51%. Net profit attributable to the Company's Shareholders was RMB321 million, representing a year-on-year decrease of 9.84%.

As at the end of the Reporting Period, the Group's total assets amounted to RMB36.932 billion, representing an increase of 29.95% from RMB28.419 billion at the end of 2019. Total liabilities were RMB28.543 billion, representing an increase of 40.25% from RMB20.352 billion at the end of 2019. Equity attributable to the Company's Shareholders amounted to RMB8.389 billion, representing an increase of 3.98% from RMB8.067 billion at the end of 2019. The liability-asset ratio of the Group was 68.53%, representing an increase of 8.45 percentage points from 60.08% at the end of 2019.

III. ANALYSIS OF PRINCIPAL BUSINESS

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

(I) Brokerage and Wealth Management Business

During the Reporting Period, the revenue, gains and other income generated from the brokerage and wealth management business of the Group was RMB426 million, representing a year-on-year increase of 16.90%.

Market Environment

In the first half of 2020, the overall market trading sentiment of domestic securities market was vibrant as compared with the same period of last year, and stocks and funds trading volume on the Shanghai and Shenzhen markets was RMB94.7 trillion, up by 28.32% year-on-year. The SSE Composite Index dropped by 2.15%, while the SME Composite Index and the GEM Composite Index rose by 15.14% and 27.94% respectively.

Actions and Achievements

During the Reporting Period, the Company established a wealth management business system focusing on customer needs, which is conducted by entwining the quantity, quality and asset scale of various customer groups as well as customer value-added services, and adjusted according to the organizational structure of front desk customer group department, middle office products tools, back-office support, so as to achieve the purpose of maximum optimization of personnel deployment, fully achieve organizational effectiveness and improve work efficiency.

Management Discussion and Analysis

Leveraging the opportunity of obtaining the pilot qualification for its fund investment advisory business, the Company made innovative move to its business model, optimized the product evaluation system and asset allocation service system, and accelerated the wealth management business transformation. The Company enhanced its transaction processing capability, expedited the development and service systems construction for high-net-worth clients. The Company improved the ability of existing personnel through training, assessment and incentive scheme, and continued to introduce capable teams in market development and management. Multiple measures are taken to promote the rapid development of the Company's wealth management business.

In the first half of 2020, the net income from agency sales of securities business of the Company was RMB213 million, representing a year-on-year increase of 8.67% and ranked 50th in the industry. During the Reporting Period, the transaction volume from the agency sales of securities of the Company (stocks and funds) was RMB923.442 billion with a market share of 0.49%, which was the same as that of 2019. As at the end of the Reporting Period, our total number of customers was 1,223,600, representing an increase of 6.55% as compared to the same period of last year.

Items	The first half of 2020	The first half of 2019	Year-on-year increase/ decrease
Trading volume of shares and funds (in RMB100 million)	9,234.42	7,390.93	24.94%
Number of securities brokerage clients (in '0,000)	122.36	114.84	6.55%

During the Reporting Period, sales volume of financial products of the Company amounted to RMB20.040 billion, representing a year-on-year increase of 21.81%. Among which, sales volume of self-developed asset management products amounted to RMB13.988 billion, representing a year-on-year decrease of 1.09%. Sales volume of third-party fund products amounted to RMB5.029 billion, representing a year-on-year increase of 205.71%. Sales volume of third-party trust products amounted to RMB830 million, representing a year-on-year increase of 57.79%. Sales volume of other financial products amounted to RMB192 million, representing a year-on-year increase of 38.13%.

Management Discussion and Analysis

During the Reporting Period, the Company obtained the pilot qualification approval from CSRC for fund investment advisory business, and completed the signing of and trading with the first batch of customers on 21 April. As the first securities broker in this business, the Company took fund investment advisory business as an important driver for its wealth management transformation, and strived to expand its business scale through investor education, staff training, system construction optimization and innovative cooperation model, so as to better serve general customers. As at the end of the Reporting Period, there were 474 fund investment advisory employees, with a total of 5,150 people having contracts signed for fund investment advisory business, and the asset scale of authorized accounts was RMB536 million.

Outlook in the Second Half of 2020

In the second half of 2020, the Company will continue to optimize its asset allocation product pools and technical systems, strengthen product research support, and upgrade product solution service systems such as fund investment advisory; improve and optimize private placement business process, strengthen the ability of customized product configuration for high-net-worth clients, and improve the development and service systems construction for high-net-worth clients; continue to introduce high-end talents, strengthen team building and improve comprehensive services standard.

(II) Investment Banking Business

The Company engaged in the investment banking business through Hua Ying Securities, its wholly-owned subsidiary. Specifically, it mainly includes equity financing business, bond financing business, financial advisory business and NEEQ business.

During the Reporting Period, the revenue, gains and other income generated from the investment banking business of the Group was RMB150 million, representing a year-on-year increase of 24.82%.

1. Equity Financing Business

Market Environment

In the first half of 2020, the A-share market issued a total of 342 equity financing projects, representing a year-on-year increase of 35.18%, with the amount of capital raised of RMB588.055 billion, up by 17.13% year-on-year. Among which, there were 128 IPO projects, representing a year-on-year increase of 93.94%, with the amount of capital raised of RMB143.628 billion, up by 138.07% year-on-year, and 214 equity refinancing projects (including additional share issuance, rights issue, preference shares, convertible bonds), representing a year-on-year increase of 13.23%, with the amount of capital raised of RMB444.427 billion, slightly up by 0.61% year-on-year.

Management Discussion and Analysis

Actions and Achievements

In the first half of 2020, Hua Ying Securities completed 1 refinancing, underwriting and sponsorship project and 1 IPO distribution project. At the same time, the equity financing business of Hua Ying Securities propelled comprehensively. Among them, for the IPO business, 1 project obtained approval already and was pending issuance, 1 project received approval by CSRC and 2 projects with applications under review. For refinancing business, 1 project already obtained approval and was pending issuance and 6 projects with applications under review. Moreover, Hua Ying Securities practiced the objective of providing financing service for real economy, and actively carried out business layout and project reserve in strategic emerging industries such as biomedical grand health, smart cities and high-end manufacturing.

Outlook in the Second Half of 2020

In the second half year, Hua Ying Securities will complete the issuance and listing of IPO projects that have already obtained approval documents as well as those approved by CSRC as soon as possible. At the same time, Hua Ying Securities will strive to promote key equity projects and expand the scale of equity business; strengthen its undertaking and underwriting capabilities and enhance its overall comprehensive investment banking services; promote the implementation of the “investment + investment banking + industrial landing” model and actively serving the development of the real economy.

2. Debt Financing Business

Market Environment

In the first half of 2020, 2,749 issuers of the domestic bond market had completed the issuance of 10,477 bonds of various types in aggregate, raising a total of RMB17,953.680 billion. The bonds for COVID-19 prevention and control jointly issued by five ministries and commissions became the bond market highlight in the first half year. As of the end of June, 499 issuers completed the issuance of a total of 767 bonds for COVID-19 prevention and control, raising a total of RMB2,197.909 billion.

Management Discussion and Analysis

Actions and Achievements

In the first half of 2020, the bond financing business of Hua Ying Securities developed steadily and had completed 23 bonds lead underwriting (including joint lead underwriting) projects and 2 government bonds distribution projects, underwriting a total amount of RMB16.446 billion, with the number of projects and underwriting scale achieved a substantial year-on-year growth. In terms of project reserves, as of the end of the Reporting Period, Hua Ying Securities had 28 bonds projects which had already obtained approvals and were pending issuance, with a pending issuance amount of RMB48.420 billion and 12 bonds projects with applications under review.

The table below showed the details of bonds underwriting business in the first half year:

Items	First half of 2020		First half of 2019	
	Amount of lead underwriting (In 100 million)	Number of issuance	Amount of lead underwriting (In 100 million)	Number of issuance
Enterprise bonds	7.00	2	12.00	1
Corporate bonds	96.76	16	41.50	7
Financial bonds	60.00	5	8.00	1
Local government bonds	0.70	2	0	0
Total	164.46	25	61.50	9

Note: The above bonds projects include lead underwriting, joint lead underwriting and distribution.

Outlook in the Second Half of 2020

In the second half of 2020, Hua Ying Securities will give full play to its overall business advantages and provide customers with all-round and comprehensive bond financing services, continue to consolidate and improve the strengths of bond underwriting business in Wuxi, continue to serve long-term customers, further coordinate with local financial institutions, strengthen the maintenance of investment institutions, expand bond sales network, and enhance bond sales capabilities.

Management Discussion and Analysis

3. Financial Advisory Business

Market Environment

In the first half of 2020, the mergers and acquisitions and restructuring market ushered in a full recovery. The transfer of underlying assets and the registration completion and transfer of shares held by trading partners for issuing shares to purchase assets are the basis of calculation for transaction completion. In the first half of 2020, 60 major asset restructurings of listed companies were completed in the A Share market, involving a total transaction amount of RMB386.145 billion. The supporting funds raised for mergers and acquisitions and restructuring were RMB24.449 billion. Both the number and the amount of transactions achieved significant growth over the same period of last year.

Actions and Achievements

In the first half of 2020, Hua Ying Securities completed 21 financial advisory projects (excluding NEEQ), 3 of which were financial advisory projects of listed companies, generating a financial advisory income of RMB13.6134 million.

Outlook in the Second Half of 2020

In the second half of 2020, Hua Ying Securities will promote the development of mergers and acquisitions and restructuring business by expanding the scale of the refinancing business, make active deployment and actively seize business opportunities to continuously improve the comprehensive service capabilities of mergers and acquisitions.

4. NEEQ Business

Market Environment

As of the end of the first half of 2020, the number of enterprises listed on NEEQ was 8,547, with a total market capitalization of RMB2,328.175 billion. The total trading volume on the NEEQ market amounted to RMB50.332 billion, and total funds raised from the issuance of shares amounted to RMB10.629 billion. As at the end of the Reporting Period, the NEEQ component index closed at 1,004.41, representing an increase of 8.14% as compared to that as of the end of 2019; the NEEQ market-making component index closed at 1,115.22, representing an increase of 21.92% as compared to that as of the end of 2019.

Management Discussion and Analysis

Actions and Achievements

In the first half of 2020, the NEEQ business continued to operate on the basis of expanding client coverage with value identification and actualization as the core, prepared for refined layer business, propelled listing business and completed daily supervision work. At the same time, it placed great emphasis on quality control and effective control of business risks.

In the first half of 2020, Hua Ying Securities completed 3 issuance projects on NEEQ, 2 mergers and acquisitions and restructuring projects and on-going supervision for 111 enterprises. At the same time, 1 refined layer project had already obtained approvals and received market recognition as the first batch of projects, 1 listing and referral project had obtained the letter of approval for listing.

Outlook in the Second Half of 2020

In the second half of 2020, Hua Ying Securities will continue to improve the business management system and market development system of NEEQ with value identification and actualization as the core, drive the development of other relevant business and provide quality NEEQ integrated services for customers to create good returns.

(III) Asset Management and Investment Business

During the Reporting Period, revenue, gains and other income generated from the asset management and investment business of the Group was RMB44.86 million, representing a year-on-year increase of 36.71%.

1. Asset Management

Market Environment

With the implementation of the Measures for the Administration of Privately Offered Asset Management Business of Securities and Futures Institutions (《證券期貨經營機構私募資產管理業務管理辦法》), the Provisions on the Administration of Operation of Privately Offered Asset Management Plans of Securities and Futures Institutions (《證券期貨經營機構私募資產管理計劃運作管理規定》) and other ancillary policies promulgated by CSRC, the asset management business will further resume active management, deepen net-worth transformation, improve asset allocation and risk pricing capability, and effectively serve the investment and financing needs of the real economy.

Management Discussion and Analysis

Actions and Achievements

In the first half year, for asset management business, the Company focused on strengthening its active management capabilities, accelerated business transformation in response to regulatory changes, optimized professional investment and research system, and gradually formed the core competitiveness of trading strategies. The Company effectively provided professional asset allocation and underlying assets evaluation service according to its own licence advantages, actively promoted the development of the Company's investment advisory business of publicly offered funds and the net-worth active management business, so as to further expand its market share.

As of 30 June 2020, the entrusted funds of the asset management business of the Company amounted to RMB28.946 billion, of which assets under active management amounted to RMB24.532 billion, representing 84.75% of total asset management size, up by 4.8 percentage points as compared with the same period of 2019.

Among which, 35 are Collective Asset Management Scheme, with an asset size of RMB6.998 billion; 55 are Targeted Asset Management Scheme, with an asset size of RMB20.886 billion and 3 are Specialized Asset Management Scheme, with an asset size of RMB1.062 billion.

Category	Size of asset management (In RMB100 million)		Operating income ¹ (In RMB ten thousand)	
	First half of 2020	First half of 2019	First half of 2020	First half of 2019
	Collective Asset Management Scheme	69.98	71.48	2,274.98
Targeted Asset Management Scheme	208.86	304.26	1,430.19	1,258.43
Specialized Asset Management Scheme	10.62	20.75	62.76	61.51
Total	289.46	396.49	3,767.93	2,996.25

Note 1: According to the standards of SAC.

Management Discussion and Analysis

Outlook in the Second Half of 2020

In the second half of 2020, the Company will continue to strengthen its active investment management capability, promote the transformation of investment and research results, and propel the steady growth of the entrusted asset management scale through those methods such as optimizing product structure, improving investment performance and establishing a sound sales system, and will continue to create value and gain for customers. At the same time, the Company will strengthen internal control and operation system construction to ensure stable business operation.

2. Private Equity Investment

The Company is engaged in private equity investment business through its wholly-owned subsidiary, Guolian Capital.

Market Environment

With industry regulations becoming increasingly matured, the domestic private equity industry has entered into a stable and healthy development stage. The entry threshold for private equity managers has risen up significantly in recent years. The current environment has brought both challenges and opportunities to the management ability of private equity managers. In the first half of 2020, with the outbreak of COVID-19, investors' capital had tightened, and their capital investment slowed down or stagnated, making it more difficult for institutions to raise funds. Despite the epidemic has been under control recently with gradual resumption of work and production, and fund-raising market slowly recovered, the market still lacks sustained momentum.

Actions and Achievements

In the first half of the year, Guolian Capital conducted fund raising, investment, management, capital withdrawal of funds at product level, and provided professional services for LP in the management, compliance, risk control and taxation aspects at funds level. As of 30 June 2020, Guolian Capital generated an operating income of RMB2.7633 million and a net profit of RMB1.6005 million, and is advancing the active withdrawal of three projects.

Management Discussion and Analysis

Outlook in the Second Half of 2020

In the second half of 2020, Guolian Capital will actively promote business development and team building. First of all, it will actively expand new business, give full play to the aggregate functionality of financial resources, further strengthen the cooperation with government-guided funds and market-oriented professional institutions, increase the expansion of mergers and acquisitions funds, industrial funds and project funds, enlarge the scale of fund management; leverage the diversified resources support of the Company to dig into high-quality enterprise projects, complete the effective enterprise information collection, perform well in project reserve, and actively explore and promote the development of financial advisory and other businesses. Secondly, Guolian Capital will continue to actively promote existing projects pull out and fund liquidation and cancellation works; Thirdly, Guolian Capital will also gradually strengthen team building and continue to improve its investment capacity. Meanwhile, according to the latest policies and business development requirements of SAC, Guolian Capital will continue to improve the various systems and strengthen the support of risk control system.

(IV) Credit Transaction Business

During the Reporting Period, revenue, gains and other income generated from the credit transaction business of the Group was RMB275 million, representing a year-on-year decrease of 13.19%.

1. Margin Financing and Securities Lending

Market Environment

In the first half of 2020, the balance of margin financing and securities lending in the entire market showed frequent fluctuations. As of the end of the Reporting Period, the total balance of margin financing and securities lending in the whole market amounted to RMB1,163.768 billion, of which the balance of margin financing was RMB1,131.374 billion and the balance of securities lending was RMB32.394 billion, representing an increase of 14.17% as compared with the balance of margin financing and securities lending of RMB1,019.285 billion in the end of December 2019.

Management Discussion and Analysis

Actions and Achievements

During the Reporting Period, under the guiding philosophy of “enlarging the scale of margin financing and securities lending business, jointly expanding the securities lending business, and increasing the proportion of institutional investors in margin financing and securities lending business” and under the premise of controllable risks, the Company actively promoted the development of margin financing and securities lending business through the combination measures of professional training support for branches and regional promotion of business toolkits, application for approval of securities refinancing STAR Market agreed declaration business qualification, active expansion of the securities lending source channel construction, and establishment of credit rating system for special professional institutional investors.

As at the end of the Reporting Period, the total number of credit accounts of clients was 22,240, representing a year-on-year increase of 6.22%. The total credit amount of margin financing and securities lending of clients was RMB51.761 billion, representing a year-on-year increase of 9.15%. The closing balance of margin financing and securities lending was RMB5.974 billion, representing a year-on-year increase of 76.27%. The daily balance of margin financing and securities lending was RMB5.311 billion, representing a year-on-year increase of 60.7%. Interest income from margin financing and securities lending was RMB183 million, representing a year-on-year increase of 52.50%.

Outlook in the Second Half of 2020

In the second half of the year, by centering on its wealth management transformation and development philosophy, the Company will continue to focus on customer service and provide multi-channel and multi-dimensional service support for the credit transactions of branch offices with the objective of improving the business scale of margin financing and securities lending. First of all, the Company will deploy and complete the launching of agreed securities lending business; Secondly, the Company will formulate standardized special solutions to meet the special needs of high net-worth clients from the perspective of balancing risks and satisfying demands. Thirdly, the Company will further promote the function of options as an insurance tool to enhance the ability to serve credit business investors; Finally, the Company will strengthen internal and external communication to enhance the ability of active risk control.

Management Discussion and Analysis

2. Stock Pledged Repurchase

Market Environment

Currently, the stock pledged repurchase business of Shanghai Stock Exchange and Shenzhen Stock Exchange are running smoothly with stock risk continuing to mitigate slowly, and the overall business scale of the market continuing to decline. Since 2019, with the gradual carrying out of special action plans to improve the quality of listed companies, and measures implementation such as private enterprise bail out and multi-party cooperative supervision, etc., the stock pledged repurchase business has shown a trend of structural optimization, and the new businesses mainly concentrate on well-performing companies with higher net profit than the same period of last year. However, the formation of stock pledged repurchase business risks is affected by a variety of factors and the prevention and resolution of stock pledged repurchase risks will take a long period of time and is complicated. Credit risk management still needs to be further strengthened for self-funded stock pledged repurchase business.

Actions and Achievements

During the Reporting Period, the Company further clarified the development strategies of the stock pledged repurchase business according to market conditions, and conducted the stock pledged repurchase business under the premise of stringent control and solving business risks. The stock pledged repurchase business has entered the stable development stage. As of the end of June 2020, the Company's initial transaction amount for repurchase on the exchanges of stock pledged repurchase from its own fund was RMB2.207 billion, representing a decrease of 22.51% as compared with RMB2.848 billion as at the end of 2019.

Outlook in the Second Half of 2020

In the second half of 2020, the Company will continue to strengthen the credit risk assessment system and model construction of stock pledge projects, enhance the market analysis and project research of financing-oriented option exercise business, and on the basis of the traditional model of its original self-funded stock pledge business, customize comprehensive investment and financing programs, and expand multi-dimensional service business by comprehensively focusing on customer actual needs such as the substantial shareholders and senior management of listed companies.

(V) Proprietary Trading Business

During the Reporting Period, revenue, gains and other income generated from the proprietary trading business of the Group was RMB266 million, representing a year-on-year decrease of 1.09%.

Market Environment

In the first half of 2020, the COVID-19 epidemic had exerted an unprecedented impact on China's economic and social development. Under this context, the Central Bank's prudent monetary policy kept market liquidity reasonably abundant, and its fiscal policy had strengthened counter-cyclical regulation and effectively hedged against the impact of the epidemic. In the first half year, the stock market showed wide fluctuations and segment differentiation, with obvious increase in the GEM index and the ChiNext Composite Index, with the consumption and technology industries leading the rise.

In the first half of the year, the bond market trend experienced a roller coaster-like significant unilateral downward and upward volatility. From February to the end of April, with the monetary easing policy of the Central Bank and the spread of the epidemic from the domestic to the global, the bond market continued its bull market, and bond market yields fell rapidly and sharply. Since May, with the gradual marginal tightening of the Central Bank's monetary policy and the continuous suspension of open market operations for nearly 40 days, the overnight interest rate of funds has also risen rapidly from less than 1% to 2%, a consensus has been reached on the V-shaped economic recovery, the returns on bond market went upward rapidly as the capital tightened, 10-year China Treasury Bonds has now recovered to around 2.9%, and the bond market has experienced a wave of sharp adjustments.

Actions and Achievements

For equity proprietary trading business, the Company has all along been adhering to its principle of value investment and taking absolute return as the direction, adopted fundamental research as starting point, focused on under-valued industries and companies that had good growth potential, and developed the business steadily while taking risks and returns into consideration. In the first half of 2020, the proprietary investment business effectively controlled investment portfolio market risk through risk management measures such as position control and futures hedging, which had reduced the adverse impact of market fluctuations on performance and achieved absolute returns to some extent.

Management Discussion and Analysis

For fixed income business, the Company adhered to a long-term and stable business operating style. For market-making business, by taking customer needs as an orientation, the Company acted as a bond price finder and liquidity provider through building customer networks and channels. In the first half year, the Company achieved a huge leap in trading volume and leaped forward in terms of trading volume ranking among the securities companies, with increasingly enhanced market influence and enriched customer resources, and achieved stable returns with low risks. The strategic layout of FICC business is taking shape, which includes the gold and commodities, derivatives and quantitative investment sectors. The Company actively facilitated business innovation and income diversification, and entered strategic transactions with low risk exposures based on hedging tool arbitrage. The Company initially established a FICC quantitative research platform for its research business, seeking for pricing deviation opportunities to achieve revenue exceeding the market at both the macro and micro levels, and developed and designed “fixed income +” products according to business and customer needs.

For equity derivatives business, in the fourth quarter of 2019, the Company set up an equity derivatives business department to provide institutional customers with OTC derivatives services, including OTC option quotation transactions and income swaps that cover domestic targets, and carried out quantitative trading and quantitative product investment to solve customer’s requirements of risks management, asset allocation and strategic investment, provide corporate customers with equity solutions, and provide institutional customers and retail customers with floating-income products, such as income certificates and structured products to meet customers’ wealth management and major asset allocation needs.

Outlook in the Second Half of 2020

For equity proprietary trading business, the Company will continue to improve the investment and research system construction, strengthen fundamental research, strengthen market research and decision, and flexibly adopt position adjustment and futures hedging means to strike a balance between risk and return based on selected individual stocks. The Company will continue to explore the development of a multi-strategy investment system and steadily develop stock investment business.

For fixed income business, the Company will continue to deepen FICC quantitative investment and research capabilities, broaden FICC business scope, and supplemented by various risk-free arbitrage trading strategies and varieties, achieve rotation allocation of various major assets that have fixed income. At the same time, the Company will continue to cultivate customer resources intensively, provide various fixed income products and services, and maximize stable returns with low risks.

Management Discussion and Analysis

For equity derivatives business, the Company has completed relevant works on team building, system construction, basic system development and other layouts. In the future, the Company will gradually expand its transaction services scale and enhance the Company's institutional transaction service capabilities and product innovative and creative capabilities.

IV. PROSPECTS AND FUTURE PLANS

Looking forward into the future, 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 markets, thus contributing to the economic and social development of Wuxi and Southern Jiangsu regions.

In the second half of the year, while enhancing the construction of risk control system, the Company will further deepen business transformation and comprehensively improve the ability of product creation and investment management. Firstly, for wealth management business, we will take the pilot of public funds investment advisory business as an opportunity, 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, we will make transformation to become an integrated financial service provider and form characteristics in individual areas or industries of basic businesses such as stock underwriting, bond underwriting, financial advisory and NEEQ business to build a boutique investment banking brand. Thirdly, we will develop financial market business, and provide financial institution customers with distinctive and competitive services and solutions regarding research, trading, investment and risk management by focusing on research and institutional sales business, fixed income business and equity derivatives business. Fourthly, we will 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 further improve our per capita income-generation capability.

Management Discussion and Analysis

V. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 30 June 2020, the equity attributable to the Company's Shareholders was RMB8.389 billion, representing an increase of 3.98% from RMB8.067 billion at the end of 2019.

During the Reporting Period, the securities market became more active with trading volume of Shanghai Stock Exchange and Shenzhen Stock Exchange increased. The Group actively promoted business transformation, enriched trading varieties and the total assets size increased by 29.95% as compared with the end of last year, while the quality of assets and liquidity remained sound. Due to strong liquidity business nature of the Group, the balance sheet mainly includes current assets and current liabilities. As at the end of the Reporting Period, cash assets accounted for 34.15% of total assets; financial investment assets (including interests in associated companies and financial assets investment, mainly investment in financial assets with strong liquidity) accounted for 41.36% of total assets; financing assets (including margin accounts receivable and financial assets held under resale agreements) accounted for 22.78% of total assets; and other property and equipment, intangible assets, right-of-use assets and other operational assets accounted for 1.71% of total assets. The Group's total self-owned assets (total assets less accounts payable to brokerage clients) was RMB26.653 billion, representing an increase of RMB6,446 million, or 31.90%, as compared with the end of 2019.

The overall liability-asset ratio of the Company increased slightly. As at the end of the Reporting Period, the self-owned liability-asset ratio of the Group (both total assets and total liabilities less accounts payable to brokerage clients) was 68.53%, representing an increase of 8.45 percentage points as compared with 60.08% at the end of 2019. The Group's operating leverage (total assets less accounts payable to brokerage clients divided by equity attributable to the Company's Shareholders) was 3.18 times, representing an increase as compared to the 2.50 times at the end of 2019. The Group has developed stringent risk management measures for net capital and other risk control indicators. A stress test will be conducted on the general liquidity and other financial indicators before making any material capital investment.

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

VI. ESTABLISHMENT OF BRANCHES

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

VII. MAJOR INVESTMENT AND FINANCING EVENTS

(1) Major Investment Events

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

(2) Major Financing Events

1. Equity Financing

On 8 May 2020, the A Share Offering of the Company was approved by the Issuance Approval Committee of the CSRC. On 10 June 2020, the Company convened the 2019 Annual General Meeting, the first Domestic Shares class meeting of 2020 and the first H Shares class meeting of 2020, which considered and approved the resolutions in relation to the period of validity of the extension of the A Shares issuance proposal and related authorization. Pursuant to the resolutions of General Meeting, the period of validity of the A Shares issuance proposal and related authorization of the Company has been extended by 12 months.

2. Debt Financing

In the first half of 2020, the cumulative additional debt financing volume of the Company (excluding interbank borrowing transactions) was RMB8.164 billion, and the cumulative principal repayment of debt financing matured amounted to RMB5.764 billion (including the repayment of principal of refinancing facilities amounted to RMB200 million). The remaining amount of outstanding debt financing of the Company as at 30 June 2020 was RMB8.9 billion, the balance of which was as follows:

- (1) The new issuing amount of publicly issued bonds to qualified investors was RMB1.5 billion, with the principal of RMB700 million being repaid. The outstanding publicly issued bonds to qualified investors as at 30 June 2020 was RMB2.5 billion, the particulars of the balance were as follows:

Financing Projects	Amount (RMB in ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Publicly issued bonds	100,000	2017/8/24	2020/8/24	1,096	5.00%
to qualified investors	150,000	2020/4/15	2022/4/15	730	2.88%

Management Discussion and Analysis

- (2) The new issuing amount of privately issued corporate bonds was RMB2.3 billion, with the principal of RMB1.0 billion being repaid. The outstanding privately issued corporate bonds as at 30 June 2020 was RMB2.3 billion, the particulars of the balance were as follows:

Financing Projects	Amount (RMB in ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Privately issued	80,000	2020/1/16	2023/1/16	1,096	4.13%
corporate bonds	150,000	2020/3/11	2023/3/11	1,095	3.60%

- (3) The new private issuance of subordinated bonds was RMB700 million. The outstanding subordinated bonds as at 30 June 2020 was RMB3.0 billion, the particulars of balance were as follows:

Financing Projects	Amount (RMB in ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Private issuance of	150,000	2016/7/29	2021/7/29	1,826	3.89%
subordinated bonds	80,000	2019/3/27	2022/3/27	1,095	4.74%
	70,000	2020/3/5	2023/3/5	1,095	4.25%

- (4) The interbank new public issuance of securities corporate short-term financing bonds was RMB2.8 billion, with the principal of RMB3.0 billion being repaid. The outstanding securities corporate short-term financing bonds as at 30 June 2020 was RMB800 million, the particulars of the balance were as follows:

Financing Projects	Amount (RMB in ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Short-term financing bonds	80,000	2020/5/8	2020/8/7	91	1.80%

Management Discussion and Analysis

- (5) The new issuing amount of income certificates was RMB864 million, with the principal of RMB864 million being repaid. The remaining amount of outstanding income certificates as at 30 June 2020 was RMB300 million, the particulars of the balance were as follows:

Financing Projects	Amount (RMB in ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Income Certificates	30,000	2020/2/18	2020/11/17	274	3.70%

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

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

IX. ISSUANCE OF SHARES AND USE OF PROCEEDS

(I) Overall Situation of Proceeds Raised

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

As at 30 June 2020, the Company's actual cumulative investment amount used was RMB2,629.0678 million in accordance with the committed proceeds purpose (the exchange rate for the used proceeds from the issuance of H shares were calculated at the actual settlement exchange rates), and the proceeds previously raised from the issuance of H Shares of the Company have all been used up for the committed projects. The closing balance of bank account for the proceeds raised amounting to HKD18,342.90 in total was interest payment (equivalent to RMB16,754.40 using the period-end closing exchange rate).

Management Discussion and Analysis

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

- (1) Approximately 45.0% of the funds will be used to further develop the margin financing and securities lending business of the Company, among which RMB1,157.6372 million has been used;
- (2) Approximately 20.0% of the funds will be used to develop other capital-based intermediary services of the Company, among which RMB524.1577 million has been used;
- (3) Approximately 15.0% of the funds will be used to expand the proprietary trading business of the Company, among which RMB386.0812 million has been used;
- (4) Approximately 10.0% of the funds will be used to develop the Internet trading business of the Company, the usage has been changed to capital contribution and other preliminary expenses for the planned establishment of subsidiaries in Hong Kong and as supplemental working capital of the Company, among which RMB285.0906 million has been used;
- (5) Approximately 10.0% of the funds will be used for working capital and other general corporate purposes, among which RMB276.1011 million has been used.

(II) Change of Proceeds Raised in Projects

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

Management Discussion and Analysis

(III) Use of Proceeds for the Committed Projects

Use of Proceeds for the Committed Projects

Unit: RMB in ten thousands

Name of committed projects	Any change in project	Invested amount of proceeds raised during the Reporting Period	Actual total amount of proceeds invested	Progress of project used	Change in usage
Margin financing and securities lending	No	–	115,763.72	100%	
Capital-based intermediary services	No	–	52,415.77	100%	
Investment business	No	–	38,608.12	100%	
Internet trading business	Yes				Changed as the capital contribution and other preliminary expenses for establishing subsidiaries in Hong Kong and as supplemental working capital of the Company
Working capital and others	No	–	27,610.11	100%	
Establishing subsidiaries in Hong Kong and supplementing the working capital of the Company	Yes	28,508.72	28,509.06	100%	
Total		28,508.72	262,906.78	100%	

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 30 June 2020, the proceeds previously raised from the issuance of H Shares of the Company have all been used up for the committed projects.

Management Discussion and Analysis

X. EMPLOYEES, REMUNERATION POLICIES AND TRAINING PROGRAMS

As of 30 June 2020, the number of staff was 2,048 (including 414 brokers), of which the number of staff of parent company was 1,769 (including 414 brokers).

During the Reporting Period, the Company's remuneration policy and training programs were as follows:

Combined with the Company's human resource management work and the Company's development, the Company completed the formulation and optimization of the ranking system, performance assessment methods, as well as compliance management, the ranking salary and assessment systems and methods for professional talents such as information technology personnel. Based on the staff assessment results of 2019, the Company completed adjustment of the ranking and fixed salaries for the staff in the Company's headquarters according to the new ranking and fixed salary standards. At the same time, the Company formulated the organizational structures of the branches and management measures for the staffs on the position, and through market salary matching, the Company adjusted and optimized the fixed salary standards of each position sequence, and synchronously completed the fixed salary adjustment of staff in branches.

In order to adapt to the innovative development trend of the industry and talent cultivation, the Company continued to improve and optimize the talent training system to constantly improve the comprehensive qualities of the Company's staff. In the first half year, the Company focused on strengthening the reserve talent echelon construction and systematic construction of talent cultivation, formulated the management measures for reserve talent selection and cultivation, and established a training system that runs through the career development of employees. At the same time, the Company organized various training activities based on the needs of business development, including business lecture hall seminars, training for new branch managers, training for fund investment advisor, online training for new employees, comprehensive financial training, and special training for various business lines. The Company further strengthened the operation of the online learning platforms, including organizing the development of 109 internal training courses, online learning 75 text materials, launching business compulsory courses and online examinations. In the second half year, on the basis of continuous promotion of various training work, the Company will further strengthen the reserve talent echelon construction, establish a reserve talent team and organize the implementation of corresponding talent training work, improve the systematic and targeted training of talents, and continue to cultivate valuable talents for the Company.

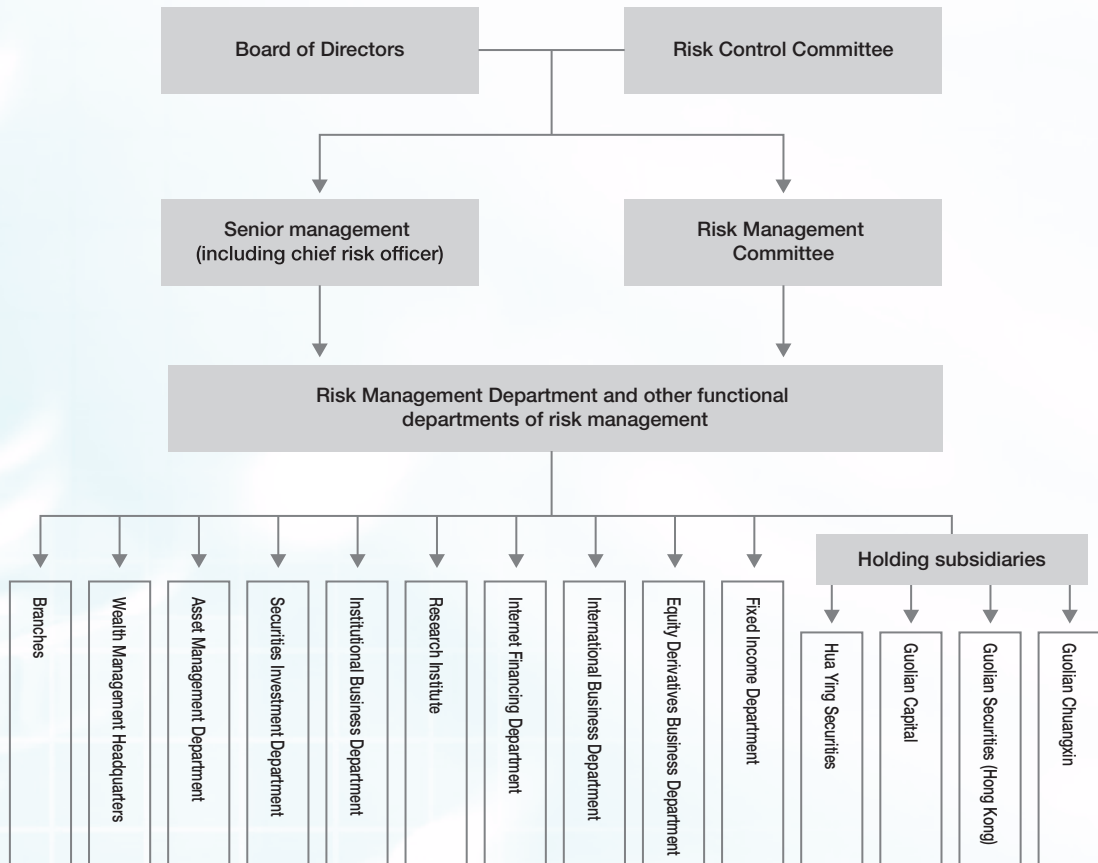
XI. RISK MANAGEMENT

(I) General Description

The risk management of the Company is guided by its development strategy, and a variety of risk management tools based on quantitative indicators are applied to establish a comprehensive risk management system covering various businesses, risks and the entire process to ensure the risks of the Company are controllable, measurable and tolerable, so as to maximize the long-term value of the Company, and promote the formation of a sound risk management culture within the Company, strengthen the Company’s risk management awareness to provide “secured escort” for achieving the Company’s overall strategic objectives.

(II) Risk Management Organizational Structure

The comprehensive risk management structure of the Company includes four levels: Board of Directors and Risk Control Committee, senior management and Risk Management Committee, Risk Management Department and other functional departments of risk management as well as risk management organizations set up within the departments. The organizational structure of the Company’s risk management is shown in the following chart:



Management Discussion and Analysis

1. Board of Directors and Risk Control Committee

The Board of Directors has the ultimate responsibility for the risk management of the Company. The Board of Directors is mainly responsible for advancing the construction of risk culture; considering and approving the basic system of the comprehensive risk management of the Company; appointing chief risk officer; considering and approving major issues of the Company's risk management, such as risk preference, risk tolerance, significant risk limit and information disclosure; reviewing and evaluating risk management reports and their implementation, etc. The Board of Directors may delegate its Risk Control Committee to fulfill part of its function of comprehensive risk management.

2. Senior Management (Including Chief Risk Officer) and Risk Management Committee

The senior management of the Company is responsible for organizing and implementing various works in comprehensive risk management in the operation and management process, which mainly performs the following duties:

- (1) establish a risk management system and make timely adjustment;
- (2) establish a healthy operation management structure for the Company's comprehensive risk management, clarifying the duty allocation of comprehensive risk management among various departments, and establish a working mechanism that features effective checking and balance and good coordination among the departments;
- (3) establish a complete information technology system and data quality control mechanism;
- (4) establish a performance assessment system for all staff that covers the effectiveness of risk management;
- (5) formulate the specific execution plans for risk management according to the risk preference, risk tolerance and significant risk limit approved by the Board to ensure the effective implementation of the plans; monitor its progress, analyze reasons in a timely manner and handle it according to the authorizations granted by the Board;
- (6) regularly assess the overall risk of the Company and various types of material risk management conditions, resolve problems that are found in risk management and report to the Board.

Management Discussion and Analysis

The Company establishes a Risk Management Committee under the senior management, which is mainly responsible for reviewing the Company's risk management system and norms; reviewing stress test and scenario test results; reviewing and approving the implementation of regulatory requirements such as the Company's net capital regulatory indicators; reviewing the report on risk events handling; reviewing risk management assessment proposals and results; reviewing and approving the risk limit at new business, corporate and department level; reviewing and approving risk positions that have a significant impact on the Company's capital and liquidity; reviewing and approving risks arising from new products involving the capital of the Company and establishing risk limits; reviewing and approving large amount credit granted by the Company.

The Company establishes a chief risk officer who is a senior management officer of the Company and is appointed and removed by the Board. The main responsibilities of the chief risk officer include:

- (1) organize and implement the overall risk management of the Company;
- (2) review and approve the Company's risk management plan and risk measurement methods, models and indicators, and ensure that the risks undertaken do not exceed the established limits;
- (3) organize the formulation of the Company's internal risk management system and policies, and evaluate major market, credit, liquidity and other risks;
- (4) organize investigation and inquiry for hidden risks existing in business operation and management activities; report major hidden risks that discovered to the president of the Company in a timely manner, and put forward rectification opinions to the person-in-charge of other relevant departments; possesses the authority to report to the Board and its Risk Control Committee or Supervisors had the major hidden risks or the rectification of hidden risks fails to meet the standards.

Management Discussion and Analysis

3. Risk Management Department and Other Functional Departments of Risk Management

Other functional departments of risk management of the Company include Compliance and Legal Department, Financial and Accounting Department, Information Technology Headquarter, Operation Management Headquarter and Office, etc.

The main responsibilities of the Risk Management Department and other functional departments of risk management include: implementing laws, regulations and norms, formulating risk management systems and procedures and submitting them to the Risk Management Committee of the Company and the president's office for review and approval; responsible for researching and developing various risk management methods and tools, testing and evaluating the effectiveness of valuation and risk measurement models, establishing risk management indicator system and pre-warning mechanism to ensure that various risk management and control measures are appropriate and effective, and enable various business operations to conform to legal norms and risk management policies of the Company; evaluating the risks of new products and new businesses, designing risk management process and control measures, and reviewing business system and process; taking charge of the daily monitoring work of related risks, monitoring the compliance with the Company's risk management system, risk limit and authorized management system by relevant business departments and branches, and recording monitoring situation; recording, reporting and disposing of risky behaviors in a timely manner; conducting stress test and sensitivity analysis, and carrying out post-testing and effectiveness assessments; providing independent risk management reports to the senior management of the Company (including chief risk officer) and completing other risk management related work.

4. Risk Management Organizations Set Up by Business Departments, Branches and Subsidiaries of the Company

The business departments, branches and subsidiaries of the Company undertake direct responsibility for risk management. The person-in-charge of the business departments, branches and subsidiaries shall fully understand and give due consideration to various risks related to business when making decisions, and timely identify, assess, respond to and report related risks. Each department shall appoint special personnel to assist in risk management works.

Management Discussion and Analysis

(III) Details of Major Risks Exposed to the Company's Operation

1. Market Risk

Market risk refers to the risk that may cause losses to the Company's business resulting from the adverse changes in market prices, including stock prices, commodity prices, interest rates and exchange rates, etc. The market risk of the Company mainly comes from the securities proprietary trading, assets management businesses and market-making business, which mainly include interest rate risk, stock price risk and exchange rate risk.

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 capital limit at all levels (including business and products), and control its risk bearing capacity by limiting market risk exposure, the Company adjusts the capital 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.

Management Discussion and Analysis

2. Credit Risk

Credit risk refers to the risk that may cause economic losses to the Company due to the failure of debtors and transaction counterparties in performing the obligations as agreed in the deeds or their credit qualifications deteriorate. The credit risk of the Company mainly arises from the following aspects: firstly, brokerage business in respect of securities dealing and futures trading on behalf of clients, if the Company does not request clients to pay sufficient trading deposits in advance according to the laws, the Company may have to undertake the settlement responsibility on behalf of clients and to bear the risks of losses resulted in the event that clients do not have sufficient funds to pay for the transaction, or financing gaps exist due to other factors on the settlement date. Secondly, credit risk arising from the securities financing businesses including margin financing and securities lending, stock pledged repurchase, which refers to the risks of losses caused by clients' failure to perform the terms agreed in contracts. Thirdly, default risk from credit product investment, which refers to the risk of asset losses and change in yield by reason of default or refusal to pay principal and interest on due dates by the financing parties or the issuers of the credit products invested. Fourthly, counterparty default risk in over-the-counter ("OTC") derivative transactions, such as interest rate swap, equity swap, OTC option and forwards, i.e., the risk of counterparties failing to perform their payment obligations in accordance with contracts when the contracts reach the mature dates.

The Company assesses the credit ratings of counterparties or issuers through its internal credit rating system, measures its credit risk by means of stress test and sensitivity analysis, and manages such credit risk based on these results through credit policy system. Meanwhile, the Company uses its information management system to monitor its credit risk on a real time basis, keeps track of the credit risk of its business products and transaction counterparties, provides analysis and pre-warning reports, and adjust its credit limits in a timely manner.

Management Discussion and Analysis

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.

The Company has established a sound internal control mechanism, regularly carries out assessment of internal control effectiveness within the Company. The Risk Management Department arranges special staff to take charge of operational risk, standardize and optimize business processes through new business assessment, business process rationalizing and system review to prevent risks from occurring; collect and sort out internal and external risk events to establish operational risk event database. Furthermore, the Company constantly strengthens behavior adequacy and normative operation of staff from each position through various means, such as internal training, assessment and enhances the risk awareness of employees through the promotion of risk culture; 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.

Management Discussion and Analysis

5. Compliance Risk

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

The Company has established an effective and impeccable compliance risks management system and compliance management and organization system. To facilitate its compliance management, the Company has set up the Compliance and Legal Department to explore various effective modes of compliance management through communication with various regulatory departments. At the same time, the Compliance and Legal Department of the Company exerts an effective and comprehensive control on compliance risks encountered by the Company in its business operation by means of compliance monitoring, compliance inspection, compliance investigation, compliance supervision and compliance training, etc.

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

I. DIVIDENDS

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

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

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

Other Information

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

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

Name of Shareholders	Class of shares	Nature of interest	Number of shares (Note 1)	Percentage of total number of issued shares of the Company (Note 5)	Percentage of total number of issued shares in the relevant class of shares of the Company (Note 5)
Guolian Group (Note 2)	Domestic shares	Beneficial owner and interest in controlled corporation	1,376,336,123 (L)	72.347%	94.29%
Guolian Trust	Domestic shares	Beneficial owner	390,137,552 (L)	20.508%	26.73%
Guolian Industrial (Note 3)	Domestic shares	Interest in controlled corporation	266,899,445 (L)	14.030%	18.28%
Wuxi Electric	Domestic shares	Beneficial owner	266,899,445 (L)	14.030%	18.28%
Guolian Financial Investment (Note 4)	Domestic shares	Interest in controlled corporation	73,500,000 (L)	3.864%	5.04%
Minsheng Investment	Domestic shares	Beneficial owner	73,500,000 (L)	3.864%	5.04%
CES Global Holdings (Hong Kong) Limited	H shares	Beneficial Owner	49,036,500 (L)	2.578%	11.08%

Notes:

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

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

IV. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

V. CORPORATE GOVERNANCE

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

VI. SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

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

Other Information

VII. OPERATING OF THE BOARD AND THE BOARD COMMITTEES

(1) Composition of the Board

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

During the Reporting Period, all Directors performed their statutory duties honestly and diligently and protected the interests of the Shareholders of the Company as a whole, especially the interests of minority Shareholders, in accordance with the relevant provisions of laws, regulations and articles of association of the Company. During the Reporting Period, the Board convened a total of 4 general meetings (including 2 class meetings) for its Shareholders to consider and approve 14 proposals, and convened 5 Board meetings and considered and approved 37 proposals.

(2) Board Committees

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

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

During the Reporting Period, the Strategy Committee convened a total of 2 meetings, which considered and approved 3 proposals. The Audit Committee convened a total of 1 meeting, which considered and approved 11 proposals. The Remuneration and Nomination Committee convened a total of 3 meetings, which considered and approved 4 proposals. The Risk Control Committee convened a total of 2 meetings, which considered and approved 4 proposals.

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

VIII. OPERATION OF THE SUPERVISORY COMMITTEE

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

During the Reporting Period, the Supervisory Committee has convened 2 meetings and considered 9 proposals. The Supervisors earnestly performed their duties and supervised the standard operation of the Company and safeguarded the legal rights and interests of the Company, Shareholders and investors in accordance with the relevant provisions of the Company Law and Securities Law and other relevant laws and regulations and the articles of association of the Company.

IX. MAJOR LITIGATIONS

(1) Events during the Reporting Period

During the Reporting Period, the Company had no new major lawsuits.

Other Information

(2) Progress of previous events during the Reporting Period

On 20 September 2019, Zhang Guizhen filed a lawsuit with Wuxi Intermediate People's Court for the dispute over the pledged securities repurchase, claiming the Company to refund and compensate the extra money received from the third party, Huiyin Huahe, and the losses, totaling RMB55,517,046.9. On 15 April 2020, Wuxi Intermediate People's Court issued a civil written verdict which ruled to reject the Zhang Guizhen's lawsuit. Zhang Guizhen filed an appeal on 29 May 2020. 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), the Company received the execution payment of RMB652,953.76 from Wuxi Intermediate People's Court on 9 January 2020. On 5 March 2020, the Company applied to Wuxi Intermediate People's Court for seizure of stock from being realized, and applied to the court for selling the stocks under the names of Wei Yueping (韋越萍) and Peng Min (彭敏). On 27 March 2020, after ruling that the stocks under the names of Peng Min and Wei Yueping be repaid in kind to the Company, Wuxi Intermediate People's Court made a ruling to conclude this enforcement procedure on 15 April 2020.

X. INFORMATION RELATING TO THE COMPANY'S CONTROLLING SHAREHOLDERS

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

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

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

During the Reporting Period, Guolian Capital received 1 letter of intent from the Controlling Shareholders of the Company or their controlled entities regarding the referral of its new Direct Investment Business. After the evaluation by the investment decision committee of Guolian Capital, it was unanimously agreed to give up the options, the reasons of which were that the project lacks sufficient advantages and the risks are difficult to control, which does not meet the investment positioning of Guolian Capital.

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

During the Reporting Period, Mr. Hua Weirong, a Director of the Company, ceased to serve as the chairman and legal representative of Guolian Financial Investment, and ceased to serve as the legal representative of Guolian Industrial. Mr. Wu Xingyu, an independent non-executive Director of the Company, resigned as the independent director of Hubei Jumpcan Pharmaceutical Co., Ltd. (securities code: 600566), and acted as the independent director of Saiwei Times Technology Co., Ltd. (賽維時代科技股份有限公司) since June 2020. Mr. Ren Jun, a Supervisor of the Company, began to serve as the chairman and general manager of Wuxi Xinfu Integrated Circuit Industrial Park Co., Ltd. * (無錫市新發集成電路產業園有限公司) since February 2020.

XII. EVENTS AFTER THE REPORTING PERIOD

Completion of A Share Offering

The A Shares of the Company were listed on the Shanghai Stock Exchange on 31 July 2020 (stock code: 601456). After the public offering, the share capital of the Company increased to RMB2,378,119,000.

Definitions

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

Definitions

“end of the Reporting Period”	30 June 2020
“GDP”	gross domestic product
“Group”, “our Group”	our Company and its subsidiaries
“Guolian Capital”	Guolian Capital Co., Ltd. (國聯通寶資本投資有限責任公司), a limited liability company established in the PRC on 18 January 2010 and a wholly-owned subsidiary of our Company
“Guolian Financial Investment”	Wuxi Guolian Financial Investment Group Co., Ltd. (無錫國聯金融投資集團有限公司), 100% of the equity interest of which is held by Guolian Group
“Guolian Group”	Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司)
“Guolian Industrial”	Wuxi Guolian Industrial Investment Group Co., Ltd. (無錫國聯實業投資集團有限公司)
“Guolian Securities (Hong Kong)”	Guolian Securities (Hong Kong) Limited (國聯證券(香港)有限公司)
“Guolian Trust”	Guolian Trust Co., Ltd. (國聯信託股份有限公司)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huaguang Environment”	Wuxi Huaguang Environment & Energy Group Co., Ltd. (無錫華光環保能源集團股份有限公司), renamed from Wuxi Huaguang Boiler Co., Ltd. (無錫華光鍋爐股份有限公司)
“Hua Ying Securities”	Hua Ying Securities Co., Ltd. (華英證券有限責任公司), 100% of the equity interest of which is held by the Company

Definitions

“IFRS”	include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“IPO”	Initial Public Offering
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“LP”	limited partner
“Minsheng Investment”	Wuxi Minsheng Investment Co., Ltd. (無錫民生投資有限公司), a wholly-owned subsidiary of Guolian Financial Investment and holds 3.864% of the equity interest of the Company
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuer contained in Appendix 10 of the Listing Rules
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“Non-competition Agreement”	the non-competition agreement dated 15 June 2015 entered into among the Company and Guolian Group, Guolian Trust, Wuxi Electric, Guolian Textile, Guolian Environmental and Guolian Industrial
“Central Bank”	the People’s Bank of China
“Reporting Period”	the period for the six months ended 30 June 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholders”	holders of the shares of the Company

“Specialized Asset Management Scheme”	an asset management contract entered into by a securities firm with client to specify the investment objectives that specifically cater for the special requirements and asset structure of each individual client and provides asset management service to client through a designated account
“SSE Composite Index”	Shanghai Stock Exchange Composite Index, reflecting changes of price of shares listed on Shanghai Stock Exchange
“Supervisor(s)”	the Supervisor(s) of the Company
“Supervisory Committee”	the Supervisory Committee of the Company
“SZSE Component Index”	Shenzhen Stock Exchange Composite Index, reflecting changes of price of A and/or B shares listed on Shenzhen Stock Exchange
“Shanghai Stock Exchange”	The Shanghai Stock Exchange
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange
“Targeted Asset Management Scheme”	an asset management contract entered into by a securities firm with a single client, pursuant to which the securities firm provides asset management services to the client through the accounts under the client’s name
“Wind Information”	Wind Information Co., Ltd. (上海萬得信息技術股份有限公司), a joint stock limited liability company incorporated in the PRC and a service provider of financial data, information and software
“Wuxi Electric”	Wuxi Guolian Municipal Electric Power Co., Ltd.* (無錫市國聯地方電力有限公司), a wholly-owned subsidiary of Guolian Industrial, which holds 14.03% of the equity interest of the Company, previously known as “Wuxi Municipal Electric Power Company” (無錫市地方電力公司)
“Yimian Textile”	Wuxi Yimian Textile Group Co., Ltd. (無錫一棉紡織集團有限公司), formerly known as Wuxi Guolian Textile Group Co., Ltd. (無錫國聯紡織集團有限公司)

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

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

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

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

Introduction

We have reviewed the condensed consolidated financial statements of Guolian Securities Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 49 to 100, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 27 August 2020

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Revenue			
– Commission and fee income	4	481,606	406,734
– Interest income	5	415,929	446,596
Net investment gains/(losses)	6	266,490	248,187
Other income	7	1,280	2,939
Total revenue, gains and other income		1,165,305	1,104,456
Commission and fee expenses	8	(99,713)	(82,451)
Interest expenses	9	(259,886)	(179,167)
Staff costs	10	(233,786)	(235,637)
Depreciation and amortization		(77,562)	(67,416)
Other operating expenses	11	(77,519)	(75,045)
Impairment losses under expected credit loss model, net of reversal	12	5,108	(5,411)
Total expenses		(743,358)	(645,127)
Share of results of associates	18	4,720	4,983
Other gains, net	13	11,117	5,702
Profit before income tax		437,784	470,014
Income tax expense	14	(116,541)	(113,694)
Profit for the period		321,243	356,320
Attributable to:			
Shareholders of the Company		321,243	356,320
Earnings per share			
(Expressed in RMB per share)			
– Basic	15	0.17	0.19

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Profit for the period		321,243	356,320
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		189	–
Other comprehensive income for the period, net of tax		189	–
Total comprehensive income for the period		321,432	356,320
Attributable to:			
Shareholders of the Company		321,432	356,320

The notes on pages 56 to 100 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Assets			
Non-current assets			
Property and equipment	17	86,025	88,137
Right-of-use assets	17	155,210	171,929
Intangible assets		37,764	50,297
Interests in associates	18	108,921	104,201
Other non-current assets	19	132,815	42,232
Financial assets held under resale agreements	24	–	412,630
Derivative financial assets	31	2,540	–
Financial assets at fair value through profit or loss	25	654,319	117,543
Deferred tax assets	20	33,103	38,149
Refundable deposits	21	105,632	64,634
Total non-current assets		1,316,329	1,089,752
Current assets			
Other current assets	22	187,176	166,045
Margin accounts receivable	23	5,976,546	4,638,397
Financial assets held under resale agreements	24	2,435,285	3,014,297
Derivative financial assets	31	4,325	–
Financial assets at fair value through profit or loss	25	14,505,657	8,105,403
Clearing settlement funds	26	1,795,481	2,100,538
Cash held for brokerage clients		8,844,614	6,547,713
Cash and bank balances	27	1,866,663	2,757,258
Total current assets		35,615,747	27,329,651
Total assets		36,932,076	28,419,403
Current liabilities			
Other current liabilities	28	468,987	526,667
Current income tax liabilities		18,191	6,953
Bonds in issue	29	2,263,007	4,155,028
Lease liabilities		54,889	64,725
Contract liabilities		9,446	3,544
Due to other financial institutions		–	200,285
Financial liabilities at fair value through profit or loss	30	890,751	1,080,462
Derivative financial liabilities	31	3,977	–
Financial assets sold under repurchase agreements	32	7,528,453	3,692,992
Accounts payable to brokerage clients		10,278,581	8,212,333
Total current liabilities		21,516,282	17,942,989

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Net current assets		14,099,465	9,386,662
Total assets less current liabilities		15,415,794	10,476,414
Equity			
Share capital	33	1,902,400	1,902,400
Share premium		2,178,478	2,178,478
Reserves		1,908,674	1,907,669
Retained earnings		2,399,206	2,078,779
Equity attributable to shareholders of the Company		8,388,758	8,067,326
Total equity		8,388,758	8,067,326
Liabilities			
Non-current liabilities			
Other non-current liabilities	34	113,794	–
Deferred tax liabilities	20	218	1,163
Derivative financial instruments	31	13,193	–
Lease liabilities		99,831	107,925
Bonds in issue	29	6,800,000	2,300,000
Total non-current liabilities		7,027,036	2,409,088
Total equity and non-current liabilities		15,415,794	10,476,414

The notes on pages 56 to 100 form an integral part of these condensed consolidated financial statements.

The condensed consolidated financial statements on pages 49 to 100 were approved and authorised for issue by the Board of Directors on 27 August 2020 and signed on behalf by:

Yao Zhiyong

Chairman of the Board and non-Executive Director

Ge Xiaobo

Executive Director and President

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company					Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	
Balance at 1 January 2020 (audited)	1,902,400	2,178,478	1,907,669	2,078,779	8,067,326	8,067,326
Profit for the period	-	-	-	321,243	321,243	321,243
Other comprehensive income for the period	-	-	189	-	189	189
Total comprehensive income for the period	-	-	189	321,243	321,432	321,432
Dividends recognized as distribution	-	-	-	-	-	-
Appropriation to general reserve	-	-	816	(816)	-	-
Balance at 30 June 2020 (unaudited)	1,902,400	2,178,478	1,908,674	2,399,206	8,388,758	8,388,758
Balance at 1 January 2019 (audited)	1,902,400	2,178,478	1,760,002	1,800,223	7,641,103	7,641,103
Profit for the period	-	-	-	356,320	356,320	356,320
Total comprehensive income for the period	-	-	-	356,320	356,320	356,320
Dividends recognized as distribution	-	-	-	(95,120)	(95,120)	(95,120)
Appropriation to general reserve	-	-	800	(800)	-	-
Balance at 30 June 2019 (unaudited)	1,902,400	2,178,478	1,760,802	2,060,623	7,902,303	7,902,303

As at 30 June 2020 and 31 December 2019, the retained earnings contains general reserve and transaction risk reserve of subsidiary Hua Ying Securities Co., Ltd. amounted to RMB27,826 thousand and RMB27,826 thousand respectively.

The notes on pages 56 to 100 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities		
Profit before income tax	437,784	470,014
Adjustments for:		
Depreciation and amortisation	77,562	67,416
Impairment losses under expected credit loss model, net of reversal	(5,108)	5,411
Net gains on disposal of property and equipment and other intangible assets	(163)	(15)
Unrealised fair value change of financial instruments at fair value through profit or loss	(27,852)	(120,871)
Foreign exchange gains	(5,637)	(1,156)
Share of (profit)/loss of associates	(4,720)	(4,983)
Interest expense of bonds in issue	173,766	159,493
Interest expense of leases liabilities	3,858	4,753
Realised gains from disposal of financial instruments at fair value through profit or loss	(118,326)	(60,525)
Dividends and interest income from financial instruments at fair value through profit or loss	(4,636)	(5,951)
Operating cash flows before movements in working capital	526,528	513,586
Net increase in margin accounts receivable	(1,338,468)	(445,341)
Net (increase)/decrease in financial assets at fair value through profit or loss	(6,285,428)	301,560
Net decrease in derivative financial instruments	5,117	3,286
Net decrease in financial assets held under resale agreements	631,872	1,378,119
Net increase in refundable deposits	(40,998)	(2,051)
Net increase in cash held for brokerage clients	(2,296,901)	(2,562,341)
Net decrease in clearing settlement funds held for clients	298,044	137,486
Net increase in other assets	(118,257)	(34,938)
Net increase in accounts payable to brokerage customers	2,066,248	2,502,092
Net increase/(decrease) in financial assets sold under repurchase agreements	3,835,461	(10,014)
Net decrease in due to other financial institutions	(200,285)	-
Net increase/(decrease) in other liabilities	62,018	(89,104)
Net (decrease)/increase in financial liabilities at fair value through profit or loss	(251,833)	180,015
Cash generated from operations	(3,106,882)	1,872,355
Income taxes paid, net	(101,203)	(108,600)
Net cash generated from operating activities	(3,208,085)	1,763,755

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020
(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Cash flows from investing activities		
Dividends and interest received from investments	4,636	5,951
Proceeds on disposal of property and equipment, intangible assets and other long-term assets	2,210	189
Purchase of property and equipment, intangible assets and other long-term assets	(23,055)	(24,545)
Cash paid for purchase of financial assets at fair value through profit or loss	(1,218,065)	(1,698,474)
Cash received from disposal of financial assets at fair value through profit or loss	701,460	2,016,983
Net cash generated from/(used in) investing activities	(532,814)	300,104
Cash flows from financing activities		
Cash received from additional bonds in issue	8,242,778	1,360,000
Repayments of leases liabilities	(40,669)	(33,229)
Cash paid for repayment of bonds in issue	(5,564,108)	(1,120,000)
Interest paid for bonds in issue	(165,787)	(111,531)
Net cash generated from financing activities	2,472,214	95,240
Net increase in cash and cash equivalents	(1,268,685)	2,159,099
Cash and cash equivalents at the beginning of the period	3,962,648	3,269,554
Effect of exchange rate changes on the balance of cash held in foreign currencies	5,637	1,156
Cash and cash equivalents at the end of the period	2,699,600	5,429,809

The notes on pages 56 to 100 form an integral part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

1. General information

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

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

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

As at 30 June 2020, the registered capital of the Company is RMB1,902,400 thousand. The Company holds the securities institution license No.13120000 and business license No. 91320200135914870B. The registered address of the Company is No. 8 Jinrong One Street Wuxi, Jiangsu Province, PRC.

The Company completed its initial public offering of A shares on the Shanghai Stock Exchange on 31 July 2020. Under this offering, the Company issued a total of 475,719 thousand shares with a nominal value of RMB1 per share. After this public offering, total share capital of the Company increased to RMB2,378,119 thousand.

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

These condensed consolidated financial statements were authorized for issue by the Board of Directors (the “Board”) on 27 August 2020.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies

(a) Basis of preparation

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

(b) Principal accounting policies

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

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

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

In addition, the Group has early applied the Amendments to IFRS 16 “Covid-19-Related Rent Concessions”.

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

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

3. 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 and wealth management: securities trading and brokering services, wealth management services integrating product sales, investment consulting, and asset allocation;
- (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 period ended 30 June 2020.

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

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

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

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

3. Segment analysis (continued)

	Six months ended 30 June 2020							Total
	Securities brokerage and wealth management	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	
(Unaudited)								
Total revenue and other income								
Commission and fee income								
– External	332,804	1,548	111,372	–	35,882	–	–	481,606
– Internal	–	–	22,642	–	–	–	(22,642)	–
Interest income								
– External	90,657	273,503	5,713	4,291	11,618	30,147	–	415,929
– Internal	–	–	–	–	–	–	–	–
Net investment gains								
– External	–	–	8,021	261,268	(2,799)	–	–	266,490
– Internal	–	–	–	–	–	–	–	–
Other income								
– External	16	–	–	–	–	1,264	–	1,280
– Internal	–	–	–	–	–	–	–	–
Total expenses (including reversal of impairment losses)	(241,596)	(160,074)	(102,988)	(88,378)	(14,666)	(138,157)	2,501	(743,358)
Operating profit	181,881	114,977	44,760	177,181	30,035	(106,746)	(20,141)	421,947
Other gains, net								
– External	2,799	–	2,744	12	4	5,558	–	11,117
– Internal	–	–	–	–	–	–	–	–
Share of profit of investments in associates	–	–	–	–	151	4,569	–	4,720
Profit/(Loss) before income tax	184,680	114,977	47,504	177,193	30,190	(96,619)	(20,141)	437,784

	30 June 2020							Total
	Securities brokerage and wealth management	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	
(Unaudited)								
Total assets	9,557,534	9,022,153	1,104,426	14,343,389	1,510,743	2,755,317	(1,361,486)	36,932,076
Total liabilities	9,313,430	8,472,074	92,468	9,244,864	1,192,617	207,725	20,140	28,543,318

	Six months ended 30 June 2020							Total
	Securities brokerage and wealth management	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	
(Unaudited)								
Supplemental information								
Depreciation and amortization	30,643	203	12,420	601	1,793	31,902	–	77,562
Impairment losses/(reversal)	–	(6,330)	6	–	346	870	–	(5,108)
Capital expenditure	23,738	60	4,698	675	114	13,205	–	42,490

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

3. Segment analysis (continued)

	Six months ended 30 June 2019							Total
	Securities brokerage and wealth management	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	
(Unaudited)								
Total revenue and other income								
Commission and fee income								
– External	288,320	1,160	89,690	–	27,564	–	–	406,734
– Internal	–	–	4,528	–	–	–	(4,528)	–
Interest income								
– External	76,256	315,692	8,729	26,509	11,856	7,554	–	446,596
– Internal	–	–	–	–	–	–	–	–
Net investment gains								
– External	–	–	16,327	241,996	(10,136)	–	–	248,187
– Internal	–	–	–	–	–	–	–	–
Other income								
– External	43	–	–	–	90	2,806	–	2,939
– Internal	–	–	–	–	–	–	–	–
Total expenses (including reversal of impairment losses)	(238,272)	(170,809)	(93,187)	(5,992)	(12,912)	(124,315)	360	(645,127)
Operating profit	126,347	146,043	26,087	262,513	16,462	(113,955)	(4,168)	459,329
Other gains, net								
– External	32	–	1,291	–	–	4,379	–	5,702
– Internal	–	–	–	–	–	–	–	–
Share of profit of investments in associates	–	–	–	–	3,437	1,546	–	4,983
Profit/(Loss) before income tax	126,379	146,043	27,378	262,513	19,899	(108,030)	(4,168)	470,014

	30 June 2019							Total
	Securities brokerage and wealth management	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	
(Unaudited)								
Total assets	7,634,708	8,907,280	1,069,762	3,333,821	1,756,563	3,058,782	(1,087,715)	24,673,201
Total liabilities	7,442,823	7,613,414	76,958	56,693	1,329,471	247,371	4,168	16,770,898

	Six months ended 30 June 2019							Total
	Securities brokerage and wealth management	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	
(Unaudited)								
Supplemental information								
Depreciation and amortization	27,525	65	12,674	173	1,005	25,974	–	67,416
Impairment losses/(reversal)	–	5,233	118	(2)	73	(11)	–	5,411
Capital expenditure	19,072	94	2,600	390	170	13,610	–	35,936

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

4. Commission and fee income

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Securities brokerage	332,804	288,320
Underwriting and sponsorship	86,311	41,161
Investment consultancy and financial advisory	25,061	48,529
Asset management	35,882	27,564
Others	1,548	1,160
	481,606	406,734

5. Interest income

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Interest income from margin financing	181,018	119,561
Interest income from bank deposits and clearing settlement funds	132,706	96,762
Interest income from financial assets held under resale agreements	102,205	230,273
	415,929	446,596

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

6. Net investment gains/(losses)

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Realised gains from disposal of financial assets at fair value through profit or loss	161,107	94,197
Distribution to interest holders of consolidated structured entities	(48,552)	(42,790)
Dividends and interest income from financial assets at fair value through profit or loss	137,591	51,293
Net realised (losses)/gains from derivative financial instruments	(11,509)	24,616
Unrealised fair value change of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	16,492	106,689
– Derivative financial instruments	(5,187)	4,226
– Financial liabilities at fair value through profit or loss	16,548	9,956
	266,490	248,187

7. Other income

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Rental income	421	2,259
Others	859	680
	1,280	2,939

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

8. Commission and fee expenses

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Securities brokerage	96,612	79,146
Underwriting and sponsorship	94	–
Investment consultancy and financial advisory	–	2,606
Asset management	495	699
Others	2,512	–
	99,713	82,451

9. Interest expenses

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Interest expenses of bonds in issue	173,766	159,493
Interest expenses of financial assets sold under repurchase agreements	60,246	24
Interest expenses of accounts payable to brokerage clients	17,907	14,854
Interest expenses of due to other financial institutions	4,108	43
Interest expense of lease obligation	3,859	4,753
	259,886	179,167

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

10. Staff costs

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Salaries and bonus	187,390	160,389
Pension	16,908	42,699
Other social security	19,366	18,868
Labor union funds and employee education funds	3,299	3,846
Other welfare	6,823	9,835
	233,786	235,637

11. Other operating expenses

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Tax and surcharges	6,716	6,117
Rentals	1,557	1,620
Marketing and distribution expenses	6,178	6,968
Office expenses	10,380	11,105
Travelling expenses	5,695	6,944
Securities investors protection fund	4,168	8,351
Professional service expenses	6,295	4,510
Consulting expenses	4,788	1,387
Others	31,742	28,043
	77,519	75,045

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Financial assets held under resale agreements	(6,649)	10,147
Accounts receivable and other receivables	1,222	181
Margin accounts receivable	319	(4,917)
	(5,108)	5,411

13. Other gains, net

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Foreign exchange gains	5,637	1,156
Others	5,480	4,546
	11,117	5,702

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

14. Income tax expense

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Current income tax expense		
– Mainland China	110,449	86,071
– Hong Kong	6	–
(Over)/under provision in prior years		
– Mainland China	1,985	(388)
	112,440	85,683
Deferred taxation		
– Mainland China (Note 20)	3,883	28,011
– Hong Kong (Note 20)	218	–
	4,101	28,011
Income tax expense relating to continuing operations	116,541	113,694

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

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

The Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the Company will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

The Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

15. Earnings per share

15.1 Basic earnings per share

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

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to shareholders of the Company (in RMB'000)	321,243	356,320
Weighted average number of ordinary shares in issue (in thousand)	1,902,400	1,902,400
Basic earnings per share (in RMB)	0.17	0.19

15.2 Diluted earnings per share

For the six months ended 30 June 2020 and 2019, there were no potential diluted ordinary shares, so no diluted earnings per share was presented.

16. Profit distribution

For the six months ended 30 June 2020, no dividends were paid, declared or proposed. (For the year ended 31 December 2019: RMB95,120 thousand were paid).

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

During the six months ended 30 June 2020, the Group acquired property and equipment with a cost of RMB12,565 thousand (unaudited) (six months ended 30 June 2019: RMB4,614 thousand (unaudited)).

During the six months ended 30 June 2020, the Group entered into several new lease agreements with lease terms ranged from 1 to 6.5 years. The Group is required to make fixed payments. On lease commencement, the Group recognized right-of-use assets of RMB19,435 thousand (unaudited) and lease liabilities of RMB19,435 thousand (unaudited).

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

18. Investments in associates

Set out below are the associates of the Group as at 30 June 2020 and 31 December 2019, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Name of Entity	Place of business/ country of incorporation	% of ownership interest as at 30 June 2020	% of ownership interest as at 31 December 2019	Measurement Method
Zhonghai Fund Management Co., Ltd. ⁽¹⁾	PRC	33.409	33.409	Equity
Wuxi Guolian Lingxiang SME Investment Company (L.P.) ⁽²⁾	PRC	35.82	35.82	Equity

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

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

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

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Balance at beginning of the period/year	104,201	113,562
Share of profit	4,720	6,599
Capital reduction	-	(15,960)
Balance at end of the period/year	108,921	104,201

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

19. Other non-current assets

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Long-term deferred expense	35,924	42,232
Margin deposits of derivative contracts	96,891	–
	132,815	42,232

20. Deferred tax assets and liabilities

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Balance at beginning of the period/year	36,986	79,469
Credit to profit or loss (Note 14)	(4,101)	(42,483)
Balance at end of the period/year	32,885	36,986

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

20. Deferred tax assets and liabilities (continued)

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

	Impairment losses	Changes in fair value of financial assets at fair value through profit or loss	Others	Total
As at 1 January 2019	48,376	24,464	11,412	84,252
(Charge)/credit to profit or loss	(3,177)	(24,464)	11,755	(15,886)
As at 31 December 2019	45,199	–	23,167	68,366
As at 1 January 2020	45,199	–	23,167	68,366
(Charge)/credit to profit or loss	(1,277)	–	980	(297)
As at 30 June 2020	43,922	–	24,147	68,069

	Changes in fair value of financial assets at fair value through profit or loss	Others	Total
As at 1 January 2019	3,902	881	4,783
Charge/(credit) to profit or loss	27,478	(881)	26,597
As at 31 December 2019	31,380	–	31,380
As at 1 January 2020	31,380	–	31,380
Charge/(credit) to profit or loss	3,681	123	3,804
As at 30 June 2020	35,061	123	35,184

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

21. Refundable deposits

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Deposits to Stock Exchanges		
– Shanghai Stock Exchange	45,820	36,203
– Shenzhen Stock Exchange	37,617	27,343
– China Beijing Equity Exchange	926	1,088
Deposits to futures brokers		
– Guolian Futures Co., Ltd. (“Guolian Futures”)	21,269	–
	105,632	64,634

22. Other current assets

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Accounts receivable ^(a)	59,962	93,040
Prepaid expenses	8,738	12,008
Other receivables ^(a)	12,976	10,693
Margin deposits of Derivative contracts	101,352	–
Others	8,184	53,118
Less: Impairment allowance	4,036	2,814
	187,176	166,045

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

22. Other current assets (continued)

(a) Account receivables and other receivables

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

	30 June 2020		31 December 2019	
	Amount (Unaudited)	Impairment allowance (Unaudited)	Amount (Audited)	Impairment allowance (Audited)
Up to 1 year	59,438	105	94,170	84
1 to 2 years	4,260	48	2,552	235
2 to 3 years	5,098	1,020	3,216	622
Over 3 years	4,142	2,863	3,795	1,873
	72,938	4,036	103,733	2,814

The ECL allowance of accounts receivables and other receivables according to the stage of ECL are as follows:

	2020/6/30			Total RMB'000
	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	
Accounts receivable and Other receivables	3,507	66,871	2,560	72,938
Less: Impairment allowance	197	1,279	2,560	4,036
	3,310	65,592	-	68,902

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

22. Other current assets (continued)

	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
Accounts receivable and Other receivables	3,234	98,965	1,534	103,733
Less: Impairment allowance	220	1,060	1,534	2,814
	3,014	97,905	-	100,919

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 30 June 2020 and 31 December 2019, accounts receivable of the Group were in Stage 2.

23. Margin accounts receivable

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Margin accounts receivable	5,983,010	4,644,542
Less: Impairment allowance	6,464	6,145
	5,976,546	4,638,397

Margin accounts are the funds the Group lends to the customers in margin financing and securities lending business. As at 30 June 2020, impairment allowance amounting to RMB6,464 thousand (31 December 2019: RMB6,145 thousand) was provided.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

23. Margin accounts receivable (continued)

The ECL allowance of margin accounts receivable according to the stage of ECL are as follows:

	2020/6/30			
	Stage 1	Stage 2	Stage 3	Total
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
RMB'000	RMB'000	RMB'000		
Margin accounts receivable	5,802,672	180,338	-	5,983,010
Less: Impairment allowance	3,504	2,960	-	6,464
	5,799,168	177,378	-	5,976,546

	2019/12/31			
	Stage 1	Stage 2	Stage 3	Total
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
RMB'000	RMB'000	RMB'000		
Margin accounts receivable	4,447,826	196,716	-	4,644,542
Less: Impairment allowance	3,596	2,549	-	6,145
	4,444,230	194,167	-	4,638,397

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

24. Financial assets held under resale agreements

Non-current assets

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Analysed by asset type:		
– Equity securities	–	415,101
Less: Impairment allowance	–	2,471
	–	412,630
Analysed by market:		
– Shanghai Stock Exchange	–	6,092
– Shenzhen Stock Exchange	–	406,538
	–	412,630

Current assets

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Analysed by asset type:		
– Equity securities	2,109,069	2,334,997
– Debt securities	491,474	848,736
Less: Impairment allowance	165,258	169,436
	2,435,285	3,014,297
Analysed by market:		
– Interbank market	238,675	328,666
– Shanghai Stock Exchange	671,330	886,176
– Shenzhen Stock Exchange	1,525,280	1,799,455
	2,435,285	3,014,297

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

24. Financial assets held under resale agreements (continued)

Current assets (continued)

The ECL allowance of Financial assets held under resale agreements according to the stage of ECL are as follows:

	2020/6/30			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets held under resale agreements	1,889,556	558,091	152,896	2,600,543
Less: Impairment allowance	2,241	10,121	152,896	165,258
	1,887,315	547,970	-	2,435,285

	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
Financial assets held under resale agreements	2,511,381	933,788	153,665	3,598,834
Less: Impairment allowance	6,053	12,189	153,665	171,907
	2,505,328	921,599	-	3,426,927

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

25. Financial assets at fair value through profit or loss

Non-current assets

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Financial assets mandatorily measured at fair value through profit or loss		
– Investment in unlisted companies	99,017	99,742
– Debt instrument	–	–
– Trust products	8,266	–
– Collective asset management schemes	547,036	17,801
Total non-current assets	654,319	117,543
Analysed as		
– Unlisted	654,319	117,543

Current assets

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Financial assets mandatorily measured at fair value through profit or loss		
– Debt securities	12,298,223	6,736,418
– Equity securities	354,974	560,417
– Investment funds	650,400	321,740
– Asset backed securities	996,097	220,084
– Wealth management products	205,963	266,744
Total current assets	14,505,657	8,105,403
	15,159,976	8,222,946

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

Current assets (continued)

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Analysed as		
Financial assets mandatorily measured at fair value through profit or loss		
– Listed in Hong Kong	29,569	62,683
– Listed outside Hong Kong	13,658,146	7,492,657
– Unlisted	817,942	550,063
	14,505,657	8,105,403

As at 30 June 2020, the fair value of securities of the Group which have been placed as collateral was RMB8,095,280 thousand (31 December 2019: RMB4,171,893 thousand).

As at 30 June 2020, the fair value of interests in collective asset management schemes, of which the redemption was restricted due to the Group's participation in the schemes which were managed by the Group, was RMB 23,409 thousand (31 December 2019: RMB 17,801 thousand).

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

26. Clearing settlement funds

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Clearing settlement funds held for clients	1,442,426	1,740,470
Proprietary clearing settlement funds	353,055	360,068
	1,795,481	2,100,538

27. Cash and bank balances

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Bank balances	1,866,663	2,757,258
	1,866,663	2,757,258

28. Other current liabilities

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Salaries, bonus, allowances and benefits payable	124,730	259,074
Accounts payable	89,882	222,399
Other taxes payable	53,699	16,829
Securities investor protection fund	3,531	3,824
Provisions	1,869	1,869
Margin deposits of Derivative contracts	157,762	-
Others	37,514	22,672
	468,987	526,667

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

29. Bonds in issue

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current		
Corporate bonds with fixed rate – 2020	–	700,000
Corporate bonds with fixed rate – 2020	–	1,000,000
Corporate bonds with fixed rate – 2020 ^(a)	1,000,000	1,000,000
Income certificates	–	300,000
Income certificates ^(b)	300,000	–
Short term financing bond	–	1,000,000
Short term financing bond ^(c)	800,000	–
Interest payable	163,007	155,028
	2,263,007	4,155,028
Non-Current		
Corporate bonds with fixed rate – 2023 ^(d)	800,000	–
Corporate bonds with fixed rate – 2023 ^(e)	1,500,000	–
Corporate bonds with fixed rate – 2022 ^(f)	1,500,000	–
Subordinated bonds with fixed rate – 2021 ^(g)	1,500,000	1,500,000
Subordinated bonds with fixed rate – 2022 ^(h)	800,000	800,000
Subordinated bonds with fixed rate – 2023 ⁽ⁱ⁾	700,000	–
	6,800,000	2,300,000
	9,063,007	6,455,028

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

29. Bonds in issue (continued)

- (a) 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.
- (b) On 18 February 2020, the company issued RMB300,000 thousand of income certificate with a term of 274 days and bore interest rates of 3.70% per annum paid at maturity.
- (c) On 8 May 2020, the Company issued RMB800,000 thousand of Short term financing bonds with a term of 91 days and bore interest rates of 1.80% per annum paid at maturity.
- (d) On 16 January 2020, the company issued RMB800,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 4.13% paid annually.
- (e) On 11 March 2020, the company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.60% paid annually.
- (f) On 15 April 2020, the company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 2.88% paid annually.
- (g) 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.
- (h) 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.
- (i) On 5 March 2020, the Company issued RMB700,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 4.25% paid annually.

30. Financial liabilities at fair value through profit or loss

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Interests of other holders of consolidated structured entities	811,493	1,080,462
Income certificates with variable interests	79,258	–
	890,751	1,080,462

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

31. Derivative financial instruments

	30 June 2020		31 December 2019	
	Assets (Unaudited)	Liabilities (Unaudited)	Assets (Audited)	Liabilities (Audited)
Futures contracts ^(a)	-	-	-	-
Listed options	-	(19)	-	-
OTC options	2,049	(4,222)	-	-
Return swaps	4,816	(12,929)	-	-
	6,865	(17,170)	-	-

(a) Futures contracts

	30 June 2020		31 December 2019	
	Nominal value RMB'000	Fair value RMB'000	Nominal value RMB'000	Fair value RMB'000
Treasury futures	821,750	2,209	-	-
SIF	109,032	2,605	-	-
Less: Cash paid as settlement		4,814		-
Net position of future contracts		-		-

The future contracts of the Group represent treasury future contracts and stock index futures contracts. The Group settles its gains or losses on treasury future contracts and stock index futures ("SIF") position on a daily basis.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

32. Financial assets sold under repurchase agreements

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Analysed by asset type:		
– Debt securities	7,528,453	3,692,992
	7,528,453	3,692,992
Analysed by market:		
– Interbank market	5,201,092	3,115,826
– Shanghai Stock Exchange	2,327,361	577,166
	7,528,453	3,692,992
Analysed by transaction type:		
– Pledged	7,429,670	3,692,992
– Outright	98,783	–
	7,528,453	3,692,992

33. Share capital

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Registered, issued and fully paid share capital (in thousand)		
Domestic shares	1,459,760	1,459,760
H shares	442,640	442,640
	1,902,400	1,902,400

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

34. Other non-current liabilities

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Margin deposits of derivative contracts	113,794	–
	113,794	–

35. Cash and cash equivalents

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

	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
Cash	–	11
Bank balances	1,865,409	2,650,392
Proprietary clearing settlement funds	353,055	413,039
Cash equivalents	481,136	2,366,367
	2,699,600	5,429,809

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

36. Commitments and contingent liabilities

(1) Commitments

As at 30 June 2020, the Group was not involved in any material commitments.

(2) Legal proceedings

On 20 September 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, claiming that the Company should refund the overcharged amount and losses totaling RMB55,517 thousand to a third-party. On 15 April 2020, the Wuxi Intermediate People's Court issued a civil ruling which rejected this lawsuit. The client filed an appeal on 29 May 2020, and the case is currently under trial. The Company has recognised provisions of RMB1,869 thousand in respect of the above case as at 30 June 2020 (31 December 2019: RMB1,869 thousand).

37. Related party transactions

37.1 Transactions and balances with the Company's controlling shareholder

Wuxi Guolian Development (Group) Co., Ltd. (collectively referred to as "Guolian Group" together with its subsidiaries) is a wholly state-owned company established in the PRC with a registered capital of RMB8,000,000 thousand. As at 30 June 2020, Guolian Group directly held 28.59% of the equity interest in the Company. In addition, Guolian Group also indirectly held equity interest in the Company through its subsidiaries of Guolian Trust Co., Ltd. ("Guolian Trust"), Wuxi Guolian Municipal Electric Power Co., Ltd. ("Wuxi Electric"), Wuxi Yi Mian Textile Group Co., Ltd. ("Yi Mian Textile"), Wuxi Min Sheng Investment Co., Ltd. ("Min Sheng Investment") and Wuxi Huaguang Environment & Energy Group Co., Ltd. ("Wuxi Huaguang Environment & Energy").

Guolian Trust is the subsidiary of Guolian Group who directly held 65.85% of the equity interest. As at 30 June 2020, Guolian Trust held 20.51% of the equity interest in the Company.

Wuxi Electric is an indirectly wholly-owned subsidiary of Guolian Group. As at 30 June 2020, Wuxi Electric held 14.03% of the equity interest in the Company.

Min Sheng Investment is an indirectly wholly-owned subsidiary of Guolian Group. As at 30 June 2020, Min Sheng Investment held 3.86% of the equity interest in the Company.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

37. Related party transactions (continued)

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

Yi Mian Textile is a direct wholly-owned subsidiary of Guolian Group. As at 30 June 2020, Yi Mian Textile held 3.83% of the equity interest in the Company.

Wuxi Huaguang Environment&Energy is the subsidiary of Guolian Group who directly held 72.11% of the equity interest. As at 30 June 2020, Wuxi Huaguang Environment&Energy held 1.53% of the equity interest in the Company.

Transactions during the period

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Income from providing securities brokerage services	–	< 1
Income from providing asset management services	10	10
Income from providing underwriting services	3,962	2,830

Balances at the end of the period/year

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
	Cash held for brokerage clients	7,512

In addition to the related party transactions above, the Company provided asset management services for Guolian (Group). As at 30 June 2020, the assets under investment management amounted to approximately RMB63,791 thousand (31 December 2019: RMB67,196 thousand).

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

37. Related party transactions (continued)

37.2 Other related party transactions and balances

The below table lists the Group's other related legal entities as at 30 June 2020:

Related legal entities	The relationship with the Group
Guolian Futures	Fellow subsidiary
Wuxi Guolian Xincheng Investment Co., Ltd. ("Guolian Xincheng")	Fellow subsidiary
Wuxi Guolian Property Management Co., Ltd. ("Guolian Property Management")	Fellow subsidiary
Wuxi Guolian Investment Co., Ltd.	Fellow subsidiary
Jiangsu Asset Management Co., Ltd.	Fellow subsidiary
Wuxi Guolian Industry Investment (Group) Co., Ltd.	Fellow subsidiary
Zhonghai Fund Management Co., Ltd.	Associate invested by the Group
Guolian Life Insurance Company Limited	Associate invested by the controlling shareholder of the Company
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 the Director of the Company since 13 June 2019. Mr Ge acted as senior management personnel of CITIC and director of China AMC and resigned on 8 April 2019 and 28 June 2019, therefore CITIC was related legal entities of the Company between 8 April 2019 and 7 April 2020 and China AMC was related legal entities of the Company between 28 June 2019 and 27 June 2020.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

37. Related party transactions (continued)

37.2 Other related party transactions and balances (continued)

Transactions during the period

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Income from providing securities brokerage services		
– Guolian Futures	312	258
– Guolian Trust	17	2,906
– Zhonghai Fund Management Co., Ltd.	2,232	1,380
– Others	3,511	880
Income from providing asset management services		
– Jiangsu Asset Management Co., Ltd.	446	295
– Guolian Life Insurance Company Limited	156	141
– Others	129	265
Rental income		
– Guolian Life Insurance Company Limited	–	1,611
– Guolian Futures	201	409
– Guolian Property Management	–	61
Rental expense		
– Jiangsu Asset Management Co., Ltd.	631	284
– Others	–	401
Interest expense of lease obligation		
– Guolian Xincheng	923	1,137
– Guolian Life Insurance Company Limited	287	309
– Others	–	3
Income from providing underwriting services		
– Jiangsu Asset Management Co., Ltd.	7,925	–
Income from providing financial advisory services		
– Wuxi Huaguang Environment&Energy	278	–
– Guolian Trust	2,128	1,179
– Others	–	363
Expense for receiving services		
– Guolian Property Management	2,027	1,452
– Guolian Futures	67	305
– Others	145	143
Others		
– Guolian Life Insurance Company Limited	138	12

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(All amounts in RMB'000 unless otherwise stated)

37. Related party transactions (continued)

37.2 Other related party transactions and balances (continued)

Balances at the end of the period/year

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Accounts payable		
– Guolian Futures	80	80
– Guolian Life Insurance Company Limited	50	50
Lease obligation		
– Guolian Life Insurance Company Limited	10,228	10,632
– Guolian Xincheng	36,806	42,606
Accounts receivable		
– Guolian Xincheng	479	479
Clearing settlement funds		
– Guolian Futures	75,043	14,768
Refundable deposits		
– Guolian Futures	21,269	–
Cash held for brokerage clients		
– Guolian Trust	52	195
– Wuxi Guolian Industry Investment (Group) Co., Ltd.	17,669	12,638
– Others	26,302	55,002
Contractual liabilities		
– Jiangsu Asset Management Co., Ltd.	679	113

During the period ended 30 June 2020, the Group didn't enter into any new lease agreements for the use of buildings. The expenses related to short-term lease and low value leases with related parties amounted to RMB631 thousand.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

37. Related party transactions (continued)

37.2 Other related party transactions and balances (continued)

Balances at the end of the period/year (continued)

In addition to the related party transactions above, the Company provided asset management services for other related parties. As at 30 June 2020, the assets under investment management for other related party amounted to approximately RMB1,546,111 thousand (31 December 2019: RMB1,666,844 thousand). For the period ended 30 June 2020, the asset management fee income was RMB731 thousand (30 June 2019: RMB 655 thousand).

As at 30 June 2020, the Group didn't held any shares or any wealth management products issued by related parties (31 December 2019: RMB55,464 thousand).

37.3 Key management personnel

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

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Short term employee benefits	4,736	1,915
Post-employment benefits	307	404
	5,043	2,319

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

38. Fair value of financial assets and liabilities

38.1 Financial instruments measured at fair value

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 June 2020 and 31 December 2019.

Financial assets/liabilities	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at fair value through profit or loss				
– Bonds	12,298,223	6,736,418	Level 2	Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of the bond.
– Asset backed securities	996,097	220,084	Level 2	Discounted future cash flow estimated based on expected recoverable amounts at rates that reflect credit risk of securities.
– Equity securities traded on stock exchanges	331,244	527,065	Level 1	Quoted bid price in an active market.
– Equity securities listed on National Equities Exchange and Quotation	23,729	33,352	Level 2	Recent transaction prices.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

38.1 Financial instruments measured at fair value (continued)

Financial assets/liabilities	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at fair value through profit or loss (continued)				
– Exchange Traded Fund	56,966	38,421	Level 1	Quoted bid prices in an active market.
– Other Investment funds	593,434	283,319	Level 2	Net asset value as published by the fund manager.
– Collective asset management schemes	–	4,496	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.
– Collective asset management schemes	547,036	214,042	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.
– Wealth management products	205,963	66,007	Level 2	Discounted future cash flows estimated based on expected return that reflect the credit risk of the products.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

38.1 Financial instruments measured at fair value (continued)

Financial assets/liabilities	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at fair value through profit or loss (continued)				
– Unlisted equity investment	99,018	99,742	Level 3	Calculated by using asset-based approach or market approach, with an adjustment or discount for lack of marketability. The key inputs are the value of the assets and liabilities or main financial indicators of target companies, indicators such as P/E and P/B multiples of comparable listed companies, and liquidity discount rate.
– Trust products	8,266	–	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.
Derivative financial instruments				
– OTC options	2,049	–	Level 3	The option pricing model is used which is calculated based on the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time, and the risk-free interest rate.
– Equity return swaps	4,816	–	Level 2	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges and the fixed income agreed in the swap agreements.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

38.1 Financial instruments measured at fair value (continued)

Financial assets/liabilities	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial liabilities at fair value through profit or loss				
– Interests of other holders of consolidated structured entities	(811,493)	(1,080,462)	Level 3	Calculated based on the fair value of the underlying investments and other inputs management considers to be appropriate.
– Income certificates with variable interests	(79,258)	–	Level 3	The fair value of the income certificate is the sum of the fair value of embedded option and the discounted future cash flows from the host contract of the debt instrument. The fair value of option is calculated using option pricing model with major inputs including the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time and the risk-free interest rate, etc. The fair value of host contract of debt instrument is calculated based on expected future cash flow discounted by the discount rate reflecting the Company's own credit risk.
Derivative financial instruments				
– Listed options	(19)	–	Level 1	Quoted bid prices in an active market.
– OTC options	(4,222)	–	Level 3	The option pricing model is used which is calculated based on the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time, and the risk-free interest rate.
– Equity return swaps	(12,929)	–	Level 2	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements.

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(All amounts in RMB'000 unless otherwise stated)

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

38.1 Financial instruments measured at fair value (continued)

As at 30 June 2020 (Unaudited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	331,244	23,729	–	354,973
– Investment in unlisted companies	–	–	99,018	99,018
– Debt securities	–	12,298,223	–	12,298,223
– Debt instrument	–	–	–	–
– Investment funds	56,966	593,434	–	650,400
– Collective asset management schemes	–	547,036	–	547,036
– Wealth management products	–	205,963	–	205,963
– Asset backed securities	–	996,097	–	996,097
– Trust products	–	8,266	–	8,266
– Derivative financial assets	–	4,816	2,049	6,865
Total	388,210	14,677,564	101,067	15,166,841
Liabilities				
Financial liabilities at fair value through profit or loss				
– Interests of other holders of consolidated structured entities	–	–	(811,493)	(811,493)
– Income certificates with variable interests	–	–	(79,258)	(79,258)
Derivative financial liabilities	(19)	(12,929)	(4,222)	(17,170)
Total	(19)	(12,929)	(894,973)	(907,921)

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

38.1 Financial instruments measured at fair value (continued)

As at 31 December 2019 (Audited)	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
Total	565,486	7,553,222	104,238	8,222,946
Liabilities				
Financial liabilities at fair value				
through profit or loss				
– Interests of other holders of consolidated structured entities	–	–	(1,080,462)	(1,080,462)
Total	–	–	(1,080,462)	(1,080,462)

For the six months ended 30 June 2020 and year ended 31 December 2019, there were no transfers of fair value for financial instruments from level 1 and level 2 to level 3, nor were transfers between level 1 and level 2 of the fair value hierarchy of the Group.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

38.1 Financial instruments measured at fair value (continued)

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2020 and 30 June 2019.

	Financial assets at fair value through profit or loss – Investment in unlisted companies RMB'000	Derivative financial assets RMB'000	Total RMB'000
Balance at 1 January 2020 (Audited)	99,742	–	99,742
Fair value change	783	1,785	2,568
Increase	–	264	264
Decrease	(1,507)	–	(1,507)
Balance at 30 June 2020 (Unaudited)	99,018	2,049	101,067
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period under “Net investment gains”	783	1,785	2,568

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

38.1 Financial instruments measured at fair value (continued)

	Financial asset at fair value through profit or loss – Collective asset management scheme RMB'000	Financial asset at fair value through profit or loss – Debt instrument RMB'000	Financial assets at fair value through profit or loss – Investment in unlisted companies RMB'000	Financial assets at fair value through profit or loss – Asset Backed Securities RMB'000	Total RMB'000
Balance at 1 January 2019 (Audited)	4,065	13,811	118,245	23,657	159,778
Fair value change	841	–	(9,579)	–	(8,738)
Increase	–	–	–	648	648
Decrease	–	–	(12,178)	(14,125)	(26,303)
Balance at 30 June 2019 (Audited)	4,906	13,811	96,488	10,180	125,385
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period under “Net investment gains”	841	–	(11,757)	–	(10,916)

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

38.1 Financial instruments measured at fair value (continued)

	Financial liabilities at fair value through profit or loss – Interests of other holders of consolidated structured entities RMB'000	Financial liabilities at fair value through profit or loss – Income certificates with variable interests RMB'000	Derivative financial liabilities RMB'000	Total RMB'000
Balance at 1 January 2020 (Audited)	1,080,462	–	–	1,080,462
Losses recognized in profit or loss	31,416	588	4,222	36,226
Increase	–	78,670	–	78,670
Decrease	(300,385)	–	–	(300,385)
Balance at 30 June 2020 (Unaudited)	811,493	79,258	4,222	894,973
Change in unrealized gains or losses for the period included in profit or loss for liabilities held at the end of the period under “Net investment gains”	15,960	588	4,222	20,770
				Financial liabilities at fair value through profit or loss – Interests of other holders of consolidated structured entities RMB'000
Balance at 1 January 2019 (Audited)				1,151,165
Losses recognized in profit or loss				32,834
Increase				156,428
Decrease				(19,203)
Balance at 30 June 2019 (Audited)				1,321,224
Change in unrealized gains or losses for the period included in profit or loss for liabilities held at the end of the period under “Net investment gains”				9,956

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

38.1 Financial instruments measured at fair value (continued)

Financial assets/liabilities	Fair value hierarchy	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial assets at fair value through profit or loss – Unlisted equity investment	Level 3	<ul style="list-style-type: none">Discount rates that correspond to lack of marketability.	<ul style="list-style-type: none">The lower the discount rate, the higher the fair value.
Derivative financial instruments – OTC options	Level 3	<ul style="list-style-type: none">The volatility of the underlying equity instrument for option	<ul style="list-style-type: none">The higher the volatility of the underlying equity instrument, the higher the fair value
Financial liabilities at fair value through profit or loss – Interests of other holders of consolidated structured entities	Level 3	<ul style="list-style-type: none">Other adjustments based on the fair value of underlying assets	<ul style="list-style-type: none">The higher the adjusted value, the lower the fair value.
Financial liabilities at fair value through profit or loss – Income certificates with variable interests	Level 3	<ul style="list-style-type: none">The volatility of the underlying equity instrument for option	<ul style="list-style-type: none">The higher the volatility of the underlying equity instrument, the higher the fair value

38.2 Financial instruments not measured at fair value

As at 30 June 2020, the fair value of the bonds in issue of the Group was RMB 8,226,870 thousand (31 December 2019: RMB 5,322,894 thousand), and the carrying amount was RMB 7,956,778 thousand (31 December 2019: RMB 5,145,995 thousand). The Group adopts the discounted cash flow method by discounting future cash flow with yield rate of the bonds for fair value assessment. The fair value of other financial assets and financial liabilities which are not measured at fair value approximates the carrying amount of these assets and liabilities.

39. Events after the end of the reporting period

Offering of corporate bonds

On 23 July 2020, the Company issued RMB1,000,000 thousand of short term financing bond with a term of 91 days and an interest rate of 2.86% per annum paid at maturity.

Completion of the A share offering

The Company has completed the A Share Offering and the A Shares of the Company was listed on the Shanghai Stock Exchange on 31 July 2020 (stock code of: 601456). After this public offering, total share capital of the Company increased to RMB2,378,119 thousand.